MGC PHARMACEUTICALS LTD
AND CONTROLLED ENTITIES
ABN 30 116 800 269

APPENDIX 4D

REPORTING PERIOD
Interim financial period to 31 December 2018

PREVIOUS REPORTING PERIOD
Interim financial period to 31 December 2017

Half year information given to ASX under listing rule 4.2A.3
This information contained in this report should be read in conjunction with the most recent annual report.

RESULTS FOR ANNOUNCEMENT TO MARKET

	31-Dec-18	Change%	31-Dec-17
Revenue from ordinary activities	286,224	864%	29,681
Profit / (Loss) after income tax from ordinary activities*	952,346	(113%)	(7,194,527)
Net profit / (loss) for the period*	611,016	(108%)	(7,193,489)
Dividend per share	n/a	-	n/a
Record date for determining entitlement to dividends	n/a	-	n/a

No dividends have been paid or declared during the year

**Significant contribution to the change in net losses to overall net profits in comparison to the prior period relates to the gain on re-measurement of the performance shares of $6.27m which subsequently expired in February 2019 (31 Dec 2017 was a loss on re-measurement of $4.08m); in addition a one-off impairment expense of $2m was recognised in relation to the intangible asset (31 Dec 2017: $nil)*

NET TANGIBLE ASSETS PER ORDINARY SHARE (cents)	0.70	0.19

DETAILS OF SUBSIDIARIES
During the period newly incorporated Malta entities were setup for the Malta operations. Refer note 4 for further details.

DIVIDENDS	n/a	n/a
DIVIDENDS REINVESTMENT PLAN	n/a	n/a
ASSOCIATED AND JOINT VENTURE ENTITIES	n/a	n/a
FOREIGN ENTITIES ACCOUNTING STANDARD	n/a	n/a

Subsidiaries are incorporated in the United Kingdom, Slovenia, Czech Republic and Malta, where International Financial Reporting Standards are applied to compile local Financial Reports.

AUDIT DISPUTE OR QUALIFICATION n/a n/a
Not subject to a modified opinion, emphasis of matter or any other matter paragraph.

ABN 30 116 800 269
MGC PHARMACEUTICALS LTD

INTERIM FINANCIAL REPORT

31 DECEMBER 2018

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Corporate Directory

Directors

Brett Mitchell
Executive Chairman
Nativ Segev
Non-Executive Director
Roby Zomer
Managing Director
Ross Walker
Non-Executive Director

Joint Company Secretaries

Rachel Kerr
Kate Sainty

Registered Office and Principal Place of Business

1202 Hay Street
West Perth WA 6005
Tel: +61 8 6382 3390

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6005

Auditors

PKF Perth
Level 4, 35 Havelock Street
West Perth WA 6872

Securities Exchange Listing

MGC Pharmaceuticals Ltd securities are listed on the Australian Securities Exchange (ASX)
Code 'MXC' for ordinary shares
Code 'MXCOD' for listed options

Share Registry

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace
Perth WA 6000

Directors' Report

The directors submit the consolidated condensed interim financial report for MGC Pharmaceuticals and its controlled entities (the "Consolidated Group" or "Group") for the half-year ended 31 December 2018.

Directors

The names of directors who held office during or since the end of the half-year:

Director	Title	Appointment Date
Brett Mitchell	Executive Chairman	4 April 2013
Roby Zomer	Managing Director	15 February 2016
Nativ Segev	Non-Executive Director	15 February 2016
Ross Walker	Non-Executive Director	15 February 2016

Operating Results

The consolidated profit for the Group after providing for income tax from continuing operations amounted to $952,346 (31 Dec 2017: losses of $7,194,527), which includes exceptional one-off items: gain on re-measurement of performance shares of $6,270,000 and provision for impairment on the intangible asset of $2,031,133 (31 Dec 2017: $nil).

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial period.

Review of Operations

During the period, MGC Pharmaceuticals made significant progress across its Pharma, Botanic and Derma divisions, driving the Company towards full commercialisation as a leading pure bio-pharma company.

Key achievements from the half year include, the receipt of full GMP certification for MXC's manufacturing and production facility in Slovenia, receipt of approval from the TGA under the Authorised Prescriber Scheme for its first produced medicinal cannabis product from its Slovenia GMP manufacturing facility followed by the subsequent arrival of the first CannEpil™ product into Australia, and the execution of a binding agreement for the sale of MGC Derma to Canadian cannabis products and marketing company, CannaGlobal.

MGC Pharma Division

In line with the core strategy of the Board to become a pure bio-pharma company with global operations and a seed-to-pharma business model, MXC has obtained a number of licences and executed multiple agreements to support the Company's commercialisation model during the period.

Australian operations on track to deliver revenue growth in 2019/20

- **CannEpil™ receives TGA approval and arrives in Australia**

The Company's first IMP (Investigative Medicinal Product) CannEpil™ was successfully imported into Australia and is now available for supply under the Authorised Prescriber Scheme. This followed receipt of full approval from the TGA and endorsement from the Human Research Ethics Committee at St Vincent's Hospital.

Prior to its arrival, CannEpil™ was independently certified as meeting strict European quality standards and under the Authorised Prescriber Scheme, registered doctors are able to prescribe CannEpil™ to suitable epilepsy patients in their care.

CannEpil's arrival represents the first step towards full pharmaceutical commercialisation and demonstrates MXC's first material move to delivering on its seed-to-pharma business model.

Directors' Report

- **Leading Neurologist and Epileptologist Wendyl D'Souza joins the Medical Advisory Board**

The Company strengthened its Medical Advisory Board with the appointment of Assoc. Professor Wendyl D'Souza. Wendyl is a renowned Consultant Neurologist and Epileptologist who brings over 15 years of clinical experience and extensive research into alternative treatments for common neurological disorders to MXC.

Assoc. Professor D'Souza is currently the Head of Epilepsy Services at St Vincent's Hospital, Melbourne where he treats over 3,000 patients and is completing a project in Neuroepidemiology and Health Services.

The addition of Wendyl D'Souza strengthens the reach and capabilities of MXC's Medical Advisory Board and his knowledge and experience are invaluable to ensuring the Company's research remains at the forefront of medical innovation.

- **Ethics committee approval granted for CogniCann™ phase II clinical trial**

MXC received Human Research Ethics Committee approval from the University of Notre Dame to conduct a Phase II clinical trial into the effects of MXC's second GMP certified IMP CogniCann™, on patients with mild dementia and Alzheimer's.

The clinical trial was designed by the Company's expert Medical Advisory Board, led by Professor Uri Kramer and will take place in partnership with the University of Notre Dame in Western Australia.

The 16-week trial will use a randomised, double-blind, crossover, placebo-control design to evaluate behavioural changes, quality of life and level of discomfort in 50 patients aged 65 and over living in aged care facilities. The trial is due to commence in H1 2019 and progresses MXC towards bringing another medicinal cannabis product to market.

European operations become strategic focus of 2019

- **GMP certification and manufacturing licence awarded**

The Company's European facility received full GMP certification and was awarded a licence to produce and manufacture pharmaceutical grade medicinal cannabis products containing THC and CBD.

Receipt of these licences makes MXC's one of the most advanced facilities of its kind within Europe and signalled the commencement of full-scale manufacturing of CannEpil™, progressing the Company towards achieving first sales of the IMP.

- **Government approves extraction of Phytocanabinoid API at European GMP facility**

The Company received a permit from the Slovenian Ministry of Health granting it permission to operate its extraction facility for the purposes of;

1. Development of new formulations with Phytocanabinoids coming from different genetics to produce new and different natural API's (Active Pharmaceutical Ingredient)
2. Development of its own Phytocannabinoid active ingredient API from cannabis plants
3. Optimisation and validation of the extraction and isolation processes for the purpose of control and understanding of all components

MXC is one of the first facilities within the EU to receive permission to develop its own natural Phytocannabinoid API, progressing the Company a step further towards delivering full vertical integration across all operations.

All findings and intellectual property from the process will be used to formulate the future pipeline of the Company's phytomedicines.

- **MXC receives SME qualification from European Medicines Agency**

Extending the Company's progress in Europe, MXC was the first Australian Medical Cannabis company to receive SME qualification from the European Medicines Agency (EMA) for all of its Phytomedicines – the European equivalent to the TGA in Australia and the FDA is the USA.

Directors' Report

- **Construction due to commence on Maltese cultivation and production facility**

During the period, material progress was made towards commencing construction of MXC's manufacturing and production facility in Malta. The Company completed all architectural plans and ground work for the facility, following the Maltese Medical Authority's release of formal guidelines on the production of cannabis for medicinal and research purposes.

This followed legislative changes enacted by the Maltese Parliament in May 2018 and represents the last legislative step required by the Maltese Government before the signing of formal contracts. MXC is poised for the next phase of development and the execution of a long-term lease agreement for the land and the commencement of construction during H1 2019.

- **Distribution agreement signed for GMP pharma products in Malta**

The Company signed a major distribution agreement with A.M. Mangion Ltd (Mangion), a leading Maltese-based pharmaceutical distributor of European healthcare products. Under the three-year agreement, Mangion will distribute MXC's GMP certified medicinal cannabis products to key markets in Europe, the Middle East and North Africa.

This relationship is key to MXC's international development and provides expedited access to an established distribution network in Malta and internationally, to fast-track delivery of MXC's medicinal cannabis products into new markets.

Research and Educational initiatives

- **Collaboration with leading international universities to launch CannaHub**

The Company signed a binding partnership agreement with RMIT (Royal Melbourne Institute of Technology) and HUJ (The Hebrew University of Jerusalem) to build and launch an international library focussed on innovation within the medicinal cannabis industry.

The library is called CannaHub and takes the form of an international shared database of research, data, analytical information and potential uses of medicinal cannabis. CannaHub is populated by the research departments at RMIT, HUJ and other leading universities that are incentivised to join the hub and participate in ground-breaking research.

CannaHub is also set to become MXC's primary research engine with all findings, outcomes and conclusions to remain the property of CannaHub partners. MXC also hold the first right of refusal on any data or findings with potential commercial upside.

- **Educational platform launched with EAA (C4E)**

As an extension to its current research initiatives, the Company broadened its partnership with Epilepsy Action Australia (EAA) and created an online platform dedicated to providing educative materials and information on epilepsy and medicinal cannabis.

Accessed via the EAA website and designed for patients and healthcare practitioners, content is populated by experts and contains information under its 'Get Educated' and 'Get Access' portals. The portals provide easily-packaged, user friendly information on medicinal cannabis news, research and clinical trials.

The launch of this website supports the Company's plans to transform the epilepsy treatment market by providing a range of premium grade, GMP certified medicinal cannabis products where current treatments are ineffective.

Directors' Report

MGC Botanic Division

All research and cultivation projects currently underway within MXC's Botanic division continue to progress well and the Company has successfully harvested the 2018 crop from its 1,100m^2 Czech Republic glasshouse facility. The crop yielded 700kg of biomass, 30% more than the comparative 2017 crop.

Additionally, MXC and the biotechnology research team working with the University of Ljubljana have successfully developed a new and proprietary strain; MXC-10, a high THC strain with the highest potency offering of any of MXC product launched to date. The strain contains over 35% THC and low CBD (<0.5%), allowing the Company to yield high amounts of API per kg of raw material and create the most cost effective and affordable Phytomedicines.

MGC Derma Division

In a strategic milestone, the Company signed a binding share purchase agreement with private Canadian cannabis investment company CannaGlobal Canada Co Inc. ("CannaGlobal") for the sale of its Derma division.

The transaction settled in January 2019 and as consideration for the sale of MGC Derma, the Company received a 10% equity holding in CannaGlobal and an exclusive 5-year agreement to supply the CBD and cosmetic raw materials required to manufacture the MGC Derma range. Of this agreement, MXC has received C$0.5 million in payment from CannaGlobal for the first order of CBD and raw materials.

This represents a key operational step forward for the Company on its pathway to commercialisation as it can now dedicate its resources to delivering on its corporate strategy to become a world leading pure bio-pharma company.

Prior to the signing of this agreement, the division made material progress by securing an extension to its distribution agreement with leading London based retailer, Harvey Nichols. Due to sales being well above expectations, distribution was expanded to a further two of Harvey Nichols' UK stores; Birmingham and Edinburgh in August 2018.

Corporate

- **Change in Executive Management Roles and Personnel for Bio-Pharma and Research Focus**

During the period, the Company delivered material progress across all divisions and the Board completed a number of key management appointments to streamline operations and drive growth and development.

These appointments signal the transition of some key responsibilities to the senior leadership team, which until recently have been performed by the Company's Executive Directors. The need to bolster the Company's management-level resourcing is a direct result of significant growth and development of the Company's bio-pharma business operations across Europe and Australia and focusses this experienced management team on delivering MXC's seed-to-pharma strategy

This transition of responsibility has resulted in revised roles and remuneration structure for Board members, effective 1st January 2019.

Roby Zomer - Managing Director

As Managing Director, Roby remains responsible for the execution of the Board's strategy and operations across the Company's entire operations. Annual remuneration of $300,000 with additional performance shares (equating to 30% of annual salary) based on share performance and operational milestones.

Directors' Report

Brett Mitchell - Executive Chairman
As Executive Chairman, Brett will continue to be responsible for the Company's financing, corporate strategy and development. Annual remuneration of $240,000 with additional performance shares (equating to 30% of annual salary) based on share performance and operational milestones.

Nativ Segev – Non-Executive Director and Business Strategy Manager
Nativ in his new role will act as the business strategy advisor to the Board utilising his vast cannabis industry experience and extensive network to ensure the Company remains at the forefront of industry innovation and development.

Further to this, as the Company's project in Malta will be the focus of 2019, Nativ will be responsible for the Malta project construction and operation, ensuring it meets the required KPIs. Annual remuneration of $240,000 with additional performance shares (equating to 30% of annual salary) based on share performance and operational milestones.

Dr Jonathan Grunfeld – Chief Scientific Officer
Additionally, to expedite commercialisation of MXC's pharma division, Dr Jonathan Grunfeld has been appointed to Chief Scientific Officer (CSO) of research operations, effective from 1st of January 2019.

Dr Grunfeld graduated from the Tel Aviv University Sackler Faculty of Medicine with an M.D. in 1996 and went on to qualify as a neurologist after completing his 5-year residency at a University of Tel Aviv teaching hospital. Jonathan then went on to complete a clinical Fellowship in neuro-oncology at the M.D. Anderson Cancer Centre in Houston, Texas in 2004.

Dr Grunfeld currently works within oncological palliative care at the Cancer Institute of the Assaf HaRofeh Medical Centre, Israel and has been authorised to issue prescriptions for the use of medical cannabis since 2010. He has extensive direct experience treating multiple conditions with cannabis to over 4,500 patients during this tenure. Jonathan will be responsible for envisioning and developing research capabilities.

Furthermore, other key management appointments in 2018 have included Keren Bar-Zakay as General Manager of Australian Operations, Rutchi Kaushal as Group CFO, Ron Lipsky as GM of Global Business Development and Irena Pribošič as the Head of Pharma Quality Assurance.

New Developments in 2019
Subsequent to the reporting period, the Company received notification that it had received TGA approval to import CogniCann™ into Australia for use during its Phase II clinical trial. This signals the commencement of recruitment and the trial remains on track to commence during H1 2019.

This achievement is very important for the Company and has progressed MXC forward towards release of its second IMP to the market.

Financial Update

Use of Funds
During the reporting period, the Company used funds for working capital purposes and to progress its European botanical and pharmaceutical initiatives, as well as its continued research with leading Australian institutes.

Cash Position
As at 31 December 2018, the Company had a cash balance of $6,277,860 (30 June 2018: $9,858,977) and remains well funded ahead of a number of key revenue generating milestones for the Company, including its first batch of CannEpil™.

Directors' Report

Events Subsequent to Reporting Date

29/01/2019	Completion of MGC Derma Sale to CannaGlobal Completion of the sale delivered 100% ownership of MGC Derma to CannaGlobal, and MXC now holds a strategic 10% equity interest in CannaGlobal.
22/02/2019	Major Regulatory Milestones Achieved for Pharma Business • TGA approved TGO93 Declaration Form, advising that our CTN (Clinical Trial Notification) for CogniCann™ into Alzheimer's and dementia • Government approval for API Extraction at MXC's European Facility • SME certification issued by the European Medicines Agency (EMA); providing access for scientific advice, drug evaluation and registration of CannEpil™, CogniCann™ and additional Phytomedicines that the Company is developing
21/02/2019	Expiration of 100m Performance Shares
26/02/2019	Independent Validation of MXC High-Grade Cannabis Genetics University of Ljubljana laboratory test results confirmed and validated MXC's proprietary genetic strains containing industry high levels of THC and CBD

Directors' Report

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 11 for the half-year ended 31 December 2018.

This report is signed in accordance with a resolution of the Board of Directors.

Brett Mitchell
Executive Chairman
Dated 28 February 2019

Advisory • Audit
Business Solutions

AUDITOR'S INDEPENDENCE DECLARATION

TO THE DIRECTORS OF MGC PHARMACEUTICALS LIMITED

In relation to our review of the financial report of MGC Pharmaceuticals Limited for the half year ended 31 December 2018, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF PERTH

SHANE CROSS
PARTNER

28 FEBRUARY 2019
WEST PERTH
WESTERN AUSTRALIA

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Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2018

	Note	31-Dec-18 $	31-Dec-17 $
Sales revenue		286,224	29,681
Cost of goods sold		(119,048)	(70,148)
Gross profit / (loss)		**167,176**	**(40,467)**
Other income		98,116	97,696
Research and development rebate		116,710	-
Operational expenditure		(241,557)	-
Corporate costs		(95,628)	(110,230)
Professional and consultancy fees		(416,996)	(363,261)
Research expenses		(914,690)	(258,327)
Directors' fees		(631,966)	(666,389)
Employee benefit expenses		(182,744)	(496,001)
Share based payments expense		(286,853)	(498,035)
Travel expenses		(230,080)	(142,733)
Marketing expenses		(221,362)	(283,459)
Depreciation		(81,153)	(67,116)
Office and administrative expenses		(159,838)	(83,067)
Finance costs		66,826	(189)
Impairment provision	*8b)*	(2,031,133)	-
Gain on disposal of subsidiary	*4*	-	86,352
(Loss) on disposal of property, plant and equipment		-	(26,887)
Revaluation of investments held		(24,286)	-
Gain / (Loss) on re-measurement of performance shares	*5*	6,270,000	(4,085,000)
Other expenses		(248,196)	(257,414)
Profit/(Loss) before income tax		**952,346**	**(7,194,527)**
Income tax benefit		-	-
Profit/(Loss) after income tax from continuing operations		**952,346**	**(7,194,527)**
(Loss) / Profit from discontinued operations	*4*	(341,330)	1,038
Total profit/(loss) after income tax		**611,016**	**(7,193,489)**
Profit/(Loss) after income tax for the half year attributable to:			
Member of the parent entity		652,481	(6,993,962)
Non-controlling interest		(41,465)	(199,527)
		611,016	**(7,193,489)**
Other comprehensive (loss)/income for the half year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		(45,341)	62,296
Other comprehensive (loss)/income (net of tax) for the half year		**(45,341)**	**62,296**
Total comprehensive income/(loss) for the half year		**565,675**	**(7,131,193)**
Total comprehensive income/(loss) attributable to:			
Members of the parent entity		549,461	(6,900,449)
Non-controlling interest		16,214	(230,744)
		565,675	**(7,131,193)**
Earnings per share for profit/(loss) attributable to the ordinary equity holders of the parent			
From continuing and discontinued operations:			
Basic and diluted earnings/(loss) per share (cents)		0.05	(0.64)

The accompanying notes form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Financial Position

As at 31 December 2018

	Note	31-Dec-18 $	30-Jun-18 $
CURRENT ASSETS			
Cash and cash equivalents		6,277,860	9,858,977
Inventory		422,473	712,315
Trade and other receivables		365,759	932,319
Asset held for sale	*4*	1,091,532	-
Total Current Assets		**8,157,624**	**11,503,611**
NON-CURRENT ASSETS			
Plant and equipment		1,352,367	1,334,492
Intangible asset	*8b)*	5,110,711	7,082,904
Other asset		48,571	72,857
Total Non-Current Assets		**6,511,649**	**8,490,253**
TOTAL ASSETS		**14,669,273**	**19,993,864**
CURRENT LIABILITIES			
Trade and other payables		428,461	960,575
Contingent consideration	*5*	-	6,270,000
Liabilities held for sale	*4*	669,510	-
Total Current Liabilities		**1,097,971**	**7,230,575**
NON-CURRENT LIABILITIES			
Loans from third parties		22,173	21,556
Deferred revenue		-	47,280
Provisions		10,734	3,669
Total Non-Current Liabilities		**32,907**	**72,505**
TOTAL LIABILITIES		**1,130,878**	**7,303,080**
NET ASSETS		**13,538,395**	**12,690,784**
EQUITY			
Contributed equity	*6*	49,101,888	48,440,990
Share based payment reserve	*7*	3,006,267	3,385,229
Foreign currency translation reserve		33,680	136,700
Retained earnings		(38,445,046)	(38,030,342)
Equity attributable to equity holders of the parent		**13,696,789**	**13,932,577**
Non-controlling interest		(158,394)	(1,241,793)
TOTAL EQUITY		**13,538,395**	**12,690,784**

The accompanying notes form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Changes in Equity

For the half year ended 31 December 2018

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non-controlling interest	Total
	$	$	$	$	$	$
Balance at 1 July 2017	**42,557,404**	**3,495,614**	**(35,849)**	**(29,784,002)**	**(444,637)**	**15,788,530**
Other comprehensive income	-	-	93,513	-	(31,217)	**62,296**
Loss after income tax expense	-	-	-	(6,993,962)	(199,527)	**(7,193,489)**
Total comprehensive loss for the year	**-**	**-**	**93,513**	**(6,993,962)**	**(230,744)**	**(7,131,193)**
Shares issued during the period (net of share issue costs)	10,109	-	-	-	-	**10,109**
Share based payment	-	498,035	-	-	-	**498,035**
Balance at 31 December 2017	**42,567,513**	**3,993,649**	**57,664**	**(36,777,964)**	**(675,381)**	**9,165,481**
Balance at 1 July 2018	**48,440,990**	**3,385,229**	**136,700**	**(38,030,342)**	**(1,241,793)**	**12,690,784**
Other comprehensive income	-	-	(103,020)	-	57,679	(45,341)
Loss after income tax expense	-	-	-	652,481	(41,465)	611,016
Total comprehensive loss for the year	**-**	**-**	**(103,020)**	**652,481**	**16,214**	**565,675**
Shares issued during the period (net of share issue costs)	(4,917)	-	-	-	-	(4,917)
Share based payment	-	286,853	-	-	-	286,853
Transfer to issued capital	665,815	(665,815)	-	-	-	-
Acquisition of remaining non-controlling interest	-	-	-	(1,067,185)	1,067,185	-
Balance at 31 December 2018	**49,101,888**	**3,006,267**	**33,680**	**(38,445,046)**	**(158,394)**	**13,538,395**

The accompanying notes form part of these condensed consolidated interim financial statements.

Condensed Consolidated Statement of Cash Flows

For the half year ended 31 December 2018

	Note	31-Dec-18	31-Dec-17 $
Cash flows from operating activities			
Receipts from customers		882,136	29,681
Payments to suppliers and employees		(3,054,012)	(3,140,180)
Payments for research expenses		(738,677)	-
Research and development rebate		116,710	-
Interest received		109,818	82,808
Interest paid		(540)	(187)
MGC Derma joint venture partner operational costs		-	-
Net cash used in operating activities		**(2,684,565)**	**(3,027,878)**
Cash flows from investing activities			
Proceeds from disposal of exploration assets	*4*	-	-
Proceeds from disposal of plant and equipment		-	68,501
Subsidiary held for sale, net of cash disposed of	*4*	(672,946)	-
Purchase of plant and equipment		(175,434)	(197,043)
Net cash provided by/(used in) investing activities		**(848,380)**	**(128,542)**
Cash flows from financing activities			
Proceeds from issue of shares, net of share issue cost		-	-
Repayment of borrowings		-	7,386
Payment of capital raising costs		(4,917)	(77)
Net cash provided by/(used in) financing activities		**(4,917)**	**7,309**
Net (decrease) in cash and cash equivalents held		**(3,537,862)**	**(3,149,111)**
Cash and cash equivalents at beginning of period		9,858,977	11,363,902
Foreign exchange movement of cash		(43,255)	114,887
Cash and cash equivalents at end of period		**6,277,860**	**8,329,678**

The accompanying notes form part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

NOTE 1. CORPORATE INFORMATION

The financial report of MGC Pharmaceuticals Ltd ('MGC' or the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2018 was authorized for issue in accordance with a resolution of the directors dated 28 February 2019.

MGC Pharmaceuticals Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

NOTE 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

a) Changes in Accounting Policy, Accounting Standards and Interpretations

The consolidated group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year. Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following new Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

There is no impact on the consolidated entities primary statements from the adoption of AASB 9.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of AASB 15 does not have any impact on the accounting for revenue in the consolidated entity but has resulted in a change to the description of accounting policies and revenue notes.

Revenue recognition

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue from sale of Cannabinoids

Revenue from the sale of cannabinoids is recognised when the goods have been delivered, at which point the customer obtains control of the goods.

Revenue from sale of Cosmetics

Revenue from the sales of cosmetics is recorded when the products have been delivered to the consumer, signifying transfer of ownership.

Interest revenue

Interest revenue is recognized on a proportional basis taking into account interest rates applicable to the financial assets.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

b) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2018.

Estimations and judgements on Intangible Assets

The intangible asset of the Group relates to a license to grow industrial cannabis in Slovenia. The Group tests the intangible asset for indications of impairment at each reporting period, in line with accounting policies. The intangible asset is a key asset and is recognized as an intangible asset with an indefinite useful life as only a simple renewal process is required annually.

The intangible asset is an integral part of the Slovenian operations becoming the Group's main cash generating unit (CGU), being established as its first fully operational, producing and manufacturing unit, with GMP certification issued to produce API grade products. Accordingly for impairment testing purposes the Slovenian Operation is considered to be the CGU.

The intangible asset was tested for impairment at reporting date using a value in use model. The assessment takes into consideration a number of significant assumptions, estimates and judgements in relation to the growth of the revenue streams, being pharma and botanic, pertaining to the CGU. The Directors believe the forecast net cashflows are achievable from current, contracted distribution agreements in place and the expected market share of medicinal products, in line with available market data, and considered a prudent approach by applying a probability factor to future revenues. A conservative discount rate of 15% was applied to net cashflows and a probability of 22.5% to estimated profitability in the latter years of the forecast model. A resulting provision for impairment of $2,011,542 was recognized in relation to this and taken to the statement of profit and loss and other comprehensive income.

Should the above estimates and judgments not occur, the resulting provision for impairment may increase and the intangible asset carrying amount further decrease. The sensitivities are as follows:

- If the probability applied was reduced to 20%, the resulting additional impairment would be $1,148,818, with all other assumptions remaining constant
- If the discount rate was to increase by 1%, the additional impairment would be $328,437, with all other variables held constant.

c) Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the half year ended 31 December 2018 the consolidated entity incurred a profit from continuing operations of $952,346 (31 Dec 2017: $7,194,527) and had a cash and cash equivalents balance of $6,277,860 (30 June 2018: $9,858,977) as at the half year end.

In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable as the Directors monitor and review the cash flow forecast on a continuous basis and believe that future projected cashflows are achievable.

NOTE 3. DIVIDENDS

There are no dividends paid or declared during the period.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

NOTE 4. BUSINESS COMBINATIONS AND INCORPORATION OF NEW SUBSIDIARY

31 December 2018

Incorporation of new subsidiaries

During the year the Group, through its subsidiary MGC Pharma (UK) Pty Ltd, incorporated three new entities in Malta, primarily setup for the activities of its Maltese operations. These newly incorporated entities are: MGC Pharma (Malta) Holdings Ltd, MGC Pharma (Malta) Property Ltd and MGC Pharma (Malta) Operations Ltd.

As at the date of this report the limited and immaterial nature of the transactions, have been consolidated.

Disposals

During the period to 31 December 2018, the Group entered into a binding sale, and subsequently a share purchase agreement on 7 November 2018, for the sale of its cosmetics subsidiary, MGC Derma d.o.o ("MGC Derma") with CannaGlobal Canada Co Inc ("Cannaglobal"), in exchange for consideration of shares in the private Canadian cannabis investment company.

On execution and completion, the following is effective:

- Purchase of remaining non-controlling interest of MGC Derma by the Company
- Transfer of CAD$0.5 million to MGC Derma for the first order of CBD materials as per the 5-year exclusivity supply agreement executed between the two parties
- 100% ownership of MGC Derma transferred to CannaGlobal
- 10% equity holding by the Group in CannaGlobal

As at the period end date, the remaining 49% acquisition of MGC Derma was completed by the Company in preparation for its 100% acquisition by CannaGlobal and the CAD$0.5million transfer was received.

Subsequently, post period end date, on 29 January 2019 the acquisition by CannaGlobal was complete and 2.5m shares in CannaGlobal were issued to the Group as consideration.

As at period end date, and in line with relevant standards, MGC Derma has been recognised as an 'asset held for sale.'

Financial Performance for MGC Derma d.o.o

	31-Dec-18 $	31-Dec-17 $
Revenues	78,747	14,447
Cost of goods sold	(82,599)	(8,752)
Gross profit/(loss)	**(3,852)**	**5,695**
Other income	259	356
Operational expenditure	(188,715)	-
Corporate costs	(480)	(3,587)
Professional and consultancy fees	(47,207)	(142,915)
Employee benefits expenses	-	(18,210)
Depreciation	(17,961)	(12,108)
Office and administration expenses	-	(69,873)
Finance costs	(64,328)	(60,188)
Impairment provision expense	(16,123)	-
Other expenses	(2,923)	(7,721)
Loss before income tax	**(341,330)**	**(308,551)**
Income tax benefit	-	-
Loss after income tax expense from discontinued operations	**(341,330)**	**(308,551)**

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

Cash flow information for MGC Derma d.o.o

	31-Dec-18 $	31-Dec-17 $
Cash flows from operating activities		
Receipts from customers	609,162	18,748
Payments to suppliers and employees	(200,847)	(374,001)
Interest received	259	356
Interest paid	(64,328)	-
Net cash used in operating activities	**344,246**	**(354,897)**
Cash flows from investing activities		
Purchase of plant and equipment	(6,276)	(36,965)
Net cash used in investing activities	**(6,276)**	**(36,965)**
Cash flows from financing activities		
Repayment of borrowings	-	409,579
Net cash provided by financing activities	**-**	**409,579**
Net increase in cash and cash equivalents	**337,970**	**17,717**
Cash and cash equivalents at the beginning of the year	289,142	54,311
Foreign exchange movement in cash	45,834	(12,677)
Cash and cash equivalents	**672,946**	**59,351**

Assets and liabilities of MGC Derma d.o.o at disposal date

	31-Dec-18 $	31-Dec-17 $
Assets		
Cash and cash equivalents	672,946	5,040
Trade and other debtors	86,316	24,483
Inventory	279,495	101,793
Property, plant and equipment	52,775	29,457
	1,091,532	**160,773**
Liabilities		
Trade and other payables	77,257	(47,266)
Intercompany loan	-	568,569
Deferred revenue	592,253	6,120
	669,510	**527,423**
Net assets held for sale	**422,022**	**(366,650)**

30 June 2018

On 12 July 2017 ("completion date") the Group completed the disposal of its Erin Mineral Resources Pty Limited ("EMRPL") subsidiary, and the entities EMRPL controls which hold the remaining Senegal gold assets, to Chesser Resources Ltd ("CHZ").

On completion CHZ issued the following as Consideration:

- 1,214,286 fully paid ordinary shares
- 95,000 unlisted options, exercisable at $0.06 per share with an expiry date of 31 December 2019
- 95,000 unlisted options exercisable at $0.06 per share with an expiry date of 31 December 2020

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2018

- 5,714,286 Class A Performance Shares to convert into fully paid ordinary shares upon certification by an independent Competent Person of a JORC Mineral Resource of 0.5Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects
- 5,714,286 Class B Performance Shares to convert into fully paid ordinary shares upon certification by an independent Competent Person of a JORC Mineral Resource of 1.5Moz Au with an average grade of at least 2.0g/t gold in relation to the Projects

In line with relevant standards, the consideration is fair valued as at the date of disposal at which point the effective share price of the CHZ shares was $0.042 per share.

	Sale consideration $
Fully paid ordinary shares in CHZ	
1,214,286 shares at $0.042	51,000
Unlisted options in CHZ	
95,000 unlisted options at $0.013	1,235
95,000 unlisted options at $0.010	950
Total Consideration	**53,185**

The Performance Shares are contingent on the completion of certain milestones, and are therefore not required to be recognised until it is virtually certain that economic benefits will flow.

Assets, liabilities, financial performance and cash flow information for the EMRPL Group were considered immaterial. The gain on disposal of subsidiary includes a deconsolidation adjustment totalling $33,167.

There were no acquisitions during the year ended 30 June 2018.

NOTE 5. CONTINGENT CONSIDERATION

	31-Dec-18 $	30-Jun-18 $
Opening balance at 1 July	6,270,000	4,370,000
Unrealised fair value movement recognised in profit or loss	(6,270,000)	1,900,000
	-	**6,270,000**

The contingent consideration liability arose from the equity consideration issued by the Company to the vendors as part of the deal terms for the acquisition of MGC Pharma (UK) Limited in the previous financial year.

The performance shares meet the definition of a financial liability where a variable amount of performance shares convert, contingent upon meeting the milestone, into fully paid ordinary shares at a rate of one ordinary share for every performance share that converts or consolidates into one performance share and converts to one ordinary share if no conversion occurs on or before the expiry date (3 years from completion of acquisition).

Subsequent to 31 December 2018, it was determined that the milestone for conversion of the remaining performance shares of 100m had not been achieved and had therefore expired (refer note 11). In accordance with relevant accounting standards, this was considered an adjusting event, and as per the terms and conditions pertaining to the performance shares, each share held consolidate into one performance share and then automatically convert into one ordinary share in the Company. As a result 7 ordinary shares were issued at a market value as at period end date of $0.04.

30 June 2018

In prior periods the determination of the fair value was based on a probability weighted payout approach. The key assumptions take into consideration the probability of meeting the performance targets. As part of accounting for the acquisition of MGC UK, the contingent consideration was initially measured at acquisition with a probability of 50%, at which date the share price was $0.026.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

As at 30 June 2018 the share price as at that date was $0.066, and a probability of meeting the milestone was considered to be 95%; the increase in value of $1,900,000 was taken to the consolidated statement of profit or loss and other comprehensive income.

NOTE 6. CONTRIBUTED EQUITY

	31-Dec-18 NUMBER	30-Jun-18 NUMBER	31-Dec-18 $	30-Jun-18 $
Ordinary shares on issue, fully paid	1,202,494,901	1,189,830,412	49,101,888	48,440,990
VHL shares	10,335,511	13,000,000	-	-
	1,212,830,412	**1,202,830,412**	**49,101,888**	**48,440,990**

Reconciliation of movement in share capital

31 December 2018	**No. Of Shares**	**Issue Price**	**Amount**
Opening balance at 1 July 2018	**1,202,830,412**		**48,440,990**
Conversion of performance right milestone 1	6,000,000	0.048	288,000
Conversion of performance right milestone 2	4,000,000	0.048	192,000
Release of VHL shares	-	0.069	24,237
Release of VHL shares	-	0.069	161,578
Less: costs of issue			(4,917)
Closing balance at 31 December 2018	**1,212,830,412**		**49,101,888**

30 June 2018	**No. Of Shares**	**Issue Price**	**Amount**
Opening balance of 1 July 2017	**1,096,608,703**		**42,557,404**
Exercise of listed options – 15 December 2017	113,637	0.065	7,386
Conversion of Milestone 1 Performance Rights to Directors – 30 Jan 2018	13,500,000	0.048	648,000
Conversion of Milestone 2 Performance Rights to Directors – 30 Jan 2018	9,000,000	0.048	432,000
Conversion of Milestone 1 Performance Rights to KMP & employees – 30 Jan 2018	2,400,000	0.041	98,400
Conversion of Milestone 2 Performance Rights to KMP & employees – 30 Jan 2018	9,626,000	0.041	394,666
Exercise of listed options – 16 Feb 2018	18,940	0.065	1,231
Exercise of listed options – 23 March 2018	37,879	0.065	2,462
Capital raising placement – 17 April 2018	71,428,572	0.070	5,000,000
Exercise of listed options – 18 May 2018	96,681	0.065	6,284
Less: costs of issue			(706,843)
Closing balance at 30 June 2018	**1,202,830,412**		**48,440,990**

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2018

NOTE 7. SHARE BASED PAYMENTS

Reconciliation of share based payment expense

As at 31 December 2018	Number of VHL shares/ unlisted options	Vesting date	Value $	Share based payment balance $
Opening balance – VHL shares				
VHL shares issued	13,000,000		0.069	906,588
Movement during the year:				
Release of VHL shares –18 July 2018	(347,542)		-	(24,237)
Release of VHL shares – 5 December 2018	(2,316,947)		-	(161,578)
Total VHL share	**10,335,511**			**720,773**
Opening balance – Unlisted options				
Unlisted option issued	30,500,000			1,294,692
Movement during the year				
Unlisted options issued to KMP (milestone 1)	-	31/01/19	0.058	193,827
Unlisted options issued to KMP (milestone 1)	-	31/03/21	0.058	48,180
Unlisted options issued (milestone 1)	-	31/01/19	0.058	6,133
Unlisted options issued (milestone 2)	-	31/03/21	0.058	1,525
Unlisted options issued to KMP cancelled (milestone 1)	(300,000)	01/11/18	-	-
Unlisted options issued to KMP cancelled (milestone 2)	(300,000)	01/11/18	-	-
Total unlisted options	**29,900,000**			**1,544,357**
Opening balance – Listed options				
Listed options issued	91,286,089		-	577,500
Movement during the year:				
Listed options exercised	-			-
Total listed options	**91,286,089**			**577,500**
Opening balance – Performance rights				
Performance rights issued	13,638,000			606,449
Movement during the year:				
Conversion of performance rights (milestone 1)	(6,000,000)	18/07/18	0.048	(288,000)
Conversion of performance rights (milestone 2)	(4,000,000)	18/07/18	0.048	(192,000)
Conversion of performance rights (milestone 3)	-	31/12/18	0.041	37,188
Total performance rights	**3,638,000**			**163,637**
Total share based payment reserve				**3,006,267**

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For the half year ended 31 December 2018

As at 30 June 2018	Number of VHL shares/ unlisted options	Vesting date	Value $	Share based payment at 30 June $
Opening balance – VHL shares				
VHL shares issued	13,000,000		0.069	906,588
Movement during the year:				
Amortisation expense	-			-
Total VHL share	**13,000,000**			**906,588**
Opening balance – Unlisted options				
Unlisted option issued	2,000,000			370,538
Movement during the year:				
Unlisted options expired	(2,000,000)			-
Unlisted options issued to KMP (milestone 1)	8,000,000	31/01/19	0.058	234,667
Unlisted options issued to KMP (milestone 2)	8,000,000	31/03/21	0.058	58,331
Unlisted options issued	4,000,000	02/03/18	0.058	232,000
Unlisted options issued	250,000	31/01/19	0.058	7,333
Unlisted options issued	250,000	31/03/21	0.058	1,823
Unlisted options issues to consultant	10,000,000	15/05/18	0.039	390,000
Total unlisted options	**30,500,000**			**1,294,692**
Opening balance – Listed options				
Listed option issued	91,553,226			577,500
Movement during the year:				
Listed options exercised	(267,137)			-
Total Listed options	**91,286,090**			**577,500**
Opening balance – Performance rights				
Performance rights issued	48,674,000			1,640,988
Movement during the year:				
Conversion of Performance rights (milestone 1)	(13,500,000)	30/01/18	0.048	(648,000)
Conversion of Performance rights (milestone 2)	(9,000,000)	30/01/18	0.048	(432,000)
Conversion of Performance rights (milestone 1)	(2,400,000)	30/01/18	0.041	(98,400)
Conversion of Performance rights (milestone 2)	(1,600,000)	30/01/18	0.041	(65,600)
Conversion of Performance rights (milestone 2)	(8,026,000)	30/01/18	0.041	(329,066)
Performance rights issued (milestone 2)	-	31/12/17	0.048	260,945
Performance rights issued (milestone 2)	-	31/12/17	0.041	82,894
Performance rights issued (milestone 3)	-	31/12/18	0.041	162,327
Performance rights issued (milestone 2	-	31/12/17	0.041	32,361
Performance rights cancelled (milestone 3)	(510,000)	18/05/18	-	-
Total performance right	**13,638,000**			**606,449**
Total share based payment reserve				**3,385,229**

NOTE 8. SEGMENT REPORTING

The Group require operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

On this basis, for management purposes, the Group is organised into business units based on its geographical locations which are determined to be:

- Australia – corporate and administrative function
- Slovenia – production and supply of medicinal cannabis products

The Slovenia operations relate to MGC Slovenia and MGC Derma which, based on their level of activities for the period to 31 December 2018, have been aggregated as one reportable operating segment as each company exhibit similar economic characteristics in respect of their inputs, processes, outputs and their regulatory environments, being that of the production and sale of medicinal cannabis for pharmaceutical and cosmetic purposes.

31 December 2018	**Slovenia $**	**Australia $**	**Elimination $**	**Consolidated Group $**
Current assets	1,988,796	6,111,263	-	8,100,059
Non-current assets	1,575,921	10,536,490	(5,547,986)	6,564,425
Total Assets	**3,564,717**	**16,647,753**	**(5,547,986)**	**14,664,484**
Current liabilities	150,825	350,104	-	500,929
Non-current liabilities	10,614,291	10,734	(9,999,865)	625,160
Total Liabilities	**10,765,116**	**360,838**	**(9,999,865)**	**1,126,089**
Contributed equity	20	49,101,988	(120)	49,101,888
Share based payment reserve	-	3,006,267	-	3,006,267
Other reserve	47,769	-	(14,089)	33,680
Accumulated losses	(7,089,794)	(35,821,340)	4,466,088	(38,445,046)
Equity attributable to equity holders of the parent	**(7,042,005)**	**16,286,915**	**4,451,879**	**13,696,789**
Non-controlling interest	(158,394)	-	-	(158,394)
Total equity	**(7,200,399)**	**16,286,915**	**4,451,879**	**13,538,395**
Sales revenues	**286,224**	**-**	**-**	**286,224**
(Loss)/Profit for the period				
Member of the parent entity	(1,375,799)	3,936,802	(2,011,542)	**549,461**
Non-controlling interest	16,214	-	-	**16,214**
Total comprehensive (loss) for the period	**(1,359,585)**	**3,936,802**	**(2,011,542)**	**565,675**
30 June 2018				
Total assets	**3,107,824**	**19,024,766**	**(2,138,726)**	**19,993,864**
Total liabilities	**8,832,834**	**6,956,590**	**(8,486,344)**	**7,303,080**
Sales revenues	**296,811**	**-**	**-**	**296,811**
Loss for the period:	(2,045,280)	(13,504,433)	7,475,922	(8,073,791)
Members of the parent entity	(797,156)	-	-	(797,156)
Non-controlling interest	**(2,842,436)**	**(13,504,433)**	**7,475,922**	**(8,870,947)**
Total comprehensive loss for the period	**3,107,824**	**19,024,766**	**(2,138,726)**	**19,993,864**

The significant factors that impacted the Group's operations and results during the six-month period include the following:

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2018

a) Re-measurement of performance shares

With reference to notes 5 and 11, following cancellation of the performance shares held as a contingent consideration, a gain of $6,270,000 was taken to the statement of profit and loss and other comprehensive income (31 Dec 2017: loss of $4,085,000).

b) Impairment of intangible asset

An impairment assessment was performed on the intangible asset in accordance with relevant standards and management's estimates and judgements as referred in note 2b), resulting in an impairment provision of $2,011,542, taken to the statement of profit and loss and other comprehensive income (31 Dec 2017: $nil).

NOTE 9. FAIR VALUE HIERARCHY

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

	Level 1	Level 2	Level 3	Total
31 December 2018	$	$	$	$
Financial assets				
Other financial assets	72,857	-	-	72,857
Fair value movement in the period	(24,286)	-	-	(24,286)
Closing balance at 31 December 2018	**48,571**	**-**	**-**	**48,571**
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration				
Opening balance 1 July 2018	-	-	6,270,000	6,270,000
Fair value movement in the period	-	-	(6,270,000)	(6,270,000)
Closing balance at 31 December 2018	**-**	**-**	**-**	**-**
30 June 2018				
Financial assets				
Other Financial assets	53,185	-	-	53,185
Fair value movement in the period	19,672	-	-	19,672
Closing balance at 30 June 2018	**72,857**	**-**	**-**	**72,857**
Financial liabilities				
Financial liabilities designated at fair value through profit or loss:				
Contingent consideration				
Opening balance at 1 July	-	-	4,370,000	**4,370,000**
Fair value movement in the period	-	-	1,900,000	**1,900,000**
Closing balance at 30 June 2018	**-**	**-**	**6,270,000**	**6,270,000**

a) Valuation techniques used to derive Level 1 fair values

The fair value of financial instruments recognised under Level 1 are measured based on the active market value, determined in this case by the value a third party is willing to pay for the assets.

b) Valuation techniques used to derive Level 3 fair values

The fair value of financial instruments that are not traded in an active market are determined using valuation

Notes to the Condensed Consolidated Financial Statements
For the half year ended 31 December 2018

techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The contingent consideration is valued by applying the probability weighted payout approach as described in note 5, and is reviewed on a six-monthly basis.

NOTE 10. COMMITMENTS AND CONTINGENT LIABILITIES

There were no material movements to commitments nor contingencies since 30 June 2018.

NOTE 11. EVENTS SUBSEQUENT TO REPORTING DATE

29/01/2019	Completion of MGC Derma Sale to CannaGlobal Completion of the sale delivered 100% ownership of MGC Derma to CannaGlobal, and MXC now holds a strategic 10% equity interest in CannaGlobal.
22/02/2019	Major Regulatory Milestones Achieved for Pharma Business • TGA approved TGO93 Declaration Form, advising that our CTN (Clinical Trial Notification) for CogniCann™ into Alzheimer's and dementia • Government approval for API Extraction at MXC's European Facility • SME certification issued by the European Medicines Agency (EMA); providing access for scientific advice, drug evaluation and registration of CannEpil™, CogniCann™ and additional Phytomedicines that the Company is developing
21/02/2019	Expiration of 100m Performance Shares
26/02/2019	Independent Validation of MXC High-Grade Cannabis Genetics University of Ljubljana laboratory test results confirmed and validated MXC's proprietary genetic strains containing industry high levels of THC and CBD

Directors' Declaration

The Directors of the Company declare that:

1. the interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:

    a) comply with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
    b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2018 and its performance for the half year ended on that date; and

2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s 303(5) of the Corporations Act.

Brett Mitchell

Executive Chairman

Dated 28 February 2019

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INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of MGC Pharmaceuticals Ltd (the company) and controlled entities (consolidated entity), which comprises the condensed consolidated statement of financial position as at 31 December 2018, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2018, or during the half year.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MGC Pharmaceuticals Ltd is not in accordance with the Corporations Act 2001 including:-

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018, and of its financial performance for the half-year ended on that date; and

(b) complying with the Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Directors' Responsibility for the Half-Year Financial Report

The directors' of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Regulations 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half year ended on that date, and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of MGC Pharmaceuticals Ltd and the entities it controlled during the half year,

ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

PKF PERTH

SHANE CROSS
PARTNER

28 FEBRUARY 2019
WEST PERTH
WESTERN AUSTRALIA