11 July 2019
ASX Code: MXC

June Quarterly Report - First Material Revenues Delivered, Distribution Agreements Signed for Commercial Rollout

ASX RELEASE

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Pharmacy' bio-pharma company focused on developing and commercialising cannabinoid derived medicines, is pleased to announce its Appendix 4C cashflow report for the three months ended 30 June 2019, and an overview of its operational highlights for the period.

Key Highlights:

- Substantial increase in sales and revenues delivered in June quarter, as commercialisation strategy is advanced on the Company's Seed-to-Pharmacy strategy
- Operations now fully focused on its core EU pharma divisions of Research & Development, Manufacturing and Distribution
- Increasing commercial activity in the quarter resulting in delivery of additional revenues – AU$763k received during the quarter
- Pharmaceutical product purchase orders received in the first month of operation totalled ~AU$300k (equivalent to >1,000 prescriptions)
- Pharma distribution agreements signed with five new partners providing access to major new patient markets globally: United Kingdom, Germany, Austria, Switzerland, Brazil and Australia
- Research and Development division is advancing programs in partnership with renowned academic institutions internationally including Royal Melbourne Institute of Technology (RMIT) and the University of Notre Dame Australia (UNDA)

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "This has been a fantastic quarter in which we have delivered material results from our core pharma business strategy, and increased the critical distribution channels for our portfolio of internally developed high quality, cost effective phytocannabinoid medical products through five agreements opening new global markets. In addition to this, our non-pharma business units resulted in a substantial increase in revenue. MGC Pharma is also continuing with significant advancements within our Research and Development division as we continued to work closely with leading academic institutions internationally to firmly position the Company at the forefront of future medical developments in this sector.

"We only see this as the beginning for the Company delivering on our core business expertise, and shareholders should look forward to similarly productive September and December quarters as we continue to work to advance our company into becoming a leading international cannabinoid focused pharmaceutical business. With the focus of the industry globally now on pharmaceutical grade cannabinoid products, and European markets, MGC Pharma occupies a highly strategic position with control across the product chain – from Seed to Pharmacy – and providing the only EU GMP certified compounded material available in Australia and the UK. This is further to having a materially advanced clinical program including human trials and pre-clinical research ranging from skin treatments to brain cancer.

info@mgcpharma.com.au | mgcpharma.com.au
MGC Pharmaceuticals Ltd | 1202 Hay Street, West Perth, WA 6005
PO Box 1976, West Perth WA 6872
T: +61 8 6382 3390

"We hope to be in a position to provide a significant project update shortly to shareholders on our state-of-the-art Maltese GMP production and development facility, where we are the leader in the emerging industry, a key platform for further revenue generation and growth as one of the leading players to service the huge European patient market."

Strategy

MGC Pharma delivered its Seed-to-Pharmacy business strategy during the period, with operations now consisting of the Research & Development, Manufacturing and Distribution divisions. Firstly, the Research & Development division which will facilitate the production of cost-effective medicines in collaboration with leading international research institutions and ensure that MGC Pharma remains at the forefront of the sector. Secondly, the Manufacturing division consists of the commercial production of MGC Pharma's phytocannabinoid-based medicines via management of the cultivation, processing and development of the product. Finally, the Distribution division in which the Company then looks to distribute the final product to its end users. The new distribution agreements completed during the period highlight the continuous progress the Company is making in ensuring that the distribution of MGC Pharma's products are truly global.

Key Licenses Awarded

In the quarter, the Company has received the following licences allowing the advancement of both its Seed-to-Pharmacy strategy and its Research & Development work:

- United Kingdom Controlled Drug Import Licence received for the importation of CannEpil™ into the UK
- Therapeutic Goods Administration (TGA) granted MGC Pharma permission to import additional products MXP100, MXC1:1 and MXC7:1 into Australia for supply either in a clinical trial, under the Special Access Scheme or by Authorised Prescribers
- Cannabis Cultivation Research Licence granted to MGC Pharma from the Office of Drug Control (ODC) authorising the Company and RMIT to cultivate cannabis for use in research at its state-of-the-art research facility in Melbourne, Australia

Strategic Distribution Agreements Signed

During the quarter, the Company signed an impressive five Pharma distribution agreements enabling patients to globally access MGC Pharma's phytocannabinoid medicinal products. Distribution agreements have been signed with the following partners:

- Health House International Pty Ltd and Cannvalate Pty Ltd - two leading Australian medicinal cannabis distribution and logistics specialists
    - Significant increase of 50% in initial orders from Health House International and Cannvalate in the quarterly period
    - Total purchase orders received in the first month of operation totalled ~AU$300k (equivalent to >1,000 prescriptions)
    - Initial deposit of AU$95k received by the Company from Cannvalate for its first orders
- Grow Biotech PLC and IPS Specials providing direct, official access into UK medical cannabis market with the first shipment having landed in the UK in May
- ONIX Empreendimentos e Participações providing access to the Brazilian market utilising an innovative digital platform CANTERA that enables MGC Pharma to ship products direct to patients
- Mexacare GmbH for the distribution of MGC Pharma's phytocannabinoid based products in Germany, Austria and Switzerland
- MGC Pharma also terminated its supply agreement with NUBU NZ during the quarter, due to NUBU NZ not meeting their contractual terms of the agreement

In addition to the Pharma agreements, a marketing and distribution agreement was signed with Chinese e-commerce import platform YuShop Global, to sell the Company's CBD and hemp-enhanced Nutraceuticals product range in China.

Non-Pharma Material Revenue Received

On 4 June 2019, the Company was pleased to confirm material revenue generation and progress in the June quarter from its non-pharmaceutical business units. By the end of the June quarter these revenues increased:

- A total of AU$469k revenue was received from CannaGlobal for MGC Pharma's CBD based cosmetic raw materials through its 5-year supply agreement
- Revenue of AU$182k received from Mabsut Life following successful delivery of product orders under the established supply agreement

Research and Development – Priority Programs in EU and Australia

Excellent progress across ongoing clinical trials and partnerships with academic institutions internationally. The ongoing gathering of data from patients on their treatment and clinical research is in line with MGC Pharma's commitment to providing the highest quality of phytocannabinoid based medications and treatments to patients:

- Positive initial findings from study into the efficacy of cannabinoid-based medicines in the treatment of high-grade brain tumours (i.e. glioblastoma) conducted by the National Institute of Biology (NIB) and University Medical Centre Ljubljana with MGC Pharma Research & Development division. General aim of the study being to develop formulations to define protocols for the treatment of high-grade brain tumours. Key findings included:
    - cannabinoids, especially at increased THC concentrations, reduced the viability of glioblastoma cells
    - at optimal concentrations for each patient the defined cannabinoid composition represented a promising tool to reduce the tumour burden
- Advanced the International Library of Cannabinoids (ILC) by completing the initial development phase of the digital platform in tandem with leading Australian research university, RMIT
- Phase II Clinical trial testing the benefits of CogniCann™ in collaboration with University of Notre Dame advancing ahead of schedule due to unanticipated high levels of interest from potential candidates to participate in the trial

--Ends--

For further information, please contact:

Media Enquiries
Justin Kelly
Media and Capital Partners
+61 408 215 858
justin.kelly@mcpartners.com.au

UK IR/Media Advisors
Gaby Jenner/ Catherine Leftley
St Brides Partners Ltd
+44 (0) 207 236 1177
gaby@stbridespartners.co.uk
catherine@stbridespartners.co.uk

MGC Pharmaceuticals Ltd
Brett Mitchell
Executive Chairman
+61 8 6382 3390
info@mgcpharma.com.au

About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) is an EU-based BioPharma company with many years of technical clinical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality cannabinoids-based pharmaceuticals products for the growing demand in the medical markets in Europe, North America and Australasia.

Follow us through our social media channels

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MGC PHARMACEUTICALS LTD

ABN	**Quarter ended ("current quarter")**
30 116 800 269	30 JUNE 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
	(a) Pharma division	101	105
	(b) Non-Pharma division	662	1,554
1.2	Payments for		
	(a) research and development	(536)	(2,201)
	(b) product manufacturing and operating costs		
	i) cost of sales	(575)	(757)
	ii) operating costs	(596)	(2,305)
	(c) advertising and marketing	(165)	(645)
	(d) leased assets	-	-
	(e) staff costs	(213)	(669)
	(f) administration and corporate costs	(504)	(2,215)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	16	158
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	(28)	(28)
1.7	Government grants and tax incentives: - Research and development rebate	211	328
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,627)**	**(6,675)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(129)	(385)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	(585)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(129)**	**(970)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	36	36
3.4	Transaction costs related to issues of shares, convertible notes or options	(2)	(7)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	**Net cash from / (used in) financing activities**	**34**	**29**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,056	9,859
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,627)	(6,675)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(129)	(970)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	34	29
4.5	Effect of movement in exchange rates on cash held	21	112
4.6	**Cash and cash equivalents at end of quarter**	**2,355**	**2,355**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,118	953
5.2	Call deposits	1,237	3,103
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,355**	**4,056**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	206
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director and executive services fees, and reimbursement of corporate administrative costs

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	17
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Corporate advisory costs

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	NIL	NIL
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

NIL

9.	Estimated cash outflows for next quarter	$A'000
9.1	Research and development	(500)
9.2	Product manufacturing and operating costs	(500)
9.3	Advertising and marketing	(51)
9.4	Leased assets	(20)
9.5	Staff costs	(230)
9.6	Administration and corporate costs	(470)
9.7	Other	-
9.8	**Total estimated net cash outflows**	**(1,771)**

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

[lodged electronically without signature]

Sign here: ..... Date: 11 July 2019
Group Chief Financial Officer

Print name: Rutchi Kaushal

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.