29 April 2020

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ASX RELEASE

March 2020 Quarterly Activity Report

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Medicine' bio-pharma company specialising in the development and production of phytocannabinoid-derived medicines, is pleased to announce its Quarter Activity report for the three months ended 31 March 2020.

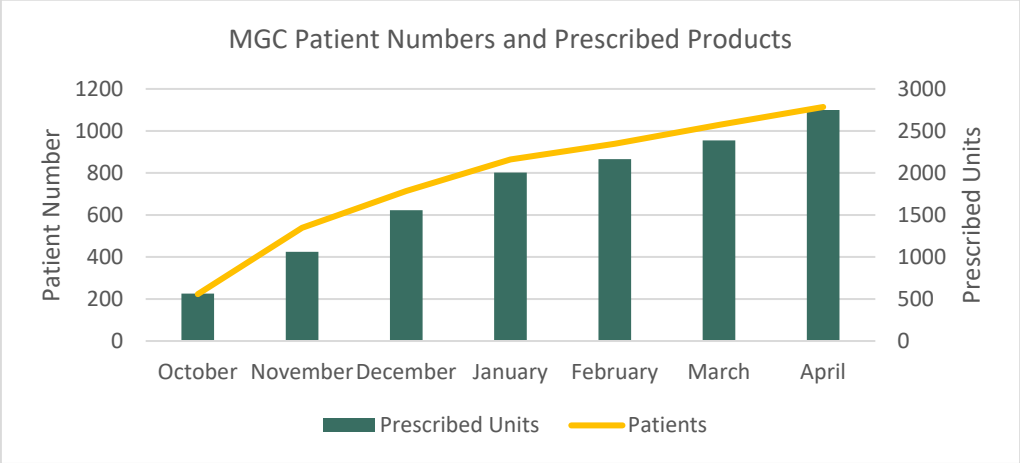

Table 1: MGC Prescribed Products and Patient Numbers

Key Operational Highlights:

- Strong quarter of cash receipts from product sales with A$832k received in March quarter, almost doubling the December 2019 quarter result, with further operating cost reductions
- Over 2,750 prescriptions with more than 1,100 patients now received MXC's products
- Rapid Company response ensured that the production of the Company's cannabinoid products continued during the COVID-19 lockdown in Europe during the quarter
- Board implemented salary cuts of 50% salary for all Directors and executive management from 1 March 2020, and cash salary reductions for senior management and staff
- During March, the Company signed a binding supply agreement with its key Brazilian distribution partner:
  - established minimum order volumes of 20,000 units for year one, with an estimated value of at least A$1.65m, which will increase to 50,000 units per annum from year 2 onwards
  - a down payment of ~A$107,000 (€65,000) has been received by the Company

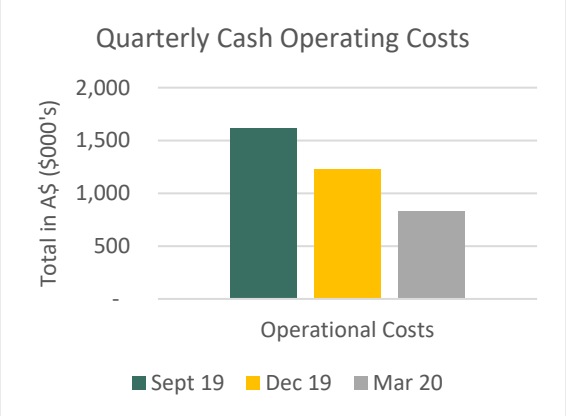

Table 2: Quarterly cash manufacturing and operating costs

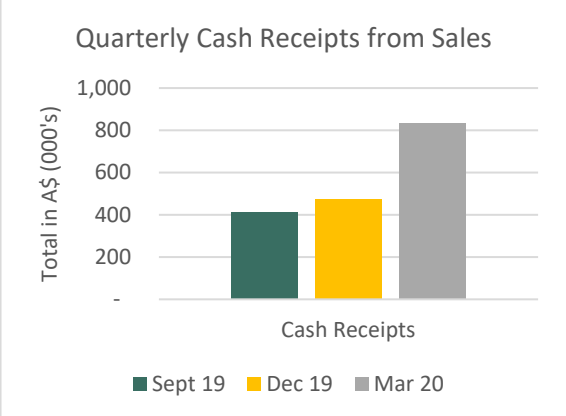

Table 3: Quarterly cash receipts from customers

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Response to COVID-19

The Company took prompt action in early March to protect the health and welfare of our staff with the emerging COVID-19 pandemic, whilst managing the significant challenge to continue production of phytocannabinoid medicines at its Slovenian EU GMP manufacturing facility. The Company's actions ensured that the production and supply of its cannabinoid-based medicines continued despite disruptions encountered to the supply of raw materials, export permit approvals and delivery of product caused by border and operating restrictions imposed in Europe with the COVID-19 lockdowns, as set out in ASX release 6 April 2020.

Importantly, the Company was able to report a strong quarter of cashflow generation, with A$832k of cash receipts generated from sales during the March quarter, almost doubling the December 2019 quarter result. The Company expects to continue generating strong revenues in coming months through sale of its cannabinoid products even though the COVID-19 related restrictions remain in place in Slovenia and throughout the EU, and subject to any supply disruptions or future restrictions put in place to manage the COVID-19 pandemic.

Prior to the COVID-19 pandemic developments, the Board of Directors agreed to implement Executive and Non-executive Director salary reductions from 1 January 2020. Following events in recent months, the Board implemented further reductions, including minimum 50% salary cuts for all Directors and executive management from 1 March 2020. In addition, the Company's senior management and most staff agreed to take significant cash salary reductions to be offset for shares in the Company, equating to between 40-50% of their salaries from 1 March 2020 in order to minimise the Company's operating costs in the immediate term. This enabled MGC Pharma to avoid redundancies, continue operations and support our key staff throughout the crisis.

Pharma Distribution and Operations

MGC Pharma prescriptions are currently over 2,750, across Australia, the UK and Brazil, with over 1,100 patients having received the Company's products. The Company received continued demand for the medications, though the COVID-19 pandemic did hinder expected new market growth as many of the jurisdictions where MGC operates were affected by the lockdown. Notwithstanding this, the Company made positive progress throughout the quarter in its business operations despite the challenging environment.

New ONIX Supply Agreement and Receipt of Down Payment

In the beginning of March MGC Pharma executed a binding amendment to the supply and distribution agreement with ONIX Empreendimentos e Participações ('**ONIX**'), which establishes a minimum order volume of 20,000 units for year one, with an estimated value of at least A$1.65 million (€1.0 million), with a down payment of ~A$107,000 (€65,000) received as part payment for the first purchase order of 4,000 units, which has a total value of ~A$330,000. Minimum order volume will increase to 50,000 units per annum from year two onwards, with an estimated value of at least A$4.1 million (€2.5 million) per annum. The agreement has a minimum seven-year term, which may be renewed for an additional five-year term by mutual agreement. The MGC team are currently working with Onix to complete the registration documentation for all of MGC's cannabinoid medicine products for formal approval from Anvisa, the Brazilian National Health Surveillance Agency and regulatory authority.

Commercial Agreement for First Products to Poland

At the end of February the Company entered into an exclusive commercial wholesale supply agreement ('**Agreement**') with Polish NGO Cannabis House Association (Stowarzyszenie Cannabis House) and the Company will also supply and support the Forensic Laboratory of the Faculty of Law and Administration of the University of Łódź in Poland with their a large-scale commercial research study aimed at collecting data on medicinal cannabis users and products in Poland. MGC will provide CannEpil®, CogniCann®, and the Mercury Pharma line to initially 15 pharmacies and authorised dispensaries and will scale to 50 within the first nine months. Full rollout is planned for 250 locations within two years. Due to the lockdown in Poland the Company has not been able to commence supply as yet but is ready to do so once the restrictions are lifted in the EU.

Mercury Pharma Order Increased by 85% to 3,700 units

MGC Pharma launched a new proprietary affordable prescription medicine line to be branded as Mercury Pharma, specifically for the Australian and New Zealand markets. The Company initially received a purchase order for 2,000 units of MP 100 representing revenue in excess of A$270,000, which was increased by another 1,700 units, taking the total order volume to 3,700 units, representing a A$430,000 revenue to the Company.

White Label Supply Agreement with THC Global Group

At the end of January, the Company signed a supply agreement, for a minimum of 18 months, with THC Global Group Limited (ASX:THC) ('**THC Global**'), for the production and supply of the white label pharmaceutical grade Canndeo branded phytocannabinoid products to Australia and New Zealand.

With total orders of ~€54,000 being fulfilled to THC Global to date, the first purchase order for ~€25,000 was received by the Company, in January 2020. An additional white label product purchase order for ~€98,000 has recently been received.

Expansion into New Markets

Peru and Bolivia

At the end of January MGC Pharma signed a distribution agreement with Anden Bio Naturals S.A ('**Anden**') for the exclusive distribution and commercialisation of MGC Pharma's medicines in Peru and Bolivia for the duration of five years.

Relevant in-country approvals to commence import of MGC Products under the Agreement were obtained in March 2020. Under the agreement MGC Pharma will also produce a white label nutraceutical product for Anden to exclusively commercialise in Peru and Bolivia, provided it will not compete with MGC Pharma brands.

Research and Development – Priority Programmes in EU and Australia

CogniCann Phase II Trial Commenced

First Patients started treatment in the beginning of March in MGC Pharma's Phase II Clinical Trial in partnership with the University of Notre Dame Australia in Perth, Western Australia ('**UNDA**'). As the Australian government tightened restrictions on access to aged care facilities in response to COVID-19 the sourcing of new participants for the CogniCann® trial has been halted, which will have an effect on the report dates and the Company no longer believes that it will be able to publish the results by the end of Q3. The Company plans to recommence as soon as possible when restrictions are relaxed.

Driving Study and Head to Head Clinical Trials

Patient recruitment for the Company's clinical trial to assess the effect of CannEpil® on driving performance and the head-to-head clinical trial assessing the efficacy of low-THC to 100% CBD products when treating severe intractable epilepsy have been put on hold due to the current COVID-19 situation. They are expected to recommence as soon as universities re-open and government restrictions are relaxed.

Joint Venture to research natural anti-infective based formulation ('ArtemiC' or **the 'Product') on COVID-19 patients**

The Company entered into a binding agreement with Micelle Technology AG ('**Micelle**'), the parent company of Swiss PharmaCan AG (together the '**Parties**'), early April for MGC Pharma to provide necessary research support, commercial manufacturing and distribution of ArtemiC.

Post period-end the Company announced two independent ethics committee approvals, from Nazareth Hospital EMMS (announced 17 April 2019) and Hillel Yaffe Hospital (announced 28 April 2019), to commence the Phase II placebo controlled clinical trial ('**the Trial**'). Both of the hospitals are located in Israel and the trial will evaluate the safety and efficacy of a natural anti-infective based formulation ArtemiC on a total of 50 patients diagnosed with COVID-19. The trial is expected to commence in the coming week and conclude in September, with the final results available in October 2020.

Slovenia – National Institute of Biology Glioblastoma (Brain Cancer) Study

Post period end the Company announced successful research results from the ongoing pre-clinical research program that supports and directs novel cannabinoid formulations in the development of treatment for glioblastoma multiforme ('**GBM**'), the most aggressive and, so far, therapeutically resistant, primary brain tumour. The study, which is the first of its kind, confirms that the cannabinoid preparations, now including Cannabigerol, can successfully inhibit tumour cell viability and cause a significant percentage of glioblastoma cells to undergo "programmed cell death"; and found that the multi compound cannabinoid formulations (the "small entourage") are more effective than single cannabinoid preparations in fighting the tumours. Importantly, MGC cannabinoid formulations are shown to be able to target glioblastoma stem cells that are considered to be the "roots" of the disease and the critical target in oncology therapy.

The pre-clinical studies will continue in a laboratory environment to identify the most efficient cannabinoid preparation and its ratios for the optimal formula to tackle the glioblastoma cells and/or their stem cells. Subsequently this will assist MGC Pharma to move to Clinical Studies through Phase I and potentially Phase II, at which time the results will be reviewed by an ethics committee.

Financial and Corporate

Placement and SPP

In February the Company announced a placement to raise A$1.0 million from a strategic investor and a Share Purchase Plan ('SPP'), which received valid applications for a total of A$1,142,460 pursuant to the terms of the SPP, raising a combined total of A$2,142,460. The SPP was available to all eligible shareholders and was at an issue price of $0.027 per share together with a free-attaching listed option exercisable at A$0.045 expiring 31 August 2021.

OTCQB

Due to the Company's trading being halted for more than 4 business days in March the Company's shares MGCLF are no longer quoted on the OTCQB Venture Market.

Dual Listing on London Stock Exchange

LSE listing status is currently pending UKLA final approval to list a cannabis sector company, following lodgement of the Company's final prospectus, legal opinions and listing documents in early December 2019.

Appendix 4C

In accordance with Section 6 of the attached Appendix 4C, the Company confirms the total $229k was for executive director fees, non-executive director fees, expenditure reimbursements and corporate costs during the quarter.

Production Facilities – Malta & Slovenia

Malta

Due to the COVID-19 epidemic Malta has closed all borders and access to the island, therefore all activities in the country are on hold until further notice. The Malta facility construction is contingent upon funding from the planned LSE listing.

Slovenia

The Company's EU Good Manufacturing Practice ('**GMP**') compounding and manufacturing facility in Slovenia has recently completed its GMP audit review. The Company now expects to receive formal written GMP status renewal confirmation in the coming weeks from the regulatory authority.

--Ends--

Authorised for release by the Board, for further information please contact:

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines to patients globally. 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 phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting two widespread medical conditions – epilepsy and dementia – and has further products in the development pipeline.

Employing its 'Seed to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility. MGC Pharma has a number of research collaborations with world renowned academic institutions, and recent research conducted in collaboration with the National Institute of Biology and University Medical Centre Ljubljana, highlighted the positive impact of using specific phytocannabinoid formulations in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

MGC Pharma has a growing patient base in Australia, the UK, Brazil and Ireland and has a global distribution footprint via an extensive network of commercial partners meaning that it is poised to supply the global market. In order to meet the demands of becoming a key global supplier the company is constructing a 15,720m^2 GMP state of the art facility in Malta.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Name of entity

MGC PHARMACEUTICALS LTD

ABN	**Quarter ended ("current quarter")**
30 116 800 269	31 MARCH 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	832	1,720
1.2	Payments for		
	(a) research and development	(940)	(3,576)
	(b) product manufacturing and operating costs		
	i) cost of sales	(798)	(2,241)
	ii) operating costs	(32)	(1,051)
	(c) advertising and marketing	(54)	(253)
	(d) leased assets	-	-
	(e) staff costs	(382)	(967)
	(f) administration and corporate costs	(441)	(2,203)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	1	12
1.5	Interest and other costs of finance paid	(4)	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	457
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(1,818)**	**(8,106)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(302)	(623)
	(d) investments	(24)	(26)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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**	**(326)**	**(649)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	2,142	7,892
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	6
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(2)	(378)
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 (loan to third party)	(59)	(59)
3.10	**Net cash from / (used in) financing activities**	**2,081**	**7,461**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,022	2,354
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,818)	(8,106)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(326)	(649)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,081	7,461

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(9)	(110)
4.6	**Cash and cash equivalents at end of quarter**	**950**	**950**

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	896	968
5.2	Call deposits	54	54
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)**	**950**	**1,022**

6.	Payments to directors of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	229
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	Financing facilities available *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	NIL	NIL
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	NIL

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

NIL

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	(1,818)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	950
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	950
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**0.5**

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: As announced on 28th April, the entity has received firm commitments for the share placement of $3.5m

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes, as per point 2 above, the entity will use the committed funds towards its continued production of the Company's cannabinoid-based medicines to fulfil current and future sales orders; to undertake clinical trials for ArtemiC to be tested on patients diagnosed with COVID-19, including the products' development for commercial production and supply; and general working capital.

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.

Date: 29 April 2020

.....

[lodged electronically without signature]

Authorised by: .....

Rutchi Kaushal - CFO

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow 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 cash flow 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.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.