31 July 2020

ASX Code: MXC

ASX RELEASE

June 2020 Quarterly Activity Report

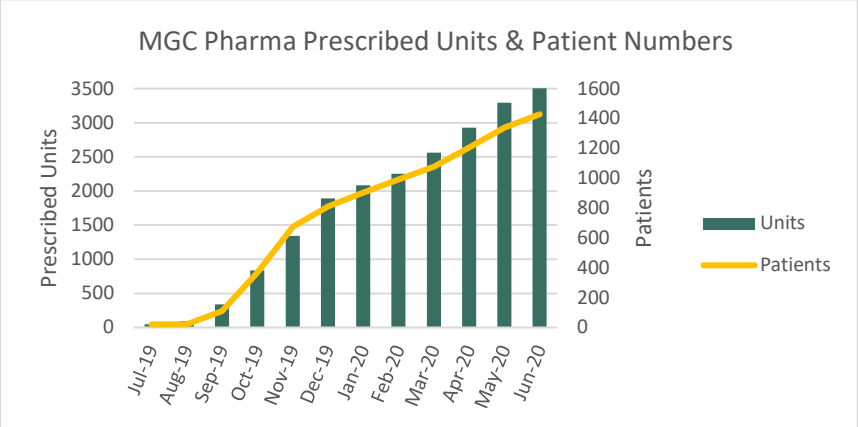
Key Operational Highlights:

- At the end of the June quarter, MGC Pharma had 3,590 prescribed units 1,428 patients, representing a 65% increase in the 6 months to 30 June 2020
- Three-year EU GMP licence granted to MXC's cannabinoid medicine production facility following successful regulatory audit, confirming MXC's current and future production capacity
- Key distribution agreements signed to expand MXC's international footprint and expedite commercialisation of products through next 6-12 months towards 5,000 units per month/ cashflow breakeven status
- Significant progress on MGC Pharma new product registration in key markets including Brazil, Poland and the United Kingdom, required for bulk product deliveries to commence H2 2020
- Commencement of Phase II placebo controlled clinical trial to evaluate the safety and efficacy of a natural anti-inflammatory based formulation ArtemiC on COVID-19 patients
- Ethics Committee approval received for a Phase IIb clinical trial to evaluate the safety and efficacy of CannEpil® in Israel
- Successful research results of MXC cannabinoid formulation on glioblastoma brain cancer, from ongoing pre-clinical in-vitro research program in Europe
- Acquisition agreement signed for MXC to sell 100% of MGC Nutraceuticals to leading US CBD & Hemp Wellness company for US$6m worth of shares in Onassis, settle in 2020 (OTC:ONSS)
- Implementation of salary reductions for directors (up to 60%) and senior management team (up to 30%), combined with material reduction of operational costs including partial cash salary offsets with MXC equity for all staff

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based bio-pharma company specialising in the production and development of phytocannabinoid-derived medicines, is pleased to announce its Quarterly Activity report for the three months ended June 30 2020.

Pharma Distribution and Company Operations

At the end of the June quarter 3,590 prescribed units were issued to 1,428 patients. The Company was very pleased with this result softening the impact to the business during the COVID-19 global pandemic, through interruption to normal business operations in Europe during the June quarter.



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As a key achievement, the Company surpassed its 3,250 milestone at the end of May 2020 and has issued a total of 3,590 prescribed units of its standardised affordable cannabinoid medicines across the UK, Australia, NZ, Brazil and Ireland at the end of June 2020. This brings the total number of patients prescribed MXC products to 1,428, a 65% increase since the beginning of January 2020. The majority of MXC's prescribed products are CannEpil® and MP100 which are available under Special Access Schemes.

The COVID-19 pandemic had a direct impact on some of the operations during the quarter, specifically the Company's logistics and export licencing processes to move product out of Slovenia to market, and as a result the Company had a reduction in cash receipts from sales for FYQ4 v FYQ3 2020. This bottleneck has eased during July and the Company is returning towards normalised operations and getting bulk product deliveries back to market and generating sales revenues. Also with COVID-19 related restrictions easing in a number of countries, the Company's order book and sales pipeline for the coming months are reflecting the improved operating environment.

Due to strong sales since launch in early 2020, the Company is also expanding its Mercury MGC Pharma product line to including six new products which places the Company in a strong position to achieve its target of issuing 5,000 prescriptions per month by CYQ1 2021, as noted in the Company's June presentation. The Company remains on track to achieve this target as it further leverages delivery into existing contracts.

Three-year EU GMP licence granted

MXC was successfully granted a three-year renewal of its Good Manufacturing Practice (GMP) licence for EU compliance of its Slovenian production and compounding facility, following an annual audit conducted by the JAZMP, the government agency of medicinal products and medical devices of the Republic of Slovenia. The EU GMP licence is the most highly credentialled in the world for compliance and is essential for the production and manufacturing of pharma grade medicinal products.

As a result, MGC Pharma can continue to research, develop, manufacture and produce its suite of proprietary cannabinoid products from its Slovenian EU GMP production facility for the next 3 years before the next EU GMP audit.

Distribution agreements

During the quarter, MXC signed a number of distribution agreements to further expand its international footprint. The distribution agreements include, an agreement signed with leading Israeli cannabis company, IM Cannabis Corp, for the distribution of CannEpil® in Israel and agreements signed with K.S KIM International, a wholly owned division of SK Pharma, for the sales and distribution of ArtemiC and anti-viral treatments in Europe, Israel, Russia, the CIS countries and the Balkan region respectively.

Research and Development

Phase II clinical trial commences for COVID-19 infected patients

MXC commenced a Phase II double-blind, randomized, placebo controlled clinical trial to evaluate the safety and efficacy of a natural anti-inflammatory based formulation ArtemiC on patients diagnosed with COVID-19. This followed receipt of Ethics Committee approval on the 17th April 2020 for approval of the trial at Nazareth Hospital EMMS in Israel and on 28th of April 2020 at Hillel Yaffe Hospital in Israel.

The Phase II trial commenced in early May and in July was geographically expanded to the Mahatma Gandhi Mission's Medical College & Hospital in India, where a full ethical review was undertaken with ethics committee approval received. The trial in India is due to commence in the coming 1-2 weeks. MXC was also selected by the World Health Organisation to participate in a COVID-19 taskforce by reporting on the ArtemiC trial.

Subsequent to the quarter end, the Company's received promising results from ArtemiC's safety and toxicity pre-clinical study which delivered no adverse results in standard toxicity measures from the full panel of hematology and chemistry blood tests.

The expenditure incurred on the ArtemiC Phase II clinical trial for the June quarter totalled $115k, and is expected to be a total of approximately $615k following the completion of the ArtemiC Phase II clinical trial at both Israel and India.

Ethics Committee Approval for CannEpil® Phase IIb Clinical Trial

In May 2020, the Company announced ethics committee approval was received from the Schneider Hospital in Israel for a Phase IIb clinical trial for MGC Pharma's proprietary formulation CannEpil® designed to treat drug resistant epilepsy. The trial will be a randomised, double blind, placebo controlled, parallel design Phase IIb study of the safety and efficacy of CannEpil® and will recruit 103 patients between the ages of 1 and 18 years old. It is expected to commence in September 2020.

The expenditure incurred on the Phase II clinical trial for the June quarter totalled $15k.

Successful research results for cannabinoid formulation on Glioblastoma – brain cancer

MXC's ongoing pre-clinical in-vitro research program focused on cannabinoid formulations in the development of treatment for glioblastoma multiforme ('GBM'), the most aggressive, and so far, therapeutically resistant, primary brain tumour yielded successful results.

The research is being conducted in collaboration with the National Institute of Biology ('NIB') and the Neurosurgery Department at the University Medical Centre in Ljubljana, Slovenia.

Results to date are as follows.

- On brain tissue samples from a total of 24 patients (including the 10 patients reported on in July 2019) confirm that the cannabinoid preparations can successfully inhibit tumour cell viability and cause a significant percentage of glioblastoma cells to undergo "programmed cell death"
- Recent data from NIB, conducted on 14 additional GBM tumour tissue samples, support the direct novel cannabinoid formulations in the treatment of glioblastoma
- Multi compound cannabinoid formulations are more effective than single cannabinoid preparations and importantly are the intellectual property of MGC Pharma

There was no expenditure for the glioblastoma study in the June quarter.

Operational Updates

Malta

MGC Pharma has completed renovation of a leased facility in Malta to be applied towards Clinical Research Organisation (CRO) activities which encompass its R&D and analytics services. The funding for this renovation came from Malta Enterprise, a government agency who provided MXC with a grant of €200,000. MGC Pharma is in discussions with the Maltese authorities and Malta Enterprise to extend the facility to manufacture its anti-inflammatory product, ArtemiC, which is currently undergoing a clinical trial in COVID-19 patients. The use of this facility will enable MXC to create a European manufacturing hub for ArtemiC, which is to be distributed in Israel, Russia and Eastern Europe by KS Kim, a subsidiary of SK Pharma, upon completion of positive clinical results.

This renovation demonstrates MXC's commitment to its activities and rollout in Malta and to building a responsible and viable industry on the island CRO activities to support the island's emerging cannabis and pharma industries, and represents a unique opportunity for MXC to build a world class facility for the manufacture of ArtemiC. Upon completion of the facility, MXC will be in a good position to streamline global distribution via Malta's convenient shipping access to the entire globe, creating European hub for ArtemiC with distribution to Russia, Europe and Israel as determined by the agreement signed with KS Kim.

MXC qualifies to apply for potential EU grants to assist funding of this facility, which it is currently exploring.

Non-Pharma business / Investment Updates

Sale of MGC Nutraceuticals to US CBD and Hemp Wellness company

MXC signed a binding acquisition agreement to sell 100% of its MGC Nutraceuticals subsidiary to US listed Onassis Holdings Corp (OTC:ONSS) along with an exclusive CBD and raw materials supply agreement, as announced in June.

Per the terms of the agreement, MXC will receive shares equating to a value of US$6 million in Onassis Holdings Corp as consideration for the 100% sale of the MGC Nutraceutical business. As part of the sale, the Company secures an exclusive supply agreement for the provision of MXC's CBD, raw materials and proprietary production intellectual property (IP) to Onassis for the future manufacturing and production of nutraceuticals products. Settlement of the transaction is expected by CYQ4 2020 with the completion of a capital raising by Onassis on the OTC.

Cannaglobal update

The Company is a shareholder in Cannaglobal following the sale of its MGC Derma business in January 2019 and provides the following update on its operations, from a recent Cannaglobal update to shareholders.

Cannaglobal is broadening its wellness mandate into psychedelics and signed binding LOIs to purchase two world class psychedelic plays: Sansero Life Sciences- a leading life science psychedelic company; and Rise Wellness - the definitive global psychedelic wellness retreat business. In addition, it is acquiring the balance of byMinistry.

Sansero is a biotech company focused on cultivation, research and potential applications for psilocybin. The company is developing novel formulations designed to replace antidepressants and anxiety medications with natural psilocybin-based pharmaceuticals. The team has over 30 combined years of research experience in plant biotech, tissue culture and genetics.

Financial and Corporate

Reduction in operating costs and salary cuts formalised for Directors and management team

Further to the corporate cost saving measures implemented earlier in the year due to the COVID-19 outbreak, the Company has formally revised remuneration agreements with its directors and senior management.

Effective 1st July 2020, MXC directors signed new director agreements which include a salary decrease of up to 60% for the 2021 financial year. Additionally, there is no longer a termination payment due to directors Brett Mitchell, Roby Zomer and Nativ Segev as detailed in their original service agreements, and as was referenced in the ASX announcement of 15 April 2020. Senior management remuneration has also decreased up to 30%. Director salaries totalled $115k in the June 2020 quarter compared to $424k in the December 2020 quarter.

The Company has also continued reduction in administration costs, and streamlining operating costs with $600k spent this quarter comparable to $1.1m the same quarter last year.

Completion of $3.5 million placement

MXC successfully raised $3.5 million at $0.027 per share, issuing 129.63 million fully paid ordinary shares. New shares issued under the placement include one free attaching listed option for every two shares issued, exercisable and $0.045 on or before 31st August 2021. Canaccord Genuity (Australia) acted as lead manager to the transaction and the placement was well supported by new and existing institutional and sophisticated investors.

Events subsequent to the quarter end

Subsequent to quarter end, MXC was awarded an Import Licence and a cannabis cultivation research permit from the Australian Office of Drug Control. This Import Licence is very important for the Company as it allows the importation of any MGC Pharma Schedule 4 and Schedule 8 medicinal cannabis products into Australia directly by the Company, which was previously facilitated by third parties.

This also now allows MXC to bulk import its products directly resulting in significant cost savings to the Company including logistics and handling costs.

MGC Pharma also signed a binding term sheet with Cannvalate Pty Ltd to acquire 100% of the operating clinic-based assets, data and intellectual property of its wholly owned subsidiary Medicinal Cannabis Clinic (MCC). MCC is a leading Australian medicinal cannabis clinic with a large and existing doctor and patient network.

MXC's acquisition of MCC's Assets, along with its import and distribution capability will reduce supply chain costs which will in turn lead to increasingly more affordable, high-quality cannabinoid medications for an expanding patient base across Australia. Settlement of the acquisition is expected by October 2020.

Outlook

The Company has delivered material progress during the quarter on expanding licences and finalising product registrations in a number of jurisdictions as well as the establishment of key distribution agreements for several large target markets which significantly expands the potential patient base of MGC Pharma. As a result, the Company is well positioned to achieve its milestone of 5,000 prescribed units per month, which is currently required to achieve cashflow breakeven at an operating level.

With the ArtemiC Phase II clinical trial underway and we look forward to updating the market with interim results from the human trial in early August, as recently annouced.

Appendix 4C

The Company had $1.87m cash at the end of the June 2020 quarter. In accordance with Section 6 of the attached Appendix 4C, the Company confirms the total $149k was for executive director fees, non-executive director fees and corporate costs during the quarter.

--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 'Nature 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 including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma 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.

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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	30 JUNE 2020

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	392	2,112
1.2	Payments for		
	(a) research and development	(1,022)	(4,600)
	(b) product manufacturing and operating costs		
	i) cost of sales	(393)	(2,634)
	ii) operating costs	(207)	(1,258)
	(c) advertising and marketing	(68)	(321)
	(d) leased assets	-	-
	(e) staff costs	(287)	(1,254)
	(f) administration and corporate costs	(489)	(2,689)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	14
1.5	Interest and other costs of finance paid	-	(4)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	66	523
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,006)**	**(10,111)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(157)	(780)
	(d) investments	-	(26)
	(e) intellectual property	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 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**	**(157)**	**(806)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,535	11,427
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	(396)	(774)
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)
3.10	**Net cash from / (used in) financing activities**	**3,139**	**10,600**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	950	2,354
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,006)	(10,111)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(157)	(806)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,139	10,600

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(49)	(160)
4.6	**Cash and cash equivalents at end of quarter**	**1,877**	**1,877**

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	1,823	896
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)**	**1,877**	**950**

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	149
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)	(2,006)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,877
8.3	Unused finance facilities available at quarter end (Item 7.5)	-
8.4	Total available funding (Item 8.2 + Item 8.3)	1,877
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	**1**

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

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

8.6.1 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: The Company implemented a cost reduction program commencing in the March quarter, to manage the business appropriately through the Covid-19 pandemic, and towards operational cashflow breakeven status. The effects of the cost reductions are reflected in the June quarter and future quarters.

8.6.2 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: The Board is constantly reviewing its working capital position and the future need for capital raisings or other financing options. The Board is confident of its ability to raise additional funding as required for the operation of the core business, notwithstanding the announced sale of the MGC Nutraceuticals business to a US OTC company.

8.6.3 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, the Company is able to continue operations as a going concern.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

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: 31 July 2020

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[lodge electronically without signature]

Authorised by: .....

Roby Zomer – Managing Director

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.