

29 April 2016

Ben Tippett
Adviser, Listings Compliance (Perth)
ASX Compliance Pty Ltd
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

Dear Mr Tippett

I refer to ASX's letter to MGC Pharmaceuticals Ltd (Company) dated 27 April 2016. In respect to your queries the Company's position is as set out below:

1. *Does the Entity consider the information in the Announcement, or part thereof (the "Information"), to be information that a reasonable person would expect to have a material effect on the price or value of its securities?*

Yes

2. *If the answer to question 1 is "no", please advise the basis for that view.*

N/A

3. *If the answer to question 1 is "yes", when did the Entity first become aware of the Information.*

The Company was aware of some of the detail of the Heads of Agreement earlier in the year when it commenced negotiations with PANAX Pharma s.r.o. As with any negotiation, the terms of the Heads of Agreement changed over the course of several months. The terms of the transaction continued to be negotiated until Thursday, 21 April 2016. The signed Heads of Agreement was sent to the Company on the evening of 21 April 2016 and was duly countersigned by the Company. Until this date, the Company did not have any certainty that the Transaction would proceed.

4. *If the answer to question 1 is "yes" and the Entity first became aware of the Information before the relevant date, did the Entity make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.*

N/A

5. *Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.*

The Company can confirm that it is currently in compliance with the Listing Rules, and, in particular, Listing Rule 3.1.

Yours sincerely



Brett Mitchell
Executive Chairman



27 April 2016

Rachel Kerr
Company Secretary
MGC Pharmaceutical Limited
PO Box 7209
Cloisters Square WA 6805

By Email

Dear Ms Kerr

MGC Pharmaceuticals Limited (the "Entity"): ASX Aware Query

ASX Limited ("ASX") refers to the following:

1. The change in the price of the Entity's securities from a closing price of \$0.042 on Friday 15 April 2016 to closing price of \$0.062 on Monday 18 April 2016, an increase of 47%, and the increase in the trading volume of the Entity's securities over that period.
2. The price query letter issued to the Entity by ASX at 02:11pm AWST on Monday 18 April 2016 in response to the change in the price of the Entity's securities, and the price query response from the Entity released on the ASX Market Announcements Platform at 05:31pm AWST on Monday 18 April 2016.
3. The Entity's trading halt request released on the ASX Market Announcements Platform at 07:55am AWST on Friday 22 April 2016, requesting a halt in trading of the Entity's securities pending an announcement regarding an material acquisition.
4. The Entity's announcement entitled "MXC to Acquire Licensed European Medical Cannabis Company – Commencing Operations on Medical Grade Cannabis Genetics and Breeding Research" released on the ASX Market Announcements Platform at 08:22am AWST on Wednesday 27 April 2016 (the "Announcement"), disclosing Entity's execution of a binding heads of agreement to acquire PANAX Pharma s.r.o.
5. Listing Rule 3.1, which requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
6. The definition of "aware" in Chapter 19 of the Listing Rules. This definition states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity."

Additionally, you should refer to section 4.4 in Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information”*.

7. Listing Rule 3.1A, which sets out exceptions from the requirement to make immediate disclosure, provided that each of the following are satisfied.

“3.1A Listing rule 3.1 does not apply to particular information while each of the following requirements is satisfied in relation to the information:

3.1A.1 One or more of the following applies:

- It would be a breach of a law to disclose the information;*
- The information concerns an incomplete proposal or negotiation;*
- The information comprises matters of supposition or is insufficiently definite to warrant disclosure;*
- The information is generated for the internal management purposes of the entity; or*
- The information is a trade secret; and*

3.1A.2 The information is confidential and ASX has not formed the view that the information has ceased to be confidential; and

3.1A.3 A reasonable person would not expect the information to be disclosed.”

8. ASX’s policy position on the concept of *“confidentiality”* which is detailed in section 5.8 of Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B “Listing Rule 3.1A.2 – the requirement for information to be confidential”*. In particular, the Guidance Note states that:

“Whether information has the quality of being confidential is a question of fact, not one of the intention or desire of the listed entity. Accordingly, even though an entity may consider information to be confidential and its disclosure to be a breach of confidence, if it is in fact disclosed by those who know it, then it ceases to be confidential information for the purposes of this rule.”

Having regard to the above, we ask that you answer the following questions in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does the Entity consider the information in the Announcement, or part thereof (the *“Information”*), to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
2. If the answer to question 1 is *“no”*, please advise the basis for that view.
3. If the answer to question 1 is *“yes”*, when did the Entity first become aware of the Information.
4. If the answer to question 1 is *“yes”* and the Entity first became aware of the Information before the relevant date, did the Entity make any announcement prior to the relevant date which disclosed the Information? If so, please provide details. If not, please explain why the Information was not released to the market at an earlier time, commenting specifically on when you believe the entity was obliged to release the Information under Listing Rules 3.1 and 3.1A and what steps the Entity took to ensure that the Information was released promptly and without delay.
5. Please confirm that the Entity is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **3:00pm WST on Monday 2 May 2016**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in the Entity's securities under Listing Rule 17.3.

You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, the Entity's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at ben.tippett@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A.

The obligation of the Entity to disclose information under Listing Rules 3.1 and 3.1A is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

In responding to this letter, you should have regard to the Entity's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in the Entity's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Ben Tippett

Adviser, Listings Compliance (Perth)