

15 June 2016

ASX Code: MXC

MXC's First Crops Planted at European CBD Production Farm

- Successful completion of the first planting of CBD test crops in Company's cannabidiol (CBD) growing farm operations in Slovenia
- MGC Pharmaceuticals remains on track for first full scale European CBD harvest in 2017, with its first commercial CBD extract production to follow
- Acquisition of Czech Republic based PANAX Pharma is continuing, following advancement of the Company's due diligence processes
- Negotiations continuing for potential CBD genetics and growing operations licensed to North American operators, following establishment of initial CBD operations in Europe

MGC Pharmaceuticals Ltd (ASX: MXC, "MGC Pharma" or "the Company") is pleased to provide an update on its European operations in relation to its CBD growing farm in Slovenia as well as the progression of the Company's Panax acquisition.



Planting seeds in Ljubljana, Slovenia

First CBD crop successfully planted in Slovenia

During the past month the Company successfully prepared and planted its first cannabidiol (CBD) test crop at MGC Pharmaceuticals' growing farm in Slovenia. The size of the test crop farm is 5,000m² and the test crop will be used to evaluate the best soil, nutrients and growing conditions of high CBD Cannabis Sativa L cultivation and production, for use by the Company as future cosmetics and medicinal raw materials. This marks an important step in the Company's program to eventually become a market leading producer of high quality medical cannabis products.

The first test crop of the Cannabis Sativa L strain has now been planted and will be harvested in Q3 2016. MGC Pharmaceuticals expects to cultivate, harvest and produce its first full production crop for high quality non-psychoactive CBD resin extract in 2017 from its Slovenian operations, and through the Panax acquisition in the Czech Republic.



CBD planting operations underway Ljubljana, Slovenia

Panax acquisition update – due diligence continuing towards completion

The Company's acquisition of Czech-based medical cannabis company, PANAX Pharma s.r.o. (Panax) has advanced, with due diligence continuing and the progressing towards settlement of the transaction, as announced on 27 April 2016.

Panax holds a medical cannabis breeding licence agreement and an access agreement to state-of-the-art Czech Republic research facility, the VUKOZ Institute in the Czech Republic. This strategic acquisition will substantially enhance MGC Pharmaceuticals' capability to develop specific medical cannabis genetics and breeding protocols, development of specific medical cannabis strains and as well as enabling the Company to develop future medicinal cannabis products.

Potential North American CBD genetics licensing agreements

With the Panax acquisition nearing completion, the Company is now exploring opportunities for out-licensing its extensive genetics, breeding and growing know-how and has commenced early stage discussion with potential North American operators. This would strategically complement the Company's newly signed MGC Derma products exclusive distribution agreement with Californian-based company C&M CBD HOLDING LLC for cosmetics containing CBD extracts produced within the US, and facilitate a US base for expansion of the MGC Derma business and operations.

Nativ Segev, Co-founder and Managing Director, MGC Pharmaceuticals commented:

"With our first test crops planted, we are excited to be progressing towards the future of harvesting our CBD crops and production of medical grade extracts, which is scheduled for Q3 2017. In addition, with the due diligence of our Panax acquisition well advanced, we are near completion of this key acquisition which will substantially enhance the Company's production and research capabilities and enable licensing into the US."

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About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is EU based specialist medical cannabis company with many years of technical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the Israeli medical cannabis industry and the core business strategy is to develop and supply high quality non-psychoactive Cannabidiol (CBD) resin extract to the growing demand in cosmetics and medical markets in Europe, North America and Australasia. The Company is also developing strategic joint ventures in these key value add industries, as demonstrated with MGC Derma CBD cosmetics.