

MGC PHARMACEUTICALS LTD
ACN 116 800 269

SUPPLEMENTARY PROSPECTUS

IMPORTANT INFORMATION

This is a supplementary prospectus (**Supplementary Prospectus**) intended to be read with the prospectus dated 4 May 2016 (**Prospectus**), issued by MGC Pharmaceuticals Ltd (ACN 116 800 269) (**Company**).

This Supplementary Prospectus is dated 11 May 2016 and was lodged with ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Supplementary Prospectus.

This Supplementary Prospectus should be read together with the Prospectus. Other than as set out below, all details in relation to the Prospectus remain unchanged. Terms and abbreviations defined in the Prospectus have the same meaning in this Supplementary Prospectus. If there is a conflict between the Prospectus and this Supplementary Prospectus, this Supplementary Prospectus will prevail.

This is an important document and should be read in its entirety. If you do not understand it you should consult your professional advisers without delay.

1. EXTENSION OF THE OFFER PERIOD

The Board wishes to advise that the Closing Date of the Offer has been extended until 5:00pm (AWST) on 10 May 2016, and accordingly the "Indicative Timetable" as set out in Section 3 has been updated as follows:

Lodgement of Prospectus with the ASIC and ASX	4 May 2016
Lodgement of Appendix 3B	4 May 2016
Opening Date	4 May 2016
Closing Date*	10 May 2016
Lodgement of Supplementary Prospectus with the ASIC and ASX	11 May 2016
Expected date of Official Quotation of the Securities*	12 May 2016
Expected date of issue of holding statements*	13 May 2016

* The Directors reserve the right to bring forward or extend the Closing Date of the Offer at any time after the Opening Date of the Offer without notice. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date of the Offer.

2. AMENDMENTS TO VARIOUS SECTIONS IN THE PROSPECTUS

2.1 Priority Offer

All references to "Priority Right Offer" under the Prospectus be amended to "Priority Offer."

2.2 Shareholder Approval for Free Attaching New Options

In Sections 4.1 and 5.4 of the Prospectus, the Company indicates that it will seek Shareholder approval for the issue of the free attaching New Options offered as part of the Offer. The Company wishes to advise that in the event that Shareholder approval is not obtained or the Company is unable to issue the New Options under available 15% placement capacity, then no New Options will be offered to Applicants.

2.3 Exercise of 2.5 Cent Options

Sections 4.2, 5.2 and 8.5 of the Prospectus make reference to holders of Options currently on issue (exercisable at \$0.025 on or before 30 June 2017) (**2.5 Cent Options**) proposing to exercise those 2.5 Cent Options between the date of lodgement of the Prospectus and the Closing Date of the Offer.

The Company wishes to confirm that on 4 May 2016 the Company issued a total of 29,750,000 Shares upon exercise of 29,750,000 2.5 Cent Options, including the issue of 3,500,000 Shares to Mr Nick Castleden (a director of the Company) upon exercise of 3,500,000 of his 2.5 Cent Options.

Consequently, the following amendments are made to the Prospectus:

- (a) The definition of "2.5 Cent Options" be deleted and replaced with:

"**2.5 Cent Options** means Options exercisable at \$0.025 each on or before 30/06/17."

- (b) The table in Section 5.5 (Details of substantial holders) be deleted and replaced with the following, which outlines those persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue at the date of this Supplementary Prospectus:

Shareholder	Shares	%
Nativ Segev	40,000,000	5.40
Elad Segev	40,000,000	5.40

- (c) The effect of the Offer is adjusted (refer to Section 2.5 of this Supplementary Prospectus).
- (d) The capital structure of the Company is adjusted (refer to Section 3 of this Supplementary Prospectus).
- (e) Mr Castleden's interest in the securities of the Company is adjusted (refer to Section 5 of this Supplementary Prospectus).

2.4 Issue of Shares to StocksDigital

Section 4.2 of the Prospectus made reference to the Company's prior issue of 2,000,000 Shares to StocksDigital. The Company wishes to clarify that these Shares were issued to StocksDigital pursuant to a services contract in lieu of fees for services to the Company, and were issued to StocksDigital at a deemed issue price of \$0.02 per Share.

2.5 Effect of the Offer

Section 5.2 of the Prospectus (Effect of the Offer) be deleted and replaced with the following, which outlines the effect of the Offer as at the date of this Supplementary Prospectus:

"The principal effect of the Offer (and the Cleansing Offer), and assuming no Options on issue at the date of this Supplementary Prospectus will be to:

- (a) increase the cash reserves by \$4,678,037 (after deducting the estimated expenses of the Offer) assuming full oversubscription, immediately after completion of the Offer;
- (b) increase the number of Shares on issue from 741,183,252 as at the date of this Supplementary Prospectus to 856,819,636 Shares (assuming full oversubscription) (which assumes no Shares have been issued or Options exercised under the Priority Offer); and
- (c) increase the number of Options on issue from 23,750,000 as at the date of this Supplementary Prospectus to 61,628,788 Options (assuming full oversubscription) (which assumes no Shares have been issued or Options exercised under the Priority Offer)."

2.6 Dilution Risk

The wording for the "Dilution Risk" risk factor at Section 7.2 of the Prospectus be replaced with the following:

"Upon implementation of the Offer, assuming the Offer is fully oversubscribed, Shares are issued to StocksDigital (as outlined in Section 4.2 of the Prospectus) and no Options are exercised or Performance Shares are vested, the number of Shares in the Company will increase from 741,183,252 currently on issue to a maximum of 856,819,636 (assuming no Shares have been issued or Options exercised under the Priority Offer). This means that each Share will represent a significantly lower proportion of the ownership of the Company.

It is not possible to predict what the value of the Company or a Share will be following the completion of the Offer being implemented and the Directors do not make any representation as to such matters.

The last trading price of Shares on ASX prior to the Supplementary Prospectus being lodged of \$0.048 is not a reliable indicator as to the potential trading price of Shares after implementation of the Offer."

2.7 New Options Risk

The inclusion of an additional risk factor in Section 7 of the Prospectus:

The Company intends to seek Shareholder approval for the issue of the free attaching New Options offered as part of the Offer in an upcoming general meeting to be scheduled in the coming weeks. In the event that Shareholder approval is not obtained or the Company is unable to issue the New Options under available 15% placement capacity, then no New Options will be offered to Applicants.

2.8 Company Announcements

The Company's ASX announcements contained in the table in Section 8.2 of the Prospectus be revised as follows up to the date of this Supplementary Prospectus:

11/05/2016	Appendix 3Y - Change of Director's Interest Notice
11/05/2016	Appendix 3B - Option Conversion
11/05/2016	European Commission Approves MGC Derma Cosmetics Products
10/05/2016	Reinstatement to Official Quotation
10/05/2016	ASX Approval of Panax Transaction and Capital Raising Update
09/05/2016	Senegal Gold Assets - Project Status Update
04/05/2016	Suspension from Official Quotation
04/05/2016	Prospectus
04/05/2016	MXC to Raise \$5.0m - Capital Raising Oversubscribed
02/05/2016	Response to ASX Aware Letter
02/05/2016	Trading Halt
02/05/2016	March Quarterly Activity and Cashflow Report
27/04/2016	MXC to Acquire Licensed European Medical Cannabis Company
22/04/2016	Trading Halt
18/04/2016	Response to ASX Price Query
13/04/2016	Launch of Online Store - First Retail Sales of CBD Cosmetics
04/04/2016	MXC to Enter Australian Medicinal Cannabis Market
29/03/2016	MXC Publishes First Australian Med Cannabis White Paper
24/03/2016	MXC Secures First Cosmetics Sales Agreement
03/03/2016	Agreement with SipNose takes MXC into Global Epilepsy Market
29/02/2016	Half Yearly Report and Accounts
25/02/2016	Legalisation of Medical Cannabis Fast Tracks Aus Opportunity
23/02/2016	Investor Report by the Next Bio Tech
23/02/2016	Managing Director's Update to Shareholders
19/02/2016	Capital structure
19/02/2016	Securities trading policy
19/02/2016	Pro forma balance sheet as at 31 January 2016
19/02/2016	MGC Pharma (UK) Limited's account for 26/8/15 - 30/9/15
19/02/2016	Corporate governance statement
19/02/2016	Terms and conditions of Performance Shares
19/02/2016	Confirmations
19/02/2016	Appendix 1A and Information Form and Checklist
19/02/2016	Constitution
19/02/2016	Distribution schedule & Top 20 Holders
19/02/2016	Pre-reinstatement disclosure
19/02/2016	ASX Notice - Reinstatement to Official Quotation
19/02/2016	Reinstatement to Official Quotation (23/02/2016)
17/02/2016	Form 603 - Notice of initial substantial holder x 2
17/02/2016	Form 605 - Notice of ceasing to be a substantial holder x 2
16/02/2016	Appendix 3X - Initial Director's Interest Notice x 3
16/02/2016	Appendix 3Z - Final Director's Interest Notice
16/02/2016	Completion of Acquisition - Appendix 3B

12/02/2016	Managing Director's Update to Shareholders
11/02/2016	Supplementary Prospectus
11/02/2016	Issue of Supplementary Prospectus and Option Cancellation
11/02/2016	MGC Welcomes Medical Cannabis Legislation Change
01/02/2016	December Quarterly Activity and Cashflow Report
27/01/2016	Conditional Reinstatement Letter Issued
04/01/2016	Prospectus Offers Closed
04/01/2016	App 3B Issue of July 15 Unlisted Options
21/12/2015	MGC Pharmaceuticals - Shareholder Update
18/12/2015	Prospectus
11/12/2015	Change of Company Name to MGC Pharmaceuticals Ltd
30/11/2015	Results of Annual General Meeting
16/11/2015	Results of General Meeting
13/11/2015	Suspension from official quotation
11/11/2015	Investor Report by the Next Bio Tech
05/11/2015	MGC to Collaborate with Leading University of Sydney Faculty
03/11/2015	Trading Halt
02/11/2015	September Quarterly Activity and Cashflow Report
28/10/2015	Notice of Annual General Meeting/Proxy Form

3. CAPITAL STRUCTURE

Section 5.4 of the Prospectus (Effect on Capital Structure) be deleted and replaced with the following, which outlines the Company's capital structure as at the date of this Supplementary Prospectus:

"5.4 Effect on capital structure

The principal effect of the Offer and Cleansing Offer on the capital structure of the Company (as at the date of this Supplementary Prospectus), assuming all Shares offered under the Prospectus are issued, no existing Options are exercised and no existing Performance Shares vest is set out below.

Shares

	Number	Number
	Full Subscription	Full Oversubscription
Shares on issue as at the date of this Prospectus ¹	741,183,252	741,183,252
Issued under the Offer	79,545,455	113,636,364
Issued to StocksDigital ²	2,000,000	2,000,000
Issued under the Cleansing Offer	20	20
Total Shares on completion of the Offer	822,728,727	856,819,636

Options

	Number	Number
	Full Subscription	Full Oversubscription
Options currently on issue:		
Unquoted exercisable at \$0.025 each on or before 30/06/17	6,500,000	6,500,000
Unquoted exercisable at \$0.04 each on or before 30/06/17	11,250,000	11,250,000
Unquoted exercisable at \$0.20 each on or before 30/06/17	4,000,000	4,000,000
Unquoted exercisable at \$0.30 each on or before 23/01/18	1,000,000	1,000,000
Unquoted exercisable at \$0.35 each on or before 23/01/18	500,000	500,000
Unquoted exercisable at \$0.40 each on or before 23/01/18	500,000	500,000
Issued under the Offer ⁴	26,515,152	37,878,788
Total Options on issue after completion of the Offer	50,265,152	61,628,788

Performance Shares

	Number
Performance Shares on issue as at the date of this Prospectus ³	100,000,000
Issued under the Offer	Nil
Total Performance Shares on completion of the Offer	100,000,000

Notes

1. Consisting:
 - a. 537,836,552 Shares (including 13,000,000 VHL ordinary shares);
 - b. 63,346,700 Shares escrowed for 24 months from 23 February 2016; and
 - c. 140,000,000 Shares escrowed until 15 February 2017.

Please note, this does not take into account Shares proposed to be issued under the Share Purchase Offer.
2. Refer to Section 4.2 of the Prospectus for details.
3. Consisting 30,000,000 Performance Shares escrowed for 24 months from 23 February 2016 and 70,000,000 Performance Shares escrowed until 15 February 2017.
4. The issue of the free attaching New Options will be subject to Shareholder approval at a general meeting to be scheduled by the Company in the coming weeks and the free attaching New Options will be issued on the terms and conditions set out in Section 6.2 of the Prospectus."

4. USE OF FUNDS

Section 5.1 of the Prospectus (Purpose of the Offer) be deleted and replaced with the following:

“5.1 Purpose of the Offer

Item	Proceeds of the Offer	Full Subscription (\$)	%	Full Oversubscription (\$)	%
1.	Construction of the Slovenian CBD growing facility	\$875,000	25.00%	\$875,000	17.50%
2.	Completing construction of the Slovenian laboratory and CBD extraction facility	\$760,000	21.71%	\$760,000	15.20%
3.	Funding the Panax/Vukoz genetics and breeding research operations ³	\$1,055,000	30.14%	\$1,055,000	21.10%
4.	Development of Australian Strategy and implementation	\$150,000	4.29%	\$400,000	8.00%
5.	Complete the rollout of the MGC Derma cosmetics product line, including its psoriasis and acne treatment products	\$416,666	11.90%	\$416,666	8.33%
6.	New medical product development and facilities	Nil	0%	\$600,000	12.00%
7.	Application by the Company for Australian growers licence	Nil	0%	\$275,000	5.50%
8.	Expenses of the Offer ¹	\$229,804	6.57%	\$321,963	6.44%
9.	Working capital	\$13,530	0.39%	\$296,371 ²	5.93%
	Total	\$3,500,000	100%	\$5,000,000	100%

Notes:

1. Refer to Section 8.8 of the Prospectus for details in respect of the estimated expenses of the Offer.
2. The Board proposes to utilise these funds towards general costs associated with the management and operation of the business, including administration expenses, salaries, directors' fees, rent and other associated costs.
3. As announced on 4 May 2016, the Company's has entered into a binding heads of agreement to acquire PANAX Pharma s.r.o (**Acquisition**). The Acquisition is subject to completion of due diligence by both parties. If the Acquisition is not completed, funds allocated to item 3 will be reallocated to the remaining items in the table above at the discretion of the Company.

On completion of the Offer, the Board believes the Company will have sufficient working capital to achieve these objectives.

The above table is a statement of current intentions as of the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

In the event that more than the full subscription is raised, but less than the full oversubscription, the additional funds raised (after adjustment of expenses of the Offer) will be applied in priority towards new medical product development, application by the Company for an Australian growers licence and towards general costs associated with the management and operation of the business, including administration expenses, salaries, directors' fees, rent and other associated costs."

5. DISCLOSURE OF DIRECTORS' INTERESTS

In relation to Section 8.5 (Directors' Interests) of the Prospectus:

- (a) The table reflecting the relevant interest of each of the Directors in the securities of the Company be deleted and replaced with the following, which outlines the relevant security holdings as at the date of this Supplementary Prospectus:

Director	Shares	%Interest	Options	Performance Shares
Brett Mitchell	11,193,894	1.51%	5,800,000 ¹	Nil
Nativ Segev	40,000,000	5.40%	Nil	20,000,000
Roby Zomer	20,000,000 ³	2.70%	Nil	10,000,000 ³
Nick Castleden	4,685,148	0.63%	3,500,000 ²	Nil
Ross Walker	Nil	Nil	Nil	Nil

Notes

1. Consisting 2,500,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017, 2,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017 and 800,000 Unlisted Options exercisable at \$0.20 each on or before 30 June 2017.
2. Consisting 3,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017.
3. Held indirectly by Chitta Lu Limited, an entity controlled by Mr Zomer.

- (b) Mr Nick Castleden's total annual remuneration in each of the past two financial years be deleted and replaced as follows:

- (i) Financial Year ending 30 June 2014: \$34,167
- (ii) Financial Year ending 30 June 2015: \$78,733

6. PRO-FORMA BALANCE SHEET

The pro-forma balance sheet in Section 5.3 (Financial effect) be deleted and replaced with the following:

	AUDITED 31 December 2015	UNAUDITED 31 March 2016	PROFORMA 31 March 2016
CURRENT ASSETS			
Cash ¹	1,060,904	1,142,115	6,635,865
Other current assets	108,382	471,897	471,897
TOTAL CURRENT ASSETS	1,169,286	1,614,012	7,107,762
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	500,000	516,663	516,663
Property, plant and equipment	-	42,239	42,239
Intangible assets	-	5,890,141	5,890,141
Investments	-	59,084	59,084
Other non-current receivables	-	471,957	471,957
TOTAL NON-CURRENT ASSETS	500,000	6,980,084	6,980,084
TOTAL ASSETS	1,669,286	8,594,096	14,087,846
CURRENT LIABILITIES			
Trade and other payables	302,065	502,817	502,817
TOTAL CURRENT LIABILITIES	302,065	502,817	502,817
NON-CURRENT LIABILITIES			
Loans to third parties	195,000	1,256,779	1,256,779
TOTAL NON-CURRENT LIABILITIES	195,000	1,256,779	1,256,779
TOTAL LIABILITIES	497,065	1,759,596	1,759,596
NET ASSETS	1,172,221	6,834,500	12,328,250
EQUITY			
Share capital ¹	19,063,563	24,307,030	29,800,780
Share based payment reserve	981,053	1,013,890	1,013,890
Foreign currency translation reserve	36,092	24,121	24,121
Retained loss	(18,908,487)	(18,510,541)	(18,510,541)
TOTAL EQUITY	1,172,221	6,834,500	12,328,250

¹ Includes: 29,750,000 options exercised at \$0.025; placement of 79,545,455 shares at \$0.044 and oversubscription shares of 34,090,909 shares at \$0.044, net of capital raising costs.

Note, the above does not take into account shares proposed to be issued under the Priority Offer.

7. DIRECTORS' AUTHORISATION

This Supplementary Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Supplementary Prospectus with the ASIC.



Mr Brett Mitchell
Executive Chairman
Signed for and on behalf of
MGC PHARMACEUTICALS LTD

Dated: 11 May 2016