



Pharmaceuticals

MGC PHARMACEUTICALS LTD
AND CONTROLLED ENTITIES
ABN 30 116 800 269

APPENDIX 4D

REPORTING PERIOD

Interim financial period to 31 December 2015

PREVIOUS REPORTING PERIOD

Interim financial period to 31 December 2014

Half year information given to ASX under listing rule 4.2A.3

This information contained in this report should be read in conjunction with the most recent annual report.

RESULTS FOR ANNOUNCEMENT TO MARKET

	31-Dec-15	Change%	31-Dec-14
Revenue from ordinary activities	18,190	411%	3,560
Profit/(loss) after income tax from ordinary activities	(3,425,990)*	203%	(1,129,348)
Net profit/(loss) for the period	(3,425,990)*	203%	(1,129,348)
Dividend per Share	n/a		n/a
Record date for determining entitlement to dividends	n/a		n/a
No dividends have been paid or declared during the year			

*Includes total extraordinary items of \$2.3m relating to accounting adjustments of, a \$1.6m provision for the impairment on the exploration and evaluation assets, and a \$0.7m provision on the loans advanced to MGC; following the completion of the acquisition subsequent to period end, the latter is reversed in line with accounting standards

NET TANGIBLE ASSETS PER ORDINARY SHARE (cents)	0.23	526%	1.44
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DETAILS OF SUBSIDIARIES

There were no changes to the control of subsidiaries in the period, and there were no gains or losses.

DIVIDENDS	n/a		n/a
DIVIDENDS REINVESTMENT PLAN	n/a		n/a
ASSOCIATED AND JOINT VENTURE ENTITIES	n/a		n/a
FOREIGN ENTITIES ACCOUNTING STANDARD	n/a		n/a
AUDIT DISPUTE OR QUALIFICATION	n/a		n/a

MGC

Pharmaceuticals

ABN 30 116 800 269
MGC PHARMACEUTICALS LTD

INTERIM FINANCIAL REPORT

31 DECEMBER 2015

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MGC PHARMACEUTICALS LTD

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Corporate Directory

Directors

Brett Mitchell
Executive Chairman

Roby Zomer – *appointed 15/02/2016*
Executive Director and CTO

Nick Castleden
Non-Executive Director

Nativ Segev – *appointed 15/02/2016*
Managing Director

Ross Walker – *appointed 15/02/2016*
Non-Executive Director

Nick Poll – *resigned 15/02/2016*
Non-Executive Director

Company Secretary

Rachel Kerr

Registered Office and Principal Place of Business

Level 7, 1008 Hay Street
Perth WA 6000
Tel: +61 8 9389 2000
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Solicitors

GTP Legal
Level 1, 28 Ord Street
West Perth WA 6005

Auditors

PKF Mack
Level 4, 35 Havelock Street
West Perth WA 6872

Securities Exchange Listing

MGC Pharmaceuticals Ltd securities are listed on the Australian Securities Exchange (ASX)
Code 'MXC' for ordinary shares

Share Registry

Computershare Investor Services Pty Ltd
Level 11
172 St Georges Terrace
Perth WA 6000

MGC PHARMACEUTICALS LTD

Consolidated Interim Financial Report 31 December 2015

Directors' Report

Your directors submit the condensed interim financial report for the consolidated Group for the half-year ended 31 December 2015.

Directors

The names of directors who held office during or since the end of the half-year:

Director	Title	Appointment Date	Resignation Date
Brett Mitchell	Executive Chairman	4 April 2013	-
Nativ Segev	Managing Director	15 February 2016	-
Roby Zomer	Executive Director & CTO	15 February 2016	-
Nick Castleden	Non-executive Director	12 May 2014	-
Ross Walker	Non-executive Director	15 February 2016	-
Nick Poll	Non-executive Director	4 April 2013	15 February 2016

Operating Results

The consolidated loss for the Group after providing for income tax from continuing operations amounted to \$3,414,821 (2014: loss of \$1,118,617).

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial period.

Review of Operations

Highlights

- Shareholders' approved the acquisition and change of company name to MGC Pharmaceuticals Ltd
- MXC set to generate first revenues with initial Ananda CBD cosmetics currently in production, worth approximately AU\$1,000,000 in gross retail revenues
- New CBD based cosmetic and therapeutic product development continues, with skin care formulas completing first phase of testing, successfully demonstrating relief for Psoriatic skin conditions
- Substantial progress of MGC Pharmaceutical's Australian Strategy, headlined with the appointment of renowned Australian cardiologist and media commentator Dr Ross Walker to the MXC Board
- Execution of strategic collaboration agreement with University of Sydney, and Australian research work programs are underway
- Strategically positioned to accelerate MXC's business plan to commercialisation, and significant first cashflows, during 2016

Corporate Update

Shareholder approval to complete the acquisition of MGC Pharma (UK) Ltd and change its name to MGC Pharmaceuticals Ltd was completed on 16 November 2015, this was followed by the lodgement of the re-compliance prospectus Friday 18 December 2015. On 15 February 2016 the Company completed the formal acquisition of the MGC Pharmaceuticals Group and recommenced trading under the Company's new ticker code MXC on 23 February 2016.

MGC PHARMACEUTICALS LTD

Consolidated Interim Financial Report 31 December 2015

Directors' Report

Most importantly, since executing the agreement to acquire MGC Pharmaceuticals in May 2015, the MGC team and operations have made significant progress on executing its business plan and steps towards first phase commercialisation of its medical cannabis based cosmetic and medical products, and first Cannabidiol (CBD) resin production in Slovenia during mid-2016, and potentially in additional jurisdictions during the 2016 calendar year.

MXC is on track to generate its first operational cashflow during the March quarter with the commercial launch and first sales from its first line of MGC DERMA CBD based cosmetic products, and its online MGC DERMA cosmetics shop.

Operational Update

Cosmetic CBD Products – Development Complete and Sales Commenced

In the September quarter the Company completed the development of its first batch of its cosmetic range, consisting of 16 products. During the December quarter MGC moved towards completion of the manufacture of 16,000 initial units, worth approximately \$1,000,000 in gross retail revenue using current exchange rates.

The products will be available for sale via MXC's online platform and the Company is in advanced discussions with global distribution partners with the intention of executing strategic supply agreements with key distributional channels during the March and June 2016 quarters, with strategic channel partners in both Europe and North America.

Dermatological Skin Care Formula

Second phase testing of the Company's dermatological skin care formula's commenced during the December quarter following the successful completion of phase one testing focusing on Psoriasis and Acne, which demonstrated positive results on the skins condition on over 93% of the volunteer sample who suffered from varying degrees of Psoriasis.

Second phase testing is due to be completed during Q2 2016, with the final testing phase beginning before the end of the Q3 2016 at which time the Company is planning to commercially launch its first CBD based cream to provide relief for Psoriatic skin conditions. Development of the CBD skincare formula forms a key part of MXC's strategy to build its own range of compliant of Cannabidiol dermatological products.

Following successful final phase testing the Company expects sale of the product to commence in late-2016. MGC Pharmaceuticals has an additional 20+ formulas undergoing trials with human volunteers and will progress those that show positive results to second phase testing. The Company will provide updates on these formulas as the results become available.

MGC Pharmaceuticals plans to have its full range of over 50 CBD based cosmetic and dermatological products available for sale during 2016.

Australian Strategy – Launch and Material Progress

The Company made significant progress towards establishing its Australian strategy, following the recent developments within the Federal Government to legalise the cultivation and distribution of medical cannabis in Australia.

MGC PHARMACEUTICALS LTD

Consolidated Interim Financial Report 31 December 2015

Directors' Report

Dr Ross Walker, renowned Australian cardiologist and media commentator has been appointed to the Board as a Non-Executive Director of MGC Pharmaceuticals Ltd, and is also Chair of the Company's newly established Strategic Advisory Board that will evaluate commercial opportunities in the medical cannabis industry within Australia.

Dr Walker's role is to lead MGC's investigative study and evaluate new medical and commercial opportunities for medical cannabis products. He will also be responsible for driving relations with regulators, with the intention of establishing MGC as a licensed producer and distributor of a local medical cannabis supply.

Additionally, MXC has entered into a collaborative relationship with BuddingTech – a hub for technological involvement in the cannabis industry, with the goal of furthering multiple agendas in the Cannabis space – including regulation of the industry and aligning key stakeholders in the cannabis industry in Australia. This is a key plank of MXC's strategy and is in line with the Prime Minister, Mr Malcolm Turnbull's new technology innovation policy, assisting MXC in creating unique leveraged relationship to facilitate a speedy move into being a market leader in all elements of the cannabis supply chain in Australia, while maintaining a presence in the forming of the industry in this country.

In the December quarter MXC executed a collaboration agreement with the University of Sydney Business School's Community Placement Program (CPP), and has commenced work already on a "Primary White Paper" focused on the potential Australian Cannabis Industry which explores and outlines various opportunities in the Australian medical cannabis market. Driven by changes in the Australian regulatory environment, the project will facilitate MXC's placement as a key player with both government and industry in this field, ensure our continuous contact and involvement with the emergence of the industry, and with establishing its best practices and standards of performance.

Given the current outlook towards legislative change in Australia and the possibilities innately available to us by focusing on our CBD heavy strains, there is the potential for MXC to be one of the largest producer of CBD in the Southern Hemisphere, supplying product to various verticals that will be emerging into the future.

Events Subsequent to Reporting Date

Completion of the acquisition of MGC Pharma (UK) Ltd was confirmed on 15 February 2016, as part of completion the Company issued 200,000,000 Fully Paid Ordinary Shares and 100,000,000 Performance Shares to the Vendors.

The Company appointed Nativ Segev as Managing Director, Roby Zomer as Executive Director and CTO, and Dr Ross Walker as Non-Executive Director to the Board and accepted Nick Poll's resignation as part of completion. The 500,000 Prospectus Shares and 3,346,700 Ordinary Shares for M+C Partners (or nominee) were also issued on 15 February 2016.

Also subsequent to the reporting date, the Company put in place a working capital loan of \$1 million to effect the Company's re-compliance and relisting on the ASX, through a loan facility agreement with a third party on 11 February 2016. The loan is repayable on 10 February 2018, at an interest rate of 10% per annum.

The Company was reinstated to trading on the ASX on 23 February 2016.

MGC PHARMACEUTICALS LTD

Consolidated Interim Financial Report 31 December 2015

Directors' Report

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 8 for the half-year ended 31 December 2015.

This report is signed in accordance with a resolution of the Board of Directors.



Brett Mitchell

Executive Chairman

Dated 29 February 2016

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF MGC PHARMACEUTICALS LTD

In relation to our review of the financial report of MGC Pharmaceuticals Ltd for the half year ended 31 December 2015, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

PKF Mack

PKF MACK

Simon Fermanis

SIMON FERMANIS
PARTNER

29 FEBRUARY 2016
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WESTERN AUSTRALIA

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Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	31-Dec-14
		\$	\$
	Note		
Revenue		18,190	3,560
Professional and consultancy fees		(208,105)	(33,622)
Marketing expenses		(124,550)	(15,258)
Directors' fees		(112,500)	(80,500)
Employee benefit expenses		(74,291)	(230,879)
Due-diligence expenditure		(152,937)	-
Office and administrative expenses		(21,328)	(21,556)
Provision for loans advanced to MGC	4	(789,083)	-
Impairment provision expense	5	(1,631,226)	(649,861)
Other expenses		(318,834)	(98,096)
Loss before operating activities		(3,414,664)	(1,126,212)
Foreign exchange losses		(11,326)	(3,136)
Loss before income tax		(3,425,990)	(1,129,348)
Income tax benefit		-	-
Loss after income tax from continuing operations		(3,425,990)	(1,129,348)
Other comprehensive income for the half year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on the translation of foreign operations		11,169	10,731
Other comprehensive income (net of tax) for the half year		11,169	10,731
Total comprehensive loss for the half year		(3,414,821)	(1,118,617)
Total comprehensive loss attributable to:			
Members of the parent entity		(3,414,821)	(1,118,617)
		(3,414,821)	(1,118,617)
Earnings per share for loss attributable to the ordinary equity holders of the parent			
<i>From continuing and discontinued operations:</i>			
Basic loss per share (cents)		(0.69)	(0.44)
Diluted loss per share (cents)		(0.69)	(0.44)

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Financial Position

As at 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	30-Jun-15
		\$	\$
Note			
CURRENT ASSETS			
	Cash and cash equivalents	1,060,904	436,985
	Trade and other receivables	108,382	83,618
	Total Current Assets	1,169,286	520,603
NON CURRENT ASSETS			
5	Exploration and evaluation expenditure	500,000	2,000,000
	Total Non-Current Assets	500,000	2,000,000
	TOTAL ASSETS	1,669,286	2,520,603
CURRENT LIABILITIES			
	Trade and other payables	302,065	398,791
	Total Current Liabilities	302,065	398,791
NON-CURRENT LIABILITIES			
	Loan payable to third party	195,000	195,000
	Total Non-Current Liabilities	195,000	195,000
	TOTAL LIABILITIES	497,065	593,791
	NET ASSETS	1,172,221	1,926,812
EQUITY			
7	Contributed equity	19,063,563	16,501,303
6	Share based payment reserve	981,053	883,083
	Foreign currency translation reserve	36,092	24,923
	Retained earnings	(18,908,487)	(15,482,497)
	TOTAL EQUITY	1,172,221	1,926,812

The accompanying notes form part of these consolidated interim financial statements.

MGC PHARMACEUTICALS LTD**Consolidated Interim Financial Report 31 December 2015**

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2015

	Contributed Equity \$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Retained Earnings \$	Total \$
Balance at 1 July 2014	15,701,181	509,148	23,513	(11,684,706)	4,549,136
Total comprehensive loss attributable to member of parent entity	-	-	10,731	(1,129,348)	(1,118,617)
Shares issued during the period (net of share issue costs)	-	274,342	-	-	274,342
Balance at 31 December 2014	15,701,181	783,490	34,244	(12,814,054)	3,704,861
Balance at 1 July 2015	16,501,303	883,083	24,923	(15,482,497)	1,926,812
Total comprehensive loss attributable to member of parent entity	-	-	11,169	(3,425,990)	(3,414,821)
Shares issued during the period (net of share issue costs)	2,562,260	97,970	-	-	2,660,230
Balance at 31 December 2015	19,063,563	981,053	36,092	(18,908,487)	1,172,221

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2015

		CONSOLIDATED GROUP	
		31-Dec-15	31-Dec-14
Note		\$	\$
<i>Cash flows from operating activities</i>			
	Interest received	18,190	3,560
	Payments to suppliers and employees	(896,142)	(224,986)
	MGC Due Diligence and transaction costs	(148,707)	-
	Net cash used in operating activities	(1,026,659)	(221,426)
<i>Cash flows from investing activities</i>			
	Payment for exploration assets	(121,469)	(216,303)
4	Loans advanced to MGC UK	(789,083)	-
	Net cash used in investing activities	(910,552)	(216,303)
<i>Cash flows from financing activities</i>			
	Proceeds from issue of shares, net of share issue cost	2,560,822	-
	Net cash provided by financing activities	2,560,822	-
	Net (decrease)/increase in cash and cash equivalents held	623,611	(437,729)
	Cash and cash equivalents at beginning of period	436,985	595,088
	Foreign exchange movement of cash	308	-
	Cash and cash equivalents at end of period	1,060,904	157,359

The accompanying notes form part of these consolidated interim financial statements.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 1. CORPORATE INFORMATION

The financial report of MGC Pharmaceuticals Ltd ('MGC' or the 'Company') and its controlled entities (the 'Group') for the half-year ended 31 December 2015 was authorised for issue in accordance with a resolution of the directors on 29 February 2016.

MGC Pharmaceuticals Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The principal activity of the Group during the half year was exploration and evaluation of mineral licenses.

NOTE 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2015 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of Preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2015 annual financial report for the financial year ended 30 June 2015, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

a) Changes in Accounting Policy, Accounting Standards and Interpretations

In the half year ended 31 December 2015, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2015. It has been determined by the Company that, there is no impact, material or otherwise, of the new and revised standards and interpretations on its business and therefore no change is necessary to Company accounting policies.

b) Estimates

The preparation of the interim financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing these interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2015.

c) Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

MGC PHARMACEUTICALS LTD

Condensed Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

The consolidated entity incurred a loss from continuing operations of \$3,425,990 (2014: \$1,129,348) during the half year ended 31 December 2015, and had a cash and cash equivalents balance of \$1,060,904 at that date.

In the directors' opinion there are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable for the following reasons:

- (i) The Company's completion of its acquisition of the MGC Pharma (UK) Ltd group (refer note 10); and
- (ii) The Directors monitor and review the cash flow forecast on a continuous basis to ensure that the Company can pursue its business operations and raise additional capital as required for funding.

NOTE 3. DIVIDENDS

There are no dividends paid or declared during the period.

NOTE 4. LOANS RECEIVABLE

During 2015 the company advanced funds to MGC Pharma (UK) Ltd ('MGC UK') to accelerate its medical cannabis cosmetics operations in Slovenia. The terms of the agreement are on an arm's length basis to fund up to £500,000 (approximately \$1 million), for conducting full feasibility and pre-production operations relating to the MGC UK operations; the funds can be drawn-down by the Borrower as and when required, and are repayable 12 months from the date of execution, with nil interest due.

As at 31 December 2015, \$789,083 was drawn-down. Due to the uncertainty over the recoverability of the amounts, it has been assessed that a provision be provided over 100% of the balance in line with relevant accounting standards.

Subsequent to 31 December 2015, and as per note 10 and 11, the Company completed its acquisition of MGC UK; these same loan funds advanced to MGC UK will now be reclassified as intercompany loans for the full year accounts.

NOTE 5. EXPLORATION AND EVALUATION EXPENDITURE

	CONSOLIDATED GROUP	
	31-Dec-2015	30-Jun-2015
	\$	\$
Reconciliation of exploration and evaluation expenditure:		
Costs brought forward	2,000,000	4,315,040
Additions during the year	22,434	261,146
Impairment provision expense during the year	(1,631,226)	(2,777,367)
Amortisation of share based payments during the period (note 6a&bi)	97,970	199,188
Foreign currency movement	10,822	1,993
	500,000	2,000,000

The value of exploration and evaluation expenditure carried forward is dependent on continued rights of tenure, the results of future exploration and recoupment of costs through successful development or sale.

31 December 2015

During the period the Directors reviewed the carrying value of the exploration and evaluation asset, which resulted in a decrease of its value to its recoverable amount of \$500,000.

NOTE 6. SHARE BASED PAYMENTS

The fair value for all share options, as detailed below, are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

The inputs used for the valuations are tabled below for each class of option issued.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions occurring, where applicable are included in determining the fair value of the options.

a) Valuation of the Voluntary Holding Lock shares

As part of the acquisition of Erin Mineral Resources, Voluntary Holding Lock shares were issued to the Erin Mineral Resources shareholders.

The Voluntary Holding Lock shares (VHL Shares) may only be released from their holding lock upon the earlier of the following being satisfied:

- a) a change in control of the Company; or
- b) the Company achieving an enterprise value of at least \$25 million for ten consecutive trading days.

The VHL Shares will be fully paid ordinary shares that will rank equally with all existing shares on issue.

If, within 5 years from the date of issue of the VHL shares, the milestone is not reached and there is no change of control event, in relation to MGC, the VHL Shares will be cancelled by way of selective capital reduction or share buy-back at a price of \$0.000001 per share.

The VHL shares are included in the acquisition fair value of exploration and evaluation and amortised over a period of 5 years.

Number of VHL shares issued	13,000,000
Fair value per share ¹	\$0.07
Total value of the issue	\$906,588
Amortisation expense (based on 5 years)	\$92,291

¹The shares have been valued based on the probability of the events occurring, using the volatility and the share price on the date of acquisition.

The following table lists the inputs to the model used for valuation of options:

Valuation date	17-August-12
Dividend yield (%)	Nil
Expected volatility (%)	71.75%
Share price at grant date (\$)	\$0.25
Probability (%)	27.8%

b) Valuation of the options issued**(i) 4 million unlisted options**

In part consideration for the provision of corporate advisory services to the Company, the Company issued 4,000,000 unlisted options (post consolidation) to Verona. The options have an exercise price of \$0.20 each expiring on or before 30 June 2017. The options will only vest and become exercisable upon the voluntary holding lock in respect of the VHL Shares being released.

Number of options	4,000,000
Fair value per option	\$0.01
Total value of the issue	\$55,790
Amortisation expense (based on 5 years)	\$5,679

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Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

The following table lists the inputs to the model used for valuation of options:

Valuation date	17 August-12
Dividend yield (%)	Nil
Expected volatility (%)	71.75%
Risk-free interest rate (%)	3.09%
Expected life of option (years)	5
Option exercise price (\$)	\$0.20
Share price at grant date (\$)	\$0.25
Expiry date	30 June 2017
Performance conditions	Described above

The options are amortised over their expected life, being 5 years, and included in the fair value acquisition cost of exploration and evaluation expenditure.

(ii) 2 million unlisted options

On 23 January 2013, a total of 2 million unlisted share options were issued to Mr Paul Cranney in consideration for geological consultancy services provided to the Company. The options were issued in three tranches and have an expiry date of 23 January 2018.

The options are amortised over their vesting date, and are expensed accordingly.

	Tranche 1	Tranche 2	Tranche 3	Total
Number of options	1,000,000	500,000	500,000	2,000,000
Fair value per option	\$0.034	\$0.032	\$0.030	-
Total value of the issue	\$34,000	\$16,000	\$15,000	\$65,000

The following table lists the inputs to the model used for valuation of options:

	Tranche 1	Tranche 2	Tranche 3
Valuation date	23 January 2013	23 January 2013	23 January 2013
Vesting Date	23 January 2013	27 August 2013	27 August 2014
Dividend yield (%)	Nil	Nil	Nil
Expected volatility (%)	81%	81%	81%
Risk-free interest rate (%)	3.29%	3.29%	3.29%
Expected life of option (years)	5	5	5
Option exercise price (\$)	\$0.30	\$0.35	\$0.40
Share price at grant date (\$)	\$0.08	\$0.08	\$0.08
Expiry date	23 January 2018	23 January 2018	23 January 2018
Performance conditions	Described above	Described above	Described above

(iii) 15 million listed options

On 16 May 2014, the Company issued 15 million listed options to external consultants in lieu of cash payment for services provided to the Company. The options are exercisable at \$0.02 each on or before 30 June 2015.

The options are amortised over their vesting date, and are expensed accordingly.

Number of options	15,000,000
Fair value per option	\$0.0051
Total value of the issue	\$76,500

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Condensed Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

The following table lists the inputs to the model used for valuation of options:

Valuation date	18 June 2014
Dividend yield (%)	Nil
Expected volatility (%)	125%
Risk-free interest rate (%)	2.68%
Expected life of option (years)	1.1
Option exercise price (\$)	\$0.02
Share price at grant date (\$)	\$0.013
Expiry date	30 June 2015
Performance conditions	As above

(iv) 3.5 million unlisted options

On 22 July 2014, 3.5 million unlisted options in two tranches of 1,750,000 were issued to Key Personnel for their past and ongoing services to the Company. The options are amortised over their vesting date, and are expensed accordingly.

	Tranche 1	Tranche 2	Total
Number of options	1,750,000	1,750,000	3,500,000
Fair value per option	\$0.0082	\$0.0072	-
Total value of the issue	\$14,350	12,600	\$26,950

The following table lists the inputs to the model used for valuation of options:

	Tranche 1	Tranche 2
Valuation date	18 July 2014	18 July 2014
Dividend yield (%)	Nil	Nil
Expected volatility (%)	125%	125%
Risk-free interest rate (%)	2.79%	2.79%
Expected life of option (years)	3	3
Option exercise price (\$)	\$0.025	\$0.04
Share price at grant date (\$)	\$0.013	\$0.013
Expiry date	30 June 2017	30 June 2017

(v) 19 million unlisted options

On 17 September 2014, 19 million unlisted options were issued in tranches of 9.5 million to Directors (and a past director) for their services to the Company. The options are amortised over their vesting date, and are expensed accordingly.

	Tranche 1	Tranche 2	Total
Number of options	9,500,000	9,500,000	19,000,000
Fair value per option	\$0.0082	\$0.0072	-
Total value of the issue	\$77,900	\$68,400	\$146,300

MGC PHARMACEUTICALS LTD

Condensed Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

The following table lists the inputs to the model used for valuation of options:

	Tranche 1	Tranche 2
Valuation date	18 July 2014	18 July 2014
Dividend yield (%)	Nil	Nil
Expected volatility (%)	125%	125%
Risk-free interest rate (%)	2.79%	2.79%
Expected life of option (years)	3	3
Option exercise price (\$)	\$0.025	\$0.04
Share price at grant date (\$)	\$0.01	\$0.01
Expiry date	30 June 2017	30 June 2017

c) Reconciliation of share based payment expense

As at 31 December 2015	Number of VHL shares/ unlisted options	Date	Value \$	Share based payment at 31 December 2015 \$
Opening balance				
VHL shares issued	13,000,000		0.069	535,387
Movement during the year:				
Amortisation expense				92,291
Total VHL share (note 6a)	13,000,000			627,678
Opening balance				
Unlisted option issued	43,500,000			347,696
Movement during the year:				
Amortisation expense (note 6bi)	-	14/09/13	0.014	5,679
Total unlisted options	43,500,000			353,375
Total share based payment reserve	56,500,000			981,053

MGC PHARMACEUTICALS LTD
Condensed Consolidated Interim Financial Report 31 December 2015
Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

As at 30 June 2015	Number of VHL shares/ unlisted options	Vesting date	Value \$	Share based payment at 30 June 2015 \$
Opening balance				
VHL shares issued	13,000,000		0.069	347,746
Movement during the year:				
Amortisation expense				187,641
Total VHL share	13,000,000			535,387
Opening balance				
Unlisted options issued	21,000,000			161,402
Movement during the year:				
Unlisted options issued @ \$0.20 (note 6bi)	-	14/09/13	0.014	11,547
Unlisted options issued @ \$0.40 (Tranche 3) (note 6bii)	-	27/08/14	0.030	1,497
Unlisted options issued @ \$0.025 (Tranche 1) (note 5biv)	1,750,000	22/07/14	0.008	14,350
Unlisted options issued @ \$0.04 (Tranche 2) (note 6biv)	1,750,000	22/07/14	0.007	12,600
Unlisted options issued @ \$0.025 (Tranche 1) (note 6bv)	9,500,000	17/09/14	0.008	77,900
Unlisted options issued @ \$0.04 (Tranche 2) (note 6bv)	9,500,000	17/09/14	0.007	68,400
Total unlisted options	43,500,000			347,696
Total share based payment reserve				883,083

NOTE 7. CONTRIBUTED EQUITY

	CONSOLIDATED GROUP			
	31-Dec-15 NUMBER	30-Jun-15 NUMBER	31-Dec-15 \$	30-Jun-15 \$
Ordinary shares on issue, fully paid (note 7a)	494,586,552	359,134,917	19,063,563	16,501,303
VHL shares (note 6a)	13,000,000	13,000,000	-	-
	507,586,552	372,134,917	19,063,563	16,501,303

a) Reconciliation of movement in share capital

31 December 2015	CONSOLIDATED GROUP		
	No. Of Shares	Issue Price	Amount
Opening balance at 1 July 2015	372,134,917		16,501,303
Exercise of listed options ¹	12,032,711	0.02	240,654
Options raising – underwritten ²	123,418,924	0.02	2,468,378
Less: costs of issues			(146,772)
Closing balance at 31 December 2015	507,586,552		19,063,563

MGC PHARMACEUTICALS LTD

Condensed Consolidated Interim Financial Report 31 December 2015

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

Reconciliation of movement in share capital (continued)

30 June 2015	No. Of Shares	Issue Price	Amount
Opening balance at 1 July 2014	257,707,934		15,701,181
Capital raising ³	64,426,983	0.005	322,135
Capital raising ⁴	50,000,000	0.01	500,000
Less: costs of issues			(22,013)
Closing balance at 30 June 2015	372,134,917		16,501,303

¹ The Company performed a conversion of listed options by option holders, pursuant to its announcement dated 23 June 2015. The Company issued 12,032,711 fully paid ordinary shares at an exercise price of \$0.02 totalling \$240,654

² The Company performed an underwritten options raising, as announced on 30 June 2015, pursuant to the underwriting agreement with Merchant Corporate Finance Pty Ltd and relevant sub-underwriting agreements. The Company issued 123,418,924 fully paid ordinary shares at an issue price of \$0.02 to raise \$2,468,378 before share issue costs.

³ The Company performed a capital raising, as announced on 6 March 2015 to sophisticated and professional investors. The Company issued 64,426,983 fully paid ordinary shares at an issue price of \$0.005 to raise \$322,135 before share issue costs.

⁴ The Company performed a capital raising, as announced on 18 May 2015 to sophisticated and professional investors. The Company issued 50,000,000 fully paid ordinary shares at an issue price of \$0.01 to raise \$500,000 before share issue costs.

NOTE 8. OPERATING SEGMENTS

The Company has interests in 5 prospective gold assets (2014: 7) in the Republic of Senegal which acts as the sole reportable segment to the executive management of the Group.

NOTE 9. CONTINGENT LIABILITIES

The Company currently has contingent liabilities of \$100,054 that are related to, and dependent upon, material events occurring in relation to its Senegalese gold projects.

NOTE 10. SIGNIFICANT MATTERS

Following the Company exercising its right to acquire 100% of the issued capital of the medical cosmetic cannabis company, MGC Pharma (UK) Limited ('MGC UK'), as announced on 26 August 2015, the company MGC Pharmaceuticals (formerly Erin Resources Limited, 'MGC'), the legal parent and legal acquirer, completed its acquisition of MGC UK on 15 February 2016, through the issue of 200,000,000 shares and performance shares and options as detailed below.

The acquisition did not meet the definition of a business combination in accordance with AASB 3, as the activities of MGC do not constitute a business based on the requirements.

The consideration for the acquisition is as follows:

- (i) 200,000,000 fully paid ordinary shares in MGC; and
- (ii) 100,000,000 performance shares.

Notes to the Condensed Consolidated Financial Statements

For the half year ended 31 December 2015

NOTE 11. EVENTS SUBSEQUENT TO REPORTING DATE

Completion of the acquisition of MGC Pharma (UK) Ltd was confirmed on 15 February 2016, as part of completion the Company issued 200,000,000 Fully Paid Ordinary Shares and 100,000,000 Performance Shares to the Vendors.

The Company appointed Nativ Segev as Managing Director, Roby Zomer as Executive Director and CTO, and Dr Ross Walker as Non-Executive Director to the Board and accepted Nick Poll's resignation as part of completion. The 500,000 Prospectus Shares and 3,346,700 Ordinary Shares for M+C Partners (or nominee) were also issued on 15 February 2016.

Also subsequent to the reporting date, the Company put in place a working capital loan of \$1 million to effect the Company's recompliance and relisting on the ASX, through a loan facility agreement with a third party on 11 February 2016. The loan is repayable on 10 February 2018, at an interest rate of 10% per annum.

The Company was reinstated to trading on the ASX on 23 February 2016.

Directors' Declaration

The Directors of the Company declare that:

1. the interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s 303(5) of the Corporations Act.



Brett Mitchell
Executive Chairman
Dated 29 February 2016

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF
MGC PHARMACEUTICALS LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MGC Pharmaceuticals Ltd (the Company) and controlled entities (consolidated entity) which comprises the consolidated statement of financial position as at 31 December 2015, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at 31 December 2015, or during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with the Australian Accounting Standards and the Corporations Act 2001 and for such internal controls as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporation Regulations 2001. As the auditor of MGC Pharmaceuticals Ltd and the entities it controlled during the half year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. In accordance with the Corporations Act 2001, we have given the directors' of the company a written Auditor's Independence Declaration.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MGC Pharmaceuticals Ltd is not in accordance with the Corporations Act 2001 including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

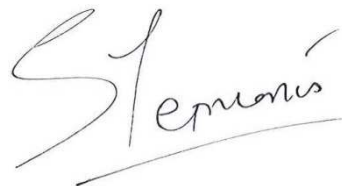
Emphasis of Matter

Without modifying our opinion, we draw attention to Note 2 c) to the financial report, which confirmed that the consolidated entity incurred a net loss after tax of \$3,425,990 during the half year ended 31 December 2015. These conditions, along with other matters as set out in Note 2 c), indicates the existence of a material uncertainty that may cast significant doubt about the Company and consolidated entity's ability to continue as a going concern and therefore, the Company and consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

The financial report of the consolidated entity and the Company does not include any adjustments in relation to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Company and/or the consolidated entity not continue as a going concern.



PKF MACK



SIMON FERMANIS
PARTNER

29 FEBRUARY 2016
WEST PERTH
WESTERN AUSTRALIA