

29 April 2016

ASX Code: MXC

MXC March 2016 - Quarterly Activity Report

- Successful relisting on the ASX following completion of the acquisition of 100% of MGC Pharma (UK) Limited
- Substantial commercial progress made, including first retail orders of MGC Derma's CBD cosmetics product range along with its first European distribution agreement
- Australian legislation significantly progressed- First federal bill passed and Victorian parliament legalises medical cannabis for treatment of children with severe epilepsy
- Launch of the Company's five pillar strategy to enter the Australian medicinal cannabis market
- Joint publication with the University of Sydney of the first ever White Paper on the Australian medical cannabis industry, entitled *Medicinal Cannabis in Australia: Science, Regulation & Industry*
- MXC Board and Executives established a crucial leadership role in the development of the Australian medicinal cannabis industry

MGC Pharmaceuticals Ltd (ASX:MXC or "the Company") has today published its Appendix 4C for the three-month period to 31 March 2016 and is pleased to provide a review of the progress made during the period.

Corporate Update

During the quarter, the Company successfully relisted on the Australian Securities Exchange (ASX) following the successful MGC Pharmaceuticals acquisition and the completion of the regulatory compliance process. The Company commenced trading on the ASX in February 2016 under the new ticker code MXC.

Cash Position

The Company had cash and available working capital of \$1.14 million as at 31 March 2016.

Operational Update

Strong commercial progress - First orders and sales of CBD Cosmetics range

The Company delivered strong commercialisation progress, executing its first European distribution agreement for its cannabidiol (CBD) based cosmetics product range during the March quarter. Under the exclusive distribution agreement, with Czech Medical Herbs, s.r.o., MGC Pharmaceuticals will sell its MGC Derma Cosmetics range of 15 cannabidiol (CBD) based cosmetics products.

Through the distribution agreement, MGC Derma received its first order for its MGC Derma Cosmetics range which is expected to generate in excess of €320,000 (~AU\$500,000) in gross sales revenue to MGC Derma in 2016, and represents a full retail value of approximately €1,000,000 (~AU\$1,500,000).

The Company is also in advanced discussions with other potential distribution partners for the MGC Derma cosmetics range in Europe and North America.

Launch of MGC Derma's online retail shop

Further commercial progress was delivered immediately post quarter when the Company launched its online sales platform in mid-April, allowing consumers to directly purchase its MGC Derma brand CBD based cosmetic product range. The website, www.mgcderma.com was launched subsequent to the end of the quarter and allows consumers in the European Union and other countries where CBD cosmetics are legally sold, to purchase items online.

The establishment of an online retail platform complements the Company's existing wholesale sales channels and allows MGC Pharmaceuticals to significantly accelerate its direct-to-customer product sales.

The Company is continuing to develop a full range of approximately 50 CBD-based cosmetics products, with the full range expected to be available for sale by early 2017. The Company is also planning on launching both psoriasis and acne treatment products during the next 12 months.

Strategy to enter the global Epilepsy market through partnership with SipNose

In March 2016, the Company signed a strategic Collaboration Agreement with Israeli-based therapeutics company, SipNose Ltd, to develop and approved medical cannabis for preventative treatment for the symptoms of epilepsy. The partnership combines SipNose's unique intra-nasal drug delivery device with MGC Pharmaceuticals cannabinoid compounds to treat central nervous system disorders, including severe epilepsy and Dravet syndrome.

SipNose and MGC Pharmaceuticals will also commence an extensive medical research and development program at Israel's leading epilepsy research institute, the Hadassah Medical Center, marking the Company's first step towards establishing its platform for pharmaceutical grade R&D operations.

Co-publication of the first ever White Paper on the Australian medical cannabis industry

The University of Sydney Business School and MGC Pharmaceuticals jointly published the first ever White Paper on the Australian medicinal cannabis industry. The White Paper, entitled *Medicinal Cannabis in Australia: Science, Regulation & Industry* analysed the medical cannabis industry in Australia. The White Paper highlighted that Australia would need to produce over 8,000kg of medicinal cannabis per year to service the existing market, with the current Australian market for recreational use estimated at \$150 million and expected to grow rapidly. The White Paper is available to view on the MGC Pharmaceuticals website.

Five pillar Australian strategy for industry leadership- future clinical trials and product development

Subsequent to the end of the quarter and following the publication of the White Paper, the Company announced its five pillar strategy to become a leader in the Australian medicinal cannabis market. The strategy outlined the Company's plans to seek a medicinal growing licence in Australia, as well as to commence a program of medicinal cannabis clinical trials at Australian medical and academic institutions, thereby extending the clinical trial program already operating in Israel.

Outlook

MXC is well positioned to become a leading player in the Australian medical cannabis industry, which recently received a substantial boost from the Commonwealth Government's legislative changes (*Narcotics Act 1967*) that will allow for the cultivation, manufacture, trials and prescription of medical cannabis through a national licensing and permit scheme. Australia is now rapidly becoming a key global market for the medicinal cannabis industry and presents a substantial opportunity for the Company.

With the Company's first retail sales delivered through the execution of a new European distribution agreement, the Company has accelerated its path toward commercialisation and revenue generation. In addition, sales from the Company's newly launched online store have now commenced and MGC Pharmaceuticals cosmetic brand, MGC Derma is continuing to develop further cosmetic based products with the full range expected to be available for sale by early 2017. This is expected to generate strong revenue uplift in FY 2017.

The Company continues to seek further opportunities throughout Europe, Asia and the USA, including establishing further distribution channel partner agreements.

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

"The past quarter has been one of strong progress for the Company and with the first sales of our MGC Derma cosmetics range received, we have begun commercialising our offering. The Australian government's changes to legislation relating to medicinal cannabis is a major impetus for the emergence of an Australian industry and our White Paper, published in conjunction with the University of Sydney Business School, identified the massive opportunity for the development of a medical cannabis industry in Australia. I look forward to MGC Pharmaceuticals being at the forefront of this growing industry."

-Ends-

For further information, please contact:

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MGC Pharmaceuticals Ltd

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About MGC Pharmaceuticals

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 European cosmetics and medical markets.

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/3/2000. Amended 30/9/2001, 24/10/2005, 17/12/10

Name of entity

MGC PHARMACEUTICALS LTD

ABN

30 116 800 269

Quarter ended

31 MARCH 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for (a) staff costs	-	-
(b) advertising and marketing	-	-
(c) research and development	-	-
(d) leased assets	-	-
(e) administrative and corporate costs	(301)	(944)
(f) operational costs	(460)	(1,220)
(g) other working capital	-	-
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	5	24
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Prior year corporate/administrative costs	-	(129)
Net operating cash flows	(756)	(2,269)

+ See chapter 19 for defined terms.

	Current quarter \$A'000	Year to date \$A'000
1.8 Net operating cash flows (carried forward)	(756)	(2,269)
Cash flows related to investing activities		
1.9 Payment for acquisition of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	(10)	(131)
1.10 Proceeds from disposal of:		
(a) businesses (item 5)	-	-
(b) equity investments	-	-
(c) intellectual property	-	-
(d) physical non-current assets	-	-
(e) other non-current assets	-	-
1.11 Working capital loans to MGC Derma – Ananda Cosmetics (MXC: 51%)	(217)	(217)
1.12 Loans repaid by other entities	-	-
1.13 (a) Other – Due diligence and transaction costs	-	(287)
1.13 (b) Other – Cash acquired through business combination	80	80
Net investing cash flows	146	(555)
1.14 Total operating and investing cash flows	(903)	(2,824)
Cash flows related to financing activities		
1.15 Proceeds from issues of shares, options, etc.	10	2,719
1.16 Cost of share issue	(11)	(175)
1.17 Proceeds from borrowings	1,000	1,000
1.18 Repayment of borrowings	-	-
1.19 Dividends paid	-	-
1.20 Other (cost of capital)	-	-
Net financing cash flows	999	3,544
Net increase (decrease) in cash held	96	720
1.21 Cash at beginning of quarter/year to date	1,061	437
1.22 Exchange rate adjustments to item 1.21	(15)	(15)
1.23 Cash at end of quarter	1,142	1,142

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the director

Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	84
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Director's fees

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position. (See AASB 1026 paragraph 12.2).

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	1,000	-
3.2	Credit standby arrangements	-	-

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
4.1 Cash on hand and at bank	1,119	1,038
4.2 Deposits at call	23	23
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	1,142	1,061

Acquisitions and disposals of business entities

	Acquisitions (Item 1.9(a))	Disposals (Item 1.10(a))
5.1 Name of entity	MGC Pharma UK Limited	
5.2 Place of incorporation or registration	London, England	
5.3 Consideration for acquisition or disposal	200m Shares @ \$0.020/share and 100m Performance Shares	
5.4 Total net assets	AU\$(436,247)	
5.5 Nature of business	Medicinal Cannabis	

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Date: 29 April 2016
 (Executive Chairman)

Print name: Brett Mitchell

+ See chapter 19 for defined terms.

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.