

21 December 2015

ASX Code: MXC

MGC Pharmaceuticals – Shareholder Update

Dear Shareholders,

On behalf of the MGC Pharmaceuticals Board I am pleased to advise all shareholders that the Company is now close to completing the MGC acquisition. Following Shareholder approval for the Company to complete the transaction and change its name to MGC Pharmaceuticals Ltd on 16 November 2015, the Company lodged its recompliance prospectus on Friday 18 December 2015 and is completing the final documentation required for reinstatement to trading on the ASX. As this is a recompliance prospectus, the Company already has firm commitments for the Prospectus shares.

The Board now expects the Company to recommence trading on the ASX in mid-January 2016, which will be under the Company's new ticker code MXC.

Since commencing the process of acquiring MGC, the business has made significant progress on executing its business plan and steps towards initial commercialisation of its medical cannabis based cosmetic and medical products, and first cannabidiol (CBD) extract production in Slovenia during mid-2016.

First CBD Cosmetic Sales and Revenues in January 2016 – Ananda Cosmetics (MGC 51%)

MGC is on target to execute the first sales of its initial range of CBD based cosmetic products in January 2016. The initial range of 15 cosmetic products including facial serums and creams, eye serums, soaps and toners will be available for sale in the coming weeks, with first orders already received. MGC is planning to develop a full range of approximately 50 CBD based cosmetic products under its Ananda brand during 2016, which is a 51:49 joint venture with well credentialed cosmetic manufacturer, Natura Laboratories/Dr M Burstein Ltd Group, as detailed in previous company releases.

The Ananda CBD cosmetic products are currently being bottled and packaged in Natura's Slovenian manufacturing facility and the first batch of 7,500 units, worth an estimated US\$500,000 in gross revenue for the Company as detailed in previous releases, will be ready for distribution in early January.

Psoriasis Skin Clinical Trials - Phase 2 Trials Continuing

As announced in October 2015, MGC completed Phase 1 testing on its CBD skin care formula with its Ananda joint venture partner Natura Laboratories/Dr M Burstein Ltd Group. The Phase 1 testing demonstrated excellent results on patients with Psoriasis and was proven to be an effective relief for the skin from dryness, inflammation and flaking. Phase 2 testing programs have commenced, which include safety assessments required under European Union (EU) regulations and after care observation of the volunteers, to determine the impact of the formula over an extended time period.

The Phase 2 trials and programs are progressing well and the final Phase 3 testing programs remain on track to commence during Q1 2016. Upon successful completion of the Phase 3 trials, MGC will have its first EU compliant over-the-counter (OTC) CBD based dermatological product available for sale, which is on schedule to be ready for commercial sales as early as Q2 2016.

Progression towards First Slovenian CBD Crops in 2016

Since securing its initial Slovenian licenses to grow and produce cannabis Sativa L and its products including Cannabidiol (CBD) in Slovenia, MGC has recently secured a preferred CBD farm location outside Ljubljana, Slovenia on attractive commercial terms. The land has been secured under a lease agreement, which will cost the Company only €17,000 per annum, and is ideally located to infrastructure and local workforce.

MGC remains on schedule to commence its initial CBD cultivation in Slovenia during Q2 2016, with the end CBD extract product being readily available as early as Q3 2016 as detailed in previous releases. MGC can then commence delivery of its CBD into the offtake agreement with Natura Laboratories for a minimum of 300kg of CBD resin per year, an agreement estimated to be worth AU\$15 million per year, based on current market prices for CBD and exchange rates.

Australian Strategy on Medical Cannabis – Commercial & Research Collaboration with University of Sydney

Following the recent regulatory shift by the Federal Government in Australia to introduce medical cannabis growing licenses as announced by the Federal Health Minister, the Hon Mrs Susan Ley on 17 October 2015, MGC commenced an investigative study into opportunities within Australia in order to capitalise on the impending regulatory changes in Australia with its collaboration with the University of Sydney.

A key foundation of the Company's Australian strategy was the appointment of renowned Cardiologist and media commentator Dr Ross Walker as Non-Executive Director and head of its Strategic Advisory Board. Dr Walker's role will be to lead the evaluation and research into the commercial opportunities for medical cannabis within Australia, facilitated by the collaboration with the University of Sydney as announced on 5 November 2015.

The University of Sydney collaboration is the first of its kind within Australia and will focus on research and commercial opportunities for Hemp and Cannabidiol (CBD) products to be sold within Australia. The collaboration with a leading university is expected to commence in early 2016 and firmly positions MGC at the forefront of the emerging medical cannabis industry in Australia.

Next Steps – 2016 and beyond

The Company is very pleased with the significant operational progress MGC and its executive team have made during 2015, and we are looking forward to completing the MGC acquisition and relisting on the ASX in mid-January.

2016 promises to be an exciting year for MGC and I want to thank shareholders for their ongoing support, and on behalf of the Board, pass on to all best wishes and safe travels for the festive season and for a prosperous new year ahead.

Yours Sincerely,



Brett Mitchell
Executive Chairman

-Ends-

For further information please contact:

Media Enquiries

Asher Moses

Director

Media and Capital Partners

+61 438 008 616

Asher.moses@mcpartners.com.au

MGC Pharmaceuticals Ltd

Brett Mitchell

Executive Chairman

+61 8 9389 2000

info@mgcpharma.com.au

About MGC

MGC is EU based specialist medical and cosmetic 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 Cannabinoid resin extract ("CBD") to the growing European cosmetics and medical markets.