

27 May 2016

ASX Code: MXC

Chairman's Update to Shareholders

Dear Shareholders,

The past few months have been very eventful for the Company with a number of important corporate and commercial initiatives implemented, demonstrating MGC Pharmaceuticals growing leadership position in the Australian medicinal cannabis industry.

We are very happy to have achieved many of our value creation milestones, including commencing sales for our MGC Derma CBD cosmetic products range via our recently launched online shop and key distribution agreements in Europe and in California. These exclusive agreements have been enabled by our recently announced US Food and Drug Administration (FDA) and European Commission's Cosmetic Products Notification Portal (CPNP) approval for the MGC Derma cosmetics product range.

Locally, we were also pleased to have made strong progress, announcing our five pillar strategy to become a leader in the Australian medicinal cannabis market, along with the joint publication of a White Paper, entitled *Medicinal Cannabis in Australia: Science, Regulation & Industry*, developed and published in partnership with the University of Sydney.

On the research front, our acquisition of the Czech-based medical cannabis company, PANAX Pharma s.r.o. has moved us further forward in our research and development program to develop specific genetic strains, breed medical grade cannabis and facilitate our strategic move towards clinical trials and medical grade products.

Additionally, the Board is pleased to have completed a very successful \$7.5m capital raising, via a \$5m Placement and \$2.5m Priority Offer to shareholders both of which were heavily oversubscribed within days. Due to our fundraisings being so heavily oversubscribed, it is unfortunate that all shareholders were unable to participate, but this is due to the fact our supporter base has grown exponentially in recent months to now be in excess of 4,500 shareholders.

The Company is planning to allot the \$2.5m Priority Offer shares on Tuesday 31 May 2016, with holding statements and any refund cheques to be despatched the following day.

As the Chairman of MGC Pharmaceuticals, I would like to take the opportunity to thank all our existing shareholders for their support and I would also like to welcome new shareholders who have decided to invest in our Company in recognition of the substantial business opportunity MGC Pharmaceuticals presents.

The Company is now well funded to pursue its growth initiatives and strategy of becoming a key player in the medical cannabis space both in Australia and globally.

MGC Pharmaceuticals has a highly scalable business model with the ability to materially increase future production volumes. Furthermore, we have a detailed Australian strategy to best take advantage of the rapidly changing regulatory landscape affecting the medical cannabis industry.

Moreover, with the recent launch of our MGC Derma's Anti-Aging product line, the Company has commenced generating revenues and we expect to build steady revenue uplift in the months ahead. Our entry into the CBD based cosmetics market is the first step in our strategic product development plan, with a view to entering additional markets including the future development of OTC dermatological products and medical grade products.

In the months ahead we are committed to pursuing further business opportunities in Europe, the USA, Canada and throughout Asia and I look forward to updating the market with our strong newsflow pipeline as we continue to enact on our growth strategy across these geographies.

Yours truly,

Brett Mitchell
Executive Chairman

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For further information, please contact:

Media Enquiries

Andrew Ramadge
Senior Account Manager
Media and Capital Partners
+61 475 797 471
andrew.ramadge@mcpartners.com.au

MGC Pharmaceuticals Ltd

Brett Mitchell
Executive Chairman
+61 8 9389 2000
info@mgcpharma.com.au

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.