30 April 2019

ASX Code: MXC

ASX RELEASE

March 2019 Quarterly Activity Report

- Significant progress achieved on implementing the Company's strategy of becoming a leading integrated international cannabinoid bio-pharma company
- Sale of MGC Derma completed to international cannabis investment company CannaGlobal Canada Co. Inc
- Streamlined business model focusing operations on two core divisions: Research and Development and Seed-to-Pharmacy Manufacturing
- Appointment of leading UK based expert Dr Stephen Parker as Non-Executive Director further strengthening the Board, bringing 30+ years of corporate and pharmaceutical experience

Research and Development

- Clinical trial into the effects of CogniCann™ on dementia and Alzheimer's approved and commenced in Australia, following permission being granted for the import of CogniCann™ into Australia and an Australian Federal Government grant
- Commencement of priority research programs with RMIT Melbourne and Hebrew University of Jerusalem
- Strong progress made within the Research and Development division in Slovenia exceeding expectations and the development of multiple independently validated, industry high, proprietary CBD and THC genetic strains
- Harvest of 2018 crop completed at the Company's Czech Republic greenhouse facility exceeded all targeted milestones. Flowers are being transported to the extraction facility in Slovenia to generate new Active Pharmaceutical Ingredients (APIs) to be used in the development of new products

Seed-to-Pharmacy

- Regulatory licence received from the Slovenian Ministry of Health enabling the extraction of phytocannabinoids at its manufacturing facility in Ljubljana representing a significant strategic advantage to the Company
- SME qualification granted from the European Medicines Agency (EMA) for all of the Company's phytomedicines; integral to successfully obtaining marketing and registration authorisation in Europe
- Receipt of a United Kingdom Controlled Drug Import Licence permit for the importation of CannEpil™ in to the UK

MGC Pharmaceuticals Ltd (ASX: MXC) (OTC: MGCLF) ("MGC Pharma" or "the Company") today publishes its Appendix 4C for the three months ended 31 March 2019 and provides an overview of its operational highlights for the period. The Company has made strong progress in delivering on its strategy of building a leading international cannabinoid focused bio-pharma company with a global footprint.

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Operational Update

Following completion of the sale of MGC Derma d.o.o to leading international cannabis investment company CannaGlobal Canada Co Inc. in January 2019, the Company has focussed its resources into the growth and development of its core pharmaceutical operations, as it executes its integrated seed-to-pharmacy growth strategy. As a result, MGC Pharma has divided its operations into two divisions: Research and Development (R&D) and Seed-to-Pharmacy Manufacturing.

The R&D division, led by the Company's team of internationally recognised scientists and doctors, encompasses all research projects currently underway. These include CannaHub, clinical trials, the C4E education platform, projects underway with RMIT and MGC Pharma's genetics development and registration in Slovenia.

The Seed-to-Pharmacy manufacturing division is set up to capitalise on the IP generated by the R&D division. Its operations now encompass supply chain management, end-to-end cannabis-based medicines, compounding final medicinal products and obtaining the relevant licences to bring products to market. The Company's ability to achieve this have been clearly demonstrated with the development and commercialisation of epilepsy formulation CannEpil™ and CogniCann™ which was recently granted an import permit to the UK and has begun to be prescribed under the Special Access Scheme in Australia.

Research and Development Division

Clinical trial recruitment commences

Recruitment has commenced for the Phase IIb clinical trial into the effects of CogniCann™ on dementia and Alzheimer's in collaboration with The University of Notre Dame Australia in Perth. The clinical trial has been designed by MGC Pharma's highly experienced Scientific Advisory Board and is scheduled to last 16 weeks per patient focussing on the effects of CogniCann™ on 50 patients aged 65 and over.

This follows permission being granted from the Therapeutics Goods Administration (TGA) for MGC Pharma to import its second medicinal cannabis product CogniCann™ into Australia for use in a clinical trial.

Commencement of Priority Research Programs with RMIT and Hebrew University of Jerusalem

The Company commenced some of its priority medical research programs with RMIT Melbourne and Hebrew University of Jerusalem (HUJ) during the quarter, with the focus of the programs designed for treatment of neurological, oncological (cancer), dermatological and gastroenterological conditions.

Successful harvest of 2018 crop

The 2018 crop planted on MGC Pharma's 1,100m^2 Czech Republic greenhouse facility was successfully cultivated using state-of-art cannabis genetics and surpassed all targeted milestones. The crop was harvested in late 2018 and yielded 700kg of biomass, 30% higher than the respective 2017 crop.

Flowers from the crop will be processed at MGC Pharma's extraction facility in Ljubljana, Slovenia, where phytocannabinoids are to be extracted from the cannabis flowers and used to generate new and innovative APIs (Active Pharmaceutical Ingredients). This is will be conducted under permit from the Slovenian Ministry of Health issued in January 2019.

Genetics development and registration – Slovenia

In a milestone achievement, MGC Pharma's research team, in collaboration with the biotechnical team at the University of Ljubljana, successfully developed a new proprietary genetic strain that offers industry high levels of THC (35%) and low CBD (<1%). The genetic strain is known as MXC-10 and is the highest potency offering of any of MGC Pharma's products launched to date and the highest of known strains globally.

From the 2018 harvest, the Company was also able to considerably improve the chemical substance of its original genetic strain MXC-81, which now yields over 20% CBD and <1% THC, compared with 10% CBD and <1% THC achieved in 2015.

Additionally, high percentages of THC and CBD have been extracted and verified from MGC Pharma's proprietary strains: genotypes MXC-THC-10/3 (high THC), MXC-THC-81/5 (high CBD), MXC-THC-40/3 (high THC) and MXCTHC-40/2 (equal THC and CBD)[1]

Such high levels of THC vs CBD allow MGC Pharma to yield high amounts of API per kg of raw material and create the most cost-effective and affordable phytomedicines.

These results have since been independently validated and verified by a report published by Professor Dr Borut Bohanec, Head of the Chair of Genetics, Biotechnology, Statistics and Plant Breeding at the University of Ljubljana.

Seed-to-Pharmacy Manufacturing Division

Operational milestones achieved in Slovenia

The Company's European operations progressed with the receipt of a licence from the Slovenian Ministry of Health, granting it permission to operate its phytocannabinoid extraction at its manufacturing facility in Ljubljana, for the purposes of;

1. Development of new formulations with phytocannabinoids derived from different genetics to develop different and new, natural APIs;
2. Development of own phytocannabinoid based (THC, CBD, etc.) APIs from cannabis plants; and
3. Optimisation and validation of the extraction and isolation process with the purpose of control and understanding of all components.

MGC Pharma's facility is one of the first to receive permission to produce its own cannabinoid API's, giving the Company a significant edge and further progressing it towards full vertical integration for the production of its own bio-pharma products.

The Company was also granted SME qualification by the European Medicines Agency (EMA) for all of its phytomedicines. The EMA is the equivalent to the TGA in Australia and the FDA in the USA. Receipt of this status provides MGC Pharma with access to EMA's user guide, designed to help companies navigate regulatory requirements to successfully obtain marketing and registration authorisation.

These achievements demonstrate the Company's ability to continually progress operations and execute its growth strategy to become a leading bio-pharma company with a global footprint.

[1] Internally, the Company refers to its proprietary genotypes as follows: MXC-10 (MXC-THC-10/3 (high THC)), MXC-81 (MXC-THC-81/5 (high CBD)), MXC-40/3 (MXC-THC-40/3 (high THC)) and MXC-40/2 (MXC-THC-40/2) (equal THC CBD)).

Malta Operational Update – GMP Production and Manufacturing Facility

The core operational strategy is to establish Malta as a hub from which to develop its European and MENA focussed operations, through the planned construction of its GMP certified Production and Manufacturing Facility. The country offers an extremely attractive jurisdiction to implement the Company's seed to pharma strategy in terms of climate, favourable business incentives and location.

MGC Pharma's team has successfully completed a geological survey on the 6,000sqm site, which has in turn facilitated the completion of a full architectural design (see image below). Preliminary approval for the design has been received from the relevant government departments, and once the Acquisition of Immovable Property has been received from the Maltese Industrial Parks, which the Company believes is now imminent, MGC Pharma will be in a position to immediately commence the planned civil works as the first phase of the facility's construction.

Figure 1: Architectural Design of Malta Hub – Production Facilities on ground floor with Glass House on the second floor

Front view

Side view

Corporate

To further support its growth strategy and added independence at the Board, MGC Pharma has appointed European corporate and pharmaceutical expert, Dr Stephen Parker as Non-Executive Director, effective 13 March 2019.

Dr Parker brings over 30 years of corporate finance, directorship, corporate advisory and investment banking experience focussed on the pharmaceutical and biotechnology sectors in the UK, Europe and North America. Dr. Parker is regarded as a leading corporate expert and strategic thinker. He has a reputation for rapid and clear analysis and the ability to translate this analysis into an implemented solution.

The Board believes that Dr Parker's extensive experience working with pharmaceutical and investment companies will be invaluable for MGC Pharma and its growth. His relationships strengthen the Company's market position within the UK and Europe and will both support the operational business and expedited access into the UK pharmaceutical capital market.

The Company confirms the final milestone for the Employee Performance Rights was met during the quarter, all issued to key employees and management of the Company, with no Director participation. These 3,638,000 performance rights are to be converted into 3,638,000 Ordinary Shares. As the issue of these shares will need to be under a Cleansing Prospectus, the Ordinary Shares will be issued in due course.

Outlook

The March quarter has been important for MGC Pharma's development in both Australia and across Europe. All projects have progressed on track and the top-level restructure of the Company's operational structure puts MGC Pharma in a strong position to deliver growth in the coming quarters.

The Company expects the June Quarter and the remainder of 2019 to deliver expanded operations and exciting news across both divisions and all operations.

RMIT Permit Approval for Cancer Cell Research - Correction to announcement dated 2 April 2019

The Company would like to correct the statement made on the announcement MXC's 2019 Pharma Commercialisation Strategy on 2 April 2019. The approval granted to RMIT is a Permit from the Victorian Department of Health and Human Services (DHHS) to purchase or obtain poisons or controlled substances for industrial, educational or research purposes. This Victorian DHHS Permit allows RMIT to commence cancer cell research on MGC Pharma's cannabinoids extracts (to be imported to RMIT from MGC Pharma's Slovenian Facility). The Company would like to confirm the approval was granted from the Victorian DHHS, not the Office of Drug Control as stated in the announcement.

--End--

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC) is an EU based BioPharma company with many years of technical clinical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality Cannabinoids based pharmaceuticals products for the growing demand in the medical markets in Europe, North America and Australasia.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MGC PHARMACEUTICALS LTD

ABN	**Quarter ended ("current quarter")**
30 116 800 269	31 MARCH 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
	(a) Pharma division	-	263
	(b) Derma division	3	81
	(c) Other - receipt from CannaGlobal for initial order of CBD materials	-	538
1.2	Payments for		
	(a) research and development	(809)	(1,665)
	(b) product manufacturing and operating costs		
	i) cost of sales	-	(182)
	ii) operating costs	(514)	(1,693)
	(c) advertising and marketing	(228)	(480)
	(d) leased assets	-	-
	(e) staff costs	(171)	(455)
	(f) administration and corporate costs	(555)	(1,711)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	32	142
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives: - Research and development rebate	-	117
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(2,242)**	**(5,045)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(101)	(256)
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	(585)	(585)
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	**Net cash from / (used in) investing activities**	**(686)**	**(841)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(5)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	**Net cash from / (used in) financing activities**	**-**	**(5)**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	6,951	9,859
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,242)	(2,804)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(686)	(155)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	(5)
4.5	Effect of movement in exchange rates on cash held	33	56
4.6	**Cash and cash equivalents at end of quarter**	**4,056**	**6,951**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	953	1,377
5.2	Call deposits	3,103	5,574
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**4,056**	**6,951**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	249
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director and executive services fees, and reimbursement of corporate administrative costs

7.	Payments to related entities of the entity and their associates	Current quarter $A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	22
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Corporate advisory costs

8.	Financing facilities available *Add notes as necessary for an understanding of the position*	Total facility amount at quarter end $A'000	Amount drawn at quarter end $A'000
8.1	Loan facilities	NIL	NIL
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

NIL

9.	Estimated cash outflows for next quarter	$A'000
9.1	Research and development	(525)
9.2	Product manufacturing and operating costs	(122)
9.3	Advertising and marketing	(10)
9.4	Leased assets	(34)
9.5	Staff costs	(457)
9.6	Administration and corporate costs	(473)
9.7	Other	-
9.8	**Total estimated net cash outflows**	**(1,621)**

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	-	MGC Derma d.o.o
10.2	Place of incorporation or registration	-	Slovenia
10.3	Consideration for acquisition or disposal	-	10% equity holding in Cannaglobal Canada Co Inc[1]
10.4	Total net assets	-	A$309,155
10.5	Nature of business	-	Cosmetics division

[1] Transaction details can be viewed in announcements released on ASX on 13/11/2018 and 3/12/2018

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

[lodged electronically without signature]

Sign here: ..... Date: 30 April 2019
Chief Financial Officer

Print name: Rutchi Kaushal

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.