31 October 2019

ASX Code: MXC

September Quarterly Report – Significant milestones achieved for Pharma Operations & LSE listing progress

ASX RELEASE

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Medicine' bio-pharma company focused on developing and commercialising phytocannabinoid derived medicines, is pleased to announce its September Quarter Activity Report, and Appendix 4C cashflow report for the three months ended 30 September 2019.

Key Operational Highlights:

- Multiple key milestones achieved for the Pharma operations including first material prescription volumes issued, significant increase in patient numbers, and new revenue streams delivered
- Patients in Australia and the UK being prescribed MGC Pharma's phytocannabinoid based investigational medicines commenced in earnest during August, passing the 200, 400 and 800 prescription milestones within weeks during September and October – total prescriptions issued to date reached 1,000 at the end of October
- Total cash receipts received for the September quarter of AU$413,000, with new Pharma revenue from recent sales of more than AU$400,000 to be received post quarter end
- Strong sales during September and October, plus over €300,000 in purchase orders received in recent weeks, set to deliver significant operating cash receipts in future quarters
- Announcements of new academic partnerships and clinical research programs for CannEpil® in Australia further demonstrating the research credibility and potential of MGC Pharma and its product development strategy
- Significant research identifies the effectiveness of specific phytocannabinoids on the most aggressive, and therapeutically resistant, brain cancer - glioblastoma
- Long-term lease with Malta Industrial Parks for the construction of large-scale GMP compliant pharma production facility to be MGC Pharma's primary commercial hub
- Relationships with distribution partners allowing increased access to global markets
- Multiple approvals granted from international bodies including:
    - Human Research Ethics Committee ('HREC') approval received to conduct a controlled trial to assess the effect of CannEpil® on vehicle driving performance
    - HREC approval granted to conduct epilepsy clinical study comparing CannEpil® to 100% CBD product, this will be one of the first studies of its kind
- Engaged with Canaccord Genuity in Australia to act as the Company's equity capital markets advisor, and Canaccord Genuity UK to lead the Company's dual listing on the London Stock Exchange
- LSE dual listing progress materially advanced during the September quarter with international investment bank Canaccord Genuity UK

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "We have seen another period of excellent progress delivering on our 'Seed to Medicine' business strategy. We have achieved multiple milestones across our pharma business channels, the highlight being the continuing rapid growth of prescription numbers, doubling in just two weeks during September and continuing during October, which validates the quality and immediate patient demand for our phytocannabinoid based investigational medicinal products (IMP) and underpins our growth potential.

info@mgcpharma.com.au | mgcpharma.com.au
MGC Pharmaceuticals Ltd | 1202 Hay Street, West Perth, WA 6005
PO Box 1976, West Perth WA 6872
T: +61 8 6382 3390

"The progress achieved in our Research & Development division, where we are working with leading academic institutions internationally, continues to make breakthroughs in the effectiveness of phytocannabinoids, as highlighted by the positive research published on the treatment of brain cancers. We also received approvals to conduct industry leading trials into the use of CannEpil®.

"The signing of the long-term lease for a Maltese research and production facility is transformational as it creates a centralised production and distribution hub that provides a gateway to key European markets. With a unique EU-GMP production facility and key market distribution infrastructure and sales channels established, we can meet the increasing demand for our product portfolio of phytocannabinoid derived medicines, of which we can see the increasing patient numbers in Australia and the UK.

"We are confident in the future growth of MGC Pharma and the opportunity that our business offers investors in providing exposure to the fast-growing market utilising cannabis for medical use and our unique 'Seed to Medicine' strategy. I look forward to updating shareholders with details of our progress in the upcoming months."

Company Strategy

MGC Pharma continued to deliver key milestones for the commercialisation of its 'Seed to Medicine' business strategy during the period, with operations consisting of the Research & Development, Manufacturing and Distribution divisions for its phytocannabinoid derived medicines. Firstly, the Research & Development division facilitates the production of cost-effective medicines in collaboration with leading international research institutions and ensures that MGC Pharma remains at the forefront of the sector. Secondly, the Manufacturing division consists of the commercial production of MGC Pharma's phytocannabinoid derived medicines via management of the cultivation, processing and development of the product. Finally, the Distribution division then enables the Company to distribute the final product to its end users.

Pharma Operations- September Quarter Key Milestones Delivered

During this quarter there have been multiple key milestones achieved for the Pharma division, including the first material prescription volumes issued, patient numbers, and new revenue streams generated for the Company.

In August, patients in Australia and the UK began being prescribed MGC Pharma's phytocannabinoid medicines and passed the 200, 400 and 800 prescriptions milestones within weeks during September and October. Currently, the number of prescriptions issued is over 1,000 which is testament to the effectiveness of our phytocannabinoid medicines and growing recognition from, and use by, the medical community.

Figure 1 – CannEpil® the Company's high CBD, low THC (20:1) product

Figure 2 - MXP100 the Company's 100mg/mL CBD product

On the finances, total cash receipts for the September quarter of AU$413,000, with additional Pharma revenue from recent sales of more than AU$400,000 to be received following the end of September. Importantly the Company is on track to deliver significant operating cash receipts in the December quarter from the strong prescription numbers reported to date for September and October, which have now reached 1,000 and are expected to grow on trend in the coming months, along with over €300,000 purchase orders received for MGC Pharma products in recent weeks, set to deliver significant operating cash receipts in future quarters.

Malta Pharma Production Facility

During the period, the Company signed a long-term lease with Malta Industrial Parks for the construction of a ~15,000m^2 multi-storey large-scale Good Manufacturing Practice (GMP) compliant pharma production and research facility with a production capacity of over 8,000 units per hour of each product, a material production volume for the pharmaceutical industry. This represented a major event for the Maltese medical cannabis industry as MGC Pharma's facility will be one of the first commercial EU-GMP grade production and research facilities in the country within the cannabis for medicinal use sector.

The facility will allow for the development of expertise for phytocannabinoid derived medicines and research in Malta with subsequent products to be delivered into the European Union and global markets. Construction and planning approvals were received, and construction has commenced. The Malta facility will enable MGC Pharma to materially scale up its existing production capacity and future revenue generation potential, which is currently centred on its research and manufacturing facility in Ljubljana, Slovenia.

Research & Development

During the quarter, the Company has made significant progress in its Research & Development division including a number of approvals for new research projects.

Australia

- Human Research Ethics Committee ('HREC') approval was received to conduct a controlled trial to assess the effect of CannEpil® on driving performance while additionally providing safety data required for the European Medicines Agency ('EMA') and the Therapeutic Goods Administration ('TGA') product registration. CannEpil® is a high CBD, low THC formula (20:1) developed for the treatment of drug resistant epilepsy and is the Company's proprietary pharmaceutical grade phytocannabinoid derived medicine authorised for prescription as an Investigational Medicinal Product ('IMP') both in Australia and the United Kingdom with regulatory approval underway in a number of other countries. This will be one of the first trials globally to assess the impact of cannabis based medical products and driving competency with the intention of providing sufficient evidence to impact legislation in favour of permitting patients taking CannEpil® and other similar products to drive. The trial shall involve 30 healthy individuals (15 men and 15 women) aged 21-60 years, half of which will be administrated CannEpil® and the remaining half to be given a placebo.

- HREC approval was also granted to conduct a clinical study comparing the efficacy of CannEpil® to 100% CBD products on patients with drug resistant epilepsy, in collaboration with Cannabis Access Clinics and Epilepsy Action Australia. This is one of the first studies in the world to conduct a direct comparison assessing the efficacy of low-THC to 100% CBD products when treating drug resistant epilepsy. The study will consist of 142 epilepsy patients treated with either CannEpil® or MXP100, with difference in efficacy analysed. MXP100 is the Company's CBD only formula containing 100mg/mL of CBD available under Australia's Special Access Scheme.

Slovenia

- Significant research confirmed specific phytocannabinoids can fight tumours of the most aggressive, and so far, therapeutically resistant brain cancer - glioblastoma. The research, conducted in collaboration with the National Institute of Biology and University Medical Centre Ljubljana, was a scientific breakthrough for the Company and represented the first research to test the effects of cannabinoid compound formulations on cancerous cells using tissues taken directly from a patient. The report confirmed that cannabinoid preparations can successfully inhibit tumour viability and also cause the significant fraction of glioblastoma cells to die i.e. apoptosis after a short time after their application and most importantly, cannabinoid formulations are shown to be able to target glioblastoma stem cells that are considered to be the "roots" of the disease and the critical target in oncology therapy.

- Approval granted for large-scale research project with Slovenian Institute of Hop Research and Brewing ('IHPS') to undertake a first of its kind large-scale research project on cannabis for medical purposes. The project is to be divided into two focal points: cultivation optimisation and standardising the production process of Active Pharmaceutical Ingredients ('API') derived from phytocannabinoids.

Non-Pharma Business / Investment Updates

Over the past 3 years the Company has developed a number of strategic, non-pharma cannabis-based products and business units, which have been integral to the development of the Company and its performance to date. As these are non-pharma ventures and are not part of the Company's "Seed to Medicine" strategy of developing and producing phytocannabinoid derived medicines, they are not integral to the Company's core business moving forward. The Company will continue to monitor and report material news for shareholders on these investments and businesses in the future, but the Company's focus and resources are now centred fully on the Pharma operations and growth of its phytocannabinoid derived medicine business.

CannaGlobal Update

The Company is a shareholder in CannaGlobal, as a result of the sale of its MGC Derma business in January 2019 and provides the following update on its operations.

CannaGlobal has had a busy year to date, successfully completing its seed round and taking the opportunity to put in place operational capabilities for long term success of the business. It is focussed on building a house of premium brands and consumer products within the cannabis industry. CannaGlobal lead retail brand "byMinistry", secured Canopy Growth as a lead investor in its Series A fundraising. byMinistry will be opening its first location this year, with an 8,000 square foot flagship site due to open in early 2020, in partnership with one of the world's leading architect firms. It will also launch an in-house brand of premium adaptogenic and CBD-derived products in both the food and health/wellness categories to be sold throughout North America.

Significant investment has been recently made into the acquired MGC Derma business, with a full upscaling of the brand and its products via a new production relationship in Switzerland. The brand will be relaunched with fourteen products at the end of 2019, with strong support from buyers and distributors in the beauty industry. The relaunch will take place in the UK market, with plans to roll out shortly after into key markets in Europe.

CannaGlobal continues to build out its portfolio of brand and distribution deals, with late stage discussions ongoing with a number of premium partners in North America.

Mabsut

The Company continued to manufacture and supply cartridges for the Mabsut vape pens during the quarter, in line with the contract and supply of product during 2019. The recent vape pen crisis in North America and subsequent changing regulatory requirements for vape pens has required Mabsut to review their product lines and target markets. Even though this is a non-core business and supply agreement for the MGC Pharma operation, the Company will continue to supply Mabsut on commercial terms that deliver a material financial benefit to the Company.

Nutraceuticals distribution to China via YuShop

A successful Beta test phase was completed in China through YuShop for customer demand, which generated positive results. An eight-week market test campaign was conducted during the quarter with a strong initial market response recorded for potential consumer demand for MGC Pharma's Nutraceutical products, resulting in the commencement of an initial marketing and sales campaign. YuShop plans to sell MGC Pharma's Nutraceutical products to consumers via its established online platform and network of retail channel partners, including 1,500 luxury spas. MGC Pharma will retain 65% of gross sales margin after retail costs and commissions.

The planned commencement of a dedicated online sales and marketing campaign is on hold due to the recent changes in policy under the legislative regime for sale and distribution of CBD based products through the China Cross-Border e-Commerce scheme. The Company will continue to monitor these new regulatory changes being implemented to ensure total compliance with all required import and sales/distribution laws in all countries of operation including China, which is obviously critical for the Company and shareholders.

Finance

The Company had revenues totalling AU$413,000 for the quarter. As noted in recent company releases, as is typical in the pharmaceutical industry, payment terms are up to 90 days from the time of sale by the distributor and therefore will be reflected in the financial report of the Company in the quarter following the date that sales are contracted. As such, more than AU$400,000 in revenue from recent sales will be received following the end of the quarter. Importantly the Company is on track to deliver significant operating cash receipts with revenues from prescription numbers reported to date for September and October, which have now reached 1,000 and are expected to grow on trend in the coming months, along with over €300,000 purchase orders received for MGC Pharma products in recent weeks.

Corporate

During the quarter, MGC Pharma raised AU$4.75m in an institutional placement and an additional AU$1m under a priority offer, both at an issue price of AU$0.04 per share. MGC Pharma engaged with Canaccord Genuity (Australia) Limited to act as its equity capital markets advisor in Australia, and also Canaccord Genuity Limited in the UK to lead the Company's planned dual listing on the London Stock Exchange. Following the introduction of medicinal cannabis legislation in November 2018 in the UK, MGC Pharma is positioned to be one of the first companies utilizing cannabis for medicinal purposes to list on the LSE or any major exchange in the United Kingdom and has made material progress during the past quarter to list on the LSE as planned in the coming months, subject to completing the required regulatory requirements.

The Company is also continuing its legal action for breach of contract by its bulk cosmetics customer VarmCosmo in 2018. On May 17, 2019, MGC Pharma filed a request for arbitration to the London Court of International Arbitration (LCIA) against VarmCosmo Co. Limited (Korea) for breach of the Supply Agreement between them, dated October 10 2017, seeking for compensation of damages amounting to a total of €848,000 (less the costs of production; administration; and transportation), being the price of the minimum annual quantity to be purchased by VarmCosmo Co. under the supply agreement. The Company is continuing to pursue legal avenues against VarmCosmo to recover the contractual sum owed to it and is taking ongoing advice on the best and most effective avenue to achieve a settlement for the Company. The Company will keep shareholders updated on material progress made on this matter.

Establishment of Corporate Governance Committees

As part of the Company's strategy to keep on top of the regulatory framework, MGC Pharma has recently completed early adoption of the Corporate Governance Principles and Recommendations 4th Edition. This included adoption of a Board Skills Matrix, Whistleblower Policy and Anti-Bribery & Anti-Corruption Policy with the establishment of an Audit & Risk Committee, Nomination Committee and Remuneration Committee. The committees are chaired by the Company's independent Non-Executive Director Dr Stephen Parker, an experienced committee Chairman.

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For further information, please contact:

UK IR/Media Advisors
Catherine Leftley/Priit Piip
St Brides Partners Ltd
+44 (0) 207 236 1177
priit@stbridespartners.co.uk
catherine@stbridespartners.co.uk

MGC Pharmaceuticals Ltd
Brett Mitchell
Executive Chairman
+61 8 6382 3390
info@mgcpharma.com.au

About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) is a European based bio-pharma company supplying phytocannabinoid derived medicines to patients globally. 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 phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting three widespread medical conditions - epilepsy, dementia and IBS – and has further products in the development pipeline.

Employing its 'Seed to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility. MGC Pharma has a number of research collaborations with world renowned academic institutions, and recent research conducted in collaboration with the National Institute of Biology and University Medical Centre Ljubljana, highlighted the positive impact of using specific phytocannabinoid formulations in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

MGC Pharma has a growing patient base in Australia and the UK and has a global distribution footprint via an extensive network of commercial partners meaning that it is poised to supply the global market. In order to meet the demands of becoming a key global supplier the company is constructing a 15,720m^2 GMP state of the art facility in Malta.

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+Rule 4.7B

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	30 SEPTEMBER 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	413	413
1.2	Payments for		
	(a) research and development	(1,142)	(1,142)
	(b) product manufacturing and operating costs		
	i) cost of sales	(961)	(961)
	ii) operating costs	(650)	(650)
	(c) advertising and marketing	(83)	(83)
	(d) leased assets	-	-
	(e) staff costs	(266)	(266)
	(f) administration and corporate costs	(651)	(651)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	7	7
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**(3,333)**	**(3,333)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(171)	(171)
	(b) businesses (see item 10)	-	-
	(c) investments	(2)	(2)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(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 (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**(173)**	**(173)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	5,750	5,750
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	6	6
3.4	Transaction costs related to issues of shares, convertible notes or options	(296)	(296)
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**	**5,460**	**5,460**

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	2,354	2,354
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(3,333)	(3,333)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(173)	(173)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,460	5,460

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.5	Effect of movement in exchange rates on cash held	(26)	(26)
4.6	**Cash and cash equivalents at end of quarter**	**4,282**	**4,282**

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	4,228	1,117
5.2	Call deposits	54	1,237
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)**	**4,282**	**2,354**

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	269
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	17
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	(350)
9.2	Product manufacturing and operating costs	(619)
9.3	Advertising and marketing	(26)
9.4	Leased assets	-
9.5	Staff costs	(266)
9.6	Administration and corporate costs	(524)
9.7	Other - costs associated with LSE listing process	(200)
9.8	**Total estimated net cash outflows**	**(1,985)**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity	-	-
10.2	Place of incorporation or registration	-	-
10.3	Consideration for acquisition or disposal	-	-
10.4	Total net assets	-	-
10.5	Nature of business	-	-

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: 31 October 2019

Group 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.