

20 September 2017

ASX Code: MXC

## Letter from the CEO

Dear Shareholders,

On behalf of MGC Pharmaceuticals' Board and myself, I would like to take the opportunity to thank you for all your support since I stepped up to the role of CEO in May 2017. These are very exciting times; both for our Company and for the Medical Cannabis Industry at large. As a Company, we have strategically positioned ourselves well to take a leadership role this emerging global market.

I would like to take some time to update you on the advances we have made at MGC Pharmaceuticals in the past months, covering both our activities and market position. MGC Pharmaceuticals is currently evolving from its position as a medical cannabis company, to become a pharmaceutical company with a self-contained value chain (spanning growing operations through to research and drug development) for harnessing phytocannabinoids as Active Pharmaceutical Ingredients (API) in medicinal products.

Our value chain for developing phytocannabinoid API containing medicinal cannabis products is a significant point of difference for MGC Pharmaceuticals, as it positions the Company ahead of our potential competitors in this emerging sector. Additionally, it focuses our core operations on our vision to provide medications, globally, to patients in need.

Our progress towards this key goal is already very strong. In Europe, MGC Pharmaceuticals is poised to commence its Phase 2 Clinical study for Epilepsy pending final regulatory approval in Slovenia. The Company has also recently completed the construction and testing of a cutting-edge cleanroom within our European Extraction facility, and is now awaiting Good Manufacturing Practice certification for the facility to be able to produce API materials. These are important steps on the way to supporting the Company's product line, which currently includes our three key product formulation groups:

- MGCND00EP1® for Neurological Disorders
- MGCON00CA1® for Oncology treatment and side effects
- MGCAU00SD1® for Autoimmune treatments in inflammatory cases

MGC Pharmaceuticals plans to register, prescribe and eventually provide these medicines to patients.

The Company's Australian agenda has recently been empowered by our collaboration with the Royal Melbourne Institute of Technology (RMIT), a globally noted research institution. Under this partnership MGC Pharmaceuticals will oversee all the cannabis research activities at RMIT that fall under the project. This will lead to immediate in-vitro pharmaceuticals research in Melanoma cancer and the establishment of the first world Cannabinoids Medicine Library, as well as various other projects and viable commercialisation opportunities where MGC Pharmaceuticals and RMIT researchers are focused on determining the correct phytocannabinoid genotypes treating specific medical indications.

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This partnership is the first of many exciting projects the Company is examining in Australia, with the intention of ensuring it is leading the industry on home soil.

MGC Pharmaceuticals has recently submitted its application to Australia's controlled drugs regulator, the Office of Drug Control (ODC) for its medicinal cannabis cultivation and research license for its research collaboration initiatives with RMIT. An outcome from the application is anticipated in the coming months and upon grant, it will enable MGC Pharmaceuticals to grow medicinal cannabis strains at RMIT's state-of-the-art secure facilities in Melbourne and conduct research as outlined in its recent 5-year Umbrella Agreement with RMIT.

The Botanical division's growing operations have progressed well throughout the year, culminating with the planting of MGC Pharmaceuticals' first high grade cannabinoid medical cannabis strains in Europe. This gives the Company an operational cornerstone to provide our clinical trials with proprietary high-yield raw material for formulation in the Company's medications, as well the potential to sell additional product to emerging markets in Europe and North America.

Simultaneously, MGC Derma is rapidly becoming established in Europe and beyond, with both reseller and distribution deals being signed, resulting in the availability of our products for consumers both online and on the shelves at retailers in major countries in Europe. To facilitate a seamless roll-out of our products, MGC Derma will be implementing a state-of-the-art learning management system to ensure our retailers and consumers have the best information and training available to both sell and use our products. Building on this established cosmetics base, the Company will be soon launching its exciting new line of products focused on deep skin relief, branded **DermaPlus**. These are dermatological tested products, which have been clinically tested and proven to have a positive effect relieving the symptoms of patients (volunteers) with psoriasis, eczema and acne skin elements.

With the Company's operations becoming more and more anchored in its pharmaceutical pipeline, the management team has been compelled to look at its operational structure. To fulfil MGC Pharmaceuticals' vision to become a leading medicinal cannabis organisation, the Company is focusing its operations in three main divisions:

- **Pharma**, which has a core focus on the medical research and development of the Company's pharmaceutical pipeline
- **Botanic**, which provides the raw materials and appropriately matched genetics, to treat patients across the globe that live with a variety of diseases
- **Derma**, which is focused on developing and commercialising the Company's cosmetics and dermatologically tested products, in the large global skin care market

Having previously been CTO of MGC Pharmaceuticals and stepping into the role of CEO earlier this year, I have been actively engaged in the Company's pharmaceutical pipeline from its inception. In my role as CEO, I will supervise all segments of the Company's operations, while ensuring our innovation efforts are focused on long-term revenue streams and profitability. In his role, Nativ Segev will continue to operate at full strength within the Company as Managing Director, with a focus on the vision and activities of MGC Pharmaceuticals' global opportunities, constantly identifying new profit centres and collaborations to add to our worldwide operations.

Yours sincerely,



Roby Zomer  
CEO and Executive Director  
MGC Pharmaceuticals Ltd

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## About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based specialist medical cannabis 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 be a global leader in phytocannabinoid-based medicine within the biopharmaceutical medical markets in Europe, Australasia and North America.

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