

MGC Pharma COVID-19 Business and Operations Update

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Medicine' bio-pharma company specialising in the production and development of phytocannabinoid-derived medicines, is pleased to provide a COVID-19 business and operations update to our shareholders. The Board advises that most importantly the Company has successfully managed the health and safety of our brave and committed staff based in Slovenia whilst continuing operations from our European manufacturing base without major disruption during March and early April. This has occurred throughout the worst of the COVID-19 pandemic in Europe and with a full government lockdown in Slovenia for the past 4 weeks due to the crisis situation in neighbouring northern Italy.

Continuing Operations in Slovenia, Staff Health and Safety Key Priority

MGC Pharma's main priority during this pandemic has been the health and wellbeing of the Company's key production, operations and administration staff based in Slovenia, which borders northern Italy that has been at the epicentre of the pandemic. As such the Company took immediate and prescient actions in early March to protect the health and welfare of our staff, whilst planning to manage the significant challenge to continue production of our phytocannabinoid medicines at the Slovenian EU GMP manufacturing facility. The Company has successfully continued to operate through the full lockdown laws under the guidance of the Slovenian Government where individuals may leave their homes to work only for critical services related activities.

Led by senior management in Slovenia, the Company has successfully implemented the business continuity plan, which has enabled production of the Company's products at our GMP pharmaceutical facility to continue during March and to date in April. The Company's office-based staff have successfully moved to a remote working model and the pharma manufacturing workforce in Slovenia has been split into two independent shifts, thereby managing infection risk to enable the continuity of production over the past month.

MGC Pharma Production and Supply Lines

During the COVID-19 pandemic in Europe over the past 6 weeks, continuing the Company's production in Slovenia has presented serious challenges for the executive and senior management to resolve. This has been experienced particularly with various disruptions to the delivery of key supplies ranging from raw materials, product labels and packaging due to the closing of country borders, all non-essential service businesses and suppliers shutting businesses throughout Europe. It has also impacted on the process and timing for obtaining permit approvals for export of the Company's GMP phytocannabinoid medicines from Slovenian government authorities. The Company is very pleased to report that production has continued throughout March and early April with delays being managed and largely minimised, despite the various disruptions occurring on an almost daily basis. The Company's senior management in Slovenia are to be commended having dealt proactively with the delays and supplier disruptions to enable production to continue during this unprecedented crisis, on behalf of the Company and its shareholders.

This all being taken into account, and given the many travel and border restrictions currently in place, the Board is pleased to report that since February up until early April, over 1,800 MGC Pharma products (including CannEpil® and MP100) have successfully been delivered into the UK, Ireland, Australia and New Zealand during this unprecedented period. That being said, the Company does expect there to be delivery delays for the remaining duration that much of Europe is experiencing lockdown with, for example, formal governmental export permit documentation likely to take longer to process and approve.

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Salary Cuts Implemented for MGC Board, Key Management and Staff

Prior to the COVID-19 pandemic developments, the Board of Directors had agreed to implement Executive and Non-executive Director salary reductions from 1 January 2020 as was outlined in ASX announcements on 17 February and 16 March 2020. Following the events in recent weeks, the Board have agreed to implement further reductions, with minimum 50% salary cuts for all Directors and executive management from 1 March 2020.

In addition, the Company's senior management and most staff have agreed to take a significant cash salary reductions to be offset for shares in the Company, equating to between 40-50% of their salaries from 1 March 2020 in order to minimise the Company's operating costs in the immediate term. The timing of the share issue (in lieu of cash payment) to employees and the deemed issue price for the staff will be determined by the Board based off the prevailing share price at the end of each month, and will be reviewed at the end of the June quarter. The Board has endeavoured to implement these changes to try and retain the key staff in the Company during this crisis period, with each of them being very important to the Company's current operations and future success of MGC Pharma, whilst significantly reducing the monthly cash operating costs of the Company.

MGC Pharma has been implementing measures to minimise its cost base in recent months, including a reduction in discretionary spend, deferral of non-essential research and development, and cancellation or renegotiation of all existing contracts, as noted in recent Company announcements in February and March. The Company is also currently reviewing all government funding schemes in the UK, Slovenia and Australia for companies impacted by the COVID-19 pandemic to ensure MGC Pharma receives the maximum rebate possible in each country.

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "I appreciate the COVID-19 pandemic is a global issue and is front of mind for our Australian shareholders, but the impact of what is happening in Europe and with respect to the people in Slovenia cannot be underestimated. The majority of our team is living next to the epicentre of this pandemic, but have continued to work tirelessly over the past 6 weeks for which we owe them the utmost gratitude. The easy option would have been to close the operations at the start of March; however our team members continue to make every effort to keep MGC Pharma moving forward due to their belief and commitment to what this company is doing in creating and manufacturing unique, and life-changing, phytocannabinoid medicines. On behalf of the Board, I would like to take this opportunity to send our thoughts and best wishes to all at this difficult time and will continue to monitor updates and local government guidance on the COVID-19 pandemic closely and update shareholders as the situation evolves."

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Authorised for release by the Board, for further information please contact:

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) is a European based bio-pharma company developing and supplying affordable standardised 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 two widespread medical conditions – epilepsy and dementia – 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, the UK, Brazil and Ireland 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 15,720m² GMP state of the art facility in Malta.

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