

14 November 2017

ASX Code: MXC

First Varm Cosmo Binding Purchase Order Received

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- MGC Derma confirms receipt of its first formal purchase order from Varm Cosmo for cannabidiol (CBD) cosmetic products under their first \$8m binding agreement, on schedule per the announcement of 30 October 2017
- First material revenues to be received by MGC Derma within days, with the full \$1m deposit under the \$8m binding agreement on track to be received in November
- This binding sales agreement is for a minimum contracted volume of \$8m of product and is the first to be executed, with additional two agreements with Varm Cosmo are expected to be closed in the coming weeks
- The two additional binding sales agreements are currently being finalised by both parties, and is to deliver the full \$40,000,000 Terms and Conditions Supply Agreement announced to the ASX on 20 October 2017
- Varm Cosmo is a strongly backed, emerging Korean health care and beauty cosmetics company with a global distribution network providing MXC with a major strategic entry point into the massive global cosmetics market

MGC Pharmaceuticals Ltd (ASX: MXC or “the Company) is pleased to announce that its MGC Derma division (MXC 51%) has received its first formal purchase order from Varm Cosmo Inc. (Varm Cosmo) under the first executed \$8m binding sales agreement between the parties for the supply of its cannabidiol (CBD) cosmetic products, which will be sold to consumers as part of Varm Cosmo’s cosmetics range.

The initial purchase order now triggers first material revenues for MGC Derma within days, and forms part of the \$1m deposit which remains on track to be received in November under the binding \$8m supply agreement between Varm Cosmo and MGC Derma executed on 30 October 2017. This first payment is to be paid to MGC Derma within 5 business days of the purchase order under the terms of the binding agreement.

The Company is in the advanced stages of negotiation with Varm Cosmo for the two additional binding contracts, which will deliver MGC Derma products into new Varm Cosmo markets. The additional binding agreements are in advanced negotiations and expected to be closed by both parties in the coming weeks to complete the full \$40,000,000 Terms and Conditions Supply Agreement which was announced to the ASX on 20 October 2017.

Varm Cosmo is an emerging Korean health care and beauty cosmetics company with a global distribution network and sells its CBD range online and through a number of retail outlets. The MGC Derma products delivered under this binding agreement will be marketed and sold by Varm Cosmo under a new brand, which will be launched in the coming months.

The MGC Derma division is a joint venture with well-credentialed cosmetic manufacturer, Dr. M. Burstein Ltd, of which MGC Pharmaceuticals owns 51% and holds management control.

Roby Zomer, Co-founder and CEO, MGC Pharmaceuticals commented:

“The receipt of the first purchase order signals a milestone for our Company under what is a transformational deal that will not only deliver significant revenues but also provides a platform for MGC Derma to rapidly expand its presence in the global cosmetics market which presents a very large opportunity for our Company. Furthermore this milestone will generate additional revenue stream from our CBD extractions produced by our Pharma division.”

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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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About Varm Cosmo

Varm Cosmo is an emerging Korean health care and beauty cosmetics company, with a global distribution network. With a growing customer base, its aim is to provide lifestyle cannabidiol products via online and retail stores globally. Varm Cosmo's goal is to provide aid in both healthcare and beauty. Through cannabidiol it can access a whole new world of better and more beautiful way of living.