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ASX Code: MXC

## Material Sales and Revenues Delivered in June Quarter from Non-Pharma Business Units

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RELEASE

**MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company')**, a European based 'Seed to Pharmacy' bio-pharma company focused on developing and commercialising cannabinoid derived medicines, is pleased to announce an update on its operations and confirmation of material revenue generation for the June quarter from its non-pharmaceutical business units. This includes the first bulk order of CBD based cosmetic raw materials (which includes the pharma grade MGC Water Soluble CBD – Aqual™) under its 5-year supply agreement with private Canadian cannabis retail products company Cannaglobal Canada Co Inc. ('CannaGlobal'), and new revenues from delivery of products to lifestyle & medical cannabis product manufacturer Mabsut Life ('Mabsut').

### Overview:

- First bulk order of cosmetics raw materials successfully completed under the 5-year supply agreement, to be transported to CannaGlobal for manufacture in Switzerland.
  - Purchase order of approximately €438,000 (~AU\$700,000) for full bulk product order
  - €160,425 (~AU\$259,000) already received by the Company, balance due on completion of product line manufacturing in Q3
- Payment from Mabsut Life of €108,000 (~AU\$173,000) recently received from delivery of product orders in Q1 2019, as part of the Company's existing supply agreement
- Additional new orders received in Q2 from Mabsut for ongoing product sales and new product development by MGC Pharma from:
  - Mabsut increased sales and client retention for its CBD based vaporizer/e-cigarette cartridge formula, marketed as PhenoPen
  - MGC Pharma developing four new CBD strains to be used for the PhenoPen product
- YuShop to launch 28-day beta test of flagship MGC Nutraceuticals products conducted online and within 20 retail locations in 4 major Chinese cities

**Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented:** "We continue to make excellent progress across the Company as we implement our commercialisation strategy and increase sales of our cannabinoid-based products.

"The order of the first bulk of cosmetics raw materials and Aqual™ of €438,000 to CannaGlobal under the 5-year supply agreement, is testament to the on-going relationship between the companies, and quality of the products we are able to provide for the growth, and diversified, revenue profile of MGC Pharma. This, in tandem with our increasing sales under the product supply agreement with Mabsut Life, demonstrates that our portfolio of saleable proven products is a key differentiator for our Company.

"As investors and the market can see from recent announcements, we are making excellent headway and our value as high-quality product development is beginning to be recognised. Our model, team and international partnership network are performing, and I look forward to further news flow as we deliver our Seed to Pharmacy strategy."

The Company is in the next stage of its development with the widening of its commercialisation strategy and product range. The 'Seed to Pharmacy' strategy which includes research and development, cultivation, manufacturing and distribution is a key corporate differentiator. The Company is focussed on execution and building its product range and market penetration.

### CannaGlobal Overview

MGC Pharma has successfully completed an order of CBD based cosmetic raw material to Cannaglobal Canada Co Inc and has received a first tranche of €160,425 payment as part of the €438,000 full purchase order value which includes supply of cosmetics raw materials and Aquiol™ (MGC Pharma grade CBD water soluble) for manufacturing of new Derma products. The completion of the full purchase order payment will be made to MGC Pharma on completion of manufacturing in Q3. This was under the 5-year supply agreement executed in Q4 2018 in place between the companies.

CannaGlobal was established to become a leading international cannabis investment company. They have made considerable progress in its business since the start of the year. CannaGlobal resources are being devoted on expanding and up-scaling the MGC Derma range in collaboration with its in-house creative agency Elevation. This will transition the product range from its current "pharma" positioning to become a "prestige" skincare brand. MGC Derma has focused on and solidified relationships with current customers, Harvey Nichols, Cult Beauty and the Hut Group and at the same time maintained ongoing negotiations with several important European distributors towards launching the updated MGC Derma in H2 2019. CannaGlobal continues to build out its portfolio of strategic opportunities in the global cannabis space, with a focus on brands, retail and consumer products.

MGC Derma d.o.o was bought by CannaGlobal in January 2019, which recognised the product quality and potential. This allowed further investment in derma and allowed the Company to focus its resources into the growth and development of its core pharmaceutical operations and become an EU based, pure bio-pharma company. As part of the transaction for the sale of MGC Derma it was agreed that the Company would continue to arrange the supply of CBD cosmetic raw materials to CannaGlobal for a minimum of five years.

### Mabsut Life

MGC Pharma's supply agreement with Mabsut Life ('Mabsut') continues to materially contribute to the Company's revenue profile, with payment of €108,000 recently received by the Company from orders completed in Q1 2019. These sales and revenue for the Company form part of the multi-year supply agreement signed with Mabsut in November 2017, which remains on track to deliver annualised revenues of AU\$1m supplying MGC Pharma CBD wide spectrum raw material for Mabsut products in 2019. Importantly, the ongoing product orders from Mabsut during Q2 2019 are continuing to increase which will continue to deliver a critical non-pharma revenue stream for the Company, and have the potential to grow significantly with the growth of the Mabsut business. Furthermore, MGC Pharma is working on new development of four new formulas to be used in Mabsut's CBD based vaporizer/e-cigarette cartridge formula marketed as PhenoPen. These will look to provide relief for the following symptoms:

- Anti-anxiety
- Anti-inflammatory
- Pain Relief
- Insomnia

Sales of PhenoPen continued to grow facilitated by Mabsut's established distribution agreements with more than 10 distributors in Europe. Mabsut continues to engage in commercial discussions with further distributors.

Mabsut increased its online presence by launching an affiliate programme in April 2019 which has already registered 20 new affiliates driving traffic and customers to the Mabsut website. In line with this, Mabsut has invested in a range of payment providers facilitating online purchasing by customers. Mabsut has seen a high retention rate with approximately 1/3 of customers returning to repurchase Mabsut's CBD based vaporizer/e-cigarette cartridge formula, and the Company anticipates further growth in this retention rate.

### YuShop

As previously announced, MGC Pharma has a Marketing and Distribution agreement signed with Chinese e-commerce import platform YuShop Global (YuShop), to sell the Company's CBD and hemp-enhanced Nutraceuticals product range in China. YuShop targets customers via its online platform and network of 1,500 retail channel partners, including a luxury spa chain.

A 28-day beta test of flagship MGC Nutraceuticals products is to be conducted online and within 20 retail locations in 4 major Chinese cities and is scheduled to begin early this month. The preparation of Chinese marketing material is close to completion and the training of retail personnel is underway.

MGC Pharma anticipates the arrival of products into China in the coming week and an online and WeChat marketing campaign targeting sales through the e-commerce platform will be run alongside physical retail sales initiatives. This beta test will provide revenue forecasts and allow YuShop and MGC Pharma to fine-tune the messaging and marketing strategy ahead of the planned roll out across the rest of China in July.

### VarmCosmo Update

The Company confirms, on 17 May 2019, a request for arbitration was filed to the London Court of International Arbitration (LCIA) on behalf of MGC Derma D.O.O, as a claimant, against VarmCosmo Co. Limited, as a respondent, for breach of the supply agreement dated 27 October 2017, seeking for a total compensation of up to €848,000, in accordance with the terms of the agreement. The LCIA will now serve the request for arbitration on the respondent. The Company will keep shareholders updated on material progress made on this matter.

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### About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) 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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