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Binding Term Sheet signed with BrasilInvest to Immediately Expand MGC Pharma Distribution into Brazil and Latin America

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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 it has signed a binding term sheet (the ‘Term Sheet’) with established Brazilian business services company, BRASILINVEST Global Business and Development (‘BrasilInvest’) to establish a Joint Venture Company (‘JV Co’) for the dedicated retail sales and marketing of MGC Pharma products into key Brazil and Latin American markets. The JV Co is to be incorporated as a 50% (BrasilInvest)/50% (MGC Pharma) ownership structure.

Overview:

- JV Co will provide an import and retail platform for MGC Pharma to immediately launch a sales and distribution network in Brazil and other Latin American countries
- JV Co to register MGC Pharma’s pharmaceutical products in Brazil, act as the importer and products’ owner in Brazil and Latin America, appoint regional distributors as necessary
- BrasilInvest’s established network to be utilised to promote products to medical professionals and potential distribution partners across key markets in the region
- MGC Pharma to supply JV Co with the products’ IP formulas and Standard Operating Procedures for the registration of MGC Pharma’s products, as well as all marketing material
- Distribution in Brazil will be through MGC Pharma’s existing agreement with ONIX Empreendimentos e Participações (“Onix”), a Brazilian based company that assists companies in conducting business within the region
- Initial import permit already received from Anvisa, the National Health Surveillance Agency in Brazil, along with an initial purchase order from first prescriptions issued in Brazil
- First MGC Pharma product shipment to be despatched in early December to Brazil
- BrasilInvest, founded by Mario Garnero, is a private Brazilian merchant bank and has been a key partner for international organisations looking to commercially transact in Brazil and other Latin America countries for over five decades
- Mr Mario Ganero is a highly respected business leader internationally, and is closely associated with world leaders in politics and commerce across North America, South America and Europe
- Term Sheet opens up the Brazilian and Latin American market for the use of cannabis-based medicines to MGC Pharma

This is major strategic agreement for MGC Pharma (50% equity holding in JV Co), marking its entry into the large Brazilian and Latin American medicinal cannabis markets with a well-established, and strongly credentialed local business partner. Under the Term Sheet executed, JV Co will market and distribute the Company’s pharmaceutical products through established retail distribution channels in Brazil and other Latin American countries, including BrasilInvest’s extensive network of medical professionals. MGC Pharma will manage the operations of the JV Co.

The Board of MGC Pharmaceuticals believes this agreement and JV Co structure will generate material economic benefit to the Company with the generation of new sales and revenues pipelines from its MGC Pharma phytocannabinoid based medicines due to the following factors:

- Immediate entry to new major markets – Latin America has a population of over 650m people (including more than 210m in Brazil)¹
- New material retail revenue stream to MGC Pharma from large markets - JV Co structure delivers new and potentially major retail revenue stream to Company for all sales in these markets, in addition to its existing wholesale business model
- Partnership with existing established medical distribution networks – operating in Brazil and other Latin American countries, facilitates immediate access to patients for sale of MGC Pharma medicine
- Highly successful and credible business partners – with successful track record of businesses in these countries, with 50% of JV Co to deliver successful operation

The Company believes that critically this strategic joint venture will enable the Company to capture a significant share of retail sales margin in some of the key medicinal cannabis growth markets in the world, in addition to its existing wholesale business model.

This is a material change to the existing MGC Pharma business model that exists in its wholesale distribution into Australia and the United Kingdom currently, and therefore to deliver material financial benefit to the Company from all future sales of its MGC Pharma products in the Brazil and Latin American markets covered by the Term Sheet agreement in addition to its existing wholesale business model. At this point in time, the Company cannot quantify the potential economic benefit of this contract.

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: “This binding agreement with BrasillInvest represents a key milestone towards establishing MGC Pharma as a leading international producer of phytocannabinoid based medicines. The Brazil and Latin American markets for the use of cannabis-based medicines is developing rapidly and emerging as a key region in the global marketplace; this JV Co will provide MGC Pharma with a strategic position to capitalise upon this and become a key supplier into this growing market, with a well-respected business partner who has a very extensive and successful track record in commercial ventures in Brazil, and Latin America. Capturing a 50% share of the retail margin for our Company in the huge market of Brazil, and other Latin American markets under our JV Co, is a very commercially significant development for MGC Pharma.

“The new JV Co will be able to register MGC Pharma’s pharmaceutical products in Brazil which will then, leveraging on BrasillInvest’s established reputation and contact base in Brazil, be marketed into the wider Latin American market. We look forward to implementing our ‘Seed to Medicine’ strategy in this new marketplace and hope to replicate the success we have experienced in both the Australian and European markets thus far.”

MGC Pharma and BrasillInvest have agreed to establish and register JV Co in Brazil, under a 50% (BrasillInvest)/50% (MGC Pharma) ownership structure, to enable MGC Pharma to conduct business in Brazil and Latin America.

Initial patients have already been issued prescriptions for MGC Pharma products with an import permit now granted. The first order has been submitted through the group distributor Onix, to be despatched within the coming weeks.

¹ Source: [The LATAM Cannabis Report, Prohibition Partners](#)

Under the terms of the Term Sheet, some of the responsibilities of the parties will be as follows:

- BrasillInvest will register MGC Pharma's pharmaceutical products in Brazil under the JV Co
- BrasillInvest will allocate and establish Doctors/physicians relationships on behalf of the JV Co
- MGC Pharma will provide the products IP's formulas and standard operating procedures for the registration of the products and for its marketing materials
- MGC Pharma will provide all the clinical data currently available and any new clinical data to the JV Co
- JV Co licence to be registered as the marketing authorisation holder for MGC Pharma's products and the trademark holder in Brazil and Latin America

JV Co will act as the exclusive importer and licensor of MGC Pharma's products in Brazil and Latin America, and will appoint regional distributors and wholesalers to represent the JV Co and MGC Pharma's pharmaceutical products across Latin America. It is anticipated that this will enable MGC Pharma to capture a significant share of retail sales margin in some of the key medicinal cannabis growth markets in the world, in addition to its existing wholesale business model. MGC Pharma will manage the operations of the JV Co.

JV Co envisions making significant investments in the Brazilian and Latin American Market, which may include establishing a local industry production starting in Brazil.

There are no minimum order quantities under the Term Sheet. Any MGC Pharma products sold by JV Co to distributors and wholesalers within the region will be priced at a specified mark up to the delivered-at-place (DAP) price for those products.

The Term Sheet shall continue in force until (a) the parties enter into a definitive full form agreement to replace the Term Sheet or (b) the Term Sheet is terminated in accordance with its terms. Either party may terminate the Term Sheet in the event of an unremedied breach or upon the occurrence of a specified insolvency event.

About BrasillInvest

Founded in 1975, BrasillInvest – an established Brazilian merchant bank – is considered one of the most important facilitators of partnerships and investments between Brazil and the global investment community. Supported by an advisory council of highly respected, global political and business leaders, BrasillInvest develops investment strategies, having invested over US\$12 billion in investments in its national economy alone. Renowned as one of Brazil's leaders in innovation, its proven track record includes successfully structuring the country's first merchant bank in 1976; developing the first personal computer in Brazil in 1978 with Nixdorf (now Siemens); launching the first mobile technology in Brazil with Japan's NEC 1979 and developing the first ethanol plant for automotive use in 1979.

BrasillInvest was established by Mr Mario Garnero, its current Chairman and principal investor of BrasillInvest Group. His long-standing personal relationships with many of the world's past and present leaders and most influential business people, have helped build BrasillInvest's important profile, partnership and well-known representatives internationally to build a successful network of investments and commercial operations.

The Company was introduced to BrasillInvest by Mr. Mikel Anderson and Mr. William W. Nicholson, both prominent figures in the U.S. business and retails sector, who were advisors to the transaction and will assist in the JV Co operations.

Mr. William W Nicholson has been involved in the leadership of numerous successful commercial enterprises including ownership and management of several high-profile broadcasting, shipbuilding, oil & gas, leisure, real estate and medical and nutraceutical organisations. Recently as COO of Amway Corporation for 8.5 years, revenues increased from under USD1 billion to USD10 billion under his stewardship.

Mr. Mikel Anderson is a renowned entrepreneur and inventor, holding hundreds of patents including some household name products. He has a proven track record of establishing successful businesses from start-up through effective inventing, business planning, marketing and branding of strong niche markets.

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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 15,720m² GMP state of the art facility in Malta.

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