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Agreement signed with leading Peruvian distributor for entry of MGC Pharma cannabinoid medicines into new markets

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ANNOUNCE

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Medicine' bio-pharma company specialising in the development and production of phytocannabinoid-derived medicines, is pleased to announce it has signed a distribution agreement with Anden Bio Naturals S.A ('Anden'), a leading Peruvian medical products distributor, for the exclusive distribution and commercialisation of MGC Pharma phytocannabinoid-derived medicines in Peru and Bolivia for a term of five years (the 'Agreement'). The Agreement helps to solidify MGC Pharma's footprint in Latin America, following the execution of its BrazillInvest joint venture agreement as announced on 22 November 2019 and the Brazil distribution agreement with Onix as announced on 19 June 2019.

Key Highlights:

- New distribution agreement signed with Anden, a Peruvian distributor, giving MGC Pharma access to their extensive network of pharmacies, private medical clinics and an oncological private insurance system
- Anden is the first to legally import phytocannabinoid based medicines in Peru
- Anden granted the right to exclusively distribute and commercialise MGC Pharma phytocannabinoid-derived medicines in Peru, and subsequently Bolivia, subject to conditions
- Strategic agreement for MGC Pharma, expanding its presence in the Latin American medicinal cannabis market with a well-established partner in the region
- Anden will distribute MGC Pharma products through its distribution network, which includes the largest medicine distributors and retailers, as well as key players in the healthcare and insurance sectors. Consequently, MGC Pharma will be in a prime position for coverage by public and private insurance, including an oncological platform with over 1m affiliated patients
- Relevant in-country approvals to commence import of MGC Products under the Agreement are expected to be obtained by Anden during Q1 of 2020
- MGC Pharma to develop and provide a white label line of nutraceutical products for Anden to commercialise, provided it does not compete with MGC Pharma products

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "By adding Peru and Bolivia to the list of countries where our phytocannabinoid-derived medicines are available we've hit the ground running in this new decade. Partnering with Anden, which is the first to legally import phytocannabinoid based medicines in Peru, gives MGC Pharma access to their network of over 7,500 pharmacies, private medical clinics and an oncological private insurance system.

"This closely follows our entry to the Latin American market in November 2019, when MGC Pharma's products became available in Brazil and in December receiving formal approval for the sale of CannEpil® in Ireland. We've rapidly diversified our global reach, with plans in place to add further jurisdictions this year, which is to have immediate positive impact on our cashflows. We look forward to updating the market on further key milestones towards establishing MGC Pharma as a leading international producer and supplier of phytocannabinoid based medicines."

Curt Schwarz, Co-Founder and CEO of Anden, commented: “We firmly believe that cannabis medications have the potential of improving the quality of life of millions of people worldwide. The decree estimates that a minimum of 7,596 patients in Peru are in urgent need of access to medical cannabis and notes that “sufficient scientific evidence” exists for its use for several medical conditions. We value the efforts that MGC Pharma has made to put science first and investing in the right pathways that will get medical cannabis recognized as a legitimate (and better) alternative to conventional drugs. Anden Naturals is very excited to work with a company of the calibre of MGC Pharma.”

About Anden Bio Naturals S.A

Anden is a Peruvian based company with operations in Peru, USA, Spain and Greece. Anden is the first group to import cannabis derived products into Peru through a tender with the Ministry of Health. Anden delivered its first cannabis derived product in October 2019, making Anden the first and only legal importer of cannabis products into Peru.

Anden’s partners have a vetted track record in the supply chain, process optimization and technology markets. Anden is focused on ensuring quality and dependable products are made available to local patients. Through local strategic agreements, Anden will prioritize building a patient network and continuously educate and promote the benefits related to a cannabis derived treatment. Anden has executed key agreements with local pharma distributors, clinics, pharmacies and universities. Anden will be seeking all available licenses in Peru which include: import, commercializing, cultivation, production and research.

Agreement Details

Under the terms of the Agreement, Anden will have the exclusive right to distribute MGC Pharma products into Peru and Bolivia (‘Territory’). Anden’s exclusive right to distribute MGC Pharma products within the Territory is subject to Anden meeting specified sales targets throughout the term of the Agreement. These milestones are to be determined and will be agreed by both parties together on a quarterly basis.

Anden will place MGC Pharma products in its distribution network, which includes the most relevant pharmacy chain distributor, as well as key healthcare groups. Altogether, this would place MGC Pharma’s products in pharmacy retail fronts, specialty oncological insurance plans & clinics, as well as the largest clinics and public and private insurers all over the country.

MGC Pharma will also produce a white label line of nutraceutical products for Anden to exclusively commercialise in Peru and Bolivia, provided that it will not compete with the MGC Pharma brands. Anden will also be responsible for ensuring compliance of products with local laws and regulations within the Territory. Success fees are payable by the Company (in equity) upon the achievement of specified milestones based on the volume of products sold by Anden. These milestones are to be determined and will be agreed by both parties together on a quarterly basis. There are no specified minimum contract amounts or volumes under this agreement.

The term of the Agreement is 5 years, unless extended by the parties. MGC Pharma may terminate the Agreement with three-months prior written notice to Anden upon cessation of manufacturing of the MGC Pharma products. Either party may terminate the Agreement following a material breach by, or insolvency of, the other party.

The Board of MGC Pharma believes the Agreement will generate material economic benefit to the Company as it works towards establishing itself as an international producer of phytocannabinoid-derived medicines due to the following factors:

- A distribution agreement with the only legal importer of medicinal cannabis products into Peru enables MGC Pharma to gain access to this market

- Peru has a population of 32 million people in which the majority have some access to healthcare¹
- Thousands of people already use medicinal cannabis in Peru therefore MGC Pharma will be tapping into an already established market²
- Under the Agreement, Anden will provide the Company with market intelligence, local know-how, technical and regulatory support and execution strategy advice which will assist the Company in establishing a foothold in the region

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Authorised for issue 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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¹ Source: Prohibition Partners, the LATAM Cannabis Report October 2018 and internal company research

² Source: Prohibition Partners, the LATAM Cannabis Report October 2018