

Binding Term Sheet Signed with Pharma Distributor for the sales and distribution of ArtemiC

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Key Highlights:

- Binding Term Sheet signed with K.S. KIM International Ltd, a wholly owned division of SK-Pharma Group, for the sales and distribution of ArtemiC in Israel, Russia, the CIS countries (including Georgia, Ukraine and Belarus) and countries in the Balkan region (including Serbia, Croatia and Romania)
- K.S KIM is the pharmaceutical products distribution arm of the Israeli based SK-Pharma Group, who operate across 19 countries globally
- ArtemiC has been designed with the scientific aim to target viral infections with inflammatory complications and is now to be evaluated on infected patients in a double-blind placebo controlled, Phase II clinical trial ('the **Trial**'), as announced 17 and 28 April 2020
- Extensive market research is being performed by the SK-Pharma Group to evaluate the potential for immediate customer demand and marketability of the ArtemiC product throughout these major patient markets
- MGC Pharma's current available capacity at its manufacturing facilities in Slovenia can provide for the immediate production of the ArtemiC product

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based bio-pharma company specialising in the production and development of phytocannabinoid-derived medicines, is pleased to announce it has signed a binding term sheet (the '**Term Sheet**') with K.S. KIM International Ltd ('**KS KIM**'), a wholly owned division of SK-Pharma Group ('**SK-Pharma**') for the sales and distribution of ArtemiC. KS KIM is the operational subsidiary responsible for product marketing and distribution of pharmaceutical and medicine products within the larger SK-Pharma group of companies.

The Term Sheet sets out terms for the potential sales and distribution of ArtemiC (or the '**Product**') which utilises the MyCell Enhanced™ delivery system technology. The Term Sheet is for the proposed distribution by KS KIM of the Product throughout Israel, Russia and the Commonwealth of Independent States ('**CIS**') and the countries of the Balkan region (collectively the '**Territories**').

SK-Pharma Group is a vertically integrated pharma company structured for import, registration, distribution and marketing of generic and biosimilar pharmaceuticals, focused on generic and hybrid generic products in markets with high barriers to entry. SK-Pharma operates in more than 19 countries worldwide and is one of the largest distributors of medicines across the Territories. Extensive market research has commenced through SK-Pharma's network of more than 120 partners, which has already confirmed strong interest for the Product through their established distribution channels.

ArtemiC is currently designated as a supplement, which can be produced and sold in its current form with no new approvals or licenses required. The Trial currently underway on infected patients in Israel is being undertaken to establish safety and efficacy of the Product, and to validate claims to be made regarding the Product from the results for the Trial. Through MGC Pharma's current manufacturing capacity at its production facilities in Slovenia, the Company has the ability to produce ArtemiC and has all the necessary approvals in place to commence commercial production upon receipt of material orders.

Term Sheet Summary & Details

- Under the Term Sheet, KS KIM is to be appointed as a distributor of the Product into the Territories subject to successful completion of certain conditions precedent. The conditions precedent for a Definitive Agreement for the appointment of KS KIM as a distributor of the Product to the Territories are as follows;
 - extensive market research by KS KIM to indicate demand and marketability of the Product
 - due diligence and verification by KS KIM of the results delivered during the Trial indicating health-promoting effects, to be completed within 30 days of receiving patient results from the Trial
 - the entering into a Definitive Agreement, terms of which to be agreed, within 30 days of the completion of the due diligence and verification exercise
- Following completion of the conditions precedent, the Product can be sold as Food Supplement in the intermediate term, until full registration of the Product as a drug would potentially be completed in the future
- There are no minimum purchase order quantities under the Term Sheet, the financial impact of the agreement would be determined following the Company receiving purchase orders from K.S. KIM
- Subject to the successful completion of certain conditions precedent, MGC Pharma will be responsible to KS KIM for:
 - provision of the documents to register the Product in the Territories;
 - supply of the Product based on purchase orders from KS KIM;
 - developing the complete pharmaceutical dossier and patient information leaflet as required for the registration of the Product as a drug
- Subject to the successful completion of certain conditions precedent, KS KIM will be responsible to MGC Pharma for:
 - the registration of the Product in the Territories
 - promotion and distribution of the Product in the Territories
 - provision of a non-binding good-faith sales forecast for the first two years of the Definitive Agreement
- Termination of the Term Sheet may be by mutual written agreement, execution of the Definitive Agreement, expiration of the 30-day period post the completion of KS KIM's due diligence and verification exercise

The Company confirms that currently there have been no completed toxicity or efficacy test results to verify ArtemiC safety for use in humans. The first safety and efficacy testing is being undertaken as part of the Phase II Clinical Trial currently being run in Israel, as announced on 17 and 28 April 2020.

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "We are extremely pleased to have our first term sheet in place for future sales and distribution of ArtemiC pending successful results from our Trial. We look forward to working with the SK-Pharma group and executive team, who are one of the largest distributors of medicines in Israel, Russia, the CIS and countries which are potentially very significant patient markets for the Product."

Shlomi Sadoun, CEO & Co Founder of SK-Pharma Group: "There are currently many challenges not only for individuals, but for the entire healthcare system for many countries. We recognise there could be a strong desire for products such as ArtemiC which are designed to target viral infections with inflammatory complications. We will follow the progress of the current Phase II clinical trial with interest and look forward to working with MGC Pharma to bring this product to market as soon as possible."

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC) 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 including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma 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.

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About SK-Pharma Group and subsidiary K.S KIM

K.S Kim international is part of SK-Pharma Group, a global pharmaceutical company focusing on early genericism of valuable medicinal products worldwide. Our mission is to improve wellbeing by allowing accessible medicines to all patients in needs. At SK-Pharma our core business is to launch complex and non-infringing generic medicines in the markets of interest, such as Israel & Palestinian Authority, CIS, Balkans and Latin America. Additionally, our company provide access to Patient Support Program for rare and unique products as well as providing products that are difficult to obtain to thousands of patients globally. SK-Pharma drug shortages division are monitoring and supply with worldwide drug shortages using our special computer engineering capabilities to foresee and mitigate drug shortages.

Utilizing our unique smart machine and data management tool 'GDS', enables our team at SK-Pharma the ability, to apply cutting edge technologies, to offer smart and timely solutions for drug shortages and supply issues. The tool and the group capabilities prove to be very effective in the recent pandemic where SK was supplying millions of tablets and ampoules of supportive aid to hospitals globally. Our group is divided into numerous departments; elite business development, business intelligence, IP & litigation, data science and creative regulatory affairs. Together our teams synergistically engage to support our mission of leading the industry by providing unique, practical and realistic solutions.