

4 October 2018

ASX Code: MXC

## MGC Derma - CannaGlobal Transaction Update

*CannaGlobal founder Lorne Gertner confirms commitment to MGC Derma business roll out*

- MXC to receive the first instalment of CannaGlobal’s initial C\$1 million order under 5-year exclusive CBD and cosmetic materials supply agreement this week
- The full C\$1,000,000 first supply order remains on track be paid by CannaGlobal in approximately 10 business days of MXC’s binding term sheet announcement, together with finalisation of formal agreements
- MXC to supply CBD, proprietary production IP, and cosmetic materials under the first Supply Agreement order, for new production of MGC Derma cosmetics
- CannaGlobal was founded by highly respected entrepreneur, and Canadian cannabis industry pioneer, Lorne Gertner
- Lorne is widely recognised for co-founding Canada’s first listed medical cannabis company, Cannasat Pharmaceuticals, and as the major shareholder in cannabis retail chain Tokyo Smoke, which as part of the HIKU group of brands sold to Canopy Growth Corp for C\$269 million in 2018
- MXC and CannaGlobal have made significant progress to finalise the formal Definitive Agreement for the sale of 100% MGC Derma to CannaGlobal, which is now expected within the coming days

**MGC Pharmaceuticals Ltd (ASX: MXC or “the Company”)** is pleased to provide the following update on the MGC Derma transaction with CannaGlobal, as announced on 27 September 2018. The Company will receive an initial payment from CannaGlobal this week as part of their total C\$1 million initial order of MXC’s CBD, proprietary production IP, and cosmetic materials required to manufacture the MGC Derma range of products. The total C\$1m is on track to be paid by CannaGlobal within the 10-business day timeframe stipulated in MXC’s announcement on 27 September 2018, along with completion of the formal agreements for the transaction.

The order is the first under the exclusive supply agreement between MXC and CannaGlobal announced on 27 September 2018. As part of a wider strategic transaction to sell 100% of MGC Derma, CannaGlobal will provide C\$12.5m in equity and a repayment of a C\$2.5m loan to MXC in CannaGlobal equity aside of the 5-year supply agreement.

A  
S  
X  
  
R  
E  
L  
E  
A  
S  
E

This advanced instalment under the supply agreement is a demonstration of goodwill in the Company's new partnership with CannaGlobal as both parties move towards the finalisation of the Definitive Agreement this week, for the sale of MGC Derma to CannaGlobal. CannaGlobal is also now materially advanced towards a listing on the Canadian Securities Exchange.

Shareholder approval under ASX Listing Rule 11.4 will be obtained for the sale of MGC Derma to CannaGlobal at the Company's upcoming AGM. Following the sale, MXC will hold a material equity holding in CannaGlobal, ensuring the Company has exposure to the future success of the MGC Derma brand and the collective group of CannaGlobal's of cannabis sector investments.

### **About CannaGlobal**

CannaGlobal is a diversified, growth-focused Toronto-based holding company, with a global portfolio of cannabis assets, established by high profile Canadian entrepreneur Lorne Gertner. Mr Gertner is one of the world's foremost investors in the cannabis industry and one of its trailblazing pioneers.

Mr Gertner has significant experience on the boards of a number of publicly traded cannabis companies. Mr Gertner is a co-founder and former chairman of PharmaCan Capital Corporation (now Cronos) Canada's first publicly traded investment company in the medical marijuana sector with investments in numerous legal licensed producers in Canada. Mr Gertner was a co-founder and Director of Cannasat Pharmaceuticals Inc. (CYNA), the first medical marijuana company to be listed on the Toronto stock exchange.

Over the past 15 years, Mr Gertner has helped shape the cannabis industry's focus towards lifestyle design and branding, most recently as co-founder of Tokyo Smoke and Chairman of the board of HIKU Brands Co, until its acquisition by Canopy Growth earlier this year.

With CannaGlobal, Mr Gertner has assembled a world class team with strong experience across finance, retail and consumer products, all backed up by proven cannabis expertise. CannaGlobal is structured around four strategic cornerstones: consolidation, connection, culture and creation. Its mandate is to explore and capitalise on exceptional cannabis opportunities in international markets that are disruptive. Its management believes the future of cannabis lies in creating outstanding brands in market leading segments. CannaGlobal is well advanced in its plans to publicly list on the Canadian Securities Exchange.

MGC Derma is CannaGlobal's foundation investment.

### **Roby Zomer, Co-founder and Managing Director, MGC Pharmaceuticals commented:**

"This transaction led by Lorne is a significant milestone for the Company and demonstrates the strong commercial value of the MGC Derma brand. We have partnered with one of the world's most prominent industry experts and visionaries who will combine Derma with a number of leading cannabis brands to tap into the strong demand for disruptive cannabis wellness and lifestyle products. Under CannaGlobal and MGC Derma's new CEO Hugh Winters, we expect strong growth in Derma sales globally that will drive repeat orders under this exclusive supply agreement."

Lorne Gertner, founder of CannaGlobal states:

“As the world’s foremost CBD based cosmetics brand, we are excited to enter into our transaction to acquire MGC Derma within our CannaBeauty division. We believe that skincare is one of the most compelling opportunities in the cannabis space and look forward to working closely with MGC Pharmaceuticals as we continue to build out the CannaGlobal business”.

--Ends--

**For further information, please contact:**

**Media Enquiries**

Alex Liddington-Cox  
Media and Capital Partners  
+61 474 701 469  
[alex.liddingtoncox@mcpartners.com.au](mailto:alex.liddingtoncox@mcpartners.com.au)

**MGC Pharmaceuticals Ltd**

Brett Mitchell  
Executive Chairman  
+61 8 6382 3390  
[info@mgcpharma.com.au](mailto:info@mgcpharma.com.au)

**About MXC**

MGC Pharmaceuticals Ltd (ASX: MXC) 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.

Follow us through our social media channels

