

13 November 2018

ASX Code: MXC

Definitive Agreement signed for sale of MGC Derma

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- Formal Definitive Agreement has been signed with CannaGlobal for the strategic sale of 100% MGC Derma, as first announced on 27 September 2018
- Completion of the Definitive Agreement with final commercial terms follows CannaGlobal’s recent closing of key corporate actions in relation to other cannabis related business opportunities, and financing by its cornerstone investor
- On completion of the CannaGlobal transactions, MXC will hold 10% equity in CannaGlobal following the sale of 100% of MGC Derma
- All future MGC Derma working capital funding obligations removed from MXC
- MXC will hold an increased equity holding in CannaGlobal as part of a new private company structure, in comparison to the CannaGlobal equity consideration under the original binding term sheet that included a Canadian stock exchange listing
- C\$0.5 million for an initial MGC Derma products supply order has now been transferred by CannaGlobal under the exclusive 5-year CBD and cosmetics Supply Agreement signed as part of the deal
- CannaGlobal, founded by Canadian cannabis industry leader Lorne Gertner, is a diversified, growth-focused Toronto-based holding company, with a global portfolio of cannabis assets, one of which will become MGC Derma on settlement
- Leading cosmetic business entrepreneur – Hugh Williams – becomes CEO of MGC Derma effective immediately, having taken on the operational roles recently
- CannaGlobal is no longer pursuing a public listing on the Canadian stock exchange, due to the terms of its new financing arrangements with its major shareholder and the material change to North American equity markets during October

MGC Pharmaceuticals Ltd (ASX: MXC or “the Company”) is pleased to announce it has signed a formal definitive agreement to sell 100% of MGC Derma to Canadian private cannabis investment company, Cannaglobal Canada Co Inc, trading as CannaGlobal (‘CannaGlobal’) following the signing of a Binding Term Sheet, as announced on 27 September 2018 (“Definitive Agreement”).

The Definitive Agreement has been executed following the conclusion of the funding arrangements and other cannabis business investments, for Cannaglobal to finalise its global cannabis business plan. Total consideration for the MGC Derma sale is a 10% equity interest in ordinary shares in CannaGlobal, and the exclusive 5-year Supply Agreement.

CannaGlobal has now transferred a total C\$0.5 million in payments for the first order of CBD and cosmetic materials required to manufacture the MGC Derma range under the Supply Agreement.

All material conditions precedent to the transaction have been satisfied and MXC expects completion to occur on or about 30 November 2018.

Once the transaction completes, MXC will have a material 10% holding in CannaGlobal, providing exposure to the future successes of MGC Derma, plus a portfolio of cannabis investments compiled by one of the industry's leading pioneers, Lorne Gertner. This is an increase in the CannaGlobal equity held by MXC under the original deal terms for the sale of MGC Derma.

In October, renowned beauty sector CEO and entrepreneur – Hugh Winters – took on an operational role at MGC Derma in preparation for the completion of the transaction. Hugh has had a significant input into the plans for the future commercialisation and growth strategy of the business going forward.

Hugh has over 40 years of business experience as CEO or owner of large private and public companies. While his entire career has been in the beauty sector, in Canada and internationally, he has been active in medical services, real estate development, supplements and a number of other fields through operational roles, directorships and consulting, plus active in various charities and business groups.

Hugh is President of Azure Beauty Inc. a distributor for L'Oreal, President of Beauty.ca Inc, a consultancy firm and President of Rosecrest Capital, an investment company.

Following the completion of the sale, Hugh Winters has stepped into the role of CEO at MGC Derma, and will operate in this capacity effective immediately.

Due to the terms of the new financing provided by Cannaglobal's investment partner, CannaGlobal has changed its plans to become a publicly listed company and is no longer pursuing a listing on a Canadian stock exchange. Consequently, the Company is no longer required to seek shareholder approval to the transaction under ASX Listing Rule 11.4, and will be withdrawing Resolution 5 from its Notice of AGM dated 11 October 2018. The delay in closing this transaction was due to the time required to complete the new private financing deal by CannaGlobal, after changing their corporate strategy for an immediate listing due to material change in North American equity market conditions during October.

The Definitive Agreement also stipulates that, if within 12 months of completion, MXC enters into a transaction to a third party introduced by CannaGlobal or any of its directors, which results in a change of control of MXC, or the sale of its assets - the Company must pay CannaGlobal an introduction fee of 5% of the transaction value.

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

“This is a significant milestone in our strategic partnership and the sale of 100% of Derma to CannaGlobal, enabling MXC to focus on its core business to become a leading medical cannabis Bio-Pharma operator in Europe. MXC’s management expects that MGC Derma’s new CEO Hugh Winters will drive the ongoing growth and success of the brand, resulting in strong growth in customer demand and repeat supply orders under the Supply Agreement.”

Lorne Gertner, founder of Cannaglobal states

“We are extremely excited about our investment in MGC Derma and with MXC joining the Cannaglobal family. Roby and his team have created a very unique opportunity to create a dramatic shift in skincare with the inclusion of CBD. As CEO, Hugh’s experience and expertise will only enhance that opportunity to create significant growth for the brand while we continue to deliver on Cannaglobal’s mandate to make the world a better place through excellence in cannabis, lifestyle, health, and design.”

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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.

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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 a serial entrepreneur, one of the world's foremost investors in the cannabis industry and one of its trailblazing pioneers. 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 a Canadian Securities Exchange.