

19 October 2018

ASX Code: MXC

MGC Derma – CannaGlobal Transaction Update

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MGC Pharmaceuticals Ltd (ASX: MXC or “the Company”) wishes to provide additional information to the market on the sale of MGC Derma to CannaGlobal, announced on 27 September 2018.

- The parties have mutually agreed to extend the completion date of the acquisition of MGC Derma until the 31st of October. This is to allow for the completion and execution of the Definitive Agreements and all related contracts for the MGC Derma acquisition
- The extension is to provide adequate time for the completion of the share purchase agreement under Slovenian law
- This extension of time has also been agreed to allow CannaGlobal to complete its corporate actions relating to other cannabis related business opportunities, and finalisation of its key investor partners
- The balance of the C\$1m down payment for the first order under the Supply Agreement, of which the first instalment already been transferred to MGC by CannaGlobal, will also be extended by the agreement to the same date
- MXC to supply CBD, proprietary production IP, and cosmetic materials under the Supply Agreement to CannaGlobal, 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 co-founder of cannabis retail chain Tokyo Smoke, which as part of HIKU Brands Co. was sold to Canopy Growth Corp earlier in 2018

Following the sale of MGC Derma to CannaGlobal on the terms as announced on 27 September and 4 October 2018, the transaction will see MXC 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 cannabis sector investments.

The \$1m initial 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 acquire 100% of MGC Derma from MXC, CannaGlobal will provide C\$12.5m in equity and a repayment of a C\$2.5m loan to MXC in CannaGlobal equity as key components of the total consideration, which also includes the 5-year Supply Agreement.

Lorne Gertner, founder of CannaGlobal states:

“We are firmly committed to the deal with MGC and extremely excited for the opportunity ahead of us to enter the cannabis skincare market with our acquisition of MGC Derma.

“CannaGlobal is committed to closing our deal with MGC quickly, including our advance C\$1m order under the supply agreement and the previously agreed acquisition terms of the MGC Derma business.”

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.

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 a Canadian Securities Exchange.

MGC Derma is CannaGlobal’s cornerstone investment.

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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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