

20 October 2017

ASX Code: MXC

\$40 Million White-Label CBD Cosmetics Agreement Executed with Korean Cosmetics Manufacturer

- MGC Pharmaceuticals' is set to become Australia's first listed Medical Cannabis Company to generate significant revenues, expected to be in excess of \$3m dollars in monthly sales
- The Company has executed a binding terms and conditions supply agreement for a white-label CBD cosmetics products with Korean cosmetics manufacturer, Varm Cosmo
- Deal is set to deliver a minimum of \$40m in total annual revenue to MGC Derma, MGC Pharmaceuticals' 51:49 joint venture with cosmetics manufacturer Dr M Burstein Ltd
- MGC Pharmaceuticals' proprietary CBD cosmetic products will be supplied in bulk form and sold by Varm Cosmo to its existing consumers and distribution network
- Transformational company making deal, with scope for expansion to include additional proprietary CBD cosmetic products and extension beyond the initial three-year term

MGC Pharmaceuticals Ltd (ASX: MXC or "the Company") is pleased to announce that it has signed a binding terms and conditions supply agreement (T&C) with Varm Cosmo Inc. (Varm Cosmo) for its MGC Derma division to supply five of its cannabidiol (CBD) cosmetic products in bulk form, to be sold to consumers as part of Varm Cosmo's cosmetics range.

With a minimum agreed purchase quantity of 15,000kg per month (3,000kg per stock keeping unit) the expected deal will generate approximately \$40m in annual revenue for MGC Derma. The MGC Derma division is a 51:49 joint venture with well-credentialed cosmetic manufacturer, Dr. M. Burstein Ltd, of which MGC Pharmaceuticals owns 51% and holds management control.

This expected transformational deal will deliver an immediate revenue stream with a strong gross profit margin to the Company. An initial \$3.3m in revenue will be received shortly after the receipt of the first quarterly purchase order from Varm Cosmo, which is expected by the end of October 2017.

Under the T&C's, the parties will sign a binding sale agreement in the coming 31 days and will examine further expanding the product range and supply volumes.

Importantly, South Korea is among the top 10 global beauty markets and is estimated to be worth over US\$13 billion in 2017. Facial skincare products account for more than half (51%) of the total market share, with \$6.5 billion in retail sales and a projected 5.8% cumulative average growth rate (CAGR) over the next five years to reach \$7.2 billion by 2020.¹

Much of the success of the facial skincare category is due to new product development which is evidenced by the fact that more than two thirds (68%) of total skincare product launches in South Korea in 2015-2016, were facial skincare products, according to Mintel Global New Products Database (GNPD).¹

¹ Source: [A Bright Future: South Korea Ranks Among the Top 10 Beauty Markets Globally](#)

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Korean beauty products are growing in popularity worldwide and Western brands are constantly looking to South Korea for new product inspiration, seeking to adapt popular South Korean beauty formats for Western consumers. The popularity of South Korean beauty products is due to their high performance, combined with fun packaging and sensorial cues, as well as affordable prices.

Roby Zomer, Co-founder and CEO, MGC Pharmaceuticals commented:

“This watershed milestone supply agreement is transformational for our MGC Derma division and for MGC Pharmaceuticals as a company, and importantly for all our shareholders. It marks the culmination of much work in building our operations and our brand within this emerging market over the past 12 months, as well as development work for our proprietary formulations by our MGC Pharmaceuticals research team in Europe. Varm Cosmo are a great company to partner with to bring our cosmetics product to a wider consumer market.

“I would personally like to thank our shareholders for their patience while my team and I have worked hard this year to pull this deal together, and establish the foundations for significant operations in both our pharma and cosmetics businesses.”

JungYoon Hwang, CEO of Varm Cosmo commented:

“We produce the most honest cosmetics in the market. Our products contain 1ml of highest purity CBD in the world. Providing the most effective moisturizing solution while making your skin young and healthy. Our partnership with MGC Pharmaceuticals gives us the opportunity to enhance our product line, while remaining true to our core beliefs. We look forward to working with MGC Pharmaceuticals in the coming years.”

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About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is a European based specialist medical cannabis 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 be a global leader in phytocannabinoid-based medicine within the biopharmaceutical medical markets in Europe, Australasia and North America.

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About Varm Cosmo

Varm Cosmo goal is to provide aid in both health care and beauty. Through cannabidiol we can access a whole new world of better and more beautiful way of living.