

1 November 2017

ASX Code: MXC

Binding HOA Signed for Multi \$M Australian Pharmaceutical Market Entry

- Heads of Agreement (“HOA”) signed with specialist Australian pharmaceutical distributor, HL Pharma Pty Ltd to bring MGC Pharmaceuticals’ affordable epilepsy product, CannEpi™ to the Australian market for treating epilepsy patients
- Definitive Agreement to be finalised and executed within 14 days of signing the HOA
- Sets in place the timeline for multiple milestones, including delivery of the first MGC Pharmaceuticals’ medical cannabis products to Australian epilepsy patients
- Signifies the commencement of Australian sales pipeline and revenue stream
- Leverages MGC Pharmaceuticals’ established relationship with Epilepsy Action Australia to rapidly build an Australian patient market through multiple prescribing Australian doctors, at an affordable retail price for patients
- Deal set to generate significant medical cannabis revenues for MXC, expected to be approximately \$1m in 2018 from less than 100 patients already registered
- Potential market of +70,000 Australians suffering from drug-resistant epilepsy
- Delivery of the first products to patients set to commence during Q1 2018

MGC Pharmaceuticals Ltd (ASX: MXC or “the Company”) is pleased to report is has signed a binding Heads of Agreement (“HOA”) with leading Australian specialist pharmaceutical wholesaler and distributor, HL Pharma Pty Ltd, to bring its adult medical cannabis epilepsy product, CannEpi™, to Australian patients from early 2018. Under the terms of the binding HOA, a formal Definitive Agreement is to be finalised and executed between the parties within 14 days.

Under the arrangement, MGC Pharmaceuticals will leverage its existing relationship with Epilepsy Action Australia (EAA), established in September 2016, and its scientific board of advisors Prof Uri Kramer and Prof David Neubauer, to rapidly build an Australian patient market for the product through authorised prescribing doctors. The Company has already built links with an initial group of five doctors that have expressed an interest in prescribing the product, which will provide access to a starting a pool of more than 50 patients.

According to EAA, approximately 25,000 people are diagnosed with epilepsy each year and it is estimated that up to 240,000 Australians are currently living with epilepsy. MGC Pharmaceuticals’ CannEpi™ product is targeted for drug-resistant epilepsy (DRE), also known as refractory epilepsy, which accounts for approximately 30% of all epilepsy cases.

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CannEpi™ is MGC Pharmaceuticals' adult medical cannabis product for the relief of refractory epilepsy. It will be sold as a 50ml bottle containing 100mg/mL of CBD and Cannabinoids, which is administered orally, and is expected to be available to patients with an authorised doctor's prescription for a regular retail price under A\$800. CannEpi™ boasts a price point that is significantly lower than the current competing product on the market, making it an attractive consumer product and affordable for patients.

HL Pharma has over 20 years of experience as a specialist supplier of unregistered (pharmaceuticals that are not registered with the Therapeutic Goods Agency (TGA), but are registered with other recognised pharmaceutical regulators) products in Australia. It sources products only from registered suppliers, which have a pharmaceutical wholesale or manufacturing license and are typically registered with the Medicines and Health Regulatory Agency (MHRA) in the UK.

Under the agreement both parties will form a collaborative relationship to import and distribute CannEpi™. The parties have agreed that the products to be imported and distributed can be expanded by mutual consent. HL Pharma plan to wholesale distribute the Company's CannEpi™ product to hospitals and pharmacies across Australia.

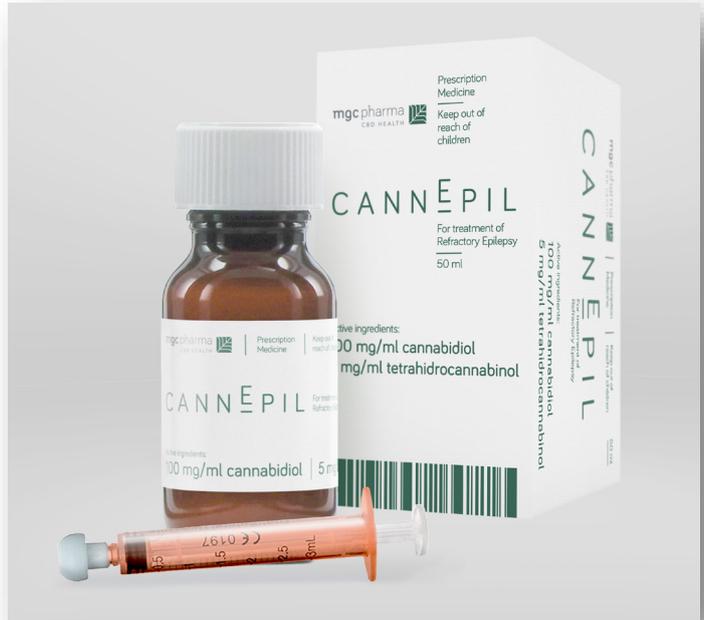
HL Pharma will be responsible for ensuring TGA and Office of Drug Control approval to import and supply the products in Australia, as well as obtaining an import permit for each import shipment. It will also be responsible for marketing of the product, with the support of MGC Pharmaceuticals for larger volume wholesale orders.

The Agreement has the potential to generate significant annual revenues to MGC Pharmaceuticals from only a small Australian market penetration, with the product delivering strong gross profit margins to the Company.

The Company is currently manufacturing the first batch of CannEpi™ products to meet HL Pharma's first minimum order quantity of 170 50mL bottles and expects to be able to commence shipping the products to Australia within 4 months, making it available for patients from early 2018.

Quote from Carol Ireland, Chief Executive Officer of Epilepsy Action Australia (EAA):

"I welcome news of this agreement. So much more is needed in terms of patients having access to Authorised Prescribers and a range of quality, legal, medicinal cannabis products and this is a great step forward. There is significant potential for cannabinoid therapies as a treatment option for people with epilepsy and many other conditions."



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

“This agreement is pivotal for MGC Pharmaceuticals. It sets in place the timeline for bringing our first medical cannabis products to Australian patients, in the form of our affordable epilepsy product, CannEpil, and sees us commencing sales in the Australian market. HL Pharma has a strong profile in the specialty pharma space and we are excited to be working towards the delivery of our first order in the coming months.”

HL Pharma CEO Matt Hayward, commented:

“Across Australia, patients are struggling to access this vital medicinal cannabis medicine. Sometimes it is prohibitively expensive for families. That’s why we are so delighted to be working with MGC Pharmaceuticals to bring this much-needed medicinal cannabis product to Australian epilepsy patients.”

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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 HL Pharma

Matt Hayward set up HL Pharma in March 2014 having moved back to Australia from the UK. Matt has extensive knowledge and experience in the supply of unregistered/unlicensed products having owned his own company in the UK specialising in this field.

HL Pharma strive to apply a customer centric approach to every element of the organisation, from sourcing products to the delivery.

HL Pharma sources products only from registered suppliers. For example, its UK suppliers must have a pharmaceutical wholesale or manufacturing license and be registered with the Medicines And Health Regulatory Agency (MHRA). HL Pharma does not supply pharmaceutical products to members of the public. HL Pharma is registered with The Victorian Department of Health and works under the code of Good Distribution Practice (GDP) to supply pharmaceuticals.

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