

22 November 2017

ASX Code: MXC

Binding Agreement Signed to Supply Cannabidiol Extract - Generating +\$1m in Annual Sales

- MGC Pharmaceuticals (MXC) has executed a multi-year binding agreement to supply cannabidiol (CBD) extract from its European facility to European distributor Mabsut Life (Mabsut Agriculture d.o.o)
- Under the agreement MXC will supply a specialised CBD extract to Mabsut Life at a minimum of 12kg of CBD extract per quarter
- This contract effectively commences immediately, with an initial Purchase Order of 2kg of extract has already been placed by Mabsut Life under the binding agreement, which includes the initial pre-payment of US\$40,000 due within 2 weeks
- This single binding contract is expected to generate in excess of \$1m in annual sales
- The CBD supplied will be commercialised by Mabsut into cartridges for vape pens under their Mabsut brand and distributed throughout their sales network in Europe
- Mabsut Life is a lifestyle & medical cannabis product manufacturer and distributor focused on the various segments of the emerging European supply chain, operating in Germany, the Czech Republic and Austria
- The specialised extract has been developed and produced to an agreed formula using MGC Pharma's leading Research and Development facilities in Slovenia

MGC Pharmaceuticals Ltd (ASX: MXC or "the Company") is pleased to announce that it has signed a multi-year supply agreement with European medicinal products distributor Mabsut Life, to supply cannabidiol (CBD) extract from its European extraction facility.

Under the binding agreement, MGC Pharmaceuticals will supply a specialised industrial-grade CBD extract, which has been developed and produced using the Company's leading European Research and Development (R&D) facilities. The specialised CBD extract will be supplied to Mabsut Life and commercialised under Mabsut Life's own CBD electronic cigarette brand and distributed throughout its sales network in Central and Eastern Europe in countries that include Germany, the Czech Republic and Austria.

The terms in the agreement set out a minimum supply by MXC of 12kg of extract per quarter which is set to generate approximately \$1 million in annual sales for the Company. Upon signing the agreement, the initial purchase order for 2kg of extract has been placed by Mabsut Life and includes an upfront payment of US\$40,000 which MXC expects to receive within 2 weeks.

The deal is for an initial two-year period and will then automatically renew each year upon mutual agreement from each party.

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Mabsut Life is a lifestyle & medical cannabis product manufacturer and distributor focused on the various segments of the emerging European supply chain, operating in Germany, the Czech Republic, and Austria.

The specialised extract will be used by Mabsut Life to develop a CBD based vaporizer/e-cigarette cartridge formula that is based on 100% cannabis ingredients removing the need for any additional chemicals or solvents. Research conducted by scientists at the University of Lausanne in Switzerland in 2016 showed the e-cigarettes can provide a safe and effective way to deliver cannabis for medicinal purposes¹.

There is potential for MXC to supply additional products to Mabsut Life as the agreement includes a right of first refusal for the supply of any future cannabis extract or other cannabis-based products that Mabsut Life may require.

MXC's European extraction facility contains state-of-the-art extraction equipment which gives the Company a leading edge in the development and production of CBD extracts.

The Company's laboratory is currently undergoing GMP certification, and expects the CBD extraction facility to complete its GMP certification during 2018, at which time it will be fully certified to produce Active Pharmaceutical Ingredient grade (API) cannabidiol extracts.

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

"The supply agreement with Mabsut Life builds on a number of transformational deals we have recently executed that provides the Company with a diverse and growing revenue base. The deal also demonstrates the capacity of our Research and Development platform to develop formulas that are of the highest quality which can then be utilised for a number of purposes by our growing list of partners."

Moshe Wasserman, CEO, Mabsut Life commented:

"We are very happy to complete this first supply agreement with MGC Pharmaceuticals, which is a strategic and important agreement with partners with whom we plan to embark on a long-term relationship. The agreement reflects both our company policy and development plans, and this agreement is just the first of a series of agreements that we expect to make with MGC, taking advantage of the relationship of each company and bringing together these innovative, quality products to the new emerging markets."

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¹ Source: <https://www.nature.com/articles/srep25599>

About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is an EU based specialist medical cannabis company with many years of technical clinical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the Israeli medical cannabis industry and the core business strategy is to develop and supply high quality Cannabinoids based pharmaceuticals products for the growing demand the medical markets in Europe, North America and Australasia.

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About Mabsut Life

www.mabsutlife.com

Mabsut Life is a lifestyle & medical cannabis product manufacturer and distributor focused on the various segments of the emerging European supply chain, in Germany, the Czech Republic and Austria. Mabsut's management team together amassed dozens of years of combined experience and have dealt with the medical cannabis trade in the States, Europe and Israel

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