

US FDA Approval of MGC Derma CBD Cosmetics Products & First US Distribution Agreement Executed for California

- MGC Pharmaceuticals has received formal US Food and Drug Administration (FDA) approval of its first 16 cannabidiol (CBD) based Anti-Ageing cosmetic products
- Marks entry into the US\$11 billion US skin care market¹, with the Company now clear to actively market its products throughout the United States
- Execution of MGC Derma's first US sales order through a new exclusive distribution agreement with Californian-based company, C&M CBD HOLDING LLC
- California is the largest economy in the USA, and a leader in the medicinal cannabis industry
- MGC Derma will now pursue exclusive agreements with strategic distribution partners in key US states
- Products will be sold through eShop, local distributors and retail outlets across California, with an initial order of circa €1.2 million per annum and scope to significantly increase the volume and value of the contract
- Discussions are underway to extend the agreement to include joint ventures focusing on genetics, growing and medicinal cannabis value add products

MGC Pharmaceuticals Ltd (ASX:MXC or "the Company"), is pleased to announce that it has received FDA approval for its CBD based cosmetic range, MGC Derma Anti-Ageing line, allowing the Company to sell and distribute the products across all US States. The Company also currently has applications pending for similar approvals in Canada and Australia.

Importantly the FDA approval means that the 16 MGC Derma CBD based products can be imported and sold throughout the whole of the USA, even in states where Medicinal Cannabis is not yet legal.

This FDA approval follows the recent approval earlier this month from the European Commission's Cosmetic Products Notification Portal (CPNP), enabling the Company to sell and distribute its MGC Derma cosmetic products throughout the European Union (EU). With the FDA and CPNP approvals secured, the Company will now be actively pursuing strategic distribution partners across key markets in the USA and Europe.

In addition, the Company has now executed its first US sales off take agreement for products from the range in the US, for the exclusive distribution of the MGC Derma CBD based cosmetic products in California. The order has been delivered under a new exclusive distribution agreement with Californian-based company C&M CBD HOLDING LLC.

The first year order under this agreement is for over 60,000 units of CBD Anti-Aging cosmetic products and includes Moisturizing Day Cream SPF 30, Active Firming Anti-Aging Mask, Active Bright Facial Cream, Anti Puffiness and Dark Circles Eye Serum. The first year contract value is in an amount of approximately €1.2m per annum, and is to be paid in monthly instalments in advance. The agreement provides scope for increases in the volume and value of the contract.

¹ Source: Parthenon-EY: Premium skin care market, and Luxury and Cosmetics: The EY Financial Factbook 2013 edition

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The products will be produced in MGC Pharmaceuticals Slovenian facilities, MGC Derma d.o.o, with monthly shipping ready to commence in September 2016. The cosmetics products are expected to be on Californian shelves by October 2016.

With a global market size of over US\$120 billion currently, the US skin care cosmetics market is the largest individual market in the world and is estimated to be worth US\$11b alone², it is therefore a very valuable and important market for MGC Pharmaceuticals, as detailed in [Market Research, 2016](#).

C&M CBD HOLDING LLC is a Californian-based company, newly established by Cosmetic and Hollywood production industry leaders.

This first US exclusive distribution agreement in California with C&M CBD HOLDING LLC is the second distribution agreement signed by MGC Pharmaceuticals, marking considerable commercial progress by the Company. It follows the Company's first European sales order and exclusive distribution agreement signed with Czech Medical Herbs, s.r.o., announced in March 2016. With the FDA and CPNP approvals in place, the Company will now be actively pursuing strategic distribution partners across key markets in the USA and Europe.

Nativ Segev, Co-founder and Managing Director, MGC Pharmaceuticals commented:

"MGC Pharmaceuticals is moving forward in its commercialisation strategy at a rapid pace. Having the first milestone in place, just entered the European market with CPNP grant of approval, an exclusive European distribution agreement and accompanying first cosmetics product sales order, we are delighted to now be entering the US cosmetics market, this will be followed by growing into the Pharma industry.

"Receiving FDA approval and signing this key distribution agreement with C&M allows us to start selling our cosmetics products into the large US cosmetics market, expected to be worth \$11 billion in revenue in 2016 alone²."

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About MXC

MGC Pharmaceuticals Ltd (ASX: MXC) is EU based specialist medical cannabis company with many years of technical 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 non-psychoactive Cannabidiol (CBD) resin extract to the growing demand in cosmetics and medical markets in Europe, North America and Australasia. The Company is also developing strategic joint ventures in these key value add industries, as demonstrated with MGC Derma CBD cosmetics.

² Source: Parthenon-EY: Premium skin care market and Luxury and Cosmetics: The EY Financial Factbook 2013 edition