

23 February 2016

ASX Code: MXC

## Managing Director's Update to Shareholders

Dear Shareholders

It has been a very successful year for MGC Pharmaceuticals Ltd (MGC Pharma) (ASX: MXC), and 2016 promises to be a transformational one for our emerging Medical Cannabis company. Following the shareholder meeting on 16 November 2015, Erin Resources Limited has now changed its core business and company name to MGC Pharmaceuticals Ltd. The Company's ASX ticker code is now MXC and the Company is a pure Medical Cannabis business focused on the production of CBD resin, a range CBD cosmetics, Medical Cannabis Genetics and ultimately CBD Medicinal Formulations to provide relief from of skin ailments such as Psoriasis and autoimmune conditions such as drug-resistant Epilepsy.

As the Managing Director of MGC Pharma, I would like first to thank all of the Company's existing shareholders for their patience through the recent ASX relisting process, and extend a very warm welcome to new shareholders, investing together in our Company's future and having a positive impact on Australian lives.

The growth of the medical cannabis industry globally is undoubtedly gaining serious momentum, and just recently the Australian Federal Government introduced new legislation to permit the cultivation and supply of medical cannabis. Every day, new markets and opportunities are presenting themselves, and we are constantly evaluating the most significant, most appropriate, and most profitable options that arise. Our achievements to date are outlined in this letter; however, it is the months and years ahead that I am most excited by. We are positioned in a market with huge potential and I believe the coming years for MGC Pharma are full of potential and opportunity.

### **2016 & the future for MGC Pharma**

MGC Pharma expects to reach a significant milestone this March 2016 quarter, with execution of the first orders and sales of our initial CBD cosmetics product range.

Together with our CBD cosmetics joint venture partner and leading cosmetic manufacturing company, Dr M. Burstein (DMB: Natura), MGC Pharma has already completed the development of its initial range of 15 CBD cosmetic products. The products developed include hand cream, facial serums and creams, eye serums, soaps, toners and cleansing milks. We are currently in the process of launching a dedicated sales website where the products will be available for purchase and shipment to countries internationally, including Australia.

In addition, we have a further 40 plus products in our development pipeline, which will be manufactured and distributed during 2016. We have identified the global skin care market as a key opportunity for our business and our next batch of products will include a formula for the care of Acneic prone skin, with the result of preventing the development of acne, alongside other skin problems and skin regeneration support.

Importantly, the development of our new CBD based skin care formula for the effective relief of Psoriatic skin has passed stage 1 clinical tests, with stage 2 is well under way. The formula in development is designed to help relieve and support the skin and provide relief from redness; scales, flaking, irritations and potentially reduce a number of skin ailments. This will be the first regulatory compliant dermatological product available as part of our 50 strong cosmetic product range. Upon completion of final stage testing, we intend to develop the formula into an over-the-counter Psoriasis medicinal (Derma) product.

Following a successful stage 2 testing on our Psoriatic skin product, only one stage of testing remains which is expected to commence during Q2 2016. Ultimately, we aim to offer an exclusive over-the-counter CBD based topical medication based on our CBD formula in development. This will be achieved once all the clinical test stages are finalised and MGC has European Union approval has been obtained for sale of this product for medical purposes. Once approved, we can then license this medical formula to pharmaceutical companies for distribution across Europe.

### **European CBD Resin Production & Australian Strategy Fast Tracked**

Additionally, MGC has commenced the establishment of its CBD growing and extraction facility in Slovenia, the Company's first production facility in Europe. We are on track to commence our initial CBD cropping program in Q2 2016, which will include soil and water testing, primary seeding and initial harvesting. We will then proceed to a commercial stage, culminating with a first CBD harvest in Q4 2016. The harvest and production of CBD from this crop will enable MGC to close the supply chain with its self produced CBD, with surplus CBD being sold as part of MGC's previously existing offtake agreement (announced June 18, 2015).

On the domestic front, we have begun a strategy to actively engage with the Australian market and evaluate potential opportunities available for MGC. The Company appointed Dr Ross Walker to the Board and as head of our Strategic Advisory Board. Dr Walker is well respected within the Australian medical community and has established relationships with Government and community organisations, whose involvement in this emerging industry will be key to its development.

In addition to extending the capabilities and expertise of the Board, we have spearheaded the creation of a "*Primary White Paper for the Emerging Australian Cannabis Industry*" in collaboration with the University of Sydney Business School, and several other industry groups. This White Paper will outline the matter of Medical Cannabis, its benefits to patients and business within Australia and the challenges and opportunities that are expected to emerge. The Paper will ultimately assist MGC in our efforts to ensure the cannabis industry in Australia will be a dynamic, effective and well-regulated market.

Through Dr Walker's appointment and our collaboration with the University of Sydney we are well positioned to be a leader in the strategic and political development of the Australian medical cannabis sector and we believe our immediate efforts will prove beneficial in our long-term standing in the industry, both with Government and private enterprise.

We are now focused and committed to executing the commercial rollout of our business objectives and I would like to take this opportunity to inform shareholders that we are constantly seeking further growth opportunities in Europe, the USA, Canada and Australia. We have a number of very exciting proposals before us, that make sound commercial sense to the business model and I look forward to sharing these developments with you when the timing permits and Board approval is received.

Yours truly,



Nativ Segev  
Managing Director