



First Revenues from MXC's Cannabidiol Cosmetics Line Imminent

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The growth of the medical cannabis industry is gaining momentum.

Even doctors are talking more about its use in the treatment of ailments such as skin diseases and in the [reduction of pain](#).

Medical cannabis is also said to provide huge savings for end-users laboured by the cost of exorbitant treatments for ailments ranging from psoriasis to life-threatening cancer.

But the use of medical cannabis doesn't end there, it can also be used commercially in a range of cosmetics in the \$270BN cosmetics industry.

For producers such as MGC Pharmaceuticals (ASX:MXC), the medical cannabis industry creates a potentially lucrative business model founded on first-mover advantage and substantiated by cosmetics products that have universal appeal including facial serums and soaps.

Having recently recommenced trading on the ASX following its re-compliance and change of ticker code, MXC is currently on target to execute the first sales of its initial range of cannabidiol (CBD) based cosmetic products.

MXC's initial range of 15 cosmetic products, to be sold under the MGC DERMA brand, will land on shelves in the coming weeks, with first orders already received.

The first batch of 15 products, worth an estimated \$1,000,000 in gross revenue are currently being packaged at cosmetic giant Natura's Slovenian manufacturing facility.

As an estimate only, these revenue numbers shouldn't be taken as final figures. It is wise to do your own sums and seek professional advice before making an investment. MXC is a speculative stock.

Meanwhile, testing continues on MXC's phase 1 CBD skin care formula being undertaken in collaboration with Natura.

The attitude towards medicinal cannabis is changing, and companies that take an early stake in the development of this new biotech niche could reap substantial windfalls when the mainstream market looks to join the bandwagon over the coming years.

Re-introducing a \$13m-capped company at the forefront of medical cannabis commercialisation:



MGC Pharmaceuticals

ASX: MXC

Formerly operating as gold explorer Erin Resources, MGC Pharmaceuticals (ASX:MXC) made its way onto the ASX courtesy of a [reverse takeover \(RTO\) in 2015](#).

With the paperwork now finalised, MXC shares are due to be reinstated on the ASX as of today.

MXC is officially open for business in Australia and hopes to begin commercialising its medical cannabis business plan before the end of this year...

In 2015, MXC became the first Australian registered company to gain permission to [grow, process, import and export](#) an unlimited quantity of Cannabis Sativa L (hemp) and its products, which it then followed up by [announcing plans to fast track commercialisation in Slovenia](#).



MXC plans to grow and extract CBD all year round which means having two sites, one above the equator in the Northern hemisphere (Slovenia) and one below, in the Southern hemisphere (MGC has first rights to grow in Namibia, though the changes in Australian legislation make a closer to home option seem more relevant daily).

This aspect alone is expected to boost MXC's cash flow significantly, because each growing site can handle two harvests each year.

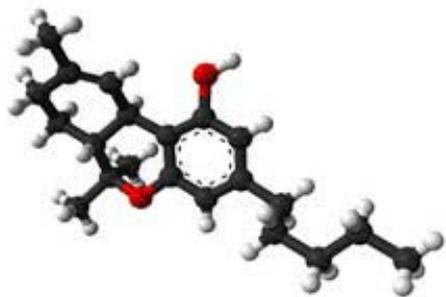
The cost savings Slovenia and Namibia offer is the reason MXC has located its growing facilities there, and current estimates suggest MXC will break even within 12 months, targeting juicy \$10m revenues in its first three years. Nice work if the company can pull it off.

MXC's Australian agenda is also taking hold, with the company placing itself as a thought leader by working on a White Paper in collaboration with The University of Sydney which examines and outlines solutions for the emerging Cannabis industry, giving MXC access to engagement with government and other influencers.

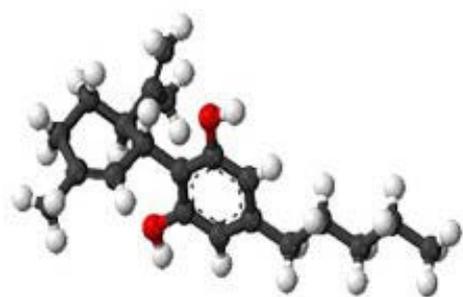
Another positive for the company are the men in its corner including leading Australian cardiologist Dr Ross Walker, a well-known medical figure in Australia, and MGC's charismatic CEO, Nativ Segev, who has a history as CEO of Israel's second largest licensed Medical Cannabis company, as well as chairing the Israeli Growers Table, which means he has experience in mass growing and producing medicine which goes directly to patients through Israel's Medicinal Cannabis Laws.

What sets MXC apart

MXC holds an exclusive strain of 'Cannabis Sativa' which comprises of very low THC content below 0.3% and a very high CBD content up to 13%.



Tetrahydrocannabinol (THC)



Cannabidiol (CBD)

Just to put that in perspective, the highest CBD concentration currently being achieved in the industry is around 2%.

Cannabis Sativa is otherwise known as an Active Pharmaceutical Ingredient (API).

An API's grade compounds are products that other pharmaceutical companies buy – these are highly valuable and are traded at prices upwards of \$50,000 per kilogram.

Given MXC's superior grade product, it means they could expect to price their product at significant premiums compared to its competition.

MXC's plan is to become a self-funded product developer and distributor of APIs.

With a superior product in its corner, MXC is on its way to taking full commercial advantage...

**A \$62M offtake agreement is already signed.
MXC now focused on production and delivery in 2016**

Considering that MXC plans to produce high grade CBD for use in cosmetics, collaborating with one of Europe's leading cosmetics manufacturers was a wise move. Additionally, ensuring they are the first collaborators in this field gives MXC a first to market advantage.

MXC became the [first ASX-listed company to sign a CBD offtake agreement](#) in June last year. The deal was signed with Natura Laboratories, amounting to €40M (AU\$62M).

In the agreement, Natura Laboratories will buy a minimum of 300kg of CBD resin per year at 60% purity or above, for a minimum of four years.

In essence, Natura will offtake all of MXC's produce and manufacture cosmetics which MXC will then sell online and via wholesale distributors.

Not only that, but its processing facility in Slovenia will also accommodate product from other growers which MXC can process for a royalty fee – this can effectively add revenue to MXC's bottom line regardless of its own growing schedule.

At current prices, 1kg of CBD resin fetches around AU\$55,000 – \$280,000 depending on purity which means MXC could potentially earn up to AU\$84M annual revenue from sales.

However the prices of CBD may fluctuate as this is an emerging market with rapidly evolving legislation, so there is no guarantee these revenue projections will come through. This is still early stage, speculative investing.

How to capitalise on a changing industry

The world currently has a huge problem with existing ailments and diseases bringing misery to millions of people...

...and the worst part is that solutions to these problems do not have to be invented. They already exist in the form of natural remedies such as medical cannabis.

However, in the past, what has stopped cannabis-based products from hitting retail shelves has been government restrictions and prohibition.

It's about time for a change, and there are signs are we are already on the way:

Medicinal marijuana to be legalised in Victoria in Australian first

By Jean Edwards

Updated 6 Oct 2015, 6:48pm

Locally-grown medicinal cannabis will be legalised in Victoria, under a controversial State Government move to ease the suffering of people with serious medical conditions.

In an Australian first, the Andrews Government plans to embark on a state-based cannabis cultivation trial, based on the recommendations of



Australian authorities are moving quickly in response to calls for [medical cannabis to be re-evaluated \(and re-categorised\)](#) to pave the way for active use and commercial sales as soon as 2017.

THE HON.
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Medicinal cannabis to be cultivated through single national scheme



Australian Government
Department of Health

across the country for growers.

Australia will create a nationally-consistent licensing scheme regulating the controlled cultivation of cannabis for medicinal or scientific purposes that will streamline the process across the country.

Minister for Health Sussan Ley today announced the Commonwealth would now oversee all regulatory aspects of the cultivation of medical cannabis through one national scheme.

Ms Ley said this would remove the need for states and territories to implement legislation to set up individual cultivation schemes and ensure laws were consistent

Structural shifts in government policy don't happen often...

...but when they do, they tend to create knee-jerk reactions amongst opportunistic market participants.

News in October 2015 that Australian authorities had reconsidered legislation banning growing medical marijuana created [a bit of a stir on the ASX](#). Given Australia's State legislature, [a single national scheme was announced shortly afterwards](#) to prevent State squabbling and to fast-track legislation onto a national platform from day one.

Medical cannabis to light up pot stock boom



The pot stock boom looks set to hot Australia on the wake of steps to legalise medical cannabis.



A pot stock boom looks set to sweep the Australian sharemarket in the wake of plans to legalise medical cannabis with a host of ASX-listed companies fast-tracking their plans to enter the market.

We think medical cannabis is walking the path from wilderness to prescribed and regulated availability for those with medical conditions and may be widely available as part of the ingredients in cosmetic products.

It's just a question of time.

Cannabis-based products such as creams, sprays, balms and oils could become widely used and likely to contribute to medical care because they provide pain relief and in some instances alleviate symptoms.

If MXC can sustain its development, it will be one of the first companies in Australia to be developing medical cannabis products, and selling them into a cosmetics industry worth \$270BN.

And that's only counting CBD-based products that are first on the list for legalisation.

If and when THC-based products follow the same route, MXC could already be a fully-developed medical cannabis producer that is able to upscale its operations into the frowned-upon THC side of cannabis.

But all that is for much later down the line.

Already, MXC has formulated a strong commercial strategy with a strong proprietary product and an experienced team focusing on medical cannabis. And if that wasn't enough, MXC has that €40M (\$60M) four year off-take agreement secured.

Let's take a look at MXC's operations in detail.

Can medical cannabis reach the highs many are predicting?

The market for medical cannabis is like a loaded spring that's been kept down for far too long.

Despite being a burgeoning market, liberated by the removal of strict government regulation across the globe, medical cannabis is already worth US\$2.7 billion per year, estimated to top \$14 billion a year in the US by 2020 before reaching \$US500 billion a year globally once fully mature [according to data from ArcView](#).

Combine this with the \$270BN cosmetics sector, where MXC hope to make its mark before entering the pharmaceutical market, and you have a pretty powerful business opportunity.

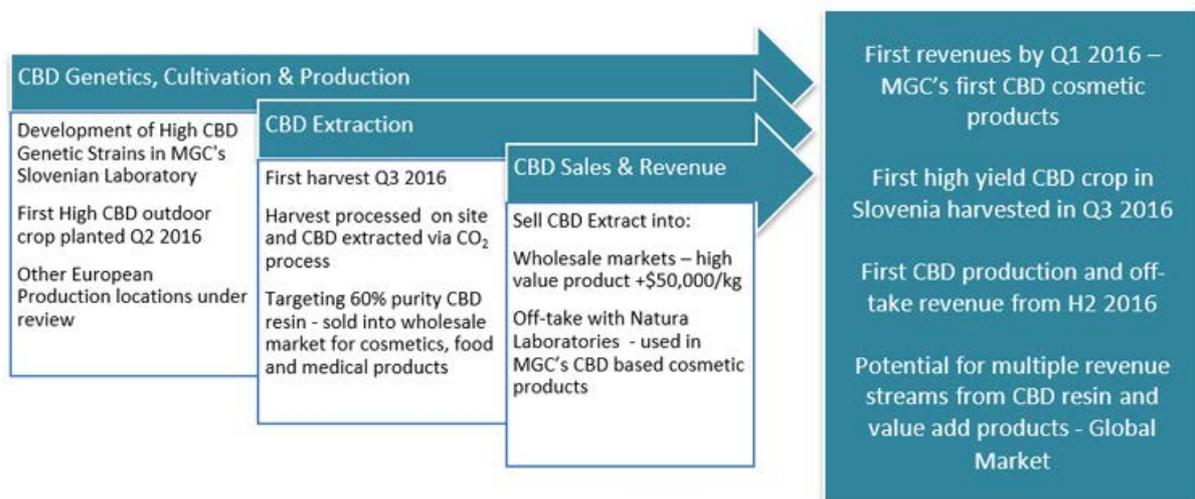
Although MXC is still in an early phase of growth, so caution is advised when considering this stock for your portfolio.

The cosmetics market is where MXC will make its first play by launching 50 products in the first half of 2016

Scientific and clinical studies indicate that CBD could be effective in easing symptoms of a wide range of difficult-to-control cosmetic and medical conditions, including: rheumatoid arthritis, psoriasis, diabetes, alcoholism, PTSD, epilepsy, antibiotic-resistant infections and neurological disorders.

Therefore, MXC has earmarked an extensive line of more than 50 products to be rolled out during 2016 including facial creams, eye serums, soaps, toners and cleansing milks.

Here's MXC's business model in a nutshell:



MGC Business Model – From CBD Genetics to Multiple High Value Revenue Streams

Once its own product has cleared medical trials, MXC will be ready for action

MXC has submitted over 50 formulas for the 2nd phase of product tests (currently ongoing) which includes human volunteers. After results have been assessed, the 3rd stage of tests requires MXC to finalise its product for final evaluation and approval for widespread sale to the public.

Clinical tests can be a huge burden for heavy prescription-grade products but for lighter, less intensive cosmetic products, the path to approval is less strenuous and faster.

MXC expects to have all its tests completed and stamped before the end of 2016, which is great timing because...

...MXC is due to collect its first proprietary harvest in end 2016 enabling it to establish its own supply chain – a major milestone that will likely improve MXC's commercial stature over time.

If clinical tests go to plan, and MXC's harvest comes in as expected, the company will be a fully-fledged CBD supplier in production later this year with an offtake already signed.

Being the change it wants to see, MXC is spearheading research through high-profile partnerships

Getting a medical cannabis business off the ground amidst the ongoing changes in government policy is littered with challenges – but what better way to tackle them than partnering with one of the most prominent doctors in Australia and working hand-in-hand on ground-breaking research with Sydney University?

That's exactly what MXC has done.

Last October, MXC drafted in veteran cardiologist Dr. Ross Walker as a Non-Executive Director, Mr. Walker will lead MXC's investigative study into medical cannabis research and commercial opportunities in Australia as part of a strategic advisory board. His connections with Sydney University are likely to provide further synergies on the research side and most importantly for investors, will allow MXC to better position itself from a commercial perspective as the medical cannabis industry undergoes further liberalisation, and settles into a modus operandi as yet undetermined due to the industry's infancy.

Sydney University is helping an ASX-listed company take a serious look at Australia's medical cannabis market

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The White Paper, a collaboration with CPP at University of Sydney which will be available beginning of March, takes a good look at the global situation and local potential for this booming industry, including the pitfalls and obstacles that both government, and business will face. A compelling document which will facilitate much conversation at high levels and bring attention to MXC and its public Australian face, Dr. Ross Walker.

The good doctor is somewhat of an authority in medicine, authoring seven best-selling books and filling regular slots in the Australian Media, including regular TV appearances on

the 'Today Show', 'A Current Affair', and Sky News. He also has a weekly radio show on Sydney's 2UE/ 4BC & 2CC with other regular segments on 2UE, 6PR, 4BC and 3AW.

Here's a snapshot of Dr. Walker discussing breakthrough treatments for eczema on the Today morning show in March last year.

In the right place at the right time

MXC has put together a timely strategy that is leveraged to one of the most rapidly expanding market niches out there – medical cannabis.

The company will make its first foray via cosmetics, but over time, will develop and add a wider range of CBD products including prescription-grade products that have yet to be developed.

The great news is that the medical cannabis industry is still in its commercial infancy and there's a lot more liberation to come as legislation softens around the globe.

Anyone looking for a market sector that has true blue sky potential, it could be medical cannabis having.

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