



MGC PHARMACEUTICALS LTD
ACN 116 800 269

PROSPECTUS

For the offer of:

- (a) up to 3,850,000 Convertible Notes each with a face value of \$1.00 at a subscription price of \$0.90909 per Convertible Note to raise \$3,500,000 (**Convertible Note Offer**); and
- (b) 50,000 Shares in the capital of the Company at an issue price of \$0.02 per Share to raise \$1,000 (before expenses) (**Cleansing Offer**),

(together, the **Offers**).

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

This Prospectus may not be released to US wire services or distributed in the United States except by the MGC Pharmaceuticals Ltd to Mercer Street Global Opportunity Fund, LLC.

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1. CORPORATE DIRECTORY

Directors

Brett Mitchell
Executive Chairman

Roby Zomer
Managing Director and CEO

Nativ Segev
Non-Executive Director

Stephen Parker
*Non-Executive Director and Chair of the
Corporate Governance Committees*

Ross Walker
Non-Executive Director

Evan Hayes
Non-Executive Director

Company Secretary

Rachel Kerr

Registered Office

1202 Hay Street
WEST PERTH WA 6000

Telephone: +61 8 6382 3390

Website: www.mgcpharma.com.au

Email: info@mgcpharma.com.au

Auditor*

Ernst & Young
EY Building
11 Mounts Bay Road
PERTH WA 6000

Share Registry*

Computershare Investor Services Pty
Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

ASX Code

MXC

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. TIMETABLE AND IMPORTANT NOTES

2.1 Timetable

Action	Date
Lodgement of Prospectus with the ASIC and ASX	23 November 2020
Opening Date of Offers	23 November 2020
Issue of AGM Shares	23 November 2020
Closing Date of Offers*	24 November 2020

* The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice. As such, the date the Shares are expected to commence trading on ASX may vary with any change in the Closing Date.

2.2 Important Notes

This Prospectus is dated 23 November 2020 and was lodged with the ASIC on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

The Offers are only available to those who are personally invited to accept the Offers. Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act and ASIC Corporations (Offers of Convertibles) Instrument 2016/83. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

No action has been taken to register or qualify this Prospectus or the Offers of the Securities in any jurisdiction outside Australia. This Prospectus does not constitute an offer to sell, or an invitation of an offer to buy, any Securities in any place in which, or to any person to whom, it would not be lawful. In particular, the Securities may not be offered or sold, directly or indirectly, to persons in the United States other than to Mercer Street Global Opportunity Fund, LLC.

The Securities have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law and therefore persons (other than the Company) may not distribute this Prospectus outside Australia. Any failure to comply with this restriction could constitute a violation of applicable securities laws.

2.3 Web Site – Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.mgcpharma.com.au. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

2.4 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in Section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

2.5 Taxation implications

The Directors do not consider it appropriate to give investors advice regarding the taxation consequences of applying for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to investors or Shareholders. As a result, investors should consult their professional tax adviser in connection with applying for Securities under this Prospectus.

2.6 Disclaimer

No person is authorised to give any information or to make any representation in connection with the Offers described in this Prospectus which is not contained in this Prospectus. Any information or representations not so contained may not be relied upon as having been authorised by the Company or any other person in connection with the Offers. You should rely only on information in this Prospectus.

2.7 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this Prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this Prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in Section 6.

3. DETAILS OF THE OFFERS

3.1 Offers

3.1.1 The Convertible Note Offer

The Convertible Note Offer is an offer of up to 3,850,000 Convertible Notes, each with a face value of \$1.00, and a subscription price of \$0.90909 each, to raise up to \$3,500,000.

The Convertible Note Offer will only be extended to Mercer Street Global Opportunity Fund, LLC (**Mercer**). Convertible Note Offer Application Forms will only be provided by the Company to this party.

The key terms and conditions of the Convertible Notes are set out in Section 5.1. This information should be read in conjunction with other information contained in this Prospectus including the risk factors set out in Section 6.

The Convertible Notes will be issued to Mercer as soon as practicable after the Closing Date of the Convertible Note Offer.

3.1.2 Cleansing Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 50,000 Shares at an issue price of \$0.02 per Share to raise up to \$1,000 (before expenses).

The Cleansing Offer will only be extended to specific parties on invitation from the Directors. Cleansing Offer Application Forms will only be provided by the Company to these parties.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. Refer to Section 5.2 for a summary of the terms of the Shares.

3.2 Objectives of the Offers

3.2.1 Objective of the Convertible Note Offer

The Convertible Note Offer is being made such that the relief provided under ASIC Corporations (Sale Offers That Do Not Need Disclosure) Instrument 2016/80 with respect to the on-sale provisions of section 707 of the Corporations Act is available.

Specifically, if the Convertible Notes under the Convertible Note Offer are issued with disclosure under this Prospectus then the Shares issued upon the conversion of any of those Convertible Notes can be on-sold within 12 months of their issue, without a disclosure document for the on-sale offer.

3.2.2 Objective of the Cleansing Offer

The Company is seeking to raise only a nominal amount of \$1,000 under the Cleansing Offer and, accordingly, the purpose of this Cleansing Offer is not to raise capital.

As detailed at Section 4.2, and as approved at the Company's annual general meeting held on 4 November 2020 (**AGM**), the Company will issue the following Shares prior to the Closing Date:

- (a) 1,000,000 Shares to Mr Daniel Erdman in consideration for consultancy services;
- (b) 2,272,727 Shares to Dr Jonathan Grunfeld, as consideration for services provided by Dr Grunfeld as chief medical officer to the Company;
- (c) 3,976,124 Shares to Lenis Farmaceutika D.O.O (**Lenis**), in consideration for raw materials required for the production of the Company's phytocannabinoid products provided by Lenis; and
- (d) 45,454,545 Shares to Cannvalate Pty Ltd as part consideration for the 100% acquisition of Medicinal Cannabis Clinics assets, as detailed in the Company's notice of annual general meeting dated 2 October 2020.

In addition, the Company will also issue 4,761,905 Shares to Shachar Shimony Law Firm (or its nominee) as payment in lieu of cash for services rendered to the Company and for legal work relating to the facilitation and closing of the Micelle Technology AG ArtemiC™ licensing deal and distribution agreements (together with items (a) to (d) above, the **AGM Shares**).

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and
- (b) either:
 - (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued.
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.3 Application for Securities

3.3.1 Applications under the Convertible Note Offer

Applications for Convertible Notes under the Convertible Note Offer may only be made by Mercer and must be made using the relevant Convertible Note Offer Application Form accompanying this Prospectus.

By completing the Convertible Note Offer Application Form, you will be taken to have declared that all details and statements made by you are

complete and accurate and that you have received personally the Convertible Note Offer Application Form together with a complete and unaltered copy of the Prospectus.

Payment for the Convertible Notes subscribed for under the Convertible Note Offer must be made in full at the subscription price of \$0.90909 per Convertible Note.

Completed Convertible Note Offer Application Forms and electronic funds transfer payment must be made as set out on the Convertible Note Offer Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5:00 pm (WST) on the Closing Date**.

3.3.2 Applications under the Cleansing Offer

Applications for Shares under the Cleansing Offer must be made by investors at the direction of the Company and must be made using the Cleansing Offer Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.02 per Share. All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to **"MGC Pharmaceuticals Ltd"** and crossed **"Not Negotiable"**.

Completed Cleansing Offer Application Forms and cheques must be mailed or delivered to the address set out on the Cleansing Offer Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5:00pm (WST) on the Closing Date**.

The Company reserves the right to close the Offers early.

3.4 Minimum subscription

There is no minimum subscription for the Offers.

The Company reserves the right to withdraw any of the Offers at any time, in which case the Company will refund application monies in accordance with the Corporations Act and will do so without interest.

3.5 Oversubscriptions

No oversubscriptions will be accepted by the Company.

3.6 Underwriting

The Offers are not underwritten.

3.7 Issue of Securities

3.7.1 Issue of Convertible Notes under the Convertible Note Offer

The issue of the Convertible Notes offered under the Convertible Note Offer will take place as soon as practicable after the Closing Date of the Convertible Note Offer.

The Directors will determine the recipients of all the Convertible Notes. The Directors reserve the right to reject any application or to allocate any applicant fewer Convertible Notes than the number applied for. Where

the number of Convertible Notes issued is less than the number applied for, or where no issue is made, surplus application monies will be refunded (without interest) to the applicant as soon as practicable after the Closing Date of the Convertible Note Offer.

The Company's decision on the number of Convertible Notes to be allocated to an applicant will be final.

Holding statements for Convertible Notes issued under this Prospectus will be mailed to the Convertible Note investors.

3.7.2 Issue of Shares under the Cleansing Offer

Issue of Shares under the Cleansing Offer will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until the Shares are issued. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether any Shares are issued and each Applicant waives the right to claim any interest.

The Directors will determine the recipients of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares issued is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no issue of Shares is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

3.8 ASX listing

The Company will not apply for Official Quotation of the Convertible Notes offered under this Prospectus as the Convertible Notes will not be quoted.

Application for Official Quotation of the Shares offered pursuant to the Cleansing Offer will be made within 7 days of the date of this Prospectus. If ASX does not grant Official Quotation of the Shares offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Convertible Notes and Shares now offered for subscription.

3.9 Overseas investors

No action has been taken to register or qualify this Prospectus or the offer of the Securities in any jurisdiction outside Australia. This Prospectus does not constitute an offer to sell, or an invitation of an offer to buy, any Securities in any place in which, or to any person to whom, it would not be lawful. In particular, the Securities may not be offered or sold, directly or indirectly, to persons in the United States other than to Mercer.

The Securities have not been, and will not be, registered under the US Securities Act of 1933 and may not be offered or sold in the United States except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act and applicable US state securities laws.

The distribution of this Prospectus (including an electronic copy) outside Australia may be restricted by law and therefore persons (other than the Company) may not distribute this Prospectus outside Australia. Any failure to comply with this restriction could constitute a violation of applicable securities laws. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of foreign securities laws.

3.10 Enquiries

Any questions concerning the Offers should be directed to the Company on + 61 8 6382 3390.

4. PURPOSE AND EFFECT OF THE OFFERS

4.1 Purpose of the Offers

4.1.1 Purpose of the Convertible Note Offer

The purpose of the Convertible Note Offer is to raise up to \$3,500,000 and to remove any trading restrictions that may attach to Shares issued on conversion of the Convertible Notes issued under this Prospectus.

The funds raised from the Convertible Note Offer are planned to be used in accordance with the table set out below, further to the Company's Notice of Annual General Meeting held on 4 November 2020, where Shareholders approved this Convertible Note Offer:

Proceeds of the Offers and the Placement	Funds allocation (\$)	%
Clinical Trial fees towards- Phase IIb CannEpiI in Israel as announced, and ongoing Phase IIb CogniCann trial with Notre Dame, clinical trials for CannEpiI in Australia	\$1,363,000	38.94%
Expansion into new markets (including Brazil) and manufacturing costs	\$400,000	11.43%
Commencement of ArtemiC Registration in Russia	\$150,000	4.29%
Malta Clinical Research Facility and ArtemiC Manufacturing Facility	\$650,000	18.57%
General Working Capital ¹	\$937,000	26.77%
Total	\$3,500,000	100%

Notes:

1. General Working Capital includes \$10,000 for the costs of the Offers.

On completion of the Convertible Note Offer, the Board believes the Company will have sufficient working capital to complete these above objectives, and fund the ongoing operations of the business.

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

4.1.2 Purpose of the Cleansing Offer

As set out in Section 3.2.2, the primary purpose of this Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus), such as the AGM Shares.

No funds will be raised under the Cleansing Offer (assuming that no Shares are issued under the Cleansing Offer).

Under the Cleansing Offer, an amount of approximately \$1,000 (before expenses) may be raised. If funds are raised from the Cleansing Offer, they will be applied towards the expenses of the Offers. Refer to

Section 8.6 of this Prospectus for further details relating to the estimated expenses of the Offers.

4.2 Effect on capital structure

The effect of the Offers on the capital structure of the Company is set out below.

Shares ¹	Number
Shares currently on issue	1,653,609,791
AGM Shares to be issued prior to the Offers Closing Date	57,465,301
Shares offered pursuant to the Cleansing Offer	50,000
Total Shares on issue after completion of the Offers	1,711,125,092

Notes:

1. The rights and liabilities attaching to Shares are summarised in Section 5.2 of this Prospectus.
2. As previously announced, the Company is pursuing a dual listing on the London Stock Exchange. It is currently proposed that the Company will undertake a capital raising as part of the LSE listing, utilising its existing placement capacity. However the amount to be raised is yet to be confirmed.

Assuming a conversion price of \$0.018 (being the minimum conversion price), as per the terms of the Convertible Notes (detailed at Section 5.1) and the Convertible Securities Agreement (detailed at Section 7), on conversion of the Convertible Notes issued under this Prospectus, a further 213,888,889 Shares may be issued. This will result in the total number of Shares on issue increasing to 1,925,013,981 (assuming no other Shares are issued or convertible securities convert to Shares).

No Shares on issue are subject to escrow restrictions, either voluntary or ASX imposed.

Options	Number
Quoted Options exercisable at \$0.045 expiring 31 August 2021	85,934,538
Unquoted Options exercisable at \$0.125 on or before 31 March 2021;	19,900,000
Unquoted Options exercisable at \$0.15 on or before 30 June 2021;	10,000,000
Unquoted Options exercisable at \$0.065 on or before 31 March 2021;	16,000,000
Unquoted Options exercisable at \$0.05 on or before 31 August 2023;	17,500,000
Unquoted Options exercisable at \$0.06 on or before 31 August 2023; and	17,500,000
Unquoted Options exercisable at \$0.07 on or before 31 August 2023.	17,500,000
Options issued under the Offers	Nil
Total Options on issue after completion of the Offers	184,334,538

Notes:

The Company is planning to renew its incentive option plan at the next general meeting, to allow for the issue of options to employees and directors as part of the incentive equity program for retention of key personnel, as the previous incentive option plan expired on 22 November 2020. The Company will seek Shareholder approval for the proposed incentive option plan for the purposes of ASX Listing Rule 7.2 (Exception 13). The Company notes the quantum of options to be issued in the future under the incentive option plan is yet to be determined.

Performance Rights	Number
Performance Rights on issue as at the date of this Prospectus	15,000,000
Total Performance Rights on issue upon completion of the Offers	15,000,000

Convertible Notes ^{1,2,3}	Number
Convertible Notes currently on issue	2,225,000
Convertible Notes offered pursuant to the Convertible Note Offer	3,850,000
Total Convertible Notes on issue after completion of the Offers	6,075,000

Notes:

1. The rights and liabilities attaching to Convertible Notes are summarised in Section 5.1 of this Prospectus.
2. In accordance with the terms of the Convertible Securities Agreement, the Company may request additional funding of up to \$9.25m and (subject to Mercer's agreement and the satisfaction of certain closing conditions detailed in Section 7 below) issue up to a further 10,175,000 Convertible Notes to Mercer with respect to such funding (**Additional Convertible Notes**). If the Additional Convertible Notes are issued, Mercer may elect to convert the Additional Convertible Notes into Shares in accordance with the terms of the Convertible Securities Agreement. If the Additional Convertible Notes are issued, a further 565,277,778 Shares may be issued (assuming a conversion price of \$0.018). As at the date of this Prospectus, there is no agreement or obligation to issue the Additional Convertible Notes.
3. If the Convertible Notes are converted, an additional 213,888,889 Shares will be issued to Mercer. If all Convertible Notes held by Mercer were converted (assuming a conversion price of \$0.018) Mercer would hold an interest in the Company of 17.10%. Pursuant to the terms of the Convertible Securities Agreement, Mercer will not acquire a relevant interest in the Company in excess of 19.99%.

4.3 Financial effect of the Offers

The Company will raise up to \$3,500,000 from the Convertible Note Offer. There will be nominal proceeds (\$1,000) from the Cleansing Offer.

To illustrate the effect of the Offers on the Company, a pro-forma statement of financial position has been prepared based on the unaudited financial position as at 30 September 2020.

The pro-forma statement of financial position shows the effect of the Offers as if the Convertible Notes and Shares offered under this Prospectus had been issued on 30 September 2020 and as if the Offers are fully subscribed.

The accounting policies adopted in the preparation of the pro-forma statement of financial position are consistent with the policies adopted and as described in the Company's financial statements for the financial year ended 30 September 2020.

The significant effect of the Offers (assuming the Offers are fully subscribed) will be to increase cash reserves and non-current liabilities by approximately \$3,501,000 (before cash expenses of the Offers which are estimated to be \$10,000).

The pro-forma statement of financial position has been prepared to provide investors with information on the assets and liabilities of the Company and pro-forma assets and liabilities of the Company. The historical and pro-forma financial information is presented in an abbreviated form, insofar as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements and has not been subject to an audit or review.

	UNAUDITED	PROFORMA UNAUDITED
	30-Sep-20	30-Sep-20
CURRENT ASSETS		
Cash and cash equivalents	1,406,025	4,907,025
Inventory	830,812	830,812
Trade and other receivables	996,274	996,274
Prepayment	206,593	206,593
Assets held for sale	321,772	321,772
TOTAL CURRENT ASSETS	3,761,476	7,262,476
NON-CURRENT ASSETS		
Plant and equipment	3,013,175	3,013,175
Financial assets	585,075	585,075
Right-to-use assets	1,824,821	1,824,821
TOTAL NON-CURRENT ASSETS	5,423,071	5,423,071
TOTAL ASSETS	9,184,547	12,685,547
CURRENT LIABILITIES		
Trade and other payables	2,433,691	2,433,691
Deferred revenue	93,417	93,417
Liabilities held for sale	65,779	65,779
Lease liabilities - current	47,883	47,883
Borrowings	2,355,407	5,855,407
TOTAL CURRENT LIABILITIES	4,996,177	8,496,177
NON CURRENT LIABILITIES		
Lease liabilities – non-current	1,818,750	1,818,750
TOTAL NON CURRENT LIABILITIES	1,818,750	1,818,750
TOTAL LIABILITIES	6,814,927	10,314,927
NET ASSETS	2,369,620	2,370,620
EQUITY		
Contributed equity	61,474,646	61,475,646
Share based payment reserve	5,221,343	5,221,343
Foreign currency translation reserve	622,114	622,114
Consolidation reserve	(391,401)	(391,401)
Accumulated losses	(64,545,891)	(64,545,891)
Equity attributable to equity holders of the parent	2,380,811	2,381,811
Non-controlling interest	(11,191)	(11,191)
TOTAL EQUITY	2,369,620	2,370,620

Substantial Shareholders

Based on publicly available information and information known to the Company as at the date of this Prospectus, there are no persons which (together with their associates) have a relevant interest in 5% or more of the Shares on issue.

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

5.1 Terms and Conditions of the Convertible Notes

The key terms and conditions of the Convertible Notes offered pursuant to the Convertible Note Offer, are set out below. This information should be read in conjunction with other information contained in this Prospectus including the summary of the Convertible Securities Agreement set out in Section 7 and the risk factors set out in Section 6.

Face Value	\$1.00 per Convertible Note
Subscription Price	\$0.90909 per Convertible Note
Maturity Date	12 months from the date of issue of the Convertible Notes (Maturity Date).
Interest Rate	Upon an event of default occurring, the Company must pay interest at a rate of 18% per annum on the amount of the face value of all Convertible Notes issued which have not been converted or repurchased.
Conversion of Convertible Notes	<p>Mercer may (at its absolute discretion) convert the Convertible Notes or any Additional Convertible Notes (if applicable) (together, the Convertible Securities) (in a minimum parcel with a face value of at least \$25,000) at any time prior to the date which is 12 months from their date of issue, by giving the Company a conversion notice. The conversion will occur within 5 business days of receipt of the notice.</p> <p>The number of Shares to which Mercer is entitled upon conversion of the relevant Convertible Securities is determined by the following formula:</p> <p>Number of Shares = repayment amount / conversion price.</p> <p>The applicable conversion price is set out below.</p> <p>Upon conversion of the Convertible Securities:</p> <p>(a) those Convertible Securities are cancelled and may not be reissued; and</p> <p>(b) the face value of the Convertible Security which has been converted will be deemed satisfied.</p>
Conversion by the Company	The Company has no right to require Mercer to convert any Convertible Securities at any time.
Conversion Price	<p>In respect of the Convertible Notes issued under the Convertible Note Offer, the conversion price will be the lower of:</p> <p>(a) \$0.02; or</p> <p>(b) 92% of the lowest daily volume weighted average price (VWAP) of the Shares selected by Mercer and specified in a conversion notice for the 10 trading days on which the Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant conversion notice,</p> <p>subject to:</p> <p>(a) the conversion price being not less than \$0.018; and</p>

	<p>(b) any conversion of the Convertible Notes which occurs within two (2) months of issue of the Convertible Notes having a conversion price of \$0.024.</p> <p>In respect of any Additional Convertible Notes, the conversion price will be the lower of:</p> <p>(a) \$0.035; or</p> <p>(b) 92% of the lowest daily VWAP of the shares selected by the Investor and specified in a Conversion Notice for the 10 Trading Days on which Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant Conversion Notice,</p> <p>subject to the Conversion Price being not less than \$0.018.</p>
Repurchase	<p>Provided that the Company is:</p> <p>(a) in compliance with its obligations under the Convertible Securities Agreement;</p> <p>(b) there is no existing event of default; and</p> <p>(c) Mercer has not issued a conversion notice,</p> <p>the Company may (by written notice to Mercer) elect to repurchase all of the outstanding Convertible Securities on issue at any time, for a 3% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.</p> <p>Where Mercer receives a written notice from the Company with respect to the repurchase of Convertible Securities, Mercer may elect to convert up to 30% of the Convertible Securities, the subject of such notice.</p>
Redemption	<p>If the Mercer has not notified the Company in writing by the day that is 10 business days prior to the relevant Maturity Date that it will be converting the relevant Convertible Securities (in whole or in part), the Company is to pay in full to the holder of the Convertible Securities, the face value of the Convertible Securities (and any accrued but unpaid interest).</p> <p>If an event of default is subsisting after the Company has notice, the Company must repay the face value of the outstanding Convertible Securities held by the Investor together with any accrued by unpaid interest.</p> <p>If there occurs a change of control event or a delisting event, the Investor may require repayment by the Company of some or all of the Convertible Securities.</p>
Ranking on Conversion	<p>Shares issued on conversion of the Convertible Securities will rank equally with existing Shares on issue.</p>
Security Documents	<p>Repayment of the face value of the Convertible Securities is secured by a first ranking general security granted by the Company in favour of Mercer.</p>
Reconstruction of capital	<p>In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the Convertible Securities will be reconstructed to the extent necessary to comply with the ASX Listing Rules.</p>
Participation Rights	<p>The Convertible Securities will not carry any entitlement to participate in future issues of Securities by the Company prior to any conversion of the Convertible Securities into Shares.</p>

No Voting Rights

Except as required by the Corporations Act, the Convertible Securities will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Securities into Shares.

5.2 Rights and Liabilities attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours:

(a) General meeting and notices

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the ASX Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) Issues of further Shares

The Directors may, on behalf of the Company, issue, grant options over unissued shares to any person on the terms, with the rights, and at the times that the Directors decide.

However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) Variation of Rights

Unless otherwise provided by the terms of issue of a class of shares and subject to the Corporations Act, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class,

or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and ASX Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(f) **Dividends**

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (not credited) bears to the total amounts paid and payable (excluding amounts credited) in respect of such shares.

(g) **Dividend reinvestment and Share plans**

Subject to the requirements in the Corporations Act and the ASX Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company).

(h) **Capitalisation of profits**

Subject to the ASX Listing Rules and any rights or restrictions attaching to any class of shares, the Company may capitalise profits. Members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(i) **Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up and the Corporations Act, if the Company is wound up all monies and property that are to be distributed among Shareholders on a winding-up,

shall be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid-up or credited as paid-up on the Shares.

(j) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6. RISK FACTORS

6.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this Section, or other risk factors, may have a material impact on the financial performance of the Company, the market price of the Shares and the value of the Securities.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific

(a) Default Risk – Debt and Convertible Securities Agreement

The Company is currently a party to the Convertible Securities Agreement summarised at Section 7 of this Prospectus. Under this agreement, the Company has obligations to either repay outstanding amounts owed by the Company, or issue Shares upon receipt of a conversion notice. The agreement also has a number of other provisions and negative covenants that the Company must adhere to.

The Company expects to be able to redeem the Convertible Notes or make interest payments in respect of the amounts advanced under the Convertible Notes using the proceeds from future debt or equity raisings, cash flows from operations or proceeds from the sale of assets. However, there is a risk that the Company may be unable to procure or raise sufficient cash resources from its operations, future debt or equity raisings.

Should the Company default on its obligations under the Convertible Securities Agreement, an event of default will occur. In these circumstances, if the Company is unable to raise sufficient funds or otherwise cure the default, Mercer will be able to seek immediate repayment of the debts due or enforce the security granted under the associated security document and sell some or all of the Company's assets.

(b) Coronavirus (COVID-19) risk

The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19.

Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

As the Company is operationally based in Slovenia, in the European Union, which has been and will continue to be heavily impacted in various unforeseen ways, impacting, both supply chain and operational realities, creating possible disruptions in production, access, specialized workers availability, cross border movement and ability to ship and receive, the Company is operating and will continue to operate with the best intentions of fulfilling commitments to shareholders and patients, but anticipates significant shifts in timelines.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of the coronavirus on its revenue channels and adverse impact on the Company. If any of these impacts appear material prior to close of the Offers, the Company will notify investors under a supplementary prospectus.

(c) **Financial market conditions**

The value of Convertible Notes will fluctuate due to various factors, including worldwide economic conditions, interest rates, credit spreads on other corporate securities, general movements in the Australian and international equity markets, movements in the market price of Shares, all of which may affect the Company's financial position and earnings and investor sentiment.

The Shares issued as a result of conversion of any Convertible Notes will, following conversion, rank equally with the existing Shares. Accordingly, their value after issue will depend upon the market price of the Shares (the price of which, compared to the conversion price, may rise or fall).

(d) **Dilution risk**

The Company currently has 1,653,609,791 Shares on issue. As detailed in this Prospectus, the Company is intending to issue the AGM Shares and the Convertible Notes in accordance with the terms of the Convertible Securities Agreement.

Further, the Company may subsequently issue Additional Convertible Notes in accordance with the Convertible Securities Agreement (as detailed at Section 4.2). As at the date of this Prospectus, there is no agreement or obligation to issue the Additional Convertible Notes.

Shareholders will be diluted as a result of the conversion of the Convertible Securities or any Additional Convertible Notes.

As at the date of this Prospectus, there is no agreement or obligation to issue the Additional Convertible Notes.

(e) **Going concern risk**

The Company's annual report for the financial year ended 30 June 2020 (**Annual Report**) includes an emphasis of matter on the financial condition of the Company and the possible existence of a material uncertainty about the Company's ability to continue as a going concern.

Since the balance date of the Annual Report, the Company has raised \$5.75 million under the Convertible Securities Agreement. Notwithstanding the 'going concern' paragraph included in the Annual Report, the Directors believe that the Company will have sufficient funds to adequately meet the Company's current expenditure commitments and short-term working capital requirements.

(f) **The Group's product portfolio is subject to further development and clinical trials which may not be completed or be successful**

While the Group's products, phytocannabinoid-derived medicines CannEpi® and CogniCann™ are in production and are currently only available for prescription in Australia as medicinal cannabis products, supplied in accordance with the Australian federal access scheme for unapproved therapeutic goods, known as the Special Access Scheme, SAS and in the case of CannEpi®, is being prescribed in the United Kingdom as a "special" (an unlicensed medicine), these and the other products in the Group's portfolio remain subject to further development, observational research and preclinical or clinical trials before they can be classified as licenced medicines.

The Group's lead product CannEpi® has been the subject of observational research, preclinical studies and clinical research over the last four years. In Australia, two clinical trials (including a Phase I trial) have recently been granted Human Research Ethics Committee (**HREC**) approval. In addition, CogniCann™, the Group's other most clinically advanced product, developed for the management of the symptoms of dementia/Alzheimer's disease, is currently the subject of a Phase IIb clinical trial, being undertaken in Australia, in collaboration with the University of Notre Dame Australia (**UNDA**).

As detailed in the Company's announcement released 15 April 2020, the Company has also entered into a binding agreement with Micelle Technology AG to provide necessary research support, commercial manufacturing and distribution of a natural anti-infective based formulation (known as 'ArtemiC') with the aim to treat human patients with serious viral infections with inflammatory complications. The Phase II clinical trial that commenced in Israel at the Nazareth Hospital EMMS and Hillel Yaffe Hospital in May 2020 is progressing on schedule. The Phase II clinical trial at the Mahatma Gandhi Mission's Medical College & Hospital in India (announced 2 July 2020) is also moving forward, with the first patient expected to commence treatment in the coming weeks.

On 22 April 2020, the Company announced further successful research results from the ongoing pre-clinical research program that supports and directs novel cannabinoid formulations in the development of treatment for glioblastoma multiforme, the most aggressive, and so far therapeutically resistant, primary brain tumour.

Although the Group is seeking to further develop its portfolio of products and progress each through the phases of clinical trial testing to improve or confirm safety and efficacy, there can be no assurance that any of the Group's products will complete any of the clinical trials successfully. Clinical trials have a high risk of failure and negative advanced clinical trial results can occur even after promising results in earlier trials. Further, post-clinical marketing studies for the Group's products may be required and there can be no guarantee that such studies will corroborate the results of earlier trials. Further, the Group has not undertaken clinical trials

on any pharmaceutical products or phytocannabinoid-derived medicines before and as such does not have an established record of developing and producing pharmaceutical products and bringing them to market. However, the current Clinical Advisory Team have experience in clinical studies, and in bringing products to registration under Food and Drug Administration

Further, research and development and clinical trials are expensive, time consuming and difficult to design and implement. Even if the results of the Group's research and development activities and clinical trials are favourable, some product development activities may be expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities may suspend, delay or terminate research and development activities or clinical trials at any time.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

(g) **The operations of the members of the Group are subject to each meeting the legal and regulatory requirements specific to each jurisdiction in which they conduct business, which may be new and evolving, or subject to change**

The Group's ability to research, develop and commercialise its products is dependent upon its ability (and certain third-party service providers such as distributors and research organisations) to comply with local laws and regulations in each jurisdiction in which it operates, and to obtain and maintain licenses and permits in respect of each relevant activity. Controlled substance legislation differs between countries and legislation in certain countries remains new and evolving and could restrict or limit the Group's ability to develop and sell its products over time.

The global framework, as it relates to drugs, is derived from the Narcotics Conventions. Most countries, including Australia, Slovenia, Malta and the United Kingdom, are parties to the Narcotic Conventions, which govern international trade and domestic control of narcotic substances, including cannabis extracts; however countries may interpret and implement their treaty obligations in a way that creates legal or regulatory obstacles to operations, or which result in the Group being required to meet the requirements of conflicting or incompatible laws or regulations across the different jurisdictions in which the members of the group conduct business.

(h) **The pricing strategy adopted for the Group's products may prove to be inaccurate**

The Directors' believe that the pricing strategy adopted for the sale of CannEpil® and CogniCann™ reflects the current potential market for each product, by reference to other products or therapies currently available on the market; however, such strategy and pricing, may prove to be inaccurate or may require amendment. Any significant changes to the proposed pricing of the Group's products either now, or throughout the product development process, may adversely affect the financial condition or profitability of the Group.

(i) **The Group's products may not ever be covered by insurance or reimbursement schemes**

Government authorities and third-party payers, such as private health insurers, decide which pharmaceutical products they will cover and the amount of reimbursement.

Reimbursement may depend upon a number of factors, including the payer's determination that use of a product is safe, effective and medically necessary, appropriate for the specific patient and cost-effective. Obtaining coverage and reimbursement approval for a product from a Government, or other third-party payer, is a time-consuming and costly process that could require the Group to provide supporting scientific, clinical and cost-effectiveness data for the use of its products.

(j) **The Group does not have its own distribution operations and is reliant on contractual arrangements with third parties**

The Group does not have its own export, import or distribution capability and at present, relies on partnerships with pharmaceutical distributors and logistics providers in key territories to facilitate the export and import of its products.

For example, MGC Pharmaceuticals d.o.o has appointed Lenis farmacevtika, as the exclusive exporter of its products, including CannEpil® and CogniCann™, from Slovenia to the United Kingdom, other European Union jurisdictions and the ASEAN (utilising its licences to handle all controlled substances). In each jurisdiction, the Group's products are imported by appointed distributors who hold the required controlled substance licences and distribution capability.

The ability of the Group to distribute its products may be severely and adversely affected, delayed or unable to continue at all. Delays in the distribution of the Group's products may arise due to operational issues or delays affecting or arising from the distribution partners, which are outside the control of the Group such as any of them losing or failing to maintain requisite licences and approvals.

(k) **The Group's intellectual property protection may be limited**

The Company is actively trademarking both its brands and ingredients of the Group's product suites and has filed for trademarks in both the EU and Australia, for CannEpil®, CogniCann™, TopiCann™, CannEkid and CannaHub™ (the Group's collaboration with RMIT and HUJI). The Group is also in the process of registering four strains of Cannabis spp with the Community Plant Variety Office. Two of the leading strains are MXC-THC 10/3 for THC and strain MXC-CBD-81/5 for CBD, which have >35% THC and >20% CBD, respectively. The Group does not currently have any patent protection of its products, or other intellectual property and it is not yet known whether it will be possible to obtain any patent protection of any of the Group's products, or other intellectual property. In particular, the Group does not have any intellectual property protection for the seed strains that it holds. In the event that the Group is unable to secure patent protection for its strains it may be unable to prevent third-parties from using these to develop the same, or substantially the same products. This could result in increased competition for the Group, which may materially reduce revenues, or increase costs. Should either or both

of these occur the financial position and prospects of the Group could be materially and adversely affected.

(l) **The Group may not be able to prevent disclosure of its trade secrets, know-how or other proprietary information**

The Group relies on trade secret protection to protect its interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce.

The Group's employees, consultants, contract personnel or third-party partners, either accidentally or through wilful misconduct, may cause serious damage to its development programmes or clinical trials and/or its strategy by disclosing confidential information to third parties. It is also possible that confidential information could be obtained by third parties as a result of breaches of the Group's physical or electronic security systems. Any disclosure of confidential information into the public domain, or to third parties, could allow the third parties to access confidential information and use it in competition with the Group. In addition, others may independently discover the confidential information of the Group.

Should these events arise, the financial position or prospects of the Group may be materially and adversely affected.

(m) **Claims alleging infringement of a third party's intellectual property could result in significant losses and expenses to the Group and the loss of rights**

The value of any intellectual property owned by the Group depends, in part, on how successfully it can defend against claims that the Group is infringing the intellectual property rights of third parties. The Group could potentially receive notice that it is infringing the intellectual property of a third party. In addition, the validity of intellectual property rights (such as patents) may become subject to claims and/or challenges by third parties. Litigation proceedings in relation to intellectual property rights is a risk in many pharmaceutical businesses and, from time to time, competitors and other third parties may seek to assert the right to restrict the use of patent, copyright, trademark or other intellectual property rights relating to products. Intellectual property litigation can be expensive, complex and lengthy and its outcome is frequently difficult to predict. If the Group were to receive an infringement claim, the claim could consume significant time, financial and other resources of the Group, irrespective of its merits, and this might result in key technical and management personnel diverting attention and focus away from their normal duties and operations. If the Group were unsuccessful in defending an intellectual property infringement claim, it may have to pay substantial damages and/or legal costs to the successful third party and/or may have to cease the development, manufacture, use or sale of infringing technologies, products or processes, and/or expend significant resources to develop or acquire the right to use non-infringing technology (including by way of a licence). This may materially affect the ability of the Group to exploit its intellectual property and may result in a loss of value of the Group. Any such events could have a material and adverse effect on the business, financial condition and/or prospects of the Group.

(n) **Foreign exchange risks**

The Company and its Australian operating subsidiary, MGC Research (Aus) Pty Ltd, are incorporated and registered in Australia, the other members of the Group operate in numerous jurisdictions, including Slovenia and Malta. Consequently, the Group may generate revenue and incurs costs and expenses in more than one currency, predominately the Euro. Accordingly, the depreciation and/or the appreciation of the Euro, for example, relative to the Australian Dollar would result in a foreign currency loss/gain. Any depreciation of the Euro, relative to the Australian Dollar may result in lower than anticipated revenue, profit and earnings of the Company.

(o) **The Group's research and development programme is heavily reliant on collaborations with third parties**

The Group has an ambitious research and development agenda. Research and development projects include preclinical, clinical, botanical and product development, focused at the intersection of phytocannabinoid-derived medicines and the pharmaceutical industry.

While the Group has its own Clinical Advisory Team, which carries out product specific research and development at the Group's facility in Slovenia, the majority of its research and development activities are undertaken through research collaborations with third parties, research institutes or universities.

In Slovenia, the Group has partnered with the National Institute of Biology for preclinical in-vitro research to develop cannabinoid formulations to define the protocols for clinical trials for the treatment of high-grade brain tumours, i.e. glioblastoma the most recent results announced 2 April 2020. Secondly, the Company has also collaborated with Institute of Hops Research and Brewing and Biotechnical Faculty at the University of Ljubljana, to conduct a comprehensive, large scale research project on the cultivation of cannabis for medical purposes, and the standardisation of post-cultivation production processes, from genetics through to API. This research enables the Group to create standardisations for cultivation, extraction and production of APIs of various phytocannabinoids.

In Australia, MGC Research (Aus) Pty Ltd (a wholly owned subsidiary of the Company) has entered into a collaboration and relationship agreement with the Royal Melbourne Institute of Technology (**RMIT**), which allows it access to RMIT's facilities and researchers, dedicated to cannabinoid research, with the Group having first rights to any cannabinoid products developed. The Company has also the CannEpi[®] Driving Study in collaboration with Swinburne University and Cannabis Access Clinics and Epilepsy Action Australia study comparing CannEpi[®] to 100% CBD as announced.

In addition, the Group, along with RMIT and the Hebrew University of Jerusalem, have established a research hub to facilitate research in the medicinal cannabis sector, CannaHub[™]. The collaboration grants the Group with the first right to review and commercialise any innovative developments generated from the hub.

These research and development collaborations allow the Group to take advantage of the local skills, expertise, facilities and access to clinical results/data in the phytocannabinoid industry, access to various patient

populations, as well as increasing the profile of the Group, allowing it early access to innovation and developments in the industry.

In the event that any or all of these collaborative arrangements were suspended or terminated, either by any or all of the third parties or the Group, the Group may have its access to research information or facilities delayed or withdrawn which could result in product research and development or clinical trials being delayed or suspended indefinitely, possibly at critical phases. Further, while these collaborative arrangements allow the Group first rights to the commercialisation of intellectual property or allow it to be developed jointly, in the event that these rights are disputed the ability of the Group to further advance its current products or develop new products may be delayed, come to an end, or may require additional resources. Any or all of these events occurring could have a material adverse effect on the financial condition, operations or prospects of the Group.

(p) **There is a limited pool of individuals with developed skills in the medicinal cannabis industry**

The development and production of phytocannabinoid-derived medicines is a new and evolving industry. The Group is one of only a few companies globally manufacturing phytocannabinoid-derived medicines to GMP certified pharmaceutical grade. There is a limited number of individuals with an understanding of the industry, the regulatory framework or products and their development. The Group may face significant delays or competition in recruiting or locating individuals with the necessary skills or attributes to successfully integrate into the business in a way which promotes its future development and implementation of the strategy. As the Group expands its operations it may need to recruit personnel either from other medicinal cannabis companies, or other industry sectors, which may take time, either to source acceptable candidates, or to have them commencing working in the business. Given the limited number of individuals who may be available to the Group at any given time, there may be significant delays in recruitment, which could have a material effect on continuing or expanding operations of the business which could in turn have a material and adverse effect on the financial condition or operation of the Group.

(q) **The Company and its subsidiaries have a limited operational history in a new competitive and evolving sector**

The Company has only been operating its current business since 2016. While its founders, Directors and Clinical Advisory Team have significant experience in the industry, the Company and the Group as a whole has a limited operational history and it has not, as yet, completed clinical trials on phytocannabinoid-derived medicines, or taken a pharmaceutical product through to CMA. Given this limited operational history, there is inherent uncertainty in relation to the Group's business. There can be no guarantee that the Group's business model or research and development initiatives will be successful, or even if they are successful, able to generate the revenue which is anticipated.

The medicinal cannabis industry is undergoing rapid growth and substantial change, which is resulting in increasing consolidation and formation of strategic relationships. The Company expects this consolidation and strategic collaborating to continue. Acquisitions or other consolidating transactions could harm the Group by it losing

strategic relationships, if third parties with whom it has arrangements (such as distribution or research and development) are acquired by or enter into relationships with a competitor (which could cause the Group to lose access to distribution, content, technology and other resources), or the Group's current competitors could become stronger, or competitors could merge or amalgamate, forming much larger and experienced organisations. Any of these events could put the Group at a competitive disadvantage, which could cause it to lose research and development facilities or access to technology. Risks relating to the industry in which the Group operates

(r) **The Group may be subject to product liability claims or regulatory action**

As a manufacturer of a range of phytocannabinoid-derived medicines designed to be applied or ingested by humans, the Group faces an inherent risk of exposure to product liability claims or regulatory action.

Such claims or regulatory action may arise if the Group's products are alleged to have caused, illness, or injury. This may be either as a result of the product research, development and manufacture process, tampering of products by unauthorised third parties, product contamination, or adverse reactions resulting from human consumption of phytocannabinoid-derived medicines, either alone or in combination with other medication or substances. As a result of any or all of these circumstances, the Group may be subject to product liability claims, which could be expensive to defend or result in settlement payments or judgments against it. In addition, regulatory authorities may interrupt, delay or halt product research, development and/or manufacture and the Group may be required to make material changes to the development or manufacture of products. A product liability claim, or regulatory action, could also materially and adversely affect the reputation of the Group with its suppliers, distributors and consumers. Should any or all of these circumstances materialise the financial position, prospects and future operations of the Group could be materially and adversely affected.

(s) **Cannabis based medicinal products may not be widely adopted or prescribed, or may be subject to significant competition from competing products, treatments or therapies**

Phytocannabinoid-derived medicines as a treatment for neurological disorders, cancer, cancer treatment side effects, autoimmune disorders or chronic pain have not as yet been fully or widely accepted or adopted by the medical community, patients or the general public. The products of the Group face competition from synthetic cannabis products, established and developed pharmaceutical products or treatments, non-medicinal cannabidiol (CBD) products sold as wellness products or supplements, or in jurisdictions where it is legal, the use of cannabis with moderate to high THC, used recreationally to self-medicate symptoms or conditions. These alternative treatments for the key indications which the Group's products seek to treat, either those which are established or emerging, could render the Group's products obsolete and/or otherwise uncompetitive.

Notwithstanding the technical merits of a product there can be no assurance as yet that the Group's phytocannabinoid-derived medicines will be adopted as a standard means of medical practice or that the

medical procedures at which the Group's products are targeted will gain wider market acceptance.

6.3 General risks

(a) Sufficiency of funding

The Group's "Nature to Medicine" business strategy will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves and funds generated over time by the Company's business will be sufficient to successfully achieve all the objectives of the Company's business strategy. Further funding of projects may be required by the Company to support the ongoing activities and operations of the Group, including the need to conduct further research and development, enhance its operating infrastructure and to acquire complementary businesses and technologies.

Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. If the Company is unable to use debt or equity to fund expansion after utilising existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology related stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) **Economic and government risks**

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the medical and cosmetics industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the bio-medical sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

6.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

7. CONVERTIBLE SECURITIES AGREEMENT

The material terms of the Convertible Securities Agreement between the Company and Mercer are as follows:

- (a) **(First Investment Amount)**: Subject to all of the relevant 'Closing Conditions' (detailed below) being satisfied or waived, the Investor agrees to advance the Company \$2,250,000 (less taxes and transaction costs) (**First Investment Amount**).
- (b) **(Issue of Convertible Notes)**: In consideration of the First Investment Amount the Company will issue the lender 2,475,000 convertible notes (**First Investment Securities**) with an aggregate face value of \$2,475,000, within 5 business days of the satisfaction of the applicable Closing Conditions to the First Investment Amount (**First Closing Date**).
- (c) **(Subsequent Investment)**: At any time following the First Closing Date (and no later than 18 months from the execution date of the Convertible Securities Agreement), the Company may request additional funding from the Lender of no less than \$500,000 and no more than \$12,750,000 (less taxes and transaction costs) (**Subsequent Investment Amount**), subject to:
 - (i) the Company providing the Lender with written notice requesting the Subsequent Investment Amount (or part thereof); and
 - (ii) the Investor, in its sole discretion, agreeing to advance the requested funds, the subject of the notice; and
 - (iii) the relevant 'Closing Conditions' (detailed below) being satisfied or waived.

The Company may provide multiple subsequent investment request notices, provided that the aggregate Subsequent Investment Amount paid to the Company under the notices is not greater than \$12,750,000.

The Company is under no obligation to provide any requests for the Subsequent Investment Amount (or part thereof) and the Investor has no obligation to agree to advance funds in respect of any such requests.

- (d) **(Issue of Subsequent Convertible Notes)**: In consideration for each tranche of the Subsequent Investment Amount advanced to the Company, the Company will issue the Lender the number of convertible notes (**Subsequent Investment Securities**) (with a face value of \$1.00 each) equal to 110% of the relevant Subsequent Investment Amount, within 5 business days of the satisfaction of the applicable Closing Conditions to the relevant Subsequent Investment Amount (**Subsequent Closing Date**).
- (e) **(Secured Debt Security)**: Repayment of the face value of the First Investment Securities and any Subsequent Investment Securities is secured by a first ranking general security granted by the Company in favour of the Lender.
- (f) **(Reconstructions)**: In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the

Convertible Securities will be reconstructed to the extent necessary to comply with the ASX Listing Rules.

- (g) **(Commencement Fee):** At, or prior to, the First Closing Date, the Company shall grant to the Investor (or its nominee) Shares to the total value of \$225,000 (being 1.5% the total amount of funding that may be advanced under the Convertible Securities Agreement) (**AGM Shares**).
- (h) **(Satisfaction of Convertible Security):** The face value of each Convertible Security issued is to be satisfied by:

(i) being converted into Shares;

The Investor may (at its absolute discretion) convert the First Investment Securities or any Subsequent Investment Securities (in a minimum parcel with a face value of at least \$25,000) at any time prior to the date which is 12 months from their date of issue, by giving the Company a conversion notice. The conversion will occur within 5 business days of receipt of the notice.

The number of Shares to which the Investor is entitled upon conversion of the relevant Convertible Securities is determined by the following formula:

Number of Shares = repayment amount / conversion price.

The applicable conversion price is set out below.

Upon conversion of the Convertible Securities:

- (A) those Convertible Securities are cancelled and may not be reissued; and
- (B) the face value of the Convertible Security which has been converted will be deemed satisfied.

(ii) being repaid; or

If the Investor has not notified the Company in writing by the day that is 10 business days prior to the relevant Maturity Date that it will be converting the relevant Convertible Securities (in whole or in part), the Company is to pay in full to the holder of the Convertible Securities, the face value of the Convertible Securities (and any accrued but unpaid interest).

If an event of default is subsisting after the Company has notice, the Company must repay the face value of the outstanding Convertible Securities held by the Investor together with any accrued by unpaid interest.

If there occurs a change of control event or a delisting event, the Investor may require repayment by the Company of some or all of the Convertible Securities.

(iii) the relevant Convertible Security being repurchased

Provided that the Company is:

- (A) in compliance with its obligations under the Convertible Securities Agreement;
- (B) there is no existing event of default; and
- (C) the Investor has not issued a conversion notice,

the Company may (by written notice to the Investor) elect to repurchase all of the outstanding Convertible Securities on issue at any time, for a 3% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.

Where the Investor receives a written notice from the Company with respect to the repurchase of Convertible Securities, the investor may elect to convert up to 30% of the Convertible Securities, the subject of such notice.

- (i) **(Rights of Investor upon an Event of Default):** Upon the occurrence of an event of default, the Investor may in its sole discretion:
 - (i) declare all outstanding obligations by the Company under the Convertible Securities Agreement to be immediately due and payable; or
 - (ii) terminate the Convertible Securities Agreement, in which case any amounts payable under the Convertible Securities Agreement to the Investor, become immediately payable.
- (j) **(Termination):** The Convertible Securities Agreement may be terminated:
 - (i) by the Investor if, in respect of First Investment Amount only, a Closing Condition is not satisfied, becomes incapable of being satisfied, nor is it waived, the Investor may terminate the Convertible Securities Agreement;
 - (ii) by the mutual written consent of the parties, at any time;
 - (iii) by the Company only after the First Investment Securities and the AGM Shares have been issued, provided that the Company has paid the Investor all money due and payable under the Convertible Securities Agreement;
 - (iv) by the Investor, in an event of default; and
 - (v) by the Investor, if, as a consequence of any change of law, regulation or administrative action or policy relating to tax after the execution date, the tax liability of the Investor increases.

Upon termination, any amounts payable under the Convertible Securities Agreement to the Investor or the Company which are unpaid as at the date of termination, become immediately payable.

The provision of First Investment Amount and Subsequent Investment Amount, and any subsequent conversion, are conditional on the following conditions (together, the **Closing Conditions**):

- (k) **(shareholding limits):** the Investor shall not be required to accept or be issued any Convertible Securities or otherwise acquire a relevant interest

in Shares which causes its voting power in the Company to exceed 4.99%, unless the Investor gives its written consent to the Company that the Investor's relevant interest may exceed 4.99% but will not exceed 9.99%.

Further, the Investor shall not acquire a relevant interest in the Company's Shares which causes its voting power in the Company to exceed 19.99%.

- (a) **(entitlement to investment)**: the Company being entitled under the Convertible Securities Agreement to require the Investor to:
- (i) in respect of the closing of the First Investment Amount and issue of the First Investment Securities (**First Closing**), subscribe for the AGM Shares and the First Investment Securities and pay the First Investment Amount; and
 - (ii) in respect of the closing of any Subsequent Investment Amounts and issue of any relevant Subsequent Investment Securities (**Subsequent Closing**), subscribe for the relevant Subsequent Investment Securities and pay the relevant Subsequent Investment Amount.
- (b) **(capacity)** the Company either:
- (i) Closing (**Closing**) or conversion for the purposes of Chapter 7 obtaining shareholder approval to issue the relevant securities the subject of a First Closing or Subsequent of the ASX Listing Rules and for all other purposes; or
 - (ii) having existing placement capacity to issue the relevant securities the subject of the relevant Closing or conversion without any further shareholder approval (including for the purposes of Chapter 7 of the ASX Listing Rules or any other purpose);
- (c) **(grant of security)** in respect of the First Closing, the Company having delivered to the Investor a general security deed executed by the Company;
- (d) **(conditional on First Closing)** in respect of any Subsequent Closing, the First Closing having completed and the AGM Shares been issued in accordance with the Convertible Securities Agreement;
- (e) **(representations and warranties)** each representation and warranty by the Company in the Convertible Securities Agreement being true and correct;
- (f) **(other requirements)** any and all authorisations, in the reasonable opinion of the Investor, necessary at the relevant Closing Date or conversion date, to give effect to the transaction under the Convertible Securities Agreement, having been obtained by the Company and remaining in full force and effect;
- (g) **(Company documents delivered)** the Company delivering to the Investor:
- (i) in respect of a Closing, a copy of the resolutions duly adopted by the board of directors of the Company, approving the Closing; and

- (ii) copies of such additional documents, certificates, payments, assignments, transfers and other deliveries as the Investor or its legal counsel may reasonably request;
- (iii) a certificate, executed on behalf of the Company, dated as at the relevant Closing Date or conversion date certifying that:
 - (A) the Company has performed or complied in all material respects with all agreements and covenants required by the Convertible Securities Agreement to be performed or complied with by it at or prior to the relevant Closing Date or conversion date;
 - (B) the representations and warranties of the Company contained in the Convertible Securities Agreement are true and correct in all material respects as of the dates as of which they are made or deemed to be made under the Convertible Securities Agreement; and
 - (C) all Closing Conditions have been satisfied;
- (h) **(no disclosure or default)** the Investor is of the opinion, acting reasonably, that:
 - (i) any offer for sale by the Investor or its nominee of any of the relevant securities, does not and will not need disclosure under Part 6D.2 of the Corporations Act;
 - (ii) the issue of any securities in respect of the relevant Closing or conversion has not and will not result in the Company being in breach of the ASX Listing Rules or any other law;
 - (iii) no event of default has occurred; and
 - (iv) no event of default would result from the relevant Closing or conversion being effected and the relevant securities being issued;
- (i) **(compliance with Convertible Securities Agreement)**: the Company has complied in all respects with all agreements and covenants required by the Convertible Securities Agreement as at or prior to the relevant Closing Date or conversion date;
- (j) **(quotation)** the ASX has not indicated to the Company that quotation of Shares (issued on conversion) on the ASX will not be granted;
- (k) **(Cleansing Notice or prospectus lodged)** in respect of:
 - (i) the First Closing:
 - (A) a short form prospectus has been lodged by the Company with ASIC and on the ASX announcements platform under which the First Investment Securities are offered to the Investor and such offer remains open as at the First Closing; and
 - (B) a cleansing prospectus has been lodged by the Company with ASIC and on the ASX announcements

platform under which Shares are offered and such offer of Shares remains open as at the First Closing;

- (ii) each Subsequent Closing, either:
 - (A) a short form prospectus has been lodged by the Company with ASIC and on the ASX announcements platform under which the Subsequent Investment Securities are offered to the Investor and such offer remains open as at the Subsequent Closing; or
 - (B) a Cleansing Notice is lodged by the Company on the ASX announcements platform in respect of the relevant Subsequent Investment Securities and any Shares into which the relevant Subsequent Investment Securities are convertible.

Conversion Price means

- (a) in respect of the First Investment Securities, the lower of:
 - (ii) \$0.02; or
 - (iii) 92% of the lowest daily volume weighted average price (**VWAP**) of the Company's shares (**Shares**) selected by the Investor and specified in a conversion notice for the 10 trading days on which the Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant conversion notice,subject to:
 - (i) the Conversion Price being not less than \$0.018; and
 - (ii) any Conversion of the First Investment Securities which occurs within two (2) months of issue of the First Investment Securities having a Conversion Price of \$0.024; and
- (b) in respect of any Subsequent Investment Securities, the lower of:
 - (i) \$0.035; or
 - (ii) 92% of the lowest daily VWAP of the shares selected by the Investor and specified in a Conversion Notice for the 10 Trading Days on which Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant Conversion Notice,
 - (iii) subject to the Conversion Price being not less than \$0.018.

The Convertible Securities Agreement otherwise contains representations, warranties and indemnities standard for an agreement of this nature.

8. ADDITIONAL INFORMATION

8.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

8.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;

- (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
- (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
23/11/20	MGC Pharma completes acquisition to Telehealth Platform MCC
17/11/20	Further successful results from cannabinoid treatment of glioblastoma progresses MGC Pharma towards clinical trials
13/11/20	Conversion of Convertible Notes - Appendix 2A
05/11/20	Completion of Phase II Clinical Trial on COVID-19 Patients
04/11/20	Constitution
04/11/20	Results of Annual General Meeting
04/11/20	AGM Presentation
28/10/20	Annual Report 2020

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.mgcpharma.com.au.

8.3 Market price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the most recent dates of those sales were:

	Price	Date
Highest	\$0.029	24 August 2020
Lowest	\$0.02	4 November 2020
Last	\$0.021	20 November 2020

8.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (c) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offers.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below:

Director	Shares	Options	Performance Rights
Brett Mitchell	30,405,004	10,055,554 ¹	7,500,000
Nativ Segev	53,000,001	Nil	Nil
Roby Zomer	33,000,001	Nil	7,500,000
Ross Walker	4,370,370	185,185	Nil
Stephen Parker	Nil	Nil	Nil
Evan Hayes	Nil	Nil	Nil

Notes:

1. Chieftain Securities Pty Ltd holds 9,500,000 of these options of which Mr Mitchell is a director and 33.33% shareholder.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors:

Director	Remuneration for year ended 30 June 2019	Remuneration for year ended 30 June 2020	Proposed remuneration for current financial year
Roby Zomer	\$494,930 ³	\$439,986 ⁶	\$198,000
Brett Mitchell	\$378,286 ⁴	\$351,988 ⁷	\$192,000
Nativ Segev	\$482,062 ⁵	\$265,520 ⁸	\$108,000
Ross Walker	\$60,000	\$52,000	\$48,000
Stephen Parker ¹	\$20,058	\$60,608	\$49,000
Evan Hayes ²	N/A	N/A	\$48,000

Notes:

1. Appointed on 13 March 2019.
2. Appointed on 1 September 2020.
3. Including \$30,000 in performance bonus, \$58,521 in share-based payments and \$76,571 other payments.
4. Including \$30,000 in performance bonus and \$58,521 in share-based payments.
5. Including \$30,000 in performance bonus, \$58,521 in share-based payments and \$72,360 other payments.
6. Including \$30,000 in performance bonus, \$91,456 in share-based payments and \$28,211 other payments.
7. Including \$30,000 in performance bonus and \$91,456 in share-based payments.
8. Including \$30,000 in performance bonus and \$53,722 other payments. In addition, \$58,521 in share-based payments is deducted.

Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;
- (b) promoter of the Company; or
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offers; or
- (f) the Offers,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offers.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offers. The Company estimates it will pay Steinepreis Paganin \$7,500 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has been paid fees totalling \$212,270.45 (excluding GST and disbursements) for legal services provided to the Company.

8.5 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

8.6 Expenses of the Offers

The total expenses of the Offers are estimated to be approximately \$10,000 (excluding GST) and are expected to comprise legal fees, printing and other administrative expenses, including ASIC fees. The estimated expenses will be paid out of the Company's existing working capital.

8.7 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please contact the Company on + 61 8 6382 3390 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.mgcpharma.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8.8 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

8.9 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

9. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Mr Roby Zomer
Managing Director
For and on behalf of
MGC PHARMACEUTICALS LTD

GLOSSARY

\$ means the lawful currency of the Commonwealth of Australia.

AGM Shares has the meaning as at Section 3.2.2.

Applicant means a Shareholder who applies for Shares pursuant to the Cleansing Offer.

Application Form means the Cleansing Offer Application Form and/or the Convertible Note Offer Application Form attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

Cleansing Offer means the offer of Shares referred to in Section 3.1.2.

Cleansing Offer Application Form means the application form regarding the Cleansing Offer attached to or accompanying this Prospectus.

Closing Date means the date specified in the timetable set out at the commencement of this Prospectus (unless extended).

Company means MGC Pharmaceuticals Ltd (ACN 116 800 269).

Convertible Note Offer Application Form means an application form in respect of the Convertible Note Offer either attached to or accompanying this Prospectus.

Convertible Note Offer means the offer of Convertible Notes referred to in Section 3.1.1

Constitution means the constitution of the Company as at the date of this Prospectus.

Convertible Note means a convertible note issued under the Convertible Note Offer.

Convertible Securities Agreement means the convertible securities agreement between the agreement Company and Mercer dated 8 September 2020, as at detailed at Section 7.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company as at the date of this Prospectus.

Group means the Company and its subsidiaries.

Official Quotation means official quotation on ASX.

Option mean an option to acquire a Share.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Security has the same meaning as that given in the ASX Listing Rules.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.