



MGC PHARMACEUTICALS LTD
ACN 116 800 269

PROSPECTUS

For the offer of up to 1,000 Shares in the capital of the Company at an issue price of \$0.028 per Share to raise up to \$28 (before expenses).

This Prospectus has been prepared primarily for the purpose of section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

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

The Shares offered under this Prospectus should be considered speculative.

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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, Chair of the
Corporate Governance Committees*

Ross Walker
Non-Executive Director

Evan Hayes
Non-Executive Director

Joint Company Secretaries

Narelle Warren
Rachel Kerr

Registered Office

1202 Hay Street
WEST PERTH WA 6000

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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 have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus. Their names are included for information purposes only.

2. TIMETABLE AND IMPORTANT NOTES

2.1 Timetable

Action	Date
Lodgement of Prospectus with the ASIC and ASX	9 February 2021
Opening Date of Offer	9 February 2021
Closing Date of Offer*	11 February 2021

* 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 9 February 2021 and was lodged with the ASIC on that date. The ASIC and its officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

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

The Offer is only available to those who are personally invited to accept the Offer. Applications for Shares 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. 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.

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 Shares 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 Shares 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 Shares pursuant to this Prospectus.

2.5 Overseas Investors

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer of Shares in any jurisdiction where, or to any person to whom, it would be unlawful to issue in this Prospectus.

2.6 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.

We cannot and do 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.

We have 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 of this Prospectus.

2.7 Disclaimer

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

3. DETAILS OF THE OFFER

3.1 Offer

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of \$0.028 per Share to raise up to \$28 (before expenses).

The Offer will only be extended to specific parties on invitation from the Directors. 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 for a summary of the terms of the Shares.

3.2 Objective

The Company is seeking to raise only a nominal amount of \$28 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions attaching to Shares to be issued by the Company pursuant to the LSE Placement (refer to the Company's announcement on 4 February 2021 for further details).

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; and
- (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 Shares

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

Payment for the Shares must be made in full at the issue price of \$0.028 per Share.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "**MGC Pharmaceuticals Offer Account**" and crossed "**Not Negotiable**".

Completed Application Forms and cheques must be mailed or delivered to the address set out on the 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 Offer early.

3.4 Minimum subscription

There is no minimum subscription.

3.5 Issue of Shares

Issue of Shares under the 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.

3.6 ASX listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus 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 4 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 Shares now offered for subscription.

3.7 Restrictions on the distribution of the Prospectus

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that

there has been no breach of such laws and that all approvals and consents have been obtained.

3.8 Enquiries

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

4. PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

As announced on 4 February 2021, the Company is poised to become the first medicinal cannabis company to be admitted to the main market of the LSE on Tuesday, 9 February 2021, following a strongly supported £6.5 million (~A\$12 million) share placement led by leading UK institutional fund managers, and supported by UK family office and professional high net worth investors.

The primary purpose of this Prospectus is to remove any trading restrictions attaching to the Shares to be issued by the Company under the LSE Placement. These Shares are proposed to be issued on or about 10 February 2021, following the Company's admission to the LSE.

All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to Section 7.8 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Effect of the Offer on capital structure

The effect of the Offer on the Company's capital structure is set out below.

Shares ¹	Number
Shares currently on issue	1,788,130,339
Shares to be issued pursuant to LSE Placement ²	440,677,967
Shares offered under this Prospectus ³	1,000
Total Shares on issue on completion of the Offer³	2,228,809,306

Notes:

1. The rights and liabilities attaching to the Shares are summarised in Section 5 of this Prospectus.
2. Refer to Section 4.1 above and the Company's announcement on 4 February 2021 for further details, including an indicative timetable.
3. This assumes the Offer is fully subscribed and no additional Shares are issued upon exercise of Options or conversion of Performance Rights or Convertible Notes on issue.

Options	Number
Listed Options (ASX:MXCOE) exercisable at \$0.045 each on or before 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 \$0.065 on or before 31 March 2021	16,000,000
Unquoted Options exercisable at \$0.15 on or before 30 June 2021	10,000,000
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	17,500,000
Unquoted Options exercisable at \$0.07 on or before 31 August 2023	17,500,000
Options offered under this Prospectus	Nil
Total Options on issue on completion of the Offer¹	184,334,538

Notes:

1. The Company has agreed, subject to obtaining Shareholder approval, to issue Turner Pope Investments (TPI) Limited (a company incorporated in England and Wales under number company number 09506196) 26,440,678 options, in consideration for services provided to the Company in connection with the LSE Placement. Full details with respect to this

proposed issue (including the terms and conditions of the options) will be disclosed in the Notice of Meeting pertaining to this issue.

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 Offer	15,000,000

Convertible Notes	Number
Convertible Notes currently on issue ¹	4,575,000
Total Convertible Notes on issue after completion of the Offer	4,575,000

Notes:

1. The Company notes that, as set out in the prospectus dated 23 November 2020 (**November 2020 Prospectus**), on 10 September 2020 the Company entered into a convertible securities agreement (**Convertible Securities Agreement**) with Mercer Street Global Opportunity Fund, LLC. (**Mercer**). Pursuant to the terms of the Convertible Securities Agreement, the Company may request additional funding of up to \$9.25m via the issue up to a further 10,175,000 Convertible Notes to Mercer with respect to such funding (**Additional Convertible Notes**). As of the date of this Prospectus, the Company has drawn \$5,750,000 of the facility via the issue of 6,325,000 convertible notes and Mercer has converted Convertible Notes with a face value of \$1,750,000 into Shares.

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, which would result in the issue of further Shares to Mercer.

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

Further to the above, the Company is also planning to adopt a new incentive plan for the purposes of ASX Listing Rule 7.2 (Exception 13) at its next general meeting, to allow for the issue of performance shares to employees and directors as part of the incentive equity program for retention of key personnel. The final terms and quantum of the performance shares proposed to be issued is yet to be determined. Full details will be disclosed in the Notice of Meeting pertaining to this issue.

4.3 Financial effect of the Offer

After expenses of the Offer of approximately \$10,000, there will be no proceeds from the Offer. The expenses of the Offer (exceeding \$28) will be met from the Company's existing cash reserves.

As such, the Offer will have an effect on the Company's financial position, being receipt of funds of \$28 less costs of preparing the Prospectus of approximately \$10,000.

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares being offered pursuant to this Prospectus. 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.

5.1 General meetings 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.

5.2 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.

5.3 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.

5.4 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.

5.5 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.

5.6 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.

5.7 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).

5.8 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.

5.9 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.

5.10 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.

5.11 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 Shares 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 Shares 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 and the market price of the Shares.

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**

As announced on 10 September 2020, the Company has entered into a Convertible Securities Agreement with Mercer, a United States based investment group. Pursuant to the Convertible Securities Agreement, the Company has been provided with funding of up to \$15,000,000 (**Mercer Facility**). Under the Convertible Securities 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. As announced on 23 November 2020, the Company has drawn down an additional \$3,500,000 from the Mercer Facility, and has issued 3,850,000 convertible notes to Mercer. This takes the total to \$5,750,000 received via the issue of 6,325,000 convertible notes.

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, with a research team and operation in Israel and across the globe, 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) **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 received \$5.75 million under the Convertible Securities Agreement leaving a residual of \$9.25 million available. Notwithstanding the 'going concern' paragraph included in the Annual Report, following completion of the LSE Placement and with \$9.25 million available under the Mercer facility, 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.

(d) **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 to commence Phase IIb clinical trial in Israel this year. 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, which commenced 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 for ArtemiC that commenced in Israel at the Nazareth Hospital EMMS and Hillel Yaffe Hospital in May 2020, and at the Mahatma Gandhi Mission's Medical College & Hospital in India during July 2020 has concluded after treating 50 COVID-19 infected patients. The Phase II clinical trial returned positive results, confirming that the treatment successfully met primary and secondary endpoints, meeting all FDA requirements.

Following the completion and success of the ArtemiC Phase II clinical trial with results as announced on the 15 December 2020, the Company is currently progressing a Phase III clinical study for ArtemiC, which is expected to commence in 2021.

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.

The Company announced details of further successful results arising from its glioblastoma multiforme research on 17 November 2020. The Company plans to progress pre-clinical studies in 2021.

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.

(e) **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.

(f) **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.

(g) **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.

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

The Group does not have its own export licence and 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.

With Australia being the biggest market for the Group thus far, the Group does have its own import licence and has agreements in place with third parties for the storage of its goods.

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.

(i) **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.

(j) **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.

(k) **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.

(l) **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.

(m) **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 and Medical Research Team, which carries out product specific research and development at the Group's facilities in Slovenia and Israel, where currently 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 of which were announced on 17 November 2020), and are soon to be published. 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, as well as to register genetics for proprietary use and licensing.

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.

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. This effort was recently further bolstered by approval for a EU Marie Curie research grant funding active collaborative cannabinoid research between the institutions on several areas of focus.

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.

(n) **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.

(o) **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

(p) **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.

(q) **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 Speculative investment

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. ADDITIONAL INFORMATION

7.1 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.

7.2 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 the 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 or an ASIC office during normal office hours.

Details of documents lodged 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
04/02/2021	Proposed issue of Securities - MXC
04/02/2021	MGC Pharma First Medicinal Cannabis Company to List on LSE
02/02/21	MGC Pharma to list on the London Stock Exchange
02/02/21	MGC Pharma Investor Presentation
02/02/21	Trading Halt
22/01/2021	December Quarterly Activity and Cashflow Report
13/01/2021	Appointment of Nicole Godresse as the Company's Global Chief Sales Officer
22/12/2020	Conversion of Convertible Notes - Appendix 2A
22/12/2020	The Company receives a cash grant of approximately \$5,000,000 from Malta Enterprise to establish an EU Good Manufacturing Process facility to produce ArtemiC.
15/12/2020	Results of ArtemiC Phase II Clinical Trial confirm that 100% of COVID-19 patient treatment group met primary and secondary FDA endpoints
11/12/2020	Conversion of Convertible Notes - Appendix 2A
9/12/2020	Completion of Unmarketable Parcel Share Sale Facility
7/12/2020	Results of the ArtemiC Phase II Clinical Trial are near-final
3/12/2020	MGC Pharma to benefit from UN vote to reschedule Cannabis
2/12/2020	Amended MGC Nutraceuticals Sales Update
2/12/2020	MGC Nutraceuticals sale update following the execution of a binding acquisition and exclusive supply agreement with Onassis Holdings Corp.
30/11/2020	Appointment of Narelle Warren as Company Secretary
24/11/2020	Issue of Securities cleansed pursuant to Cleansing Prospectus – Appendix 2A
23/11/2020	Proposed issue of Securities – Securities cleansed pursuant to Cleansing Prospectus and Convertible Notes to be issued to Mercer
23/11/2020	Cleansing Prospectus
23/11/2020	Drawdown of working capital funding tranche of \$3.5m from Mercer
23/11/20	MGC Pharma completes acquisition of Telehealth Platform MCC

Date	Description of Announcement
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.

7.3 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	\$0.043	9 December 2020
Lowest	\$0.020	4 November 2020
Last	\$0.034	8 February 2021

7.4 Details of substantial holders

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

7.5 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce them to become, or to qualify them as, a Director or

otherwise for services rendered by them or by the firm in connection with the formation or promotion of the Company or the Offer.

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 ¹	10,055,554 ²	7,500,000 ³
Nativ Segev	53,000,001 ⁴	Nil	Nil
Roby Zomer	33,000,001 ⁵	Nil	7,500,000 ⁶
Ross Walker	4,370,370 ⁷	185,185 ⁷	Nil
Stephen Parker	Nil	Nil	Nil
Evan Hayes	Nil	Nil	Nil

Notes:

1. Comprising:
 - a. 22,264,444 Shares held by Brett and Michelle Mitchell <Mitchell Spring Family A/C>; and
 - b. 8,140,560 Shares held by Brett and Michelle Mitchell <Lefthanders Super Fund A/C>;
2. Comprising:
 - a. 9,500,000 unlisted options held by YCAGAGF Investments Pty Ltd, of which Mr Mitchell is a director and 33.33% shareholder;
 - b. 277,777 Listed Options held by Brett and Michelle Mitchell <Mitchell Spring Family A/C>; and
 - c. 277,777 Listed Options held by Brett and Michelle Mitchell <Lefthanders Super Fund A/C>;
3. Comprising:
 - a. 3,750,000 Performance Rights held by Brett and Michelle Mitchell <Mitchell Spring Family A/C>; and
 - b. 3,750,000 Performance Rights held by Brett and Michelle Mitchell <Lefthanders Super Fund A/C>;
4. Comprising:
 - a. 1 Share held by Mr Segev in his personal capacity;
 - b. 500,000 Shares held by Bright Global Limited, an entity controlled by Mr Segev¹; and
 - c. 52,500,000 Shares held by HSBC Custody Nominee (Australia) Limited, of which Mr Segev is a beneficiary;
5. Comprising:
 - a. 3,000,001 Shares held by Chitta Lu Limited, an entity controlled by Mr Zomer²; and
 - b. 30,000,000 Shares held by HSBC Custody Nominees (Australia) Limited, of which Mr Zomer is a beneficiary;
6. Held by Chitta Lu Limited; and
7. Held by Ross G T Walker Pty Ltd, an entity controlled by Mr Walker.

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

¹ Annual Report FY 2020 Released 28 October 2020 page 28

² Annual Report FY 2020 Released 28 October 2020 page 22

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	\$241,920
Brett Mitchell	\$378,286 ⁴	\$351,988 ⁷	\$211,920
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. An amount of \$58,521 in share-based payments has been deducted from this total and included in 2019 as a prior-year restatement.
7. Including \$30,000 in performance bonus and \$91,456 in share-based payments. An amount of \$58,521 in share-based payments has been deducted from this total and included in 2019 as a prior-year restatement.
8. Including \$30,000 in performance bonus and \$53,722 other payments. In addition, \$58,521 in share-based payments has been deducted from this total and included in 2019 as a prior-year restatement.

7.6 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 Offer; or
- (f) the Offer,

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 Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. 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 \$237,684.95 (excluding GST and disbursements) for legal services provided to the Company.

7.7 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) in light of the above, only to the maximum extent permitted by law, expressly disclaims and takes 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.

7.8 Estimated expenses of Offer

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

7.9 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.

7.10 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.

7.11 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, 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, Computershare Investor Services Pty Limited.

You can access, correct and update the personal information that we hold about you. Please contact the Company 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 Shares, the Company may not be able to accept or process your application.

8. 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.



Brett Mitchell
Executive Chairman
For and on behalf of
MGC PHARMACEUTICALS LTD

9. DEFINITIONS

\$ means Australian dollars.

Applicant means an investor who applies for Shares pursuant to the Offer.

Application Form means an application form either 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.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.

Closing Date means the date specified in the timetable in Section 2.1 of this Prospectus (unless extended or brought forward).

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

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

Convertible Securities Agreement means the convertible securities agreement between the agreement Company and Mercer dated 8 September 2020, as further detailed in the announcement on the Company's platform dated 10 September 2020.

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.

LSE means the London Stock Exchange.

LSE Placement means the capital raising announced by the Company on 4 February 2021 and scheduled to complete on or about 10 February 2021, pursuant to which the Company will raise £6,500,000 through the issue of 440,677,966 Shares at an issue price of £0.01475 per Share, in support of its dual listing on the LSE.

Mercer means Mercer Street Global Opportunity Fund, LLC.

Offer means the offer of Shares referred to in the "Details of the Offer" Section of this Prospectus.

Official Quotation means official quotation on ASX.

Opening Date means the opening date of the Offer as specified in the timetable set out in Section 2.1 of this Prospectus (unless varied).

Option means an option to acquire a Share.

Prospectus means this prospectus.

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

Shareholder means a shareholder of the Company.

WST means western standard time as observed in Perth, Western Australia.