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ASX RELEASE

MGC Pharma to acquire Israeli clinical and medical research company, MediCaNL

Key Highlights:

- MGC Pharma to acquire 100% of worldwide pharmaceutical clinical research company, MediCaNL Inc (MCL).
- On completion of the acquisition, MediCaNL will design, manage and run all clinical trials for MGC Pharma in accordance with the European Medicines Agency, Federal Drug Administration, ICH Good Clinical Practice and Israeli health regulations.
- The MediCaNL acquisition will deliver significant and immediate cost savings to the Company.
- MediCaNL will become an internal business unit running at cost only for MGC Pharma, eliminating the retail operating margins being paid to third party CRO providers on all future clinical trials, as MGC Pharma will be undertaking multiple clinical trials in 2021/22 and in future years.
- Two Phase I and Phase II clinical trials and one Phase III clinical trial planned to be undertaken by MGC Pharma in 2021 alone for CannEpil, CogniCann and CimetrA.
- MediCaNL currently have 11 clients (excluding MGC Pharma) with 40 ongoing projects, including clinical trials as well as involvement in seven Investigational New Products (INP), with two approved by the FDA and four in progress.
- MediCaNL generated approximately $1 million in revenues in 2020 with a 25% profit margin.
- Transaction terms including consideration of AU$6 million in MXC shares, 30% on settlement and 70% in instalments as deferred consideration (following shareholder approval).
- Acquisition leverages the medical research expertise in-house which significantly reduces preclinical lead times, provides the ability to better define clinical trial protocols and builds stronger relationships with regulators moving forward.

MGC Pharmaceuticals Ltd (ASX, LSE: MXC, 'MGC Pharma' or 'the Company'), a European based bio-pharma company specialising in the production and development of phytocannabinoid-derived medicines, is pleased to announce the acquisition of 100% of the issued share capital of MediCaNL Inc (the "**Acquisition"**).

MediCaNL Inc is the holding company of MediCaNL Israel 2019 Ltd, an Israeli company operating in and providing specialist services to the pharmaceutical sector for development of new medicines. MediCaNL offers clinical and preclinical trial services, as well as assistance with clinical trials in the form of research data from past studies of all Phase I to IV using a variety of treatment methods.

All the trials MediCaNL will operate for MGC Pharma will be carried out to the most rigorous clinical standards in accordance with the European Medicines Agency (EMA), US Federal Drug Administration (FDA), ICH Good Clinical Practice (GCP), and Israeli health regulations (as applicable).

MediCaNL has worked on seven Investigational New Products (INP) in conjunction with the FDA, two having been approved and four ongoing, highlighting their experience with the pharmaceutical regulators worldwide.

Currently, MediCaNL has 11 clients (excluding MGC Pharma) and is working on 40 different projects and clinical trials. MediCaNL will provide expert regulatory and preclinical knowledge, including 18 years of research management experience, which MGC Pharma will leverage going forward. In 2020, MediCaNL generated revenues of almost $1 million, with a profit margin of 25%.

Dr Nadya Lisodover, CEO of MediCaNL, has been working with MGC Pharma over the past two years, guiding its clinical trials and offering regulatory advice as a consultant CRO to the Company. Nadya will now work full time for MGC Pharma as Chief Research Officer to streamline and improve the cost effectiveness of the Company's clinical trial process.

Material Transaction Terms

The consideration for the Acquisition is $6,000,000 in MXC shares, based on the volume weighted average price per share of the Company calculated on a 10-day VWAP from settlement, with 30% of the consideration shares to be issued at settlement (under the Company's existing Listing Rule 7.1 placement capacity) and the remaining 70% (the **Deferred Consideration**) to be issued in instalments as follows (subject to shareholder approval):

(a) 20% on the date which is 4 months from the date of settlement;

(b) 20% on the date which is 7 months from the date of settlement;

(c) 20% on the date which is 10 months from the date of settlement; and

(d) 10% on the date which is 13 months from the date of settlement,

The acquisition will otherwise be on customary terms and there will be no associated changes to the MGC Pharma board or current executive management team as a result of the Acquisition.

The Company will seek shareholder approval for the issue of the Deferred Consideration at an upcoming shareholder meeting. A Notice of Meeting is currently being prepared and will be dispatched to shareholders shortly. The Company will also seek a waiver from ASX to enable the Deferred Consideration Shares to be issued in accordance with the above timetable, outside of the mandated three-month period post shareholder approval.

There are no conditions precedent to the acquisition that remain outstanding and as such, settlement of the acquisition is expected to occur shortly.

Strategic rationale

The Acquisition will enable MGC Pharma to speed up the process of bringing medicines and products to market by increasing our throughput capability, and making clinical trial performance and design an insourced activity. The Acquisition will also deliver significant ongoing cost savings to the Company, as MGC Pharma will be undertaking one Phase III and two-Phase II clinical trials on three different products in 2021, along with two Phase I clinical trials planned for H2 calendar 2021.

In the usual course of business, MGC Pharma would be paying a significant fee to a third-party provider to manage and operate its clinical trial program. In order to maximise financial returns to shareholders, MGC Pharma will be significantly reducing the operating costs for conducting clinical trials to deliver material overall cost savings in the near term and future years.

MediCaNL also offers a number of clear operational and strategic opportunities, which allows the Company to expedite delivery of its long-term growth strategy. These include:

- streamlining the clinical trial process saving both time and costs;
- leveraging existing expert relationships to significantly bolster in-house expertise and capabilities; and
- fostering better relationships with regulators globally.

This will advance MGC Pharma's ongoing clinical research and deliver an expedited and more streamlined pathway to commercialisation for the Company's proprietary IMPs.

Current ongoing clinical trials

- **CannEpil®** – Phase IIb clinical trial underway at the Schindler Hospital, Israel on the safety and efficacy of CannEpil as an add on treatment in children and adolescents with refractory epilepsy.
- **CogniCann™** – Phase II clinical trial underway at the University of Notre Dame in Perth, Western Australia to evaluate the potential behavioural benefits of CogniCann™ may have on patients with dementia and Alzheimer's.
- **CimetrA™** – Ethics Committee approval received for a Phase III clinical trial to commence at Nazareth Hospital EMMS and Rambam Health Care Campus, Haifa in Israel

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "The acquisition of MediCaNL is a strategically important moment and is crucial in being able to deliver on our ambitious plans for MGC Pharma. By acquiring MediCaNL and bringing their services and expertise in-house, we not only cut significant costs from our forecasted clinical trial expenditure but also remove much of the red tape involved in the preclinical and clinical trial process.''

"MediCaNL is led by some of the world's most renowned doctors and scientists who will be a great asset to the MGC Pharma team. They operate at the highest levels of quality and integrity, enabling MGC Pharma to establish and nurture stronger relationships with regulators in the years to come as we expand our suite of products and undergo more clinical trials."

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About MGC Pharma

MGC Pharmaceuticals Ltd (LSE: MXC, ASX: MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines to patients globally. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting two widespread medical conditions – epilepsy and dementia – and has further products in the development pipeline.

Employing its 'Nature to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility.

MGC Pharma has a number of research collaborations with world renowned academic institutions, and including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

MGC Pharma has a growing patient base in Australia, the UK, Brazil and Ireland and has a global distribution footprint via an extensive network of commercial partners meaning that it is poised to supply the global market.

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About MediCaNL

MediCaNL is a medical research company based in Israel, specialising in medicinal cannabis. MediCaNL's goal is to advance medical knowledge and improve the health of people around the world. It guides clients through the entire conical research process, from concept to development and provides application of research data support. MediCaNL currently manages clinical trials in Israel, Europe and Australia providing services in person and online.

MediCaNL expertise spans, consulting in preclinical phases, developing experimental designs and protocols, scouting for and selecting clinical trial locations, preparing submission packages and liaising with the Israeli Ministry of Health and ethics committees, recruiting patients, providing test products and storage facilities, managing data, monitoring and quality control of clinical trials and publication writing.