21 2021 ANNUAL REPORT

mgc pharma

CORPORATE DIRECTORY

DIRECTORS

Brett Mitchell
Executive Chairman

Nativ Segev
Non-Executive Director

Stephen Parker
Senior Independent Director and Chairman of the Corporate Governance Committees

Roby Zomer
Managing Director and CEO

Ross Walker
Non-Executive Director

Evan Hayes
Non-Executive Director

COMPANY SECRETARY

David Lim
Rachel Kerr

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

1202 Hay Street
West Perth WA 6005
Tel: +61 8 6382 3390

SOLICITORS

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

AUDITORS

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

SECURITIES EXCHANGE LISTING

MGC Pharmaceuticals Ltd securities are listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE).
ASX Code: MXC
LSE Code: MXC

SHARE REGISTRY

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

WEBSITE

www.mgcpharma.com.au

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MANAGING DIRECTOR'S LETTER TO SHAREHOLDERS – COMPANY ACTIVITIES

Dear shareholders,

It scarcely needs to be said that the past year has proved challenging for many across the globe, given the continuing impact of COVID-19. I am pleased and proud of our company and our progress, and of the MGC Pharma team who have worked to make this possible. We have continued to build our global strategy and expand our operations, maintaining our integral "Plant to Medicine" ethos. Our research and development of the MGC Pharma products, and the partnerships we have cemented over the past year mean that we are in a strong position to continue to expand our commercial strategy and positive growth trajectory capitalising on immediate market concerns and opportunities.

We have continued to make excellent progress in commercialising our proprietary Phytocannabinoid medicines and treatments, which are now available to patients on a global scale as we carry out secondary and tertiary clinical trials in pharmaceutical jurisdictions.

During 2021, MGC Pharma had prescribed 12,457 units representing a 247% increase on last years sales. This clearly demonstrates the increasing demand for effective, high quality Phytocannabinoid medicines.

Our research and development programme, which spans global markets and pharmaceutical jurisdictions have delivered material progress in the timeline to delivery. Over the course of this year, we have advanced clinical trials on our three key products: CimetrA™, CogniCann® and CannEpil, and have conducted studies on the efficacy of cannabinoid formulations in the development of treatment for glioblastoma, delivering significant results.

Our proprietary non-phytocannabinoid treatment, ArtemiC™, designed for the alleviation of the symptoms of COVID 19, has undergone a phase II clinical trial at hospitals in Israel and in India, meeting all safety and efficacy targets. The treatment has since been approved as an IMP and has been registered for a patent application submitted to the Slovenian Intellectual Property Office under the new name CimetrA™. A phase III clinical trial for the CimetrA treatment is currently ongoing at Rambam Health Care Campus and Nazareth Hospital EMMS in Israel. The construction of our production facility has commenced in Malta following a cash grant of $4.8m and is due for completion in Q4 of this year; once fully operational, the facility will manufacture CimetrA™, in addition to other MGC Pharma liquid dose medicines. Further to this, and following the year end, in August we received approval to import CimetrA™ into India for emergency Use authorisation registration. These are all hugely positive steps on the way to full scale production and distribution, and the alleviation of the symptoms of COVID-19 in patients across the globe.

The company received ethics committee approval for Phase IIb clinical trial for CannEpil® a cannabinoid-based drug for the treatment of refractory (or drug resistant) epilepsy. The trial will be carried out at hospitals in Israel, and the drug has now been added to the Primary Care Reimbursement service in Ireland under the Medical Cannabis Access Programme, of which we are proud to be part.

Further R&D includes the phase II clinical trial at University of Notre Dame in Perth for CogniCann®, which treats the effects of dementia and Alzheimer's, and a botanical research partnership with the Royal Melbourne Institute of Technology.

We have cemented several key relationships over the course of the year which will enable the broader distribution and patient access to MGC Pharma products – including signing

A TRANSFORMATIONAL YEAR FOR MGC PHARMA, CEMENTING OUR POSITION AS A PLANT BASED BIO-PHARAMA COMPANY

agreements with LYPHE Group for the prescription and dispensation of the Mercury Pharma product range in the UK, and with Swiss PharmaCan AG for the distribution of ArtemiC™ Rescue. MGC Pharma has now appointed IM Cannabis Corp as the exclusive importer of CannEpil to Israel. Post year end, in August, we announced a binding US$24 million supply and distribution agreement with AMC Holdings, which will introduce MGC Pharma products to the US, the largest pharmaceutical market in the world.

Our listing on the London Stock Exchange was a historic moment for the company as MGC Pharma became the first medicinal cannabis company quoted on the exchange, this followed a £6.5m placement. Our dual listing now reflects our global reach and capacity and has served to bring wider investor attention to our company as we continue to develop and refine our products and company offering. The funds raised at IPO complement a $15m convertible securities financing agreement with Mercer Street Global – which have allowed us to fully accelerate our research, trial and production workstreams over the course of the year.

I'd like to take the opportunity on behalf of the board to thank our employees for their hard work, and our customers and loyal shareholders for their continued support, without which the progress of the company would not be possible. I look forward to updating shareholders on our developments as we continue to grow operationally and commercially.

Yours Sincerely,

R. Zomer

Roby Zomer
CEO & Managing Director

2021 FINANCIAL YEAR HIGHLIGHTS

AS AT 30 JUNE 2021

12,547
PHYTOCANNABINOID UNIT SALES

27,164
SUPPLEMENT PRODUCT SALES

LSE LISTING

Successfully completed a £6.5million placement to become the first medicinal cannabis company to list on the London Stock Exchange.

CLINICAL RESEARCH ORGANISATION

Acquired 100% of MediCaNL, an Israeli company operating in, and providing specialist services to the pharmaceutical sector for the development of new medicines.

ETHICS COMMITTEE APPROVED

Received from Schneider Children's Medical Centre of Israel for MGC Pharma's proprietary epilepsy treatment, CannEpil® to commence a Phase IIb Clinical Trial.

CLINICAL RESEARCH RESULTS

Results from its Phase II clinical and preclinical studies support ArtemiC™ being effective for addressing cytokine over production in all tested COVID-19 patients.

CannEpil®

Added to the Primary Care Reimbursement Service in the Republic of Ireland making it free of charge for Irish patients prescribed the treatment under its Medical Cannabis Access Program.

PATENT ACCEPTED

Patent application for CimetrA™, the Investigational Medicinal Product assigned to MGC Pharma, has been accepted by the Slovenian Intellectual Property Office.

DIRECTORS' REPORT

The Directors present their report on MGC Pharmaceuticals Ltd ("the Company" or "the Parent") and its controlled entities (collectively, "MGC", "the Group" or "MGC Pharma") for the financial year ended 30 June 2021.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

DIRECTOR	TITLE	APPOINTMENT DATE	RESIGNATION DATE
Brett Mitchell	Executive Chairman	4 April 2013	-
Roby Zomer	Managing Director & CEO	15 February 2016	-
Nativ Segev	Non-Executive Director	15 February 2016	-
Ross Walker	Non-Executive Director	15 February 2016	-
Stephen Parker	Non-Executive Director	13 March 2019	-
Evan Hayes	Non-Executive Director	1 September 2020	-

Directors were in office for the entire year and up to the date of this report unless otherwise indicated.

COMPANY SECRETARY

Rachel Kerr held the position of Company Secretary for the full financial year. Narelle Warren and Nadine Barry both assisted in the position during the year to assist in cover for Rachel whilst on maternity leave, until a full-time replacement was found in David Lim who was appointed on 3 June 2021.

PRINCIPAL ACTIVITIES

MGC Pharma (ASX/LSE: MXC) is a European based bio-pharma company trading on both the Australian Securities Exchange and the London Stock Exchange, specialising in the development and supply of standardised phytomedicines to patients globally. It has three key clinical projects today, as well as a pipeline of further potential therapies: CimetrA, a Phase 3 symptomatic treatment for early COVID-19, CannEpil, a Phase 2b cannabis-based therapy for drug-resistant Epilepsy, and CogniCann, in a Phase 2 trial for symptomatic relief of Dementia. The Company currently generates revenues from its ArtemiC range of products, and its cannabinoid products primarily distributed within Australia, the UK, and South America.

MGC Pharma is focused on the production of pharmaceutical grade phytomedicine products supported by ongoing research and development activities, as well as the production of Active Pharmaceutical Ingredient (API) of various cannabinoids, driven through a fully vertically integrated product development pipeline.

OPERATING RESULTS

The consolidated loss of the Group from continuing operations amounted to $15,409,341 (2020: $18,769,799).

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared for payment during, or since, the end of the financial year.

REVIEW OF OPERATIONS

HIGHLIGHTS

Clinical Research & Development Programs

During the year the Company has successfully demonstrated MGC Pharma's nature to pharma pipeline and clinical capabilities with a non-phytocannabinoid product, that strategically adds a new dimension of development and revenue to MGC Pharma's future. With **CimetrA™**, MGC Pharma has rapidly moved a new product to the forefront of the Company's clinical pipeline based on a global market need, with several benefits to the Company: new territories for distribution previously off-limits, deeper engagement with doctors and the pharma industry at large, larger scope of possible formulations and a significant market segment in which to be a first mover.

Additionally, MGC Pharma has continued its work on developing a robust pre-clinical pipeline to ensure a lasting continuity of products reaching Central Market Authorisation, providing the Company with a longstanding footing in the emerging plant-based biopharma industry.

With the Company poised to bring three products to Central Market Authorisation over the next three years, the Company is fulfilling its vision of becoming a leader in the emerging phytopharma sector which has been its focus for the past six years, as well as significantly expanding the footprint of its clinical engagement and potential geographic market segment.

These achievements have been powered by:

- Completion of a Phase II Clinical Trial for MGC Pharma's anti-inflammatory product, **ArtemiC™**, results of which were announced in December 2020. The Clinical Trial delivered excellent results by meeting all primary and secondary endpoints, demonstrating a full safety profile with no drug related adverse events
- Recruitment of patients into the **CimetrA™** Phase III clinical trial commenced at Rambam Health Care Campus and Nazareth Hospital EMMS in Israel in June 2021
- Following research into the treatment of glioblastoma showing MGC Pharma's proprietary formulation, CBG, impairs the major hallmarks of glioblastoma progression, commencement of the study into the use of SNEDDS nano technology for the treatment of aggressive glioblastoma brain cancer
- Ethics committee approval from Schneider Children's Medical Centre of Israel for MGC Pharma's proprietary epilepsy treatment, **CannEpil®** to commence a Phase IIb Clinical Trial
- Enrolment of patients at the University of Notre Dame in Perth, Western Australia for MGC Pharma's **CogniCann®** phase II Clinical Trial on patients with Dementia and Alzheimer's disease

Global Pharma Operations

MGC Pharma has greatly expanded its ability to sell (and manufacture) its phytocannabinoid products over 2021, operating in Australia, Brazil, UK, and Ireland, as a result of long-term regulatory contact and finding local distributors able to provide MGC Pharma products to patients. With the onboarding of a global sales officer and a sales team in Australia, MGC Pharma's sales are growing month by month, and with the addition of new products such as flowers and **ArtemiC™**, the company is moving towards break even (not including Clinical Trials).

Key highlights during the year relating to pharma operations:

- Record cumulative sales of phytocannabinoid products in FY 21, with 12,457 units sold worldwide, amounting to ~$2.0million in revenues
- €3.1million ($4.9million) government grant secured from Malta Enterprise with construction underway for a fully certified Good Manufacturing Practice (GMP) facility in Malta, for the production of **ArtemiC™**
- **CannEpil®** has been added to the Primary Care Reimbursement Service in the Republic of Ireland making it free of charge for Irish patients prescribed the treatment under its Medical Cannabis Access Program

Key Licences, Approvals and Distributions Agreements

- Agreements signed with IM Cannabis Corp for the distribution of **CannEpil®** in Israel.
- Master supply and distribution agreement secured with leading European nutraceuticals producer and distributor, Swiss PharmaCan AG for a minimum of 40,000 units of **ArtemiC™** Rescue per quarter of which the first two batches have been delivered
- Landmark UK import permit granted in September 2021 for MGC Pharma's CannEpil+, designed to treat Refractory Epilepsy
- Subsequent to year end, the Company executed a US$24 million supply agreement with AMC Holdings Inc of MGC phytomedicine products over three years, with a minimum of US$3 million within the first year, subject to the grant of a National Clinical Trial Number

Corporate

- MGC Pharma becomes the first medicinal cannabis company to list on the London Stock Exchange following a £6.5 million (~A$12m) Placement, strongly supported by UK funds
- MGC Pharma delivered a breakout result with its strong revenue growth in its phytocannabinoid product sales during the year, generating $2.726m in FY21 against $1.197m in FY20 (increase of 130%)
- Acquisition of Medicinal Cannabis Clinics completed, enabling distribution that provides stronger sales with significantly higher profit margins while maintaining competitive product prices
- Acquisition of global pharmaceutical clinical research company, MediCaNL, to deliver MGC Pharma significant cost synergies and expedited clinical trial processes

RESEARCH AND DEVELOPMENT / CLINICAL TRIALS

Phase II ArtemiC™ Clinical Trial

During the year MGC Pharma released further results from its Phase II clinical and preclinical studies on **ArtemiC™**, which support **ArtemiC™** being effective for addressing cytokine over production in all tested COVID-19 patients. The Preclinical Trial was performed in the SIA preclinical Lab (Good Laboratory Practice (GLP) certified) in Israel. The ARDC model is the recommended preclinical animal model for Cytokine Storm, for the prediction of the human model of COVID-19 patients. The trial delivered strong results across a full safety profile with no drug-related adverse effects and is an immensely positive result for the treatment of COVID-19 globally.

Recruitment of patients into the CimetrA™ Phase III clinical trial

MGC Pharma received Ethics Committee approvals from Rambam Health Care Campus, Haifa and Nazareth Hospital EMMS in Israel and began data collection under the Phase III clinical trial to evaluate the efficacy and safety of **ArtemiC™** as a treatment for moderate hospitalised patients diagnosed with COVID-19, and to provide additional data for claims on the product as an Investigational Medicinal Product (IMP).

As part of the Phase III clinical trial, the classification of the product has changed from a food supplement to an IMP. As a result, the product name under the trial has changed from **ArtemiC™** to **CimetrA™**. **CimetrA™** becoming an IMP will include changing the drug carrier to a new polymeric drug carrier GraftBio™ (SNEDD – Self Nano Drug Delivery), with a view to potentially being registered as a drug in the future. The trial will ultimately enrol a total of 252 patients and will be conducted over a 28-day period. The company is confident that the clinical trial will show **CimetrA™** to be an effective treatment against the symptoms of COVID-19.

Successful research results into cannabinoid treatment of glioblastoma

Working in collaboration with the Slovenian National Institute of Biology and Neurosurgery Department at the University Medical Centre, MGC Pharma has expanded the research program on the use of cannabinoids in the treatment of aggressive Glioblastoma brain cancer to include testing the effect of both MGC Pharma proprietary treatments Cannabidiol ('CBD') and Cannabigerol ('CBG') following successful clinical trial results.

The results from 18 patient tumour samples show for the first time that the Company's proprietary formulation, CBG, exerts a superior effect in impairing the major hallmarks of Glioblastoma progression, i.e., fast proliferation and invasion, and particularly enhancing Glioblastoma cell death. CBG has shown it can destroy therapy-resistant Glioblastoma stem cells, which are the root of cancer development and extremely resistant to various treatments of this lethal cancer.

The expanded In-vitro cannabinoid study on Glioblastoma treatment is focused on testing cannabinoid formulations on fresh glioblastoma tumour tissues, obtained from patients after surgical removal of the tumour to determine the optimal cannabinoid preparation for the effective treatment of the remaining cancer. The aim of this research is to develop novel formulations and define the clinical protocols for clinical trials for the treatment of high-grade brain tumours with cannabinoids.

Ethics Committee approval for Phase IIb clinical trial for CannEpil®

In May 2021, MGC Pharma announced the receipt of Ethics Committee approval for its Phase IIb randomised, double blind, placebo controlled clinical study for **CannEpil®**, a phytocannabinoid derived IMP, designed to treat Drug Resistant Epilepsy with a high CBD, low THC formula. The Clinical Trial for **CannEpil®** will take place at the Schneider Children's Medical Hospital in Israel and will focus on the safety and efficacy of **CannEpil®** as an add-on treatment for children and adolescents with treatment resistant epilepsy, also known as Refractory Epilepsy. The trial is targeting the recruitment of more than 100 patients which began in July. This trial involves healthy volunteers and aims to demonstrate the safety of **CannEpil®** in order to provide supportive data to the regulatory authorities.

Enrolment of patients for CogniCann® Phase II clinical trial

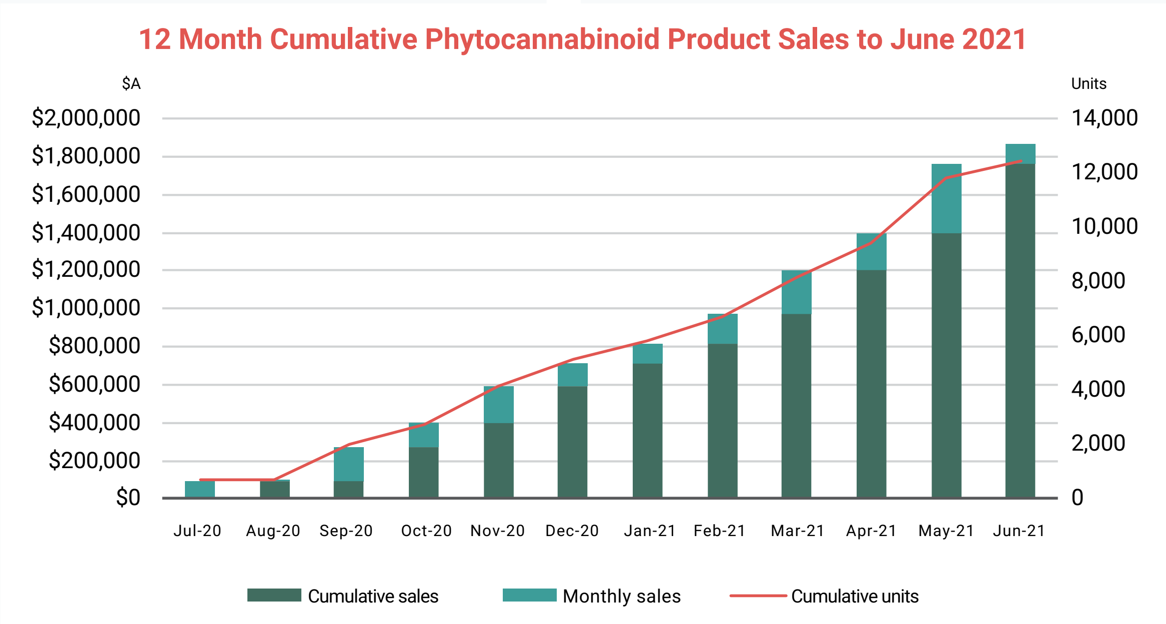
CogniCann®, a formulation of phytocannabinoids that has been developed with the specific aim of treating Alzheimer's and Dementia, is undergoing a Phase II clinical trial at the University of Notre Dame in Perth, Western Australia with 21 patients currently enrolled as of 25 May 2021. The Trial is designed to evaluate the potential behavioural benefits of **CogniCann®** on patients with Dementia and Alzheimer's disease. The randomised double blind, crossover, placebo-controlled Clinical Trial will enrol 50 patients over its duration and is expected to last until Q4 2021.

PHARMA OPERATIONS

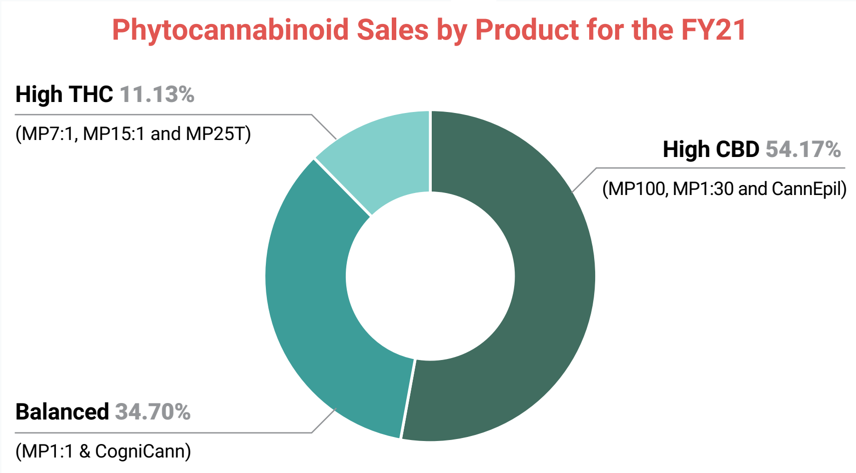
Breakout year delivered on phytocannabinoid product sales growth in FY21

Throughout FY21, MGC Pharma delivered a breakout result with its strong revenue growth in its phytocannabinoid product sales during the year, generating $2.726m in FY21 against $1.197m in FY20 (increase of 130%). This was complemented with a significant reduction in production costs from the previous year, with cost of goods sold (COGS) reduced significantly as a result of improved production efficiencies on increased volumes. As at the end of 30 June 2021, the Company had sold a total of 12,457 prescribed units of its standardised affordable cannabinoid medicines across Australia, UK & Brazil, a record for the Company.

Additionally, post the financial year end, MGC Pharma has implemented new commercial initiatives which are aimed at enhancing sales growth in the Company's key Australian market. These include entering a Contract Sales Team Agreement with A. Menarini Australia Pty Ltd. (Menarini), the Australian arm of global pharmaceutical company, Menarini Group, who will provide eight additional sales personnel to the team and the launch of a new form factor, MGC THC 20 whole flower.



MGC Pharma expects to see strong revenue growth of its phytocannabinoid products in the coming months on the back of these commercial changes, particularly within the Australian market.



Maltese GMP facility construction completion on schedule for October 2021
In Q2 FY 21, the Company was awarded a ~$4.95million (€3.1million) grant from Malta Enterprise to renovate and extend the Company's existing Clinical Research Organisation facility in Malta to include a fully functioning GMP certified manufacturing facility for **ArtemiC™**. Building work commenced in December 2020, and has made good progress, with construction expected to be completed in October 2021. The production equipment fit out and commissioning of the Malta facility to full operational capacity will be completed in 2022.

The facility will enable the Company to immediately increase **ArtemiC™** production volumes and reduce logistics costs via the Malta facility due to its optimal geographic location and shipping access.

Main entrance

Production corridor

CannEpil® made available for patients in Ireland
MGC Pharma's proprietary cannabis derived epilepsy Investigational Medicinal Product (IMP) **CannEpil®** was added to the Republic of Ireland's Health Service Executive (HSE) following the incorporation of the Medical Cannabis Access Programme (MCAP) into the HSE's Service Plan.

CannEpil® will be available free of charge to patients under the Long-Term Illness Scheme, GMS (Medical Card) Scheme, and the Drugs Payment Scheme on a named patient basis and is an important step in providing Refractory Epilepsy patients access to **CannEpil®** across Europe and improving their quality of life.

LICENCES AND DISTRIBUTION AGREEMENTS

Master Supply Agreement into US signed with AMC Holdings
Landmark agreement signed to enter the US with minimum orders of US$24 million for MGC products including **CannEpil®**, **CogniCann®** and **CimetrA™** over the initial 3-year period. As the licensed distributor of MGC Pharma products in the USA, AMC will undertake all marketing activities in the US, as well as managing the import and warehousing of the products. To assist with product development activities, AMC will also collect data from the end users of the products for analysis by MGC Pharma.

This is the first dedicated supply agreement executed by MGC Pharma for the supply of MGC Pharma pharmaceutical products into the USA, the largest healthcare market in the world. The Agreement with AMC is also an important step in expediting the clinical trials process for both **CannEpil®** and **CogniCann®**, as well as providing access to these medicines to more patients.

Master Supply and distribution agreement signed with Swiss PharmaCan AG for ArtemiC™
MGC Pharma signed a three-year exclusive worldwide supply and distribution agreement with leading European nutraceuticals producer and distributor, Swiss PharmaCan AG (SPC), for the distribution of **ArtemiC™ Rescue** as a food supplement.

This Agreement represents the first sales of **ArtemiC™** as a food grade product and Swiss PharmaCan AG has agreed to a minimum wholesale order quantity to MGC Pharma of 40,000 units per quarter of **ArtemiC™ Rescue**.

After the first agreement was signed, Swiss PharmaCan AG increased its initial purchase order by 85%. The first two purchase orders have been received and provide revenues of circa $1,000,000 per quarter based on the minimum order agreed.

UK Distribution agreement signed with LYPHE Group
MGC Pharma signed a distribution agreement with leading UK medicinal cannabis provider LYPHE Group Limited (**LYPHE**), providing the Company direct access to LYPHE's established distribution channels in the UK. LYPHE has extensive networks and has developed a patient-access and distribution ecosystem which positions it as the leader in the UK's rapidly expanding medicinal cannabis market.

As part of the distribution agreement, LYPHE will prescribe and dispense the Company's affordable MP Line products under LYPHE labels to patients at its clinics.

IM Cannabis Corp Agreement for CannEpil® distribution
The Company executed a binding term sheet with IM Cannabis Corp. (**IMC**), one of the leading cannabis companies in Israel with operations in Europe, for the exclusive wholesale import, sales, and distribution of **CannEpil®** in Israel.

Under the terms of the Agreement, IMC will be appointed as the exclusive wholesale importer of **CannEpil®** in Israel for a period of five years provided it meets minimum annual sales levels.

CORPORATE

Listing on the London Stock Exchange
In February, MGC Pharmaceuticals successfully completed a £6.5million (circa $12million) placement to become the first medicinal cannabis company to list on the London Stock Exchange.

The placement was supported by high quality UK institutions and supported by family offices and high net worth investors. It will enable MGC Pharma to fund further clinical trials and scientific research into the use of medicinal cannabis, expand its range of proprietary products and bolster its manufacturing capacities to meet the rapidly increasing global demand.

Acquisition of Medicinal Cannabis Clinics
MGC Pharma signed a binding term sheet with Cannvalate Pty Ltd to acquire 100% of the operating clinic-based assets, data and intellectual property of its wholly owned subsidiary Medicinal Cannabis Clinic (**MCC**). MCC is a leading Australian medicinal cannabis clinic with a large and existing doctor and patient network. MGC Pharma's acquisition of MCC's assets, along with its import and distribution capability will reduce supply chain costs which will in turn lead to increasingly more affordable, high-quality cannabinoid medications for an expanding patient base across Australia.

Acquisition of MediCaNL - Driving efficiencies in medical research
MGC Pharma, through its acquisition of MediCaNL Inc., acquired MediCaNL Israel 2019 Ltd (**MediCaNL**), an Israeli company operating in, and providing specialist services to the pharmaceutical sector for the development of new medicines. MediCaNL offers clinical and preclinical trial services, as well as providing assistance with clinical trials, including supplying research data from past Phase I to IV studies.

As part of the acquisition, MediCaNL will continue to work with its existing clients and its current 40 projects and clinical trials. It will enable MGC Pharma to streamline the process of bringing medicines and products to market by increasing its clinical trial capacity and making clinical trial performance and design an insourced activity. The acquisition will also deliver significant and ongoing cost savings to the Company, with MGC Pharma undertaking a number of Phase I, Phase II, and Phase III clinical trials.

As part of the agreement, Dr Nadya Lisodover, CEO of MediCaNL Inc, who had been working with MGC Pharmaceuticals over the past two years, has joined permanently as MGC's Chief Medical Officer.

Key appointments
MGC Pharma have made a number of key appointments to the company, to help drive growth in the next phase of the company's development. In the year the following appointments have been made:

- **Nicole Godresse, Global Chief Sales Officer:** as part of its global sales strategy, MGC pharma appointed industry leading sales executive Nicole Godresse to implement a focused, global growth strategy, beginning with Australia and New Zealand. Nicole brings over 20 years' experience in the pharmaceutical/healthcare industry, holding senior commercial roles with major multi-national companies including Eli Lilly, Johnson & Johnson, Schering-Plough, Merck Sharp & Dohme and most recently Tilray
- **Evan Hayes, Independent Non-Executive Director:** Evan Hayes is a highly experienced Board member and brings over 20+ commercial and leadership experience within the healthcare and biotechnology sectors. Mr Hayes is currently the Asia Pacific Managing Director of Factors Group, Canada's largest natural health company. Prior to this Mr Hayes was the Director of Sourcing and Product Development at Australia's largest natural health company, Blackmores, leading the Procurement, Technical, New product development, and Strategic sourcing divisions and managed a budget of $250m.

OUTLOOK FOR THE PERIOD AHEAD

MGC Pharma anticipates significant growth in the coming year, both of its sales of existing product and in its clinical pipeline. Via its existing relationships and through new distribution and access agreements in existing and new geographies, MGC Pharma is focused on increasing sales in key markets as well as facilitating awareness and clinical activities supporting the company's product lines enroute to Market Authorisation.

MGC Pharma has taken significant steps towards becoming a global biopharma Company with a focus on phytocannabinoid and plant-based treatments, available to patient populations in need around the world. Our research and development agenda, coupled with our robust clinical platform, sets us at the forefront of this significant emerging segment of the global pharmaceutical market. MGC Pharma intends to ensure our position over the coming years by continually bringing products to markets with full market authorization and in keeping with global regulations, offering cost effective treatments to patients with underserved indications the world over.

SUBSEQUENT TO FINANCIAL YEAR END

Subsequent to year end, the Company had the following events for disclosure:

On 8 July 2021 Mercer Street Global Opportunity Fund LLC elected to convert $500,000 of its convertible notes into 14,792,899 ordinary shares, leaving a balance of $2,100,000 (face value) in convertible notes at the date of this report.

On 12 August 2021 the Company held a General Meeting with performance rights issued to the Directors. As these performance rights were agreed to be issued during the financial year, and have been expensed over the relevant service conditions within the current year.

On 26 August, the Company executed a US$24 million supply agreement with AMC Holdings Inc of MGC Pharma phytomedicine products over three years, with a minimum of US$3 million within the first year, subject to the grant of a National Clinical Trial Number.

Significant Changes in State of Affairs
In the opinion of the Directors, there have been no significant changes to the state of affairs of the Group during the year other than those disclosed elsewhere in the financial report or the notes thereto.

ENVIRONMENTAL REGULATIONS AND PERFORMANCE

The Group's operations are subject to various environmental laws and regulations under the relevant Governments' legislation. Full compliance with these laws and regulations is regarded as a minimum standard for all operations to achieve. There have been no significant known breaches by the Group during the financial year.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

The Company will continue to pursue its clinical trials on its **CimetrA™**, **CannEpil®** and **CogniCann®** products, along with preclinical trials in fighting Glioblastoma, an aggressive brain cancer, using a novel combination of cannabinoids.

MGC Pharma is also continuing to grow its sales of phytomedicine products globally, through both existing distribution channels and new territories.

PRODUCT CATALOGUE

CannEpil | PHYTOCANNABINOID MEDICINES

CannEpil is a formulation of phytocannabinoids delivered as an oral solution to treat refractory epilepsy (drug resistant epilepsy).

Formulation: Cannabidiol (CBD) 100 mg/mL Delta-9-Tetrahydrocannabinol (THC) 5 mg/mL.

Cognicann | PHYTOCANNABINOID MEDICINES

Cognicann is a formulation of phytocannabinoids delivered as an oral solution to treat dementia and Alzheimer's.

Formulation: Delta-9-Tetrahydrocannabinol (THC) 25 mg/mL Cannabidiol (CBD) 17 mg/mL.

CimetrA™ | PLANT BASED THERAPY

CimetrA™ is an Investigational Medical Product which has clinically proven effect in arresting the Cytokine Storm in COVID-19 patients.

Compounds: Combination of Curcumin and Boswellia Serrata: Medical oral spray

Mechanism of action: Immunomodulation in inflammatory conditions.

ArtemiC™ | PLANT BASED THERAPY

ArtemiC™ Rescue (ArtemiC™) is designed with the scientific aim to target viral infections with inflammatory complications and was successfully evaluated on COVID-19 infected patients in a double-blind, placebo controlled, Phase II clinical trial.

Compounds: Combination of Ascorbic Acid, Curcumin, Boswellia Serrata and Artemisinin Administration: Medical oral spray Mechanism of action: Immunomodulation in inflammatory conditions.

MP 100 PHYTOCANNABINOID RATIO PRODUCTS

MP 100 is a Phytocannabinoid based product containing Cannabidiol (CBD) in an oil vehicle. 1 ml of MP 100 contains 25 mg of THC and 1.7 mg of CBD.

MP 1:30 PHYTOCANNABINOID RATIO PRODUCTS

MP 1:30 is a Phytocannabinoid based product containing Tetrahydrocannabinol (THC) and Cannabidiol (CBD) in an oil vehicle. 1 ml of MP 1:30 contains 100 mg of THC and 3.3 mg of CBD.

MP 1:1 PHYTOCANNABINOID RATIO PRODUCTS

MP 1:1 is a Phytocannabinoid based product containing Tetrahydrocannabinol (THC) and Cannabidiol (CBD) in an oil vehicle. 1 ml of MP 1:1 contains 100 mg of CBD.

MP 15:1 PHYTOCANNABINOID RATIO PRODUCTS

MP 15:1 is a Phytocannabinoid based product containing Tetrahydrocannabinol (THC) and Cannabidiol (CBD) in an oil vehicle. 1 ml of MP 15:1 contains 25 mg of THC and 1.7 mg of CBD.

MP 25T PHYTOCANNABINOID RATIO PRODUCTS

MP 25T is a Phytocannabinoid based product containing Tetrahydrocannabinol (THC) in an oil vehicle. 1 ml of MP 25T contains 25 mg of THC.

ROBUST PIPELINE, DEMONSTRATING THE EFFICACY AND VALUE OF PLANT-BASED PRODUCTS

INFORMATION ON DIRECTORS AND SECRETARIES

Names, special responsibilities, qualifications and experience of current directors and company secretaries:

Brett Mitchell, *B. Ec* - Executive Chairman
Mr Mitchell is a corporate finance executive with over 25 years of experience in the venture capital, equity capital markets, technology and resources sectors. He has been involved in the founding, financing and management of both private and publicly listed companies, and was instrumental in the successful LSE listing for MGC Pharma in February 2021.

Mr Mitchell is a founder and director of Chieftain Securities Pty Ltd, a Perth based Corporate Advisory & Venture Capital firm and founder and shareholder of Graft Polymer (UK) Ltd. Mr Mitchell is also currently Non-Executive Director of ASX Listed company Red Dirt Metals Limited (RDT), and Executive Chairman of an Australian unlisted public company, Australian Cannabis Ventures Limited.

Interest in MGC securities held as at date of this report
Mr Brett Mitchell and Mrs Michelle Mitchell <Mitchell Spring Family A/C> (jointly controlled)
22,542,221 Fully Paid Ordinary Shares
20,000,000 Performance Rights

Mr Brett and Mrs Michelle Mitchell <Lefthanders Super Fund A/C> (jointly controlled)
8,418,337 Fully Paid Ordinary Shares
12,400,000 Performance Rights

YCAGAGF Investments Pty Ltd (Mr Mitchell is a Director and holds a 33% shareholding)
1,500,000 unlisted options exercisable at $0.05 expiring 31 August 2023
1,500,000 unlisted options exercisable at $0.06 expiring 31 August 2023
1,500,000 unlisted options exercisable at $0.07 expiring 31 August 2023

Directorships held in other ASX listed entities in the past three years

Red Dirt Metals Limited (27 June 2017 – current)
Sky and Space Global Ltd (12 May 2016 – 31 October 2018)

Roby Zomer – Managing Director and CEO
Mr. Zomer was recruited into MGC Pharma by its founders at the inception of the Company and has since served in multiple roles within MGC Pharma, culminating with his current role as MD and CEO. With ten years of experience in large scale projects in the Biotech and Agrotech sectors, Mr. Zomer has been crucial in moving MGC Pharma from a cannabis concept to a fully functioning biopharma company with global activities. This was part of the vision that has allowed MGC Pharma to launch, and divest itself of, both a Cannabis Cosmetic company (MGC Derma) and a Lifestyle Company (MGC Nutra), which were both crucial building blocks to centralising the Company's pharma vision and activities.

Over the past year, Mr Zomer has been crucial to solidifying the Company's standing as a leading provider of phytomedicines in several regions globally, has successfully launched and derived revenue from ArtemiC™. Additionally, he has put his engineering and medical background into play and has put significant emphasis on the Company's research and development activities, leading to possibilities of distribution and collaboration in several compelling markets around the globe.

Interest in MGC securities held as at date of this report
Chitta Lu Limited (an entity controlled by Mr Zomer)
3,000,001 Fully Paid Ordinary Shares
32,400,000 Performance Rights

HSBC Custody Nominees (Australia) Limited (shares held via custodial account)
30,000,000 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years
Nil.

Nativ Segev – Non-Executive Director
Mr Segev founded MGC Pharma in 2014 with a goal to expand into international markets and raise the quality of medicinal phytocannabinoid products, in addition to making them accessible to patients all over the world. Prior to establishing MGC Pharma, Mr. Segev was a leader in the Medical Cannabis industry with a sizeable patient-base.

He has over 10 years of experience in implementation, legislation and lobbying in the global Medical Cannabis industry, combined with over 15 years of experience in diverse executive roles.

Interest in MGC securities held as at date of this report
Nativ Segev
1 Fully Paid Ordinary Share

Brighght Global Limited (an entity controlled by Mr Segev)
500,000 Fully Paid Ordinary Shares
2,100,000 Performance Rights

HSBC Custody Nominees (Australia) Limited (shares held via custodial account)
52,500,000 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years
Nil.

Dr Ross Walker, *MBBS (Hons), FRACP, FCSANZ* - Non-Executive Director and Chairman of Strategic Advisory Board
Dr Ross Walker is an eminent practicing cardiologist with over 35 years' experience as a clinician. For the past 20 years, he has been focusing on preventative cardiology and is one of Australia's leading preventative health experts.

Dr Walker is considered one of the world's best keynote speakers and life coaches, he is the author of seven best-selling books and a health presenter in the Australian Media

Interest in MGC securities held as at date of this report
Ross G T Walker Pty Ltd (an entity controlled by Mr Walker)
4,370,370 Fully Paid Ordinary Shares
2,100,000 Performance Rights

Directorships held in other ASX listed entities in the past three years
Nil.

Dr Stephen Parker, *D. Phil, MBA* – Senior Independent Director and Chairman of the Corporate Governance Committees
Dr Stephen Parker is a seasoned executive with over thirty years' experience in the pharmaceuticals and biotechnology sectors, as a senior executive in the sector, a strategic consultant, a venture capitalist and a senior corporate financier with Baring's, Warburg's and Apax Partners. Dr Parker is currently Chairman of Sareum Holdings plc and a non-Executive Director of Eternans Limited. Stephen has a D.Phil. from Oxford University and an MBA from City University Business School.

Interest in MGC securities held as at date of this report
Dr Stephen Parker
2,600,000 Performance Rights

Held through a UK Individual Savings Account (Barclays Bank PLC)
282,316 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years
Nil.

Evan Hayes, *MSC Biotech, BSC BioChem, NICM Adjunct Fellow, GAICD, MASM* – Non-Executive Director
Evan Hayes was appointed a Non-executive director of the Company on 1 September 2020. Mr Hayes is a highly experienced Board member and brings over 20+ commercial and leadership experience within the healthcare and biotechnology sectors. Mr Hayes graduated with a Master of Science 1st Class Honours (Biotechnology) from the National University of Ireland, Galway and prior to this he finished first in his class from the National University of Ireland, Cork with a Bachelor of Science degree (Honours). Mr Hayes' has also won the Daniel O'Carroll Award for Scientific Research.

Mr Hayes is currently the Asia Pacific Managing Director of Factors Group, Canada's largest natural health company. Prior to this Mr Hayes was the Director of Sourcing and Product development at Australia's largest natural health company, Blackmores, leading the Procurement, Technical, New product development, and Strategic sourcing divisions and managed a budget of $250m. Evan has served on multiple boards, worked in Europe the USA and in Australia evidenced by his strong knowledge of both the FDA and the TGA. Mr Hayes is an author of multiple patents including one world patent.

Interest in MGC securities held as at date of this report
Evan Hayes
2,600,000 Performance Rights

Directorships held in other ASX listed entities in the past three years
New Zealand Coastal Seafoods Limited (25 Jan 2021 – current)

David Lim – Company Secretary
Mr Lim is a finance and corporate governance professional with over 15 years of experience working for ASX Listed companies. He has previously performed the role of Group CFO and Company Secretary at a number of ASX listed businesses including Equigold NL, Reed Resources Ltd, Aurora Oil and Gas Ltd and Elixir Petroleum Ltd

Mr Lim is a Certified Practicing Accountant and holds a Graduate Diploma of Applied Corporate Governance from, and is an Associate member of, the Governance Institute of Australia.

Rachel Kerr – Company Secretary
Mrs Kerr has over 10 years' experience as a Company Secretary on both private and public companies, managing a number of acquisitions, capital raisings, IPO's, due diligence reviews and the compliance of public companies.

Remuneration Report (Audited)
This report details the nature and amount of remuneration for each key management person of MGC Pharmaceuticals Ltd, and for the executives receiving the highest remuneration.

Remuneration Policy
The remuneration policy of MGC Pharmaceuticals Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of MGC Pharmaceuticals Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and performance incentives.
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee security arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options and other convertible securities are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment, and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee securities plan.

At the 2020 Annual General Meeting, the Company received 35.28% of votes against the non-binding resolution to approve the 2020 remuneration report. It was noted the votes against only represented 2.92% of the issued Capital at that time, and a number of changes were made to service agreements with the Directors with effect from 1 July 2020. Both the remuneration committee and Board feel the current remuneration is commensurable with a Company of its size and complexity.

Performance-based Remuneration
During the year, discretionary cash bonuses were issued as a reward for the successful IPO on the London Stock Exchange. In addition, the Board deemed it appropriate to ensure both management and the Directors had incentive performance rights issued. These performance rights are considered a combination of service-based criteria and milestones linked to share price growth. The Board considers this appropriate, as it aligns with creating shareholder value and also assists retaining key people which are paid at or below market rates to reduce cash outlay.

Company Performance, Shareholder Wealth and Director and Executive Remuneration
Overview of Company Performance
The table below sets out information about MGC Pharmaceuticals Ltd's earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019 (RESTATED)*	30 JUNE 2018 (RESTATED)*	30 JUNE 2017 (RESTATED)*
Net loss after tax ($)	(15,871,978)	(19,370,226)	(8,623,856)	(7,089,432)	(7,212,025)
Share price at year end ($)	0.037	0.02	0.052	0.066	0.046
Basic loss per share (cents)	(0.83)	(1.40)	(0.71)	(0.56)	(0.71)
Dividends paid	-	-	-	-	-

* *The net loss after tax and basic loss per share presented for each period prior to 30 June 2020 have been restated as a result of the correction of the prior period error disclosed in the 2020 financial statements.*

Key Management Personnel Remuneration Policy
The Board's policy for determining the nature and amount of remuneration of key management for the Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

All Directors had contracts in place with the Company during the financial year as detailed below.

Material terms of agreements in place during the financial year:

BRETT MITCHELL, EXECUTIVE CHAIRMAN

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - $4,000 per month.
- MGC Pharma (UK) Ltd Non-Executive Director agreement commenced 30 June 2016; no termination date or payment on termination;
  - Fees of £910 per month.

Addendum to Services Agreement with Sibella Capital Pty Ltd, an entity controlled by Mr Mitchell, valid from 1 March 2021

- MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable;
  - Fees increased from $12,000 per month to £14,000 per month.
  - Performance Rights as approved at the General Meeting on 12 August 2021.

ROBY ZOMER, CEO & MANAGING DIRECTOR

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Standard director fee of $4,000 per month.
- MGC Pharma (UK) Ltd Non-Executive Director agreement commenced 30 June 2016; no termination date or payment on termination;
  - Fees of £910 per month.
- MGC Pharmaceuticals d.o.o (the Group's Slovenian subsidiary) director agreement commenced 1 July 2018; no termination date or payment on termination;
  - Fees of €1,024 per month (excluding taxes).

Addendum to Services Agreement with Chitta Lu Limited, an entity controlled by Mr Zomer, valid from 1 March 2021

- MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable;
  - Fees increased from $12,500 per month to £14,500 per month.
  - Performance Rights as approved at the General Meeting on 12 August 2021.

MR NATIV SEGEV, NON-EXECUTIVE DIRECTOR - CURRENT DIRECTOR AGREEMENT

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Standard director fee of $4,000 per month.

Services Agreement with Brighght Global Limited, an entity controlled by Mr Segev, valid from 1 July 2020 to current

- MGC Pharmaceuticals Ltd services agreement this automatically renews every 12 months unless terminated, 90 days' notice;
  - Fees reduced to $5,000 per month.
  - No termination fee payable.

DR ROSS WALKER, NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF STRATEGIC ADVISORY BOARD

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month.

DR STEPHEN PARKER, SENIOR INDEPENDENT DIRECTOR AND CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEES

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month.
  - With effect from 1 April 2021 an additional $1,000 per month for acting as the Strategic Independent Director and acting as the Chairman of the Corporate Governance Committees.

DR EVAN HAYES, NON-EXECUTIVE DIRECTOR

- Director Agreement dated 1 September 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month.

In accordance with clause 14.7 and 14.8 of the Company's constitution, the total aggregate fixed sum per annum to be paid to non-executive Directors, for Director related services, shall not exceed $250,000 and may be varied by ordinary resolution of the shareholders at a general meeting.

Details of Remuneration

Key Management Personnel Remuneration

	CASH SHORT-TERM BENEFITS			NON-CASH POST-EMPLOYMENT BENEFITS					
DIRECTORS	CASH AND SALARY	PERFOR-MANCE BONUS	OTHER[ii]	SUPER-ANNUATION	TERMINATION BENEFITS	EQUITY	SHARE BASED PAYMENTS[i]	TOTAL	PERFOR-MANCE RELATED %
2021									
Brett Mitchell	267,397	50,000	-	-	-	-	160,308	477,705	44.02%
Roby Zomer	280,556	50,000	(9,620)	-	-	-	160,308	481,244	43.70%
Nativ Segev	107,540	-	(28,462)	-	-	-	27,382	106,460	25.72%
Ross Walker	48,000	-	-	-	-	-	27,382	75,382	36.32%
Stephen Parker	56,557	-	-	-	-	-	28,310	84,867	33.36%
Evan Hayes[iii]	40,000	-	-	-	-	-	28,310	68,310	41.44%
Total	**800,050**	**100,000**	**(38,082)**	**-**	**-**	**-**	**432,000**	**1,293,968**	
2020									
Brett Mitchell	230,532	30,000	-	-	-	-	91,456	351,988	22.43%
Roby Zomer	290,319	30,000	28,211	-	-	-	91,456	439,986	17.95%
Nativ Segev	240,319	30,000	53,722	-	-	-	(58,521)	265,520	5.26%
Ross Walker	52,000	-	-	-	-	-	-	52,000	-
Stephen Parker	60,608	-	-	-	-	-	-	60,608	-
Total	**873,778**	**90,000**	**81,933**	**-**	**-**	**-**	**124,391**	**1,170,102**	

All Directors have contracts with the Company.

i. Refer to *Share-based and other performance based compensation* section below for detail.

ii. "Other" includes expat expenses in Malta and Slovenia. During the current year, credit notes were issued against these expenses that were expensed and unpaid at 30 June 2020, as a result of cost reductions due to Covid-19.

iii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

Option Holdings of Key Management Personnel

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET OTHER CHANGES	CLOSING BALANCE (VESTED AND EXERCISABLE)
2021					
Brett Mitchell	9,500,000	-	-	(4,444,446)[i]	5,055,554
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Evan Hayes[ii]	-	-	-	-	-
Total	**9,500,000**	**-**	**-**	**(4,444,446)**	**5,055,554**
2020					
Brett Mitchell	5,000,000	-	-	4,500,000	9,500,000[iii]
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Total	**5,000,000**	**-**	**-**	**4,500,000**	**9,500,000**

i. 5,000,000 of the 9,500,000 options held by YCAGAGF Investments Pty Ltd, of which Mr Mitchell, is a director expired unexercised on 30 June 2021, 555,554 Listed Options were granted to Trusts controlled by Mr Mitchell as part of a placement undertaken in July 2020.

ii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

iii. Chieftain Securities Pty Ltd held these options of which Mr Mitchell is a director and 25% shareholder.

Performance Rights held by Key Management Personnel

Details of performance rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION[i]	PERFORMANCE RIGHTS EXERCISED	NET OTHER CHANGES	CLOSING BALANCE
2021					
Brett Mitchell	10,000,000	-	(2,500,000)	(2,500,000)[ii]	5,000,000[iii]
Roby Zomer	10,000,000	-	(2,500,000)	(2,500,000)[ii]	5,000,000[iii]
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Evan Hayes[iv]	-	-	-	-	-
Total	**20,000,000**	**-**	**(5,000,000)**	**(5,000,000)**	**10,000,000**
2020					
Brett Mitchell	-	10,000,000	-	-	10,000,000
Roby Zomer	-	10,000,000	-	-	10,000,000
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Total	**-**	**20,000,000**	**-**	**-**	**20,000,000**

i. Refer to "Share-based and other performance-based compensation" section below for details of rights granted and vested during the period, which were still subject to shareholder approval at 30 June 2021 and therefore had not yet been issued.
ii. Lapsed as Milestones not satisfied.
iii. 5,000,000 unvested at balance date.
iv. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

Shareholdings of Key Management Personnel

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by KMP and their parties are as follows:

Shareholdings

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION	PERFORMANCE RIGHTS EXERCISED	NET OTHER CHANGES	CLOSING BALANCE
2021					
Brett Mitchell	27,905,004	-	2,500,000	-	30,405,004
Roby Zomer	30,500,001	-	2,500,000	-	33,000,001
Nativ Segev	53,000,001	-	-	-	53,000,001
Ross Walker	4,370,370	-	-	-	4,370,370
Stephen Parker	-	-	-	282,316[ii]	282,316
Evan Hayes[iii]	-	-	-	-	-
Total	**115,775,376**	**-**	**5,000,000**	**282,316**	**121,057,692**
2020					
Brett Mitchell	26,793,894	-	-	1,111,110[i]	27,905,004
Roby Zomer	30,500,001	-	-	-	30,500,001
Nativ Segev	53,000,001	-	-	-	53,000,001
Ross Walker	4,000,000	-	-	370,370[i]	4,370,370
Stephen Parker	-	-	-	-	-
Evan Hayes[iii]	-	-	-	-	-
Total	**114,293,896**	**-**	**-**	**1,481,480**	**115,775,376**

i. Net other changes are as a result of rights allotted as part of the Share Purchase Plan issue and other movement due to changes in directors and directors' related entities.
ii. Acquired on market.
iii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

Share-based and other performance-based compensation

Performance rights

On 31 March 2021, the remuneration committee agreed to issue performance rights to the Directors and other management personnel, to incentivise and retain its workforce. The performance rights issued to Directors were subject to shareholder approval, which was received subsequent to year-end on 12 August 2021 (grant date):

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining a director as at 1 April 2022	17,100,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining a director as at 1 April 2022	39,900,000	1 Apr 23
C	18 months continued service up to 30 June 2021 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2021	7,200,000	30 Jun 21
		64,200,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties

The fair value of the performance rights for milestones C was estimated to be $0.041/right at 30 June 2021. A Monte Carlo valuation was applied to milestones A and B to estimate the fair values at 30 June 2021, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	12 Aug 21	12 Aug 21
Share price	$0.041	$0.041
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	66%	70%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.038	$0.009

Although grant date has occurred subsequent to year-end, there was an agreement in place during the year to issue the performance rights, and therefore they have been expensed over the relevant service periods based on an estimated valuation at 30 June 2021, which was consistent to the valuation subsequently determined at the grant date of 12 August 2021. The milestone C performance rights fully vested during the period, while the milestone A and B rights remained unvested and are being expensed over the service period to 1 April 2022.

Performance bonuses

During the year, the Remuneration and Nomination Committee reviewed the performance of the executive team, and concluded that a cash bonuses were to be issued to those that assisted with the LSE Listing. The executive Directors, namely Mr Roby Zomer and Mr Brett Mitchell, both received an amount of $50,000 during the year.

Options

There were no options over ordinary shares granted to and/or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2021 or 30 June 2020.

Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of non-remuneration related transactions including amounts receivable and payable at the end of the year are as follows:

			TRANSACTIONS		BALANCES (OWING TO)/ OWED BY	
RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTIONS	FULL YEAR 30-JUN-21 $	FULL YEAR 30-JUN-20 $	FULL YEAR 30-JUN-21 $	FULL YEAR 30-JUN-20 $
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Corporate services from Chieftain – 1 Jul 20 to 31 Dec 20	30,000	60,000	-	(5,500)
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Charges from Chieftain for capital raising costs	-	116,594	-	-
CHIEFTAIN SECURITIES (WA) PTY LTD (CHIEFTAIN WA)	(ii)	Corporate services from Chieftain – 1 Jan 21 to 30 June 21	30,000	-	-	-
GRAFT POLYMER (UK) LIMITED	(iii)	Services charges from/ (recharges to) GPO for development for MGC Proprietary drug delivery technology	409,446	510,859	(6,820)	(40,000)
AUSTRALIA CANNABIS VENTURES LIMITED (ACV)	(iv)	(Re-charges) to ACV for corporate administrative costs	(10,000)	-	-	-

(i) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities Pty Ltd.
(ii) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities (WA) Pty Ltd.
(iii) Mr Roby Zomer is Executive Chairman and shareholder of Graft Polymer (UK) Limited, who is developing the proprietary nano-emulsion and nano-particle drug delivery platform for MGC Pharma medicines.
(iv) Mr Brett Mitchell is an Executive Chairman and shareholder of Australian Cannabis Ventures Limited.

End of Remuneration Report

Meetings of Directors

The Directors attendances at Board meetings held during the year were:

	BOARD MEETINGS	
	HELD	ATTENDED
Brett Mitchell	6	6
Nativ Segev	6	6
Roby Zomer	6	6
Ross Walker	6	6
Stephen Parker	6	6
Evan Hayes	6	6

The Company has remuneration, nomination and audit and risk committees in place. The attendances of the Committee Members for the meetings held during the year were:

	REMUNERATION COMMITTEE		NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Brett Mitchell	2	2	1	1	2	2
Ross Walker	2	2	1	1	2	2
Stephen Parker	2	2	1	1	2	2

Mr Evan Hayes was added to each of the sub-committees during the year, but not during the time any meetings were held.

Corporate Governance
In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of MGC Pharmaceuticals Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council, and considers that the Company is in compliance with many of those guidelines which are of importance to the commercial operation of the Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Policy is available for review on the Company's website www.mgcpharma.com.au.

Options
At the date of this report the options on issue for MGC Pharmaceuticals Ltd are as follows:

DATE OF EXPIRY	EXERCISE PRICE	NUMBER
31 August 2023	$0.05	16,300,000
31 August 2023	$0.06	17,500,000
31 August 2023	$0.07	17,500,000
31 March 2023	$0.026	7,692,308
31 March 2023	£0.01475	26,440,678
TOTAL		**85,432,986**

Rights
At the date of this report the performance rights on issue for MGC Pharmaceuticals Ltd are as follows:

DESCRIPTION	EXERCISE PRICE	VESTED (YES/NO)	NUMBER
Dec 19 Director Rights	nil	no	10,000,000
Apr 21 Employee class A	nil	no	3,725,000
Apr 21 Employee class B	nil	no	9,275,000
Apr 21 Employee class C	nil	yes	10,600,000
Apr 21 Director class A	nil	no	17,100,000
Apr 21 Director class B	nil	no	39,900,000
Apr 21 Director class C	nil	yes	7,200,000
TOTAL			**97,800,000**

Convertible Notes
At the date of this report the convertible notes on issue for MGC Pharmaceuticals Ltd are as follows:

ISSUE DATE	CONVERSION PRICE	FACE VALUE PER SECURITY	MATURITY DATE	NUMBER
20 November 2020	$0.035[1]	$1.00	20 November 2021	2,100,000

1. The conversion price will be the lower of $0.035 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than $0.018

Indemnifying Officers or Auditor
The Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors of the Company as named above, the company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Proceedings on behalf of Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Ernst & Young Australia received or are due to receive $40,580 for the provision of non-audit services in relation to the Group's R&D rebate application for the 2020 financial year.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2021 has been received and can be found on page 29 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue in accordance with a resolution by the Directors of the Company on 29 September 2021.

R. Zomer

Roby Zomer
Managing Director
Dated 30 September 2021

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Building a better working world

Auditor's independence declaration to the directors of MGC Pharmaceuticals Limited

As lead auditor for the audit of the financial report of MGC Pharmaceuticals Limited for the financial year ended 30 June 2021, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MGC Pharmaceuticals Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Timothy Dachs
Partner
30 September 2021

TD:TGF:MGC:004

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2021

		30-Jun-21	30-Jun-20
Continuing operations	***Note***	**$**	**$**
Revenue from contracts with customers	*5a)*	2,962,897	2,079,169
Cost of sales	*6a)*	(1,652,485)	(1,904,504)
Gross profit		**1,310,412**	**174,665**
Other operating income	*5c)*	606,745	518,851
Administrative expenses	*6b)*	(8,287,864)	(6,609,147)
Other operating expenses	*6c)*	(5,250,690)	(5,520,556)
Fair value movement on financial instruments	*20*	(3,704,592)	(2,098,064)
Write-off/impairment expense	*6d)*	-	(5,117,767)
Operating loss		**(15,325,989)**	**(18,652,018)**
Finance costs	*6e)*	(369,135)	(135,582)
Finance income	*5b)*	7,632	12,336
Other income		250,873	5,465
Loss before income tax from continuing operations		**(15,436,619)**	**(18,769,799)**
Income tax expense	*7*	27,278	-
Loss for the year from continuing operations		**(15,409,341)**	**(18,769,799)**
Discontinued operations			
Loss after tax for the year from discontinued operations	4	(462,637)	(600,427)
Loss for the year		**(15,871,978)**	**(19,370,226)**
Attributable to:			
Members of the parent entity		(15,869,978)	(19,363,089)
Non-controlling interest		(2,000)	(7,137)
		(15,871,978)	**(19,370,226)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		131,416	51,356
Other comprehensive income (net of tax) for the year		**131,416**	**51,356**
Total comprehensive loss for the year		**(15,740,562)**	**(19,318,870)**
Total comprehensive loss attributable to:			
Members of the parent entity		(15,738,244)	(19,311,733)
Non-controlling interest		(2,318)	(7,137)
		(15,740,562)	**(19,318,870)**
Earnings per share			
Basic loss for the year attributable to ordinary equity holders of the parent	18	(0.83)	(1.40)
Diluted loss for the year attributable to ordinary equity holders of the parent	18	(0.83)	(1.40)
Earnings per share for continuing operations			
Basic loss for the year attributable to ordinary equity holders of the parent	18	(0.81)	(1.36)
Diluted loss for the year attributable to ordinary equity holders of the parent	18	(0.81)	(1.36)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2021

	Note	30-Jun-21 $	30-Jun-20 $
CURRENT ASSETS			
Cash and cash equivalents	*8*	5,433,241	1,873,373
Inventory	*9*	872,444	402,237
Trade and other receivables	*10*	2,348,634	521,684
Prepayments		546,576	71,032
Disposal group classified as held for sale	*4*	280,475	362,657
Total Current Assets		**9,481,370**	**3,230,983**
NON-CURRENT ASSETS			
Plant and equipment	*11*	5,272,202	2,192,974
Intangible assets and goodwill	*12*	7,048,880	-
Financial assets	*20*	564,186	673,740
Right-of-use assets	*14*	1,869,006	1,831,377
Total Non-Current Assets		**14,754,274**	**4,698,091**
TOTAL ASSETS		**24,235,644**	**7,929,074**
CURRENT LIABILITIES			
Trade and other payables	*13a)*	1,796,235	2,705,818
Deferred revenue	*13b)*	-	100,440
Liabilities directly associated with disposal group	*4*	89,659	109,254
Financial liabilities at fair value through profit or loss	*15*	4,034,763	-
Lease liabilities - current	*14*	209,433	53,924
Total Current Liabilities		**6,130,090**	**2,969,436**
NON-CURRENT LIABILITIES			
Provisions		-	19,982
Deferred income	*13c)*	2,506,281	-
Lease liabilities – non-current	*14*	1,773,374	1,845,300
Total Non-Current Liabilities		**4,279,655**	**1,865,282**
TOTAL LIABILITIES		**10,409,745**	**4,834,718**
NET ASSETS		**13,825,899**	**3,094,356**
EQUITY			
Contributed equity	*16a)*	84,511,983	60,149,457
Share based payment reserve	*16bi)*	7,490,483	5,380,904
Foreign currency translation reserve	*16bii)*	212,381	85,284
Consolidation reserve		(382,404)	(382,404)
Accumulated losses		(77,997,896)	(62,127,918)
Equity attributable to equity holders of the parent		**13,834,547**	**3,105,323**
Non-controlling interest		(8,648)	(10,967)
TOTAL EQUITY		**13,825,899**	**3,094,356**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2021

	CONTRIBUTED EQUITY $	SHARE BASED PAYMENT RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	CONSOLIDATION RESERVE $	RETAINED EARNINGS $	NON-CONTROLLING INTEREST $	TOTAL $
Balance at 1 July 2019	**49,133,819**	**4,556,418**	**33,928**	**-**	**(42,764,829)**	**(161,163)**	**10,798,173**
Other comprehensive income	-	-	51,356	-	-	-	**51,356**
Loss after income tax expense	-	-	-	-	(19,363,089)	(7,137)	**(19,370,226)**
Total comprehensive loss for the year	**-**	**-**	**51,356**	**-**	**(19,363,089)**	**(7,137)**	**(19,318,870)**
Shares issued during the year (net of share issue costs)	9,911,672	-	-	-	-	-	**9,911,672**
Transfer to issued capital	869,931	(869,931)	-	-	-	-	**-**
Share based payment	-	1,694,417	-	-	-	-	**1,694,417**
Acquisition of non-controlling interest	234,035	-	-	(382,404)	-	157,333	**8,964**
Balance at 30 June 2020	**60,149,457**	**5,380,904**	**85,284**	**(382,404)**	**(62,127,918)**	**(10,967)**	**3,094,356**
Other comprehensive income	-	-	127,097	-	-	4,319	**131,416**
Loss after income tax expense	-	-	-	-	(15,869,978)	(2,000)	**(15,871,978)**
Total comprehensive loss for the year	**-**	**-**	**127,097**	**-**	**(15,869,978)**	**2,319**	**(15,740,562)**
Shares issued during the year (net of share issue costs)	9,412,411	1,101,977	-	-	-	-	10,514,388
Transfer to issued capital	418,000	(418,000)	-	-	-	-	-
Share based payment	453,113	1,425,602	-	-	-	-	1,878,715
Acquisition of business (MedicaNL)	1,800,000	-	-	-	-	-	1,800,000
Unissued shares (MedicaNL)	4,200,000	-	-	-	-	-	4,200,000
Acquisition of business (MCC)	1,000,000	-	-	-	-	-	1,000,000
Equity issued to extinguish financial liabilities	1,231,698	-	-	-	-	-	1,231,698
Conversion of convertible notes	4,810,641	-	-	-	-	-	4,810,641
Exercise of options	1,036,663	-	-	-	-	-	1,036,663
Balance at 30 June 2021	**84,511,983**	**7,490,483**	**212,381**	**(382,404)**	**(477,997,896)**	**(8,648)**	**13,825,899**

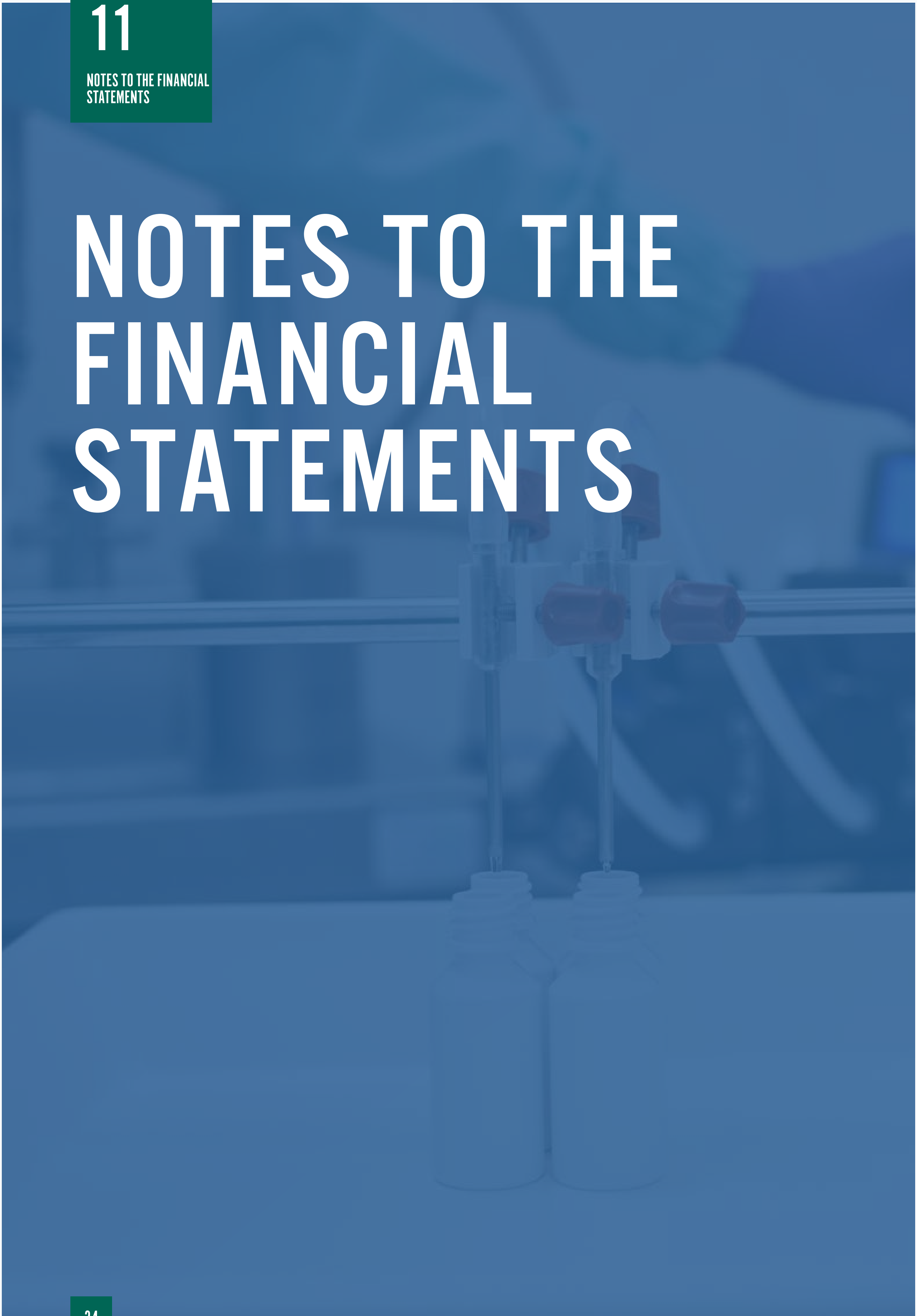
The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2021

	Note	30-Jun-21 $	30-Jun-20 $
Cash flows from operating activities			
Receipts from customers		2,162,812	2,072,246
Payments to suppliers and employees		(10,847,944)	(8,452,920)
Payments for research expenses		(3,839,592)	(3,973,805)
Research and development rebate / grants	5c	507,248	518,952
Interest received		7,984	14,242
Interest paid		(7,398)	(135,582)
Income tax (paid) / received		27,278	-
Net cash used in operating activities	24	**(11,989,612)**	**(9,956,867)**
Cash flows from investing activities			
Subsidiary disposed; net of cash disposed of		(79,687)	(13,252)
Acquisition of business; net of cash acquired (MCC)	12	(400,000)	-
Acquisition of business; net of cash acquired (MedicaNL)	12	106,438	-
Government grant received relating to plant and equipment		2,450,747	-
Proceeds from sales of plant and equipment		-	-
Loans to third parties	10	(546,995)	-
Proceeds from sale of investments		302,823	5,465
Purchase of plant and equipment / assets under construction		(3,327,105)	(962,097)
Net cash used in investing activities		**(1,493,779)**	**(969,884)**
Cash flows from financing activities			
Proceeds from issue of shares and conversion of options		12,759,697	11,433,193
Proceeds from borrowings		5,750,000	-
Payment of lease liabilities		(255,993)	(183,611)
Transaction costs on issue of shares		(1,202,646)	(787,677)
Net cash provided by financing activities		**17,051,058**	**10,461,905**
Net increase / (decrease) in cash and cash equivalents held		3,567,667	(464,846)
Cash and cash equivalents at beginning of year		1,873,373	2,354,086
Foreign exchange movement in cash		(7,799)	(15,867)
Cash and cash equivalents at end of year	8	**5,433,241**	**1,873,373**

The accompanying notes form part of these financial statements



NOTES TO THE FINANCIAL STATEMENTS

Contents of the Notes to the Financial Statements

Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial statements of MGC Pharmaceuticals Ltd for the year ended 30 June 2021 were authorised for issue in accordance with a resolution of Directors on 29 September 2021. These consolidated financial statements and notes represent those of MGC Pharmaceuticals Ltd (the "Company") and Controlled Entities (the "consolidated group" or "Group"). MGC Pharmaceuticals Ltd is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and the main segment of the London Stock Exchange ("LSE"). The registered office of the Company is 1202 Hay Street, West Perth WA 6005.

MGC Pharma is a European based bio-pharma company, specialising in the development and supply of standardised phytomedicines to patients globally. It has three key clinical projects today, as well as a pipeline of further potential therapies: CimetrA, a Phase 3 symptomatic treatment for early COVID-19, CannEpil, a Phase 2b cannabis-based therapy for drug-resistant Epilepsy, and CogniCann, in a Phase 2 trial for symptomatic relief of Dementia. The Company currently generates revenues from its ArtemiC range of products, and its cannabinoid products primarily distributed within Australia, the UK, and South America.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 as appropriate for 'for-profit' orientated entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of financial assets and liabilities.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

During the year ended 30 June 2021 the consolidated group incurred a loss from continuing operations of $15,409,341 (2020: $18,769,799) and net operating cash outflows of $11,989,612 (2020: $9,956,867). At 30 June 2021, the consolidated group had a working capital surplus of $3,351,280 (2020: surplus $261,547), including a cash and cash equivalents balance of $5,433,241 (2020: $1,873,373). Within the current liabilities are convertible notes which, under market conditions at the date of this report are favourable for the holder to elect to convert to equity. There are $2,100,000 (face value) of unredeemed convertible notes on issue at the date of this report.

The Group's cashflow forecasts for the 12 months ending 30 September 2022 indicates that the Group will require additional capital to meet its expenditure requirements and carry out its planned activities. Further to the recent listing and oversubscribed capital raising on the London Stock Exchange, the Directors are satisfied that additional capital can be raised as and when required to meet its current commitments and further planned activities , also noting that the Group has not drawn down $9,250,000 of the existing convertible securities finance agreement ("the agreement") with Mercer Street Global Opportunity Fund, LLC ("the investor"). Any further drawdown is at the investor's discretion, and the Company having sufficient capacity under Chapter 7 of the ASX Listing Rules to issue the convertible notes, or shareholder approval being obtained.

Based on the matters detailed above, the Directors are satisfied that the going concern basis of preparation is appropriate and that the Group will be able to realise its assets and settle its obligations in the ordinary course of business over the next 12 months.

The consolidated financial statements have been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. In the event that the Group is unable to obtain additional funding, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern. The consolidated financial statements do not include any adjustments relating to the recoverability and classification of the recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of MGC Pharmaceuticals Ltd and its subsidiaries as at 30 June 2021 ("the Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it, de-recognises the assets (including goodwill) and liabilities of the subsidiary; de-recognises the carrying amount of any non-controlling interests; de-recognises the cumulative translation differences recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss; and reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed.

c) Foreign Currency

Functional and Presentation Currency
Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income, except when they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transaction differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign operations
On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

d) Trade Receivables and Other Short Term Debtors

Trade receivables and other short term debtors are all classified as financial assets held at amortised cost on the basis they are held with the objective of collecting contractual cash flows and the cash flows relate to payments of principal and interest on the principal amount outstanding.

The Group applies the simplified approach in measuring expected credit losses (ECLs) for trade receivables and other short-term debtors, whereby an allowance for impairment is considered across all trade receivables and other short-term debtors, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group's exposure to bad debts is not significant and default rates have historically been very low. Trade and other short term receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or the debtor failing to make timely contractual payments.

e) Other Financial Assets

Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Other financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity had transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part, or all, of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

f) Impairment of Non-Financial Assets

Non-financial assets are tested for impairment when there is an indication that the asset may be impaired (which is assessed at least each reporting date).Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculations are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. Value in use calculations are based on a discounted cash flow ("DCF') model, where relevant. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

g) Current and Non-Current Classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

h) Government Grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

i) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset, or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Leases

Group as Lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets
The Group applies the short-term lease recognition exemption to its short-term leases of office rental (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

k) Other significant accounting policies
Refer to the relevant notes to the financial statements for other accounting policies, including revenue (note 5), income taxes (note 7), government grants (note 5), cash and cash equivalents (note 8) inventory (note 9), plant and equipment (note 11), share-based payments (note 28) and employee benefits (note 13).

l) Rounding of Amounts
The Company is a kind referred to in Legislative Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

New and amended Accounting Standards and Interpretations adopted by the Group
The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2020, with no material impact to the Group.

The Group has not early adopted any new or amended Accounting Standards or Interpretations issued but not yet effective, the impacts of which are not expected to be material to the Group, as follows:

REFERENCE	DESCRIPTION
AASB 2020-3 *Amendment to AASB 9 – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by the "10 per cent" test. That is, when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other's behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test.
AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors' interests in the associate or joint venture.

REFERENCE	DESCRIPTION
AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The application of this Standard is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. The amendment clarify the deferred tax accounting on potential exceptions that may or may not apply. It requires entities to also recognise deferred tax for all temporary differences related to leases, decommissioning, restoration and similar liabilities at the beginning of the earliest comparative period presented.
AASB 2020-3 *Amendments to AASB 3 – Reference to the Conceptual Framework*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. The IASB's assessment of applying the revised definitions of assets and liabilities in the *Conceptual Framework* to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the *Conceptual Framework* to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21.
AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*	The application of this amendment is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically: ▪ The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. ▪ Management intention or expectation does not affect classification of liabilities. In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.
AASB 2021-2 *Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies*	The application of this amendment is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards.
AASB 2020-3 *Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use*	The application of this amendment is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. Under AASB *116 Property, Plant and Equipment,* net proceeds from selling items produced while constructing an item of property, plant and equipment12 are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 102 *Inventories*. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Judgements and estimates which are material to the financial report are found at the following notes:

a) **Share Based Payments** (refer note 28).

b) **Valuation of financial liabilities valued at fair value through profit or loss** (refer note 15).

c) **Leases** (refer note 14).

d) **Research and Development Rebate** (refer note 5c).

e) **Impairment Assessment of Non-Current Assets** (refer note 11).

f) **Expected Credit Losses** (refer note 10).

4. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

During June 2020, MGC Pharma signed an agreement to sell its 100% interest in subsidiary MGC Nutraceuticals to a US OTC publicly traded company, Onassis Holdings Corp. (OTC: "ONSS"). The transaction has been delayed however is expected to be completed in the latter part of 2021. The transaction will complete upon ONSS conducting an IPO, of which MGC Pharma will receive shares to the value of US $6,000,000.

MGC Nutraceuticals d.o.o has been classified as a disposal group held for sale and as a discontinued operation, with results below:

	30-Jun-21	**30-Jun-20**
Revenue	33,156	148,544
Expenses	(495,793)	(748,971)
Pre-tax loss	(462,637)	(600,427)
Income tax expense/benefit	-	-

Assets and liabilities of MGC Nutraceuticals d.o.o classified as held for sale:

	30-Jun-21 **$**	**30-Jun-20** **$**
Non-current assets classified as held for sale		
Cash and cash equivalents	79,687	13,252
Trade and other debtors	200,788	155,640
Inventory	-	193,765
	280,475	**362,657**
Liabilities directly associated with non-current assets classified held for sale		
Trade and other payables	26,269	43,841
Deferred revenue	63,390	65,413
	89,659	**109,254**
Net assets of disposal group	**190,816**	**253,403**

5. REVENUE AND OTHER INCOME

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue from sale of pharma products

Revenue from the sale of cannabinoids is recognised when the goods have been delivered, at which point the customer obtains control of the goods. In most cases, sales are B2B with revenue recognised as they are delivered to the pharmacy.

Revenue from consulting services

Revenue from providing clinical research services are recognized over time as the performance obligations are satisfied.

Revenue from sale of non-pharma products

Revenue from the sales of cosmetics is recorded when the products have been delivered to the consumer, signifying transfer of ownership and the point the customer obtains control of the goods.

Interest revenue

Interest revenue is recognized using the effective interest rate method.

	30-Jun-21 $	30-Jun-20 $
a) Revenue from contracts with customers		
Pharma sales	2,726,075	1,197,130
Consulting services (*clinical research fees and clinic consults*)	236,822	-
Non-pharma sales	-	882,039
	2,962,897	**2,079,169**
b) Finance income		
Interest income calculated using the effective interest rate method	7,632	12,336
	7,632	**12,336**
c) Other operating income		
Refund on research and development claim[1]	507,248	429,401
Government grants received	99,497	89,450
	606,745	**518,851**

1. *During the year ended 30 June 2021, the Group received a research and development rebate following lodgement of a claim for its financial year ended 30 June 2020.*

Research and development rebates are accounted for as a government grant. Management judgement is required to assess that the rebate meets the recognition criteria and in determining the measurement of the rebate including the assessment of the eligibility and appropriateness of the apportionment of eligible expenses based on research and development activities undertaken by the consolidated entity and taking into consideration relevant legislative requirements.

Further, the Research and Development rebate program in Australia is a self-assessment regime and there is a four-year period from the date of lodgement where the claim may be subject to a review by the Australian Taxation Office or AusIndustry, with any amounts over-claimed being potentially subject to full repayment with interest and penalties.

6. COST OF SALES AND EXPENSES

	30-Jun-21	30-Jun-20
	$	$
a) Cost of sales		
Cost of goods sold - Pharma	1,482,535	1,242,311
Cost of sales – Consulting services	169,950	-
Cost of goods sold – Non-pharma	-	662,193
	1,652,485	**1,904,504**
b) Administrative expenses		
Corporate costs	511,705	303,681
Professional and consultancy fees	1,483,060	1,034,810
Directors' fees	871,804	1,178,114
Employee benefit expenses	1,867,248	1,270,134
Employee share based payment expense	1,647,715	854,915
Travel expenses	309,272	399,934
Marketing expenses	583,185	562,125
Depreciation	491,408	481,130
Office and administrative expenses	522,467	524,304
	8,287,864	**6,609,147**
c) Other operating expenses		
Unrealised foreign exchange	(44,386)	69,896
Realised foreign exchange	74,400	80,506
Inventory write-off	128,210	-
Laboratory operation expenses	3,194,687	3,285,946
Research expense	1,897,779	2,084,208
	5,250,690	**5,520,556**
d) Impairment expense		
Write off/impairment of intangible assets	-	5,117,767
	-	**5,117,767**
e) Finance cost		
Finance costs	369,135	135,582
	369,135	**135,582**

7. INCOME TAX

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and are recognised for all taxable temporary differences,

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Tax Consolidation
The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidated legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 21 October 2005. The tax consolidated group has entered a tax funding agreement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

		30-Jun-21	30-Jun-20
a)	**Major components of income tax expense for the periods presented:**	**$**	**$**
	Current tax	(27,278)	-
	Deferred tax	-	-
	Income tax expense / (benefit) reported in the Statement of Comprehensive Income	(27,278)	-
b)	**The prima facie tax on (loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:**		
	Prima facie tax payable on (loss) from continuing operations and discontinued operations before income tax at 26% (2020: 27.5%)	(4,141,448)	(5,326,812)
	Adjustments due to permanent differences	2,004,491	483,339
	Deferred tax assets not brought to account	2,136,957	2,732,232
	Under/over provision of prior year	(27,278)	-
	Income tax expense/(benefit)	**(27,278)**	**-**
	Deferred Tax Assets Not Brought to Account, the benefits of which will only be realised if the conditions for deductibility set out in note above		
	Tax Losses	6,837,338	6,164,503
	Temporary Differences	513,223	428,686
	Total	**7,350,561**	**6,593,189**

8. CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	30-Jun-21	30-Jun-20
	$	**$**
Cash at bank	5,433,241	1,873,373
	5,433,241	**1,873,373**

9. INVENTORY

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

	30-Jun-21 $	30-Jun-20 $
Inventories	300,834	92,511
Raw materials	571,610	290,940
Work in progress	-	18,786
	872,444	**402,237**

10. TRADE AND OTHER RECEIVABLES

Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Current	30-Jun-21 $	30-Jun-20 $
Trade receivables	890,299	-
Expected credit loss on trade receivables	(49,340)	-
Other receivables	818,784	214,209
GST/VAT receivable	688,891	254,297
Short term loan to third party	-	53,178
Financial asset at fair value through profit or loss[1]	-	-
	2,348,634	**521,684**

Other receivables are non-interest bearing and are generally on terms of 30 days.

[1]. **Financial asset at fair value through profit or loss**	30-Jun-21 $	30-Jun-20 $
Opening - financial asset at fair value through profit or loss	-	-
Loans advanced to third parties	546,995	-
Fair value loss on financial assets	(546,995)	-
Closing – financial asset at fair value through profit or loss	**-**	**-**

During the year, funds were loaned to an unrelated entity to advance registration of its phytomedicine products in Russia and CIS countries, interest-bearing and repayable in 24 months. MGC Pharma is party to a draft agreement to acquire a 54% interest in this entity for nominal consideration, with finalisation of the transaction subject to signing and physical lodgement of the share transfer document in the country of incorporation, expected to occur in the coming months. The loan has been classified as a financial asset at fair value through profit or loss, with a fair value determined to be nil at 30 June 2021 due to the equity risk associated with the loan.

11. PLANT AND EQUIPMENT

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment 3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

During the period, the Group signed a contract with BioPharmax to complete construction on a fully functioning GMP certified manufacturing facility in Malta for liquid dose form product and the anti-inflammatory product, ArtemiC™. Construction of the facility, in progress at 30 June 2021, is 80% funded by way of grant from Malta Enterprises (refer to note 13c).

	30-Jun-21 $	30-Jun-20 $
Plant and equipment*		
- gross carrying amount at cost	1,938,890	1,964,672
- accumulated depreciation	(1,105,797)	(905,455)
	833,093	**1,059,217**
Construction in progress		
- gross carrying amount at cost	4,439,109	1,133,757
- accumulated depreciation	-	-
	4,439,109	**1,133,757**
Total property, plant and equipment	**5,272,202**	**2,192,974**

** Plant and equipment primarily comprises laboratory fixtures and fittings and equipment.*

	30-Jun-21 $	30-Jun-20 $
Property, plant and equipment movement		
Opening balance at 1 July	2,192,974	1,470,479
Additions	3,538,808	1,120,963
Disposal	(68,417)	(28,830)
Depreciation	(340,024)	(320,943)
Foreign currency translation	(51,139)	(48,695)
	5,272,202	**2,192,974**

Impairment testing

Slovenia

The Group did not identify any indicators of impairment in relation to the Slovenia CGU, primarily the GMP laboratory.

Malta

The Group's plant and equipment balance in Malta consisted of construction in progress, relating to design and engineering work for its planned Malta operations. The temporary delay in the larger project as disclosed in note 14 was identified as an impairment trigger for the balances associated with that project. The Group determined based on a value-in-use discounted cash flow model using its internally developed feasibility estimates for the project, a discount rate of 20%, and commencement of construction assumed in 2022, that no impairment existed in relation to the carrying value of construction in progress associated with this site of $1,097,670 at 30 June 2021, or the associated right-of-use asset.

12. BUSINESS COMBINATION

Medicinal Cannabis Clinics (MCC)

On 23 November 2020 MGC Pharma completed the acquisition of the business of an operating telehealth clinic, Medicinal Cannabis Clinics (MCC). Alongside revenue generated from consults, this acquisition provides MGC Pharma with an operating platform with direct access to patients, along with a distribution agreement with Cannvalate, the current operator of the clinic. The acquisition also allows the Group to continue providing its high-quality GMP certified medications to patients in Australia and further improves profit margins while keeping its products at the current competitive prices. A new wholly owned subsidiary, Medicinal Cannabis Clinics Pty Ltd, has been incorporated to acquire the MCC business.

The total purchase consideration for the business was $1,400,000, comprising $400,000 in cash and $1,000,000 in ordinary shares (45,454,545 shares issued at a fair value of $0.022 per share on the date of issue).

The assets recognised as a result of the acquisition are as follows:

	Fair value $
Provisional goodwill	1,400,000
Net identifiable assets acquired	**1,400,000**

The fair value of the acquired Goodwill is provisional as the Group has not yet obtained valuations for any separately identifiable intangibles acquired.

MediCaNL Israel 2019 Ltd (MediCaNL)
On 21 April 2021, MGC Pharma completed the 100% acquisition of MedicaNL Israel 2019 Ltd (MedicaNL), an Israeli company operating and providing specialist services to the pharmaceutical sector for development of new medicines. The acquisition will enable MGC Pharma bring inhouse and speed up its pipeline of clinical trials, which will delivery long term cost savings to the Group. The consideration for the transaction amounted to $6,000,000 calculated using a 10-day VWAP prior to the acquisition date. The consideration shares are to be issued in tranches, as follows;

- 30% due upon completion (issued 10 May, refer note 16);
- 20% on the date which is 4 months from the date of settlement;
- 20% on the date which is 7 months from the date of settlement;
- 20% on the date which is 10 months from the date of settlement; and
- 10% on the date which is 13 months from the date of settlement

Details of the acquisition are as follows:

	Provisional fair value $
Cash and cash equivalents	106,438
Trade and other receivables	415,781
Trade and other payables	(171,099)
Net assets acquired	351,120
Provisional goodwill	5,648,880
Net identifiable assets acquired	**6,000,000**
Representing;	
Consideration paid at 30 June 2021	1,800,000
Unissued shares	4,200,000
	6,000,000

The fair value of the acquired assets are provisional as the Group has not yet obtained valuations for any separately identifiable intangibles acquired.

Goodwill	**30-Jun-21 $**	**30-Jun-20 $**
Opening balance at 1 July	-	5,034,309
- write-off/provision for impairment	-	(5,038,064)
- Goodwill on acquisition of Medicinal Cannabis Clinics	1,400,000	-
- Goodwill on acquisition of MedicaNL	5,648,880	-
- Foreign currency translation	-	3,755
	7,048,880	**-**

The provisional goodwill arising from the Group's current period acquisitions is not yet at a stage to be reliably determined or allocated to cash generating units. The Group assessed that there were no impairment triggers in relation to the unallocated provisional goodwill at 30 June 2021.

13. PAYABLES AND DEFERRED REVENUE

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently measured at amortised cost, using the effective interest rate method.

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the period end in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

	30-Jun-21 $	30-Jun-20 $
a) Current trade and other payables		
Trade payables	1,222,143	2,003,677
Accruals	380,770	556,205
Other payables	193,322	145,936
	1,796,235	**2,705,818**
b) Deferred revenue		
Deferred revenues - current	-	100,440
	-	**100,440**

Deferred revenue represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration at 30 June 2021.

Refer to note 19 for details on management of financial risk.

c) Deferred Income

	30-Jun-21	30-Jun-20
Non-Current	**$**	**$**
Deferred income - Malta grant*	2,506,281	-
Closing balance	**2,506,281**	**-**

* *During the year, the Group received approval for a grant from Malta Enterprises to cover 80% of the construction costs of a production facility, to the value of €3,073,000 ($4,925,000). As at 30 June, an amount of $2,506,281 had been received from Malta Enterprise. In accordance with AASB 120, the grant will be recognised as income on a systematic basis over the useful life of the building once completed. Under the conditions of the grant, the Group was to complete construction of the facility within 6 months of 10 December 2020 and, should the Group cease operations in Malta within five years from the start of operations, Malta Enterprise retains the right to take possession of assets funded through the grant. In March 2021 the Group received approval from Malta Enterprise to extend the period for completion of construction to October 2021.*

14. LEASES

At reporting date the Group has two long-term leases for the use of the land for the construction of facilities in Malta – a 65 year lease entered into in the prior period for the larger site and a 5 year lease entered into the current period for the construction of the ArtemiC production facility. The Group also has leases for office and lab rental.

Below are the carrying amounts of right-of-use assets recognised for the period:

	30-Jun-21	30-Jun-20
Right-of-use assets	**$**	**$**
Opening balance at 1 July	1,831,377	185,908
Additions of right-of-use assets in period	189,013	1,805,656
Depreciation of right-of-use assets	(151,384)	(160,187)
Closing balance	**1,869,006**	**1,831,377**

Below are the carrying amounts of lease liabilities for the period:

	30-Jun-21	30-Jun-20
Lease liabilities	**$**	**$**
Opening balance at 1 July	1,899,224	185,908
Additions to lease liabilities	189,013	1,805,656
Interest on lease liabilities	150,563	130,637
Lease payments	(255,993)	(222,977)
Closing balance	**1,982,807**	**1,899,224**
Current	209,433	53,924
Non-current	1,773,374	1,845,300
Total lease liability	**1,982,807**	**1,899,224**

The following amounts were recognised in the consolidated statement of profit or loss and comprehensive income for the period:

	30-Jun-21	30-Jun-20
	$	**$**
Depreciation on right-of-use asset	151,384	160,187
Interest expense on lease liabilities	150,563	130,637
Expense related to short-term leases	62,771	183,611
Total amounts recognised in profit or loss	**364,718**	**474,435**

The following are amounts recognised in the consolidated statement of cash flows:

	30-Jun-21	30-Jun-20
	$	**$**
Total cash outflows for leases	**318,764**	**406,588**

Malta long-term lease agreement

Refer to note 23 for disclosures relating to additional commitments on the Malta leases.

To the extent that the conditions under the lease agreement for the larger site are not met, including the condition requiring commencement of construction on the site within three months of the date of the necessary approvals being received, being 8 August 2019, the lessor may issue a notice of breach, 30 days after which it may elect to begin imposing a penalty of EUR 12,000 per day that the breach persists, or may at its discretion terminate the lease agreement. Due to changing circumstances arising from the COVID-19 pandemic, the Group prioritised construction of a smaller facility in Malta for the production of ArtemiC (for which government grant assistance was received as disclosed in Note 13), and delayed construction of the larger facility. It is anticipated commencement of this construction will not occur until GMP certification of the current facility in construction, anticipated in mid-late 2022. At 30 June 2021, and to the date of this report, the Group has not received a notice of breach from the lessor and has had communications with the lessor supportive of MGC Pharma's plans.

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In September 2020, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to $15,000,000 can be drawn down in exchange for the issue of a number of convertible notes with a face value of $1.00 each equal to 110% of the amount of funding received. The notes are repayable at face value 12 months from the date of the respective draw down, if not converted or repurchased prior to maturity. Following the initial tranche of $2,250,000 funding received (Tranche 1 as described below), further drawdowns under the agreement are subject to the discretion of both the Company and Mercer. Upon commencement of the facility, ordinary shares to the value of $225,000 were issued to Mercer as transaction costs.

The notes are convertible at the discretion of Mercer at any time prior to maturity, with a conversion price as follows:

- Tranche 1 ($2,250,000) - any conversion within two months of the issue of the Tranche 1 Notes had a conversion price of $0.024. After this, the conversion price was the lower of $0.02 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares were traded on the ASX immediately prior to the issue of the conversion notice, subject to the Tranche 1 Conversion Price not being less than $0.018.
- Subsequent tranches (up to $12,750,000) – the conversion price will be the lower of $0.035 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than $0.018.

During the period, draw downs on the facility were as follows:

- Tranche 1 (Sept 20) - $2,250,000 drawn down in exchange for convertible notes with a face value of $2,475,000. Tranche 1 notes were fully converted during the period.
- Tranche 2 (Nov 20) - $3,500,000 drawn down in exchange for convertible notes with a face value of $3,850,000, maturing on 20 November 2021.

The entire hybrid contract has been designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss	**30-Jun-21 $**	**30-Jun-20 $**
Convertible notes		
Opening balance – at 1 July	-	-
Issue of convertible notes	5,750,000	-
Converted to ordinary shares	(4,810,641)	-
Loss on remeasurement of financial liability	3,095,404	-
Closing balance – fair value at 30 June	**4,034,763**	**-**

The fair value (Level 3) of the hybrid contract was determined using valuation techniques including use of a Black-Scholes option pricing model and estimates of projected conversion prices and the following significant inputs to the valuation at 30 June 2021:

	TRANCHE 2
Valuation date	30 June 2021
Share price	$0.037
Exercise price	$0.018 to $0.035[1]
Expiry date	20 Nov 2021
Expected future volatility	70%
Risk free rate	0.05%
Dividend yield	0%

[1] *calculated using a weighted average of $0.031*

16. CONTRIBUTED EQUITY AND RESERVES

a) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

	30-Jun-21 NUMBER	30-Jun-20 NUMBER	30-Jun-21 $	30-Jun-20 $
Ordinary shares on issue, fully paid	2,319,502,595	1,575,612,348	80,311,983	60,149,457
Unissued shares	-	-	4,200,000	-
	2,319,502,595	**1,575,612,348**	**84,511,983**	**60,149,457**

Reconciliation of movement in share capital

	No. Of Shares	Issue Price	Amount
Opening balance at 1 July 2019	1,213,383,685		49,133,819
Exercise of listed options – 5 Jul 2019	87,426	0.065	5,683
Issue of capital raising placement shares – 29 Aug 2019	118,750,000	0.04	4,750,000
Conversion of M3 performance rights – 9 Sep 2019	3,638,000	0.041	149,158
Issue of shares to vendor of Panax s.r.o – 9 Sep 2019	5,850,875	0.04	234,035
Issue of priority offer placement shares – 16 Sep 2019	25,001,000	0.04	1,000,040
Release of VHL Shares – 12 November 2019	-	0.06974	720,773
Issue of Shares as consideration for services – 29 Nov 2019	4,411,765	0.034	150,000
Issue of capital raising placement shares – 26 Feb 2020	31,250,000	0.032	1,000,000
Issue of share purchase plan – 18 Mar 2020	42,313,301	0.027	1,142,459
Issue of capital raising placement shares – 4 May 2020	129,630,000	0.027	3,500,010
Issue of shares in lieu of cash payment – 4 May 2020	1,296,296	0.027	35,000
Less: share issue costs			(1,671,520)
Closing balance at 30 June 2020	**1,575,612,348**		**60,149,457**
Conversion of performance rights – 10 Jul 2020	8,000,000	0.031	248,000
Shares to consultants in lieu of cash – 12 Aug 2020	42,717,523	0.022	939,786
Issue via cleansing prospectus – 12 Aug 2020	50,000	0.020	1,000
Conversion of performance rights – 12 Aug 2020	5,000,000	0.034	170,000
Commencement shares Mercer facility[1] – 15 Sept 2020	9,375,000	0.024	225,000
Conversion of Convertible Notes[1] – 13 Nov 2020	12,817,884	0.021	269,176
Shares to consultants in lieu of cash – 23 Nov 2020	12,010,756	0.022	259,475
Acquisition of MCC[2] – 23 Nov 2020	45,454,545	0.022	1,000,000
Conversion of Convertible Notes[1] – 10 Dec 2020	25,773,196	0.030	773,196
Conversion of Convertible Notes[1] – 21 Dec 2020	51,282,051	0.024	1,230,769
Placement shares on LSE listing – 10 Feb 21	440,677,967	0.0266	11,722,034
Conversion of Convertible Notes[1] – 4 Mar 2021	36,250,000	0.070	2,537,500
Exercise of $0.065 options – 29 Mar 21	9,250,000	0.065	601,250
Exercise of $0.05 options – 15 Apr 21	1,200,000	0.050	60,000
Acquisition of MedicaNL[2] (Tranche 1) – 10 May 21	26,884,731	0.067	1,800,000
Shares to supplier in lieu of cash – 14 Jun 2021	8,804,103	0.03	260,550
Exercise of MXCOE options – various dates	8,342,491	0.045	375,413
Unissued Shares			4,200,000
Less: costs of issue			(2,310,623)
	2,319,502,595		**84,511,983**

1. *In September 2020 the Company entered into a $15,000,000 convertible note facility with Mercer Street Global Opportunity Fund, in exchange for notes with a face value of $1.00 each, being 110% of the funding received. During the period, $225,000 in equity was issued as transaction costs with $2,250,000 worth of notes converting into ordinary shares. Refer to note 15 for additional information.*

2. *During the year, the Company acquired Medicinal Cannabis Clinics, an operating telehealth clinic for $1,400,000 including $1,000,000 by way of equity. In addition, the Company acquired a clinical research organisation MedicaNL for $6,000,000 by way of equity, with $1,800,000 issued during the year. Refer to note 12 for additional information.*

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At a shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

Capital risk management

The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group manages its capital by assessing the Group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The Group is not subject to any externally imposed capital requirements.

b) Reserves

i. Share based payment reserve

	30-Jun-21 $	30-Jun-20 $
Opening balance at 1 July	5,380,904	4,556,418
Conversion of performance rights (note 16a)	(418,000)	(149,158)
Release of VHL shares	-	(720,773)
Share based payment vesting expense (note 28)	2,527,579	1,694,417
	7,490,483	**5,380,904**

ii. Foreign currency translation reserve

	30-Jun-21 $	30-Jun-20 $
Opening balance at 1 July	85,284	33,928
Currency translation differences arising during the year	127,097	51,356
	212,381	**85,284**

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described above. The reserve is recognised in profit and loss when the net investment is disposed of.

17. DIVIDENDS

No dividends have been paid or provided during the year.

18. EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	30-Jun-21	30-Jun-20
Earning per share		
Basic loss per share (cents)	(0.83)	(1.40)
Diluted loss per share (cents)	(0.83)	(1.40)
Reconciliation of earnings to profit or loss	**$**	**$**
(Loss) used in calculating basic and diluted EPS	(15,869,978)	(19,363,089)
Earnings per share for continuing operations		
Basic loss per share (cents)	(0.81)	(1.36)
Diluted loss per share (cents)	(0.81)	(1.36)
Reconciliation of earnings to profit or loss	**$**	**$**
(Loss) used in calculating basic and diluted EPS	(15,407,341)	(18,762,662)
	Number	**Number**
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	1,906,114,879	1,382,194,646

At 30 June 2021, the Company had on issue 37,550,000 performance rights (2020: 20,000,000), 163,062,069 options (2020: 184,334,538) and 3,850,000 convertible notes (2020: nil). Given the Group made a loss during the current financial year, these potential shares are considered non-dilutive and therefore not included in the diluted EPS calculation.

19. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of cash at bank, payables, receivables and the convertible notes.

The Group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the Group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the Group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Group's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks
The Group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, equity price risk on the convertible notes, as well as foreign currency risk.

Interest rate risk
At reporting date, other than leases and the convertible notes carried at fair value, the Group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The group monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the Group are summarised in the following tables:

30 June 2021	Floating interest rate $	1 Year or less $	Over 1 to 5 years $	Non-interest bearing $	Remaining contractual maturities $	Weighted average interest rate %
Financial assets						
Cash and cash equivalents	5,433,241	5,433,241	-	-	5,433,241	0.14%
Trade and other receivables	-	-	-	1,507,675	1,507,675	
	5,433,241	**5,433,241**	**-**	**1,507,675**	**6,940,916**	
Financial liabilities						
Trade and other payables	-	-	-	1,796,235	1,796,235	
Convertible note	-	-	-	4,034,763	4,034,763	
Lease liabilities	1,982,807	209,433	1,773,373	-	1,982,807	
	1,982,807	**209,433**	**1,773,373**	**5,830,998**	**7,813,805**	
30 June 2020						
Financial assets						
Cash and cash equivalents	1,873,373	1,873,373	-	-	1,873,373	0.65%
Trade and other receivables	-	-	-	468,506	468,506	
	1,873,373	**1,873,373**	**-**	**468,506**	**2,341,879**	
Financial liabilities						
Trade and other payables	-	-	-	2,705,818	2,705,818	
Lease liabilities	1,899,224	53,924	1,845,300	-	1,899,224	
	1,899,224	**53,924**	**1,845,300**	**2,705,818**	**4,605,042**	

1. The initial investment amount for the convertible notes represented a 10% discount to their face value. As the notes are accounted for at fair value through profit or loss, the Group would have exposure to fair value movements arising from changes in market interest rates.

At 30 June 2021, a reasonably possible change in interest rates would not have resulted in a material change to the Group's post-tax loss or net assets for the year.

Liquidity risk
Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors forecast cash flows on regular basis to manage its liquidity risk.

Credit risk
Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to trade receivables, deposits with banks and other receivables, the balances of which at 30 June 2021 represent the Group's maximum exposure to credit risk. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Foreign currency risk
The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP (£), Euro (€), ILS (₪) and CZK (Kč).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidated entity's exposure to foreign currency risk at the reporting date was not material. A reasonably possible change in the value of the Australian dollar against the above currencies at 30 June would not have had a material effect on the Group's post-tax loss or net assets.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

30 June 2021	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Other financial assets (equity investments)	-	-	564,186	564,186
Closing balance at 30 June 2021	**-**	**-**	**564,186**	**564,186**
Financial liabilities				
Other financial liabilities (convertible note)	-	-	4,034,763	4,034,763
Closing balance at 30 June 2021	**-**	**-**	**4,034,763**	**4,034,763**

30 June 2020	Level 1 $	Level 2 $	Level 3 $	Total $
Financial assets				
Other financial assets (equity investments)	114,143	-	559,597	673,740
Closing balance at 30 June 2020	**114,143**	**-**	**559,597**	**673,740**

Refer to note 10 for disclosures in relation to the loan accounted for as fair value through profit or loss (level 3).

a) Valuation techniques used to derive Level 1 fair values

The fair value of financial instruments recognised under Level 1 are measured based on the active market value, determined in this case by the value a third party is willing to pay for the assets.

b) Valuation techniques used to derive Level 3 fair values

The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. A significant unobservable input to the valuation of the Group's investment in an unlisted entity classified within level 3 of the fair value hierarchy was information obtained from the investee in relation to the value per share of the most recent capital raising announced by the entity, which was CAD 0.21/share ($0.22/share). A 10% increase or decrease in the value per share of the unlisted entity would have a corresponding fair value movement on the carrying value of the Group's investment.

Refer to note 15 for additional disclosures on the other financial liability accounted for at fair value through profit or loss.

c) Fair value of other financial instruments

The Group also has a number of financial instruments that are not measured at fair value in the balance sheet.
The carrying value of cash, trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

21. CONTROLLED ENTITIES

The consolidated financial statements of the Group include:

	Country of incorporation	Percentage Owned (%)* 30-Jun-21	30-Jun-20
Parent Entity:			
MGC Pharmaceuticals Ltd	Australia		
Subsidiaries of MGC Pharmaceuticals Ltd:			
MGC Pharma (UK) Limited	UK	100	100
MGC Research (Aus) Pty Ltd	Australia	100	100
Medicinal Cannabis Clinics Pty Ltd	Australia	100	-
Subsidiaries of MGC Pharma (UK) Limited:			
MGC Pharmaceuticals d.o.o	Slovenia	100	100
Panax Pharma s.r.o	Czech Republic	87	87
MGC Nutraceuticals d.o.o[1]	Slovenia	100	100
MGC Pharma (Malta) Holdings Limited	Malta	100	100
MGC Pharma (Malta) R&D Limited	Malta	100	100
MedicaNL Israel 2019 Ltd	Israel	100	-
Subsidiaries of MGC Pharma (Malta) Holdings Limited			
MGC Pharma (Malta) Property Limited	Malta	100	100
MGC Pharma (Malta) Operations Limited	Malta	100	100

* *Percentage of voting power in proportion to ownership*

[1.] *Refer note 4 for further details*

22. SEGMENT REPORTING

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance.

The Group has assessed its operating segments and determined that the Group's operations comprise one segment, being production and supply of medicinal cannabis products, on the basis that the Group's CODM reviews financial information in relation to operating results at the whole of Group level.

Geographic information on the Group's revenue by location of operations for the period and non-current assets at 30 June 2021 is as follows:

	Malta $	Israel $	Slovenia $	Australia $
30 June 2021				
Sales revenue	**-**	**255,102**	**1,091,5781**	**1,653,4671**
Total non-current assets	**6,363,232**	**5,654,899**	**847,169**	**1,400,000**
30 June 2020				
Sales revenue	**-**	**-**	**1,938,428[1]**	**140,741**
Total non-current assets	**2,957,260**	**-**	**1,009,824**	**-**

[1.] Three external customers individually contributed greater than 10 per cent of Group revenue, being $1,140,513, $686,866 and $487,301 respectively (30 June 2020 two customers comprising: $1,056,390 and $573,772 respectively).

23. CONTINGENCIES AND COMMITMENTS

a) Commitments

	30-Jun-21	30-Jun-20
	$	$
No later than one year	175,000	779,070
Later than one year and not later than five years	1,036,446	536,023
Total commitments	**1,211,446**	**1,315,093**

Commitment relate to Research and Development Agreements held with Royal Melbourne Institute of Technology, for both the Breeding and Pre-clinical Research and the Library of Cannabinoids Project, in addition to the University of Notre Dame CogniCann® Clinical Trial.

Malta long-term leases – construction commitments

Larger site - 65 year lease

Further to the approval of the Company's original planned project in Malta, the Company agreed to invest a minimum of €6,000,000 in improvements to site, plant, machinery and equipment within 3 years from the date of allocation of the site.

On allocation of a site, the Company also entered into a long-term lease with Malta Industrial Parks (refer note 14 for further details). The Emphyteutical lease requires that the allocated site is used solely for industrial purposes and that the erection of proper, solid buildings costing no less than €2,700,000, net of value added tax, was to commence within three months of the date of the necessary approvals being received, being 8 August 2019, but be completed no later than eighteen months from the date all permits by law are issued. It is the intention of management that construction will not commence until the current construction site is completed and GMP certified, which is anticipated in mid-late 2022.

Smaller site – 5 year lease – Artemic facility

A second lease has been signed with Malta Enterprise, which includes a commitment to invest €3,841,200 by way of improvements on the premises within three years. The Group has received a grant to cover 80% of these costs up to €3,073,000 (~$4,925,000) (refer to Note 13c) and construction on the facility to produce Artemic is underway with a construction contract signed with BioPharmax with completion expected in October 2021. As at 30 June 2021 an amount of €1,514,463 ($2,442,682) had been incurred towards this commitment.

Employment Agreement Commitments

On 1 January 2021, the Company engaged a Chief Sales Officer, with a large part of the salary package made up of performance equity. 7,692,308 options were issued during the year as part of this agreement as outlined in note 28, with the performance conditions for the following two tranches not yet determined at balance date. The agreement stipulates the following outstanding commitments as at 30 June 2021;

- 7,692,307 issued within 15 months from the Commencement Date at an exercise price of $0.026 expiring on 31 March 2024 and vesting on the latest to occur of (i) the second anniversary of the Effective Date, or (ii) achievement of a key performance indicator to be further agreed upon by the Parties prior to or on the first anniversary of the commencement date.
- 7,692,307 issued within 27 months from the Commencement Date at an exercise price of $0.026 expiring on 31 March 2025 and vesting on the latest to occur of (i) the second anniversary of the Effective Date, or (ii) achievement of a key performance indicator to be further agreed upon by the Parties prior to or on the first anniversary of the commencement date.

24. CASH FLOW INFORMATION

	30-Jun-21 $	30-Jun-20 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
(Loss) after income tax	(15,871,978)	(19,370,226)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation and amortisation	491,408	481,130
Loss on financial asset at fair value	546,995	5,117,767
Share based payment expense	1,647,715	854,916
Shares issued to extinguish financial liabilities	1,456,698	-
Loss on financial liabilities at fair value	3,157,597	2,098,064
Exchange differences	92,442	(82,205)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease / (increase) in inventory	(470,207)	(263,437)
Decrease / (increase) in trade and other receivables	(2,220,312)	271,912
Increase / (decrease) in trade payables and accruals	(819,970)	935,212
Cash flow from operations	**(11,989,612)**	**(9,956,867)**

25. AUDITOR'S REMUNERATION

	30-Jun-21 $	30-Jun-20 $
Fees to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	176,333	163,350
Fees for other services		
– R&D rebate application	40,580	-
Total fees to Ernst & Young (Australia)	**216,913**	**163,350**
Fees to PKF (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	-	8,548
Fees for other services		
– Tax compliance	-	-
– Others	-	1,900
Total fees to PKF (Australia)	**-**	**10,448**
Fees to other overseas member firms of PKF (Australia):		
Fees for auditing the financial report of any controlled entities	-	1,771
Total fees to overseas member firms of PKF (Australia)	**-**	**1,771**
Total auditor's remuneration	**216,913**	**175,569**

26. PARENT COMPANY DISCLOSURES

The financial information for the parent entity, MGC Pharmaceuticals Ltd, has been prepared on the same basis as the consolidated financial statements.

i) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30-Jun-21 $	30-Jun-20 $
Current assets	3,404,114	1,723,652
Non-current assets	14,697,179	2,400,695
Total Assets	**18,101,293**	**4,124,347**
Current liabilities	4,275,394	1,029,991
Total Liabilities	**4,275,394**	**1,029,991**
Contributed equity	80,311,983	60,149,458
Share based payment reserve	7,490,483	4,080,904
Accumulated losses	(73,976,567)	(61,136,006)
Total Equity	**13,825,899**	**3,094,356**
Loss for the year	**(11,540,561)**	**(19,543,940)**
Total comprehensive loss for the year	**(11,540,561)**	**(19,543,940)**

ii) Commitments and contingent liabilities of the parent

The parent entity did not have any contingent liabilities or commitments as at 30 June 2021 (30 June 2020: nil) other than as disclosed at note 23.

iii) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

27. RELATED PARTY TRANSACTIONS

a) Key Management Personnel Remuneration

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30-Jun-21 $	30-Jun-20 $
Short-term employee benefits	861,968	1,045,711
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	432,000	124,391
	1,293,968	**1,170,102**

b) Transactions with Director related entities
Directors and officers, or their personally related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of non-remuneration related transactions including amounts receivable and payable at the end of the year are as follows:

			Transactions		Balances (owing to)/ owed by	
			Full Year 30-Jun-21	Full Year 30-Jun-20	Full Year 30-Jun-21	Full Year 30-Jun-20
Related Party	**Relationship**	**Nature of transactions**	**$**	**$**	**$**	**$**
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Corporate services from Chieftain – 1 Jul 20 to 31 Dec 20	30,000	60,000	-	(5,500)
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Charges from Chieftain for capital raising costs	-	116,594	-	-
CHIEFTAIN SECURITIES (WA) PTY LTD (CHIEFTAIN WA)	(ii)	Corporate services from Chieftain – 1 Jan 21 to 30 June 21	30,000	-	-	-
GRAFT POLYMER (UK) LIMITED	(iii)	Services charges from/ (recharges to) GPO for development for MGC Proprietary drug delivery technology	409,446	510,859	(6,820)	(40,000)
AUSTRALIA CANNABIS VENTURES LIMITED (ACV)	(iv)	(Re-charges) to ACV for corporate administrative costs	(10,000)	-	-	-

(i) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities Pty Ltd.
(ii) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities (WA) Pty Ltd.
(iii) Mr Roby Zomer is Executive Chairman and shareholder of Graft Polymer (UK) Limited, who is developing the proprietary nano-emulsion and nano-particle drug delivery platform for MGC Pharma medicines.
(iv) Mr Brett Mitchell is an Executive Chairman and shareholder of Australian Cannabis Ventures Limited

c) Other related party transactions
There were no other related party transactions.

28. SHARE BASED PAYMENTS

Share based compensation relating to share options are recognised at fair value.

The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

The fair value for all share options, as detailed below, are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The inputs used for the valuations are tabled below for each class of security issued.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions occurring, where applicable are included in determining the fair value of the options.

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk-free rate and expected dividend payout and any applicable vesting conditions.

Management was required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model.

a) Performance Rights
2021

Directors

On 31 March 2021, the Company agreed to issue performance rights to the Directors and other management personnel, to incentivise and retain its workforce. The performance rights issued to Directors were subject to shareholder approval, which was received subsequent to year-end on 12 August 2021:

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining a director as at 1 April 2022	17,100,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining a director as at 1 April 2022	39,900,000	1 Apr 23
C	18 months continued service up to 30 June 2021 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2021	7,200,000	30 Jun 21
		27,550,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties.

The fair value of the performance rights for milestone C was estimated to be $0.041/right at 30 June 2021. A Monte Carlo valuation was applied to milestones A and B to estimate the fair values at 30 June 2021, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	12 Aug 21	12 Aug 21
Share price	$0.041	$0.041
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	66%	70%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.038	$0.009

Although grant date has occurred subsequent to year-end, there was an agreement in place during the year to issue the performance rights, and therefore they have been expensed over the relevant service periods based on an estimated valuation at 30 June 2021, which was consistent to the valuation subsequently determined at the grant date of 12 August 2021. The milestone C performance rights fully vested during the period, while the milestone A and B rights remained unvested and are being expensed over the service period to 1 April 2022.

Employees

On 23 April 2021, the Company agreed to issue its employees with performance rights to assist with both retention and incentivisation. The terms of the performance rights are summarised below:

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining an eligible participant as at 1 April 2022	3,725,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining an eligible participant as at 1 April 2022	9,275,000	1 Apr 23
C	18 months continued service up to 30 June 2021 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2021	14,550,000	30 Jun 21
		27,550,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the employees.

The fair value of the performance rights for milestones C was determined to be $0.061/right, based on the Company's share price on the grant date. A Monte Carlo valuation was applied to milestones A and B, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	23 Apr 21	23 Apr 21
Share price	$0.061	$0.061
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	100%	100%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.0301	$0.0365

In addition, a total of 500,000 performance rights have been agreed to be issued to the Australian key account manager, with service conditions over a one- and two-year period. These have not been issued as yet, however have been valued and expensed over the contract execution date of 30 April 2021, and valued as at the share price on that day being $0.06 per right.

Reconciliation of Performance Rights

	OPENING BALANCE	GRANTED AS COMPENSATION[i]	EXERCISED	LAPSED	OUTSTANDING AT 30 JUNE	OUTSTANDING AND EXERCISABLE AT 30 JUNE
2021	28,000,000	27,550,000	(13,000,000)	(5,000,000)	37,550,000	14,550,000
2020	-	28,000,000	-	-	28,000,000	13,000,000

[i.] Refer to "Performance rights" section above for details of rights granted and vested during the period, which Director rights were still subject to shareholder approval at 30 June 2021 and therefore had not yet been issued.

2020

Directors

During the prior year, the Company issued performance rights to two Directors following approval at its AGM on 29 November 2019, with the following key terms and conditions:

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
1.	GMP approval for Malta facility	5,000,000	31 Dec 21
2.	Holding of Director position on the Board of the Company by 31 December 2019	5,000,000	31 Dec 19
3.	Holding of Director position on the Board of the Company by 31 December 2020 and achieving share value of minimum 8c for a minimum 10 consecutive days	5,000,000	31 Dec 20
4.	Holding of Director position on the Board of the Company by 31 December 2021 and achieving share value of minimum 10c for a minimum 10 consecutive days	5,000,000	31 Dec 21
		20,000,000	

The fair value of the performance rights for milestones 1 and 2 was determined to be $0.034/right, based on the Company's share price on the grant date. A Monte Carlo valuation was applied to milestones 3 and 4, with the following inputs and assumptions:

	MILESTONE 3	MILESTONE 4
Valuation date	29 Nov 19	29 Nov 19
Share price	$0.0340	$0.0340
Exercise price	Nil	Nil
Vesting date	N/A	N/A
Expiry date	31 Dec 20	31 Dec 21
Expected future volatility	70%	70%
Risk free rate	0.68%	0.68%
Vesting hurdle	$0.08	$0.10
Dividend yield	nil	nil
Value per right	$0.00848	$0.01213

Employees

The Group also issued 8m performance rights to certain key employees following shareholder approval on 29 November 2019, with both of the following key conditions to be met (upon conversion, these shares are restricted until 30 June 2020):

#	CONDITIONS
1.	Continuous service of the holder in their capacity as an eligible participant, or in a role otherwise agreed by the Board by 31 January 2020
2.	The Company achieves more than 2,000 prescribed products of its phytocannabinoid-derived medicines

The fair value of the performance rights was determined to be $0.031/right based on the Company's share price on the grant date. These rights vested on 31 January 2020.

b) Options

2021

As part of the LSE Listing and IPO in February 2021, the Company agreed to issue to its broker 26,440,678 options subject to shareholder approval, which was subsequently received on 31 March 2021.

In addition, on 1 January 2021 the Company agreed to issue 7,692,308 performance options to its chief sales officer. These options shall vest upon the later of 12months continued service or the company achieving global sales in excess of $1million in consecutive months. A 100% probability has been assigned to these options for valuation purposes.

Inputs to the valuation of the abovementioned options are identified in the table below.

	BROKER OPTIONS	EMPLOYEE OPTIONS
Number options issued	26,440,678	7,692,308
Grant date	31 Mar 21	01 Jan 21
Spot price	$0.062	$0.025
Exercise price	£0.01475	$0.026
Expiry date	31 Mar 23	31 Mar 23
Expected future volatility	85%	85%
Risk free rate	0.09%	0.08%
Dividend yield	nil	nil
Value per option	$0.042	$0.012

The broker options have been valued based on the fair value of the equity instruments issued, as the Company was unable to reliably determine the fair value of the services provided.

Table of share-based payment options

DESCRIPTION	OPENING BALANCE	GRANTED	EXERCISED	LAPSED	OUTSTANDING AND EXERCISABLE AT 30 JUNE 2021
Unlisted options exercisable at £0.01475 expiring 31 Mar 2023	-	26,440,678	-	-	26,440,678
Unlisted options exercisable at $0.026 expiring 31 Mar 2023	-	7,692,308	-	-	7,692,308[1]
Unlisted options exercisable at $0.05 expiring 31 Aug 2023	17,500,000	-	(1,200,000)	-	16,300,000
Unlisted options exercisable at $0.06 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at $0.07 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at $0.065 expiring 31 Mar 2021	16,000,000	-	(9,250,000)	(6,750,000)	-
TOTAL	**68,500,000**	**34,132,986**	**(10,450,000)**	**(6,750,000)**	**85,432,986**

[1] *Refer to note 23 for additional options have been agreed and not yet issued*

2020

Equity Capital Markets Advisor

Pursuant to agreement with the Group's Equity Capital Markets Advisor, the Company agreed to issue 43.5m options over 3 tranches, with the first two tranches issued on 16 September 2019, and the final tranche following shareholder approval.

The following table highlights the terms, conditions and inputs used for the valuation of the options using the Hoadley EOS2 valuation model; a valuation model was applied as the Company were unable to define a suitable fair value on the services being provided:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number options issued	14,500,000	14,500,000	14,500,000
Issue date	16 Sept 19	16 Sept 19	23 Dec 19
Valuation date	16 Sept 19	16 Sept 19	18 Oct 19
Spot price	$0.040	$0.040	$0.035
Exercise price	$0.05	$0.06	$0.07
Expiry date	31 Aug 23	31 Aug 23	31 Aug 23
Expected future volatility	85%	85%	85%
Risk free rate	0.91%	0.91%	0.75%
Dividend yield	nil	nil	Nil
Value per option	$0.00182	$0.0173	$0.0135

Joint Leading Managers
Pursuant to agreement with two of the Group's leading managers, the Company agreed to issue 9m options over 3 tranches, issued following shareholder approval at the AGM on 29 November 2019.

The following table highlights the terms, conditions and inputs used for the valuation of the options using the Hoadley EOS2 valuation model; a valuation model was applied as the Company were unable to define a suitable fair value on the services being provided:

	TRANCHE 1	TRANCHE 2	TRANCHE 3
Number options issued	3,000,000	3,000,000	3,000,000
Issue date	23 Dec 19	23 Dec 19	23 Dec 19
Valuation date	18 Oct 19	18 Oct 19	18 Oct 19
Spot price	$0.035	$0.035	$0.035
Exercise price	$0.05	$0.06	$0.07
Expiry date	31 Aug 23	31 Aug 23	31 Aug 23
Expected future volatility	85%	85%	85%
Risk free rate	0.91%	0.91%	0.75%
Dividend yield	nil	nil	Nil
Value per option	$0.0152	$0.0143	$0.0135

Share-based payment expense
For the year ended 30 June 2021, the Group has recognised $1,419,602 of share-based payment expenses in the statement of profit or loss (30 June 2020: $854,915) relating to share-based payments to directors and employees. The Group has also recognised $1,101,977 (30 June 2020: 839,500) of share-based payment expense in relation to capital raising costs (refer to note 16).

29. EVENTS AFTER THE REPORTING DATE

On 8 July 2021 Mercer elected to convert $500,000 of its convertible notes into 14,792,899 ordinary shares, with an additional conversion on 3 September 2021 of $1,250,000 into 35,714,286 ordinary shares, leaving a balance of $2,100,000 (face value) in convertible notes at the date of this report.

On 12 August 2021 the Company held a General Meeting with performance rights issued to the Directors. As these performance rights were agreed to be issued during the financial year, then have been expensed over the relevant service conditions within the current year.

On 26 August, the Company executed a US$24 million supply agreement with AMC Holdings Inc of MGC phytomedicine products over three years, with a minimum of US$3 million within the first year.

Directors' Declaration

The Directors' of the Company declare that in their opinion:

1. The financial statements and notes, as set out in **pages 30 to 66,** are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001;
   b) are in accordance with International Financial Reporting Standards, as stated in note 2a to the financial statements;
   c) give a true and fair view of the consolidated group's financial position as at 30 June 2021 and its performance for the year ended on that date; and
   d) representations made throughout the Directors report are fair and reasonable.
2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.
3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
4. In the Directors opinion, subject to the matters set out in note 2(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

R. Zomer

Roby Zomer
Managing Director
30 September 2021

Independent Auditor's Report to Members

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Independent auditor's report to the members of MGC Pharmaceuticals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of MGC Pharmaceuticals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated financial position of the Group as at 30 June 2021 and of its consolidated financial performance for the year ended on that date; and

b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

TD:TGF:MGC:005

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. In addition to the matter described in the *Material uncertainty related to going concern section* of our report, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Repor*t section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Impairment assessment for non-current assets

Why significant	How our audit addressed the key audit matter
The quantum of the Group's non-current assets is material to the Group's financial statements and the assessment of whether impairment existed at 30 June 2021 in relation to these assets required significant management judgement. *Malta* As disclosed in Notes 11 and 14 to the financial statements, the Group's non-current assets in Malta included a balance of $1.10 million for construction in progress and $1.73 million for the right-of-use asset associated with the 65-year lease of land on which the Group intends to construct its larger production facility. As disclosed in Notes 14 and 23, the Group has not been able to comply with all conditions under the long-term lease agreement, including the requirement to commence construction of the facility within three months of the lease agreement being signed. At 30 June 2021 and to the date of this report, no breach notice had been received from the lessor in this regard.	Our audit procedures included the following: ▸ We obtained and reviewed the Group's assessment of impairment triggers for its non-current assets ▸ We obtained the Group's assessment of impairment in relation to the construction in progress and right-of-use asset associated with the 65-year lease in Malta at 30 June 2021 conducted on a value-in-use basis, and performed sensitivity analysis over the key inputs to the model, including cash flows and discount rates ▸ We considered the Group's assessment of impairment in relation to the provisional unallocated goodwill at 30 June 2021 ▸ As a consequence of the global COVID-19 pandemic, the Group was unable to meet the conditions set out in the Malta long-term lease agreement. Through enquiry and review of the Group's correspondence with the lessor, we determined that the lease agreement remains active and that no penalties or termination notices have been imposed by the lessor

The Group assessed the construction in progress and right-of-use assets associated with the 65-year lease for impairment at 30 June 2021 and concluded that they were not impaired.

Goodwill

As disclosed in Note 12 to the financial statements, the two business combinations undertaken by the Group in the current period resulted in total provisional unallocated goodwill recognised of $7.05 million at 30 June 2021. The Group assessed the provisional goodwill for impairment and concluded that there was no indication that it was impaired.

- We considered the adequacy of the financial report disclosures.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2021 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of MGC Pharmaceuticals Limited for the year ended 30 June 2021, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

T G Dachs
Partner
Perth
30 September 2021

Additional ASX Information

EXCHANGE LISTING

MGC Pharmaceuticals Ltd shares and options are listed on the Australian Securities Exchange under ASX code MXC. The Company is also listed on the London Stock Exchange via the trading of depositary interests, under code MXC.

SUBSTANTIAL SHAREHOLDERS (HOLDING MORE THAN 5%)

As at 13 September 2021, the Company did not have any substantial shareholders.

CLASS OF SHARES AND VOTING RIGHTS

At 13 September 2021, there were 10,854 holders of 2,385,272,702 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a) each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b) on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

c) on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

ESCROWED SECURITIES

There are currently 15,151,515 ordinary shares on escrow until 23 November 2021, issued to Cannvalate Pty Ltd as consideration for the acquisition of Medicinal Cannabis Clinics.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

RANGE OF ORDINARY SHARES AS AT 13 SEPTEMBER 2021

RANGE	TOTAL HOLDERS	SHARES	%
1 - 1,000	145	20,768	0.00
1,001 - 5,000	301	1,330,039	0.06
5,001 - 10,000	1,251	10,314,706	0.43
10,001 - 100,000	7,014	298,080,840	12.5
100,001 and Over	2,143	2,075,526,349	87.01
Total	**10,854**	**2,385,272,702**	**100.00**

The number of shareholders holding less than a marketable parcel is 1,085.

UNLISTED SECURITIES AS AT 13 SEPTEMBER 2021

SECURITIES	NUMBER OF SECURITIES ON ISSUE	NUMBER OF HOLDERS	NAME OF HOLDERS HOLDING MORE THAN 20%	NUMBER HELD
Options exercisable at $0.026 expiring 31/03/2023	7,692,308	1	MS NICOLE ANN GODRESSE	7,692,308
Options exercisable at £0.1475 expiring 31/03/2023	26,440,678	1	JIM NOMINEES LIMITED	26,440,678
Options exercisable at $0.05 expiring 31/08/2023	16,300,000	3	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Options exercisable at $0.06 expiring 31/08/2023	17,500,000	4	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Options exercisable at $0.07 expiring 31/08/2023	17,500,000	4	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Convertible Notes	2,475,000	1	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	2,100,000
Performance Rights	97,800,000	44	CHITTA LU LIMITED	32,440,000
			MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C> + <LEFTHANDERS SUPER FUND A/C>	32,440,000

TOP 20 SHAREHOLDERS AS AT 13 SEPTEMBER 2021

RANK	NAME	NUMBER OF SHARES	% OF SHARES
1	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	861,191,552	36.1
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	115,831,701	4.86
3	CITICORP NOMINEES PTY LIMITED	41,376,298	1.73
4	MR GEORGE BISHAY	36,822,890	1.54
5	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	34,300,000	1.44
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	27,835,388	1.17
7	BNP PARIBAS NOMS PTY LTD <DRP>	24,814,099	1.04
8	BNP PARIBAS NOMINEES PTY LTD SIX SIS LTD <DRP A/C>	19,191,067	0.8
9	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	17,156,249	0.72
10	CANNVALATE PTY LTD	15,151,515	0.64
11	THE TRUST COMPANY (AUSTRALIA) LIMITED <MOF A/C>	12,500,000	0.52
12	CHETCUTI HOLDINGS PTY LTD	12,000,000	0.5
13	SURFIT CAPITAL PTY LTD	11,500,000	0.48
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	11,179,778	0.47
15	CS FOURTH NOMINEES PTY LIMITED <HSBC CUST NOM AU LTD 11 A/C>	8,651,535	0.36
16	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <LEFTHANDERS SUPER FUND A/C>	8,418,337	0.35
17	FADCO INVESTMENTS LIMITED	6,772,613	0.28
18	ANDORYKA HOLDINGS PTY LTD <WAREING SUPERANNUATION A/C>	6,166,666	0.26
19	DR JONATHAN GRUNFELD	6,090,909	0.26
20	J & D PEOS SUPER PTY LTD <J & D PEOS SUPER FUND A/C>	5,585,262	0.23
Total		**1,282,535,859**	**53.75**

mgc pharma

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