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New US\$10m Financing Agreement signed with US-based Strategic Fund and Largest Shareholder, Mercer Street Capital

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MGC Pharmaceuticals Ltd (ASX, LSE: MXC, ‘**MGC Pharma**’ or ‘the **Company**’), a European based bio-pharma company specialising in the production and development of phytomedicines, is pleased to announce that it has entered into a new convertible securities financing agreement (**Financing Agreement**) with Mercer Street Global Opportunity Fund, LLC, a fund managed by Mercer Street Capital Partners, LLC, a United States-based institutional fund manager (together, “Mercer”) and MGC Pharma’s largest shareholder, to provide the Company with a substantial funding facility of up to a total of US\$10m. This fully funds the current MGC Pharma business plan and replaces the unused amount of the convertible facility announced in September 2020¹, providing MGC with material financing facility to be drawn on as required to execute its strategy.

The first tranche of US\$1.20 million will be provided to the Company upon satisfaction of the closing conditions (including lodging a cleansing statement), through the issue of 1.32M convertible notes with a face value of US\$1 each to Mercer Street (**Tranche 1 Notes**).

This US\$10m financing facility provides MGC Pharma with access to significant capital in order to execute its business commercialisation strategy primarily, with Sciensus Rare in the UK and EU and AMC in the USA, as well as advance the regulatory approvals for the Company’s proprietary products to drive revenues, assist in the rollout of the ZAM App and provide funding for the Group’s general corporate expenses. The Company will continue implement significant non revenue driving cost controls, as announced in its recent June Quarter Activities Report, within the operations including the delay of non-core clinical trials, and will look to use funding under this agreement selectively to support new growth and strategic initiatives.

Key Terms

The key terms of the Financing Agreement are set out below:

- Convertible Securities facility of up to \$US10M in total.
- The initial tranche of convertible securities issued will provide funding of US\$1.2M to MGC Pharma. In addition, the company will issue 21,511,545 fully paid ordinary shares to Mercer in consideration for the provision of funding. Both issues will be made utilising MGC Pharma’s existing capacity.
- Subsequent tranches of funding are available up to a value of US\$8.8M within 18 months of execution of the agreement, with access to the additional funding subject to normal conditions precedent for a facility of this nature including MGC Pharma having sufficient capacity under Chapter 7 of the Listing Rules to issue the convertible notes or shareholder approval being obtained.
- For each US\$1.00 of funding provided to MGC Pharma, the Company will issue Mercer Convertible Securities to the value of US\$1.10.
- The value of outstanding Convertible Securities held by Mercer can:
 - At the election of Mercer, be converted into fully paid ordinary shares in MGC Pharma;

¹ See announcement 10th September 2020

- At the election of MGC Pharma, be repurchased at a premium of 3% to the value of the convertible securities, subject to Mercer having the right to first convert 30% of the elected repurchase amount.
- If Mercer have not converted any outstanding convertible securities prior to 10 business days prior to their maturity, MGC Pharma must repay the value of the maturing convertible notes in cash.
- Conversion of convertible securities by Mercer will be at a discount to the lowest daily VWAP, for the 10 Business Days prior to the Conversion Date. For the first tranche of notes (1.32million US\$1.00 notes) any conversion within the first two months will have a conversion price of AU\$0.20. After this, the conversion price will be the lower of AU\$0.02 or 92% of the lowest daily VWAP selected by Mercer over the 10 prior days of trading, subject to the conversion price being no less than AU\$0.014. The conversion price of any subsequent tranches will be the lower of AU\$0.02 or 90% of the lowest daily VWAP selected by Mercer over the 10 prior days of trading, subject to the conversion price being no less than AU\$0.014.
- The term of each of the convertible notes is 18 months from their issue. The outstanding convertible securities are secured by a first ranking general security charge over the assets of MGC Pharma.
- The agreement may be terminated on the happening of a number of events including (but not limited to) by Mercer if a condition is not satisfied, an event of default occurs, by the mutual written consent of the parties or by MGC Pharma only after the issue of the first tranche of convertible securities and the commencement shares.

The agreement otherwise contains representations, warranties and indemnity which are considered standard for an agreement of this nature. **Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented:** *“This US\$10m agreement is testament to the progress we have made over the last 18 months. The partnership with Mercer will allow us to fast track our commercial and clinical activities, and advance our company growth strategy.”*

Jonathan Juchno, Managing Partner, Mercer Street, commented: *“Having been a shareholder for the last two years, we have been fortunate to witness first-hand the progress made by MGC Pharma and we are excited to continue our relationship with them and to support the efforts of management in bringing their products to market.”*

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Authorised for release by the Board, for further information please contact:

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About MGC Pharma

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

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

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

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

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