

28 April 2023

ASX Code: MXC

LSE Code: MXC

## March 2023 Quarter Activity Report and Cash Flow Statement

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### Key Highlights:

- Clinical trials to be used in the US FDA Investigational New Drug submission continue to demonstrate the efficacy and the anti-inflammatory effects of CimetrA™; these include pharmacokinetic profile and Mechanism of Action studies.
- Over the Counter Status granted to COVID-19 treatment ArtemiC™ in the USA, can now be stocked on USA pharmacy shelves; supply and distribution partner, AMC, has submitted a purchase order to the value of US\$2 million following the listing on the National Drug Code Database.
- First patient enrolled in the ZAM app in association with an observational trial for CannEpi® on patients with Refractory, or drug resistant, Epilepsy.
- MGC Pharma concluded a successful fundraise of c. £2.09m post quarter end supported by new and existing shareholders, brokers, and high net worth individuals in both the UK and Australia.

**MGC Pharmaceuticals Ltd** ('MGC Pharma' or 'the Company') a European based pharmaceutical company specialising in the production and development of plant inspired medicines is pleased to provide its Quarterly Activity Report for the three months ending 31<sup>st</sup> March 2023.

**Roby Zomer, co-founder, Managing Director and CEO of MGC Pharmaceuticals, commented:** "The March quarter has proved significant for the Company as we advance progress toward Investigational New Drug (IND) submission with the FDA for key proprietary products, CimetrA™ and ArtemiC™. This clinical trial pathway and pipeline have been major catalysts in the fundraise and activities post quarter end, and we will continue to build on this momentum, increasing our global retail footprint and meeting the highest standards of pharmaceutical excellence."

### Company Activities

#### CimetrA™

MGC Pharma completed pre-clinical rodent studies on **CimetrA™** in January, a major step in the clinical pathway to the targeted US Food and Drug Administration (FDA) IND Submission. Research using rodent and mammalian models were used to delineate the pharmacokinetic profile and general safety of the drug, as well as identifying toxicity patterns over a given period for the treatment before it advances to the next stage of trials, as stipulated in the FDA criteria. No anomalies were observed over the course of the study, nor were any clinical or behavioural adverse events recorded.

In March, the Company completed the pre-clinical study on **CimetrA™**, exploring the Mechanism of Action (MoA) of the product. The study showed that the administering of **CimetrA™** following a stimulated immune response resulted in a significant decrease in IL-32 mRNA expression and a subsequent decrease in inflammation. This study was the final preclinical mechanism of action study and will enable the Company to expand future trials to show its efficacy against further indications. The study results will form part of the FDA application to register CimetrA™ as an IND.

**ArtemiC™**

In March, **ArtemiC™**, MGC Pharma’s proprietary, clinically tested COVID-19 treatment, was granted over-the-counter (OTC) status on the National Drug Code Database (NDC) of the FDA, facilitated by MGC Pharma's supply and distribution partner, AMC Pharma, LLC. **ArtemiC™** can now be found on the FDA National Drug Code Directory under the code: 83278.

OTC status means that AMC will be able to sell **ArtemiC™** via US-based Pharmacy Benefit Management (PBM) networks, including prescription discount services, from April 2023. AMC are negotiating with the largest US pharmacy networks, and independent pharmacies for the inclusion of **ArtemiC™** in shelf space now that the NDC has been listed, increasing retail access and subsequent sales.

Following the NDC Listing, AMC submitted a purchase order for US\$2m of **ArtemiC™**, with production to commence immediately, for delivery in two instalments in Q3 and Q4 of this year. The NDC status is a major breakthrough for the company, as MGC Pharma works to expand global footprint and retail access.

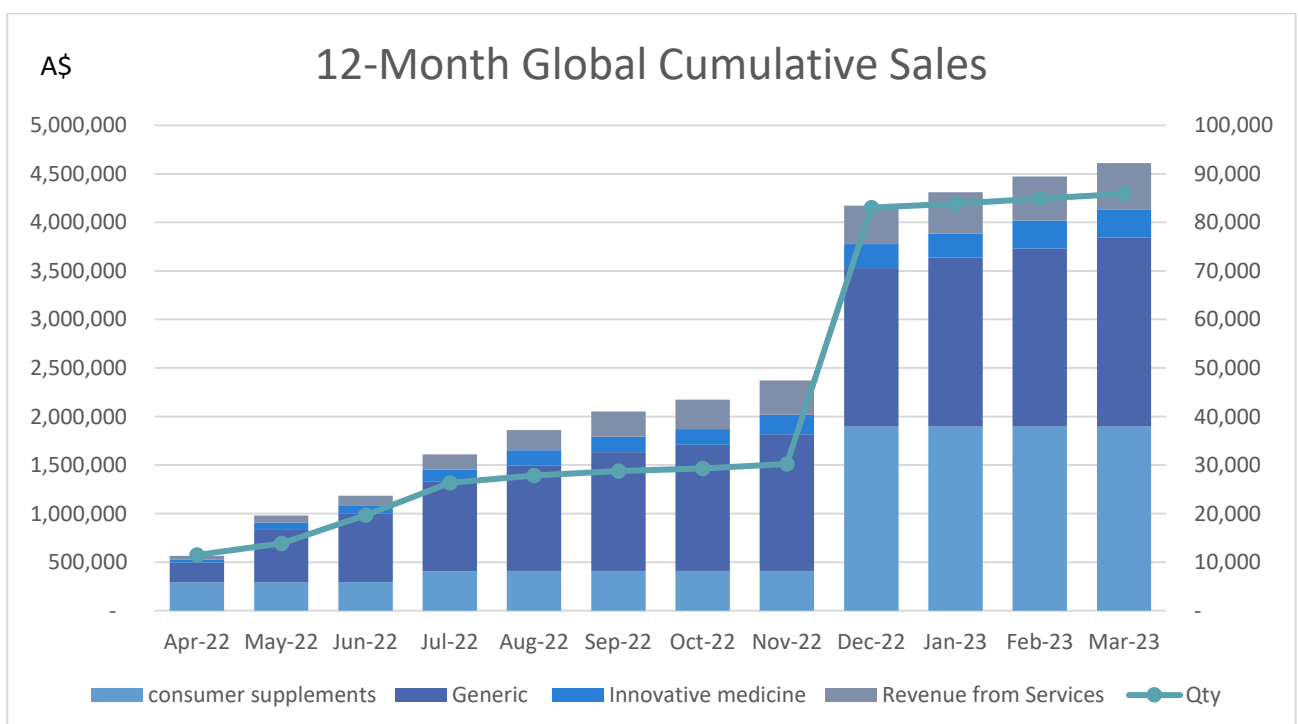
**CannEpil® and ZAM**

The first patient was enrolled in the Company's proprietary data collection app and machine learning algorithm, ZAM, in order to log the data from an observational study monitoring the effects of **CannEpil®**, MGC Pharma's epilepsy treatment. The app is recording daily metrics from patients, their symptoms, and the impact of their treatment in order to establish a baseline. This will provide both MGC Pharma and medical practitioners with a detailed record of the study and an enhanced understanding of the effects of **CannEpil®** on Refractory Epilepsy patients.

**March Quarter Sales Update**

MGC Pharma revenue in the March quarter was lower than average mainly due to seasonality issues with new year sales and establishing new pharma regulatory approvals and distribution channels for CannEpil in the UK and key EU markets, core activities that will build strong foundation for future growth.

Admin, staff and corporate costs were reduced by 3% in the March quarter due to a costs rationalisation review.



### **Funding and Cash Flow Reporting**

Using the US\$10 million Convertible Securities Financing Facility with Mercer Street Global Opportunity Fund, LLC, a fund managed by United States-based institutional fund manager Mercer Street Capital Partners, LLC, MGC Pharma drew down US\$1,100,000 during the quarter. This will be used to fund working capital requirements and to further our clinical trial pathway and pipeline.

At the end of March, the Company had ~A\$315K of cash on hand, and ~A\$7.65m (US\$5.05m) of funding capacity available under the Mercer US\$10m Convertible Securities facility.

Accompany this Activity Report is a Cash Flow Report for the Quarter ending 31 March 2023.

In accordance with ASX Listing Rule 4.7C.3 the Company advises that during the March 2023 quarter, payments to related parties totalled A\$172K, which consisted of fees paid to executive and non-executive directors of the Company.

As detailed in the accompany Appendix 4C (Quarterly Cash Flow Report), cashflows during the quarter included \$38K cash outflows associated with inventory production, A\$2.46m for administration costs (including product registration costs), and cash inflows A\$1.58m in funding received from the drawdown of the Mercer Convertible Security facility.

### **Activities Post Quarter End**

Post quarter end, the company successfully raised an aggregated £2.09 million (A\$3.82m) by way of a conditional placing of 476,132,620 new ordinary shares of no par value in the capital of the Company at a price of 0.44 pence (0.8 cents) per Placing Share, and 238,066,311 Fundraise Options. The Placing was supported by a mix of new and existing institutional and high net worth shareholders in both the UK and Australia, including Premier Miton and Cantheon Capital, in addition to the supplementary Broker Options raise.

### **Corporate and Commercial News**

Over the course of the quarter, a number of personnel and advisor changes were announced:

#### **Appointment of Auditor**

The Company appointed Australian Chartered Accounting firm, Hall Chadwick Chartered Accounts ("Hall Chadwick"), as its external financial auditor, following a review of the Company's external auditor arrangements, and its cost reduction strategy. The board has selected Hall Chadwick based on their expertise, capacity to undertake the 31 December 2022 audit review, and fee structure. Hall Chadwick is also the Company's incumbent Australian taxation advisor, which is expected to provide synergies in service delivery.

#### **Personnel changes**

The Board announced the resignation of non-executive director Mr Evan Hayes, as part of the Company's transition to a dedicated life sciences pharmaceuticals company. As a result of Mr Hayes' departure, MGC Pharma's board will be reduced to 5 directors, with the Company continuing to evaluate the composition of the board over the next 6 months to ensure that it reflects its position as a European based life sciences pharmaceutical company.

#### **Company Secretary and CFO**

Tom Cairns, previously MGC's Group Financial Controller, was promoted to MGC Pharma's Chief Accounting Officer (CFO equivalent).

Messrs Rowan Harland and Arron Canicais of SmallCap Corporate Pty Ltd, a Perth based corporate advisory firm, have been appointed Joint Company Secretaries.

--Ends--

Authorised for release by the board of directors, for further information please contact:

**MGC Pharmaceuticals Ltd**

Roby Zomer  
CEO & Managing Director  
+61 8 6382 3390  
[info@mgcpharma.com.au](mailto:info@mgcpharma.com.au)

**MGC Pharmaceuticals Ltd**

Arron Canicais / Rowan Harland  
Joint Company Secretaries  
+61 8 6382 3390  
[info@mgcpharma.co.uk](mailto:info@mgcpharma.co.uk)

**UK PR Advisors**

**Tavistock**

Charles Vivian / Tim Pearson  
+44 207 920 3150  
[mgcpharma@tavistock.co.uk](mailto:mgcpharma@tavistock.co.uk)

**UK Brokers**

**Peterhouse Capital**

Charles Goodfellow / Lucy Williams / Duncan Vasey  
+44 207 469 0930  
[cg@peterhousecap.com](mailto:cg@peterhousecap.com) / [lw@peterhousecap.com](mailto:lw@peterhousecap.com)

**UK Financial Consultant**

**SW4 Partners**

Rupert Fane / Nilesh Patel  
[rupert@sw4partners.com](mailto:rupert@sw4partners.com) / [nilesh@sw4partners.com](mailto:nilesh@sw4partners.com)

## About MGC Pharma

MGC Pharmaceuticals Ltd (LSE: MXC, ASX: MXC) is a European based pharmaceutical company, focused on developing and supplying accessible and ethically produced plant inspired medicines, combining in-house research with innovative technologies, with the goal of finding or producing treatments to for unmet medical conditions.

The Company's founders and executives are key figures in the global pharmaceuticals industry and the core business strategy is to develop and supply high quality plant inspired medicines for the growing demand in the medical markets in Europe, North America and Australasia.

MGC Pharma has a robust development pipeline targeting two widespread medical conditions and has further products under development.

MGC Pharma has partnered with renowned institutions and academia to optimise the development of targeted plant inspired medicines, to be produced in the Company's EU-GMP Certified manufacturing facilities.

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.

*Follow us through our social media channels:*

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**Appendix 4C**  
**Quarterly cash flow report for entities**  
**subject to Listing Rule 4.7B**

**Name of entity**

MGC PHARMACEUTICALS LTD

**ABN**

30 116 800 269

**Quarter ended ("current quarter")**

31 March 2023

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	567	3,388
1.2	Payments for		
	(a) research and development	(328)	(1,564)
	(b) product manufacturing and operating costs		
	i) cost of sales / inventory	(38)	(2,098)
	ii) operating costs	-	(2)
	(c) advertising and marketing	(185)	(510)
	(d) leased assets	-	-
	(e) staff costs	(1,310)	(4,362)
	(f) administration and corporate costs (including product registrations)	(1,146)	(3,993)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	44
1.5	Interest and other costs of finance paid	-	(0)
1.6	Income taxes paid	-	(2)
1.7	Government grants and tax incentives	-	1,160
1.8	Other (GST/VAT refund)	-	619
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(2,440)</b>	<b>(7,320)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	-

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
	(c) property, plant and equipment	(20)	(723)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (cash acquired through assets acquisition)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(20)</b>	<b>(723)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	1,582	6,948
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (loan entity which where control was gained after quarter-end)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>1,582</b>	<b>6,948</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>	<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.1	Cash and cash equivalents at beginning of period	1,134	1,886
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,440)	(7,320)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(20)	(723)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,582	6,948
4.5	Effect of movement in exchange rates on cash held	60	(476)
<b>4.6</b>	<b>Cash and cash equivalents at end of quarter</b>	<b>315</b>	<b>315</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	290	1,077
5.2	Call deposits	26	56
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>315</b>	<b>1,134</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	172
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.		

The payments in 6.1 are payments to directors of the company for their service during the quarter.

7.	Financing facilities available <i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	14,600	6,948
7.4	<b>Total financing facilities</b>	<b>14,600</b>	<b>6,948</b>
7.5	<b>Unused financing facilities available at quarter end</b>	-	7,652
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>\$14.6M Convertible note facility with Mercer Street Opportunity Fund LLC. Refer to ASX announcement on 29 July 2022 for further information.</p>			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(2,440)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	315
8.3	Unused finance facilities available at quarter end (Item 7.5)	7,652
8.4	Total available funding (Item 8.2 + Item 8.3)	7,967
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	<b>3.3</b>

*Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.*

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

*Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.*



**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

28 April 2023

Date: .....

*[lodge electronically without signature]*

Authorised by: .....

Roby Zomer – Managing Director

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity’s activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: “By the board”. If it has been authorised for release to the market by a committee of your board of directors, you can insert here: “By the *[name of board committee – eg Audit and Risk Committee]*”. If it has been authorised for release to the market by a disclosure committee, you can insert here: “By the Disclosure Committee”.
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council’s *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.