MGC PHARMACEUTICALS LTD
ABN 30 116 800 269

ANNUAL REPORT
30 June 2023

Contents

Corporate Directory

Directors

Stephen Parker
Non-Executive Chairman

Roby Zomer
Managing Director and CEO

Layton Mills
Non-Executive Director

Ross Walker
Non-Executive Director

Company Secretary

Rowan Harland

Registered Office and Principal Place of Business

Suite 1, 295 Rokeby Road
Subiaco WA 6008
Tel: +61 8 6555 2950

Solicitors

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

Auditors

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

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 17
221 St Georges Terrace
Perth WA 6000

Website

www.mgcpharma.co.uk

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 2023.

Directors

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

Director	Title	Appointment Date
Stephen Parker[1]	Non-Executive Chairman	13 March 2019
Roby Zomer	Managing Director & CEO	15 February 2016
Ross Walker	Non-Executive Director	15 February 2016
Layton Mills	Non-Executive Director	1 June 2023
Brett Mitchell[2]	Non-Executive Chairman	4 April 2013
Nativ Segev[3]	Non-Executive Director	15 February 2016
Evan Hayes[4]	Non-Executive Director	1 September 2020

1. Mr Parker transitioned into the Chairman's role 1 June 2023.
2. Mr Mitchell ceased being a director on 1 June 2023
3. Mr Segev ceased being a director on 1 June 2023
4. Mr Hayes ceased being a director on 1 January 2023

Company Secretary

Rowan Harland and Arron Canicais were appointed joint Company Secretaries on 1 March 2023 following David Lim's resignation. Arron Canicais subsequently resigned 28 July 2023 leaving Mr Harland as the sole Company Secretary.

Principal Activities

MGC Pharmaceuticals Ltd (LSE: MXC, ASX: MXC) is a European based pharmaceutical company, focused on developing and supplying accessible and ethically produced plant derived 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 derived 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 derived 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.

Operating Results

The consolidated loss of the Group amounted to $21,133,535 (2022: $20,767,823).

Dividends Paid or Recommended

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

Directors' Report

Review of Operations

Highlights

Research & Development

- CannEpil®, MGC Pharma's Investigational Medicinal Product ("IMP") is now available in the United Kingdom by Named Patient Request to be prescribed by doctors on The General Medical Council ("GMC") specialist register across the UK.
- 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 clinically tested product 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.
- Peer reviewed Glioblastoma research findings published in international scientific research journal MDPI.
- Clinical study to assess the impact of ArtemiC™ on patients suffering from Long-COVID was completed, demonstrating ArtemiC™(Cimet's ability to allieviate physical syptoms and mental confusion of study participants.

Operations

- MGC's Maltese fully automated, large scale pharmaceutical production facility was granted EU-Good Manufacturing Practice (GMP) certification.
- After a strategic review of operations, the board implemented further cost reductions, consisting of a ~35% reduction in director fees, and key executive officers of the Company agreeing to a 10-20% reduction in their cash remuneration.

Licences, Approvals and Distributions Agreements

- The first UK patient received CannEpil® through the 'I AM Billy Foundation', supporting the RESCAS study.
- Key US and EU commercial partnerships expanded, with delivery of $1m order of ArtemiC™ to US supply and distribution partner, AMC Holdings Inc.
- Upgrade and EU GMP recertification of Slovenian production and research facility completed, along with independent audit and inspection by key EU/UK distribution partner Sciensus Rare.
- The first patient was enrolled in the ZAM app in association with an observational trial for CannEpil® on patients with Refractory, or drug resistant, Epilepsy.

Corporate

- MGC completed a successful UK led fundraising, raising a total of £1,204,525 (A$2,204,281) supported by new and existing shareholders, brokers, and high net worth individuals in both the UK and Australia.
- Layton Mills was appointed as a Non-Executive Director of the Company.

Directors' Report

Research and development / clinical trials

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 records 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.

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 MoA 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™ (CimetrA® OTC Version)

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 has been able to sell **ArtemiC™** via US-based Pharmacy Benefit Management (PBM) networks, including prescription discount services, since 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 was a major breakthrough for the company, as MGC Pharma works to expand global footprint and retail access.

Malta Production Facility- EU GMP Approval Granted

MGC's Maltese, fully automated, large scale pharmaceutical production facility was granted EU-Good Manufacturing Practice (GMP) certification.

A formal grant of GMP accreditation, an internationally recognised standard, guarantees high quality, standardised production protocols and further enables quality control of MGC proprietary products within key markets globally. The facility was built with the support of an 80% EU cash funded grant from Malta Enterprises, with the facility commissioned during 2022.

Directors' Report

The facility will be able to produce all MGC medicines and supplements and will be able to provide third party production services for other pharmaceutical companies - adding a new potential revenue stream for MGC Pharma. MGC's in house production capacity in Malta is now over 20,000 units a day of finished dose forms, which can support all future needs of CannEpil® and CimetrA® once marketing authorisation is obtained in the USA and Europe.

Pre-clinical Research collaboration

MGC Pharma's research, in collaboration with the National Institute of Biology in Slovenia, on the effect of Cannabidiol (**CBD**) and Cannabigerol (**CBG**) extracts on Glioblastoma[1] cells was published in the November 2022 edition of the peer review science journal, MDPI[2]. The research tested the effect of CBD and CBG extracts provided by MGC Pharmaceuticals, on Glioblastoma cells. The study found that the GPR55 and TRPV1 receptors were the best targets for the antagonistic cannabinoids CBD and CBG (in an optimised mixture) to eliminate Glioblastoma (**GBM**) stem cells and avoided using tetrahydrocannabinol (THC) a psychoactive compound found in cannabis, which is potentially harmful, particularly in older GBM patients, with MGC Pharma looking to undertake further tests in animal experiments and clinical trials.

Slovenian Ministry of Health approval for research with Psilocybin

During the year, MGC Pharma received permission from the Slovenian Ministry of Health to undergo scientific research development on the psychedelic compound Psilocybin. The permission granted covers the development of analytical methods, research of physical-chemical properties of Psilocybin and development of pharmaceutical forms that would be suitable for administration.

MGC Pharma is one of the first companies to obtain permission to undertake pharmaceutical research on Psilocybin and the first in Slovenia. The company plans to work with other pharmaceutical businesses to collaborate and provide research capabilities for understanding the properties of Psilocybin. This approval will allow MGC to take the Psychedelic industry one step closer to the pharmaceutical industry by helping to develop and research new medicines based on Psilocybin, and for MGC to provide such services to the growing industry of Psychedelics.

Funding and Cash Flow Reporting

During the year, the Company successfully raised £1.2 million (A$2.7m) (before expenses) 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 shareholder in both the UK and Australia, including Premier Miton and Cantheon Capital, in addition to the supplementary Broker Option raise.

Subsequent Events

Post year end, the Company conditionally raised £0.65 million (A$1.24 million) (before expenses) by way of a placing and subscription of 541,666,667 new ordinary shares of no-par value (**Ordinary Shares**) in the capital of the Company (**Fundraising Shares**) at a price of 0.12 pence (0.23 cents) per Fundraising Share ("Issue Price"). The Company also agreed to issue one free attaching option exercisable at 0.12 pence (0.23 cents) with an expiry date of 14 July 2026 for every one Fundraising Share subscribed for under the Placement and Subscription.

Additionally, the Company launched a Share Purchase Plan to its Australian shareholders to raise up to $2,685,728. The Company received applications from eligible shareholders totalling A$834,000 to subscribe for 362,608,570

[1] Glioblastoma is an aggressive form of cancer affecting the central nervous system.

[2] Research Paper "*The Cytotoxic Effects of Cannabidiol and Cannabigerol on Glioblastoma Stem Cells May Mostly Involve GPR55 and TRPV1 Signalling*" (https://www.mdpi.com/2072-6694/14/23/5918/pdf)

Directors' Report

new fully paid ordinary shares in the capital of the Company at A$0.0023 (0.23 cents) per Share, with A$1,851,728 to be placed under a Shortfall Offer. Subject to shareholder approval to be sought at the Company's upcoming general meeting on 5 September 2023, applicants will receive one free attaching option exercisable at A$0.003 (0.3 cents) each on or before 31 July 2026 (Options) for every two (2) Shares subscribed for under the SPP, being 181,304,269 Options.

The Company terminated its operations in Czech and Russia subsequent to the year end.

The Company finalised early termination of its 65-year lease in Malta subsequent to the year end.

Corporate and Commercial News

Appointment of Joint Broker

As announced on 30 May 2023, Oberon Capital has been appointed as a joint broker in the UK with immediate effect alongside Peterhouse Capital.

Appointment of Public and Investor Relations Advisor

IFC Advisory has been appointed as the Company's new UK-based Public and Investor Relations advisers. The IFC team have in-depth experience in the pharmaceutical sector and will support MGC in its stated forward trajectory.

Personnel changes

On 1 June 2023 Mr Brett Mitchell and Mr Nativ Segev, stepped down from the Board, reflecting the changing direction of the Company as MGC Pharmaceuticals moves away from the medicinal cannabis sector toward a more pharma-focused business strategy. Dr Stephen Parker replaced Mr Mitchell as interim Non-Executive Chair.

MGC Pharma also appointed Mr. Layton Mills as a Non-Executive Director of the Company. Mr. Mills is an experienced life-sciences executive, having worked in the biotechnology and life sciences industries for over 15 years, developing significant experience across human and animal health in pharmaceutical and consumer healthcare. Mr. Mills is the founder of CannPal Animal Therapeutics Pty Ltd, an Animal Health Company developing cannabinoid-based veterinary medicines for FDA-CVM registration, which he led through an Initial Public Offering on the Australian Stock Exchange, followed by an acquisition by AusCann Group Holdings in 2021 where he served as CEO. Mr Mills is also the founder and Managing Director of Subgenix Lifesciences, an early-stage biotechnology Company using conventional drug development strategies to unlock the broader therapeutic potential of psychedelic compounds for rare and underserved health needs.

Directors' Report

Information on Directors and Secretaries

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

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 the company, culminating with his current role as MD and CEO. With 11 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.

Interest in MGC securities held as at date of this report
Chitta Lu Limited (an entity controlled by Mr Zomer)
1 Fully Paid Ordinary Shares
4,900,000 Performance Rights
HSBC Custody Nominees (Australia) Limited (shares held via custodial account)
33,819,672 Fully Paid Ordinary Shares

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

Dr Stephen Parker, *D.Phil, MBA – Non Executive Chairman*

Dr Stephen Parker is a seasoned executive with over 31 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 Midatech Pharmaceuticals 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
600,000 Ordinary Shares
Held through a UK Individual Savings Account (Barclays Bank PLC)
282,316 Fully Paid Ordinary Shares
Held through Hargraves Lansdown Asset Management Limited
1,111,111 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 36 years' experience as a clinician. For the past 21 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)
4,970,370 Ordinary Shares
Directorships held in other ASX listed entities in the past three years
Nil.

Directors' Report

Layton Mills, Adv Dip Bus Mgt & Marktg– *Non-Executive Director*
Mr. Mills is an experienced life-sciences executive, having worked in the biotechnology and life sciences industries for over 15 years, developing significant experience across human and animal health in pharmaceutical and consumer healthcare.

Mr. Mills is the founder of CannPal Animal Therapeutics Pty Ltd, an Animal Health Company developing cannabinoid-based veterinary medicines for FDA-CVM registration, which he led through an Initial Public Offering on the Australian Stock Exchange, followed by an acquisition by AusCann Group Holdings in 2021 where he served as CEO. Mr Mills is also the founder and Managing Director of Subgenix Lifesciences, an early-stage biotechnology Company using conventional drug development strategies to unlock the broader therapeutic potential of psychedelic compounds for rare and underserved health needs.

He has extensive international business experience having been involved in corporate business activities across Europe, Asia and North America, including government-led trade incentives with the Canberra Business Chamber.

Interest in MGC securities held as at date of this report
Nil.

Directorships held in other ASX listed entities in the past three years
Cannpal Animal Therapeutics Ltd (ASX:CP1)

Brett Mitchell, *B. Ec* – Non - Executive Chairman (Retired 1 June 2023)
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 Executive Chairman of an Australian unlisted public company, Australian Cannabis Ventures Limited.

Nativ Segev – Non-Executive Director (Retired 1 June 2023)
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 11 years of experience in implementation, legislation and lobbying in the global Medical Cannabis industry, combined with over 16 years of experience in diverse executive roles.

Evan Hayes, *MSC Biotech, BSC BioChem, NICM Adjunct Fellow, GAICD, MASM* – Non-Executive Director (Retired 1 January 2023)
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.

Directors' Report

Rowan Harland – Company Secretary
Mr Harland is a corporate advisory executive at SmallCap Corporate, a Perth based corporate advisory firm. Mr Harland is responsible for a range of services including Company Secretarial services for listed and unlisted entities.

Mr Harland holds a Master of Finance degree as well as a Bachelor of Commerce from Curtin University.

Arron Canicais – Company Secretary (Resigned 28 July 2023)

Mr Canicais is an experienced finance professional who holds Company Secretary and Chief Financial Officer positions with public and private companies across several sectors. He is an associate of the Governance Institute of Australia and Chartered Accountants Australia and New Zealand

David Lim – Company Secretary (Resigned 1 March 2023)
Mr Lim is a finance and corporate governance professional with over 16 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 in the resources sector.

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.

Business Risks

Sufficiency of funding
The Group's business strategy will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves and funds generated over time by the Company's business will be sufficient to successfully achieve all the objectives of the Company's business strategy. Further funding of projects may be required by the Company to support the ongoing activities and operations of the Group, including the need to conduct further research and development, enhance its operating infrastructure and to acquire complementary businesses and technologies.
Accordingly, the Company may need to engage in equity or debt financing to secure additional funds. If the Company is unable to use debt or equity to fund expansion after utilising existing working capital, there can be no assurance that the Company will have sufficient capital resources for that purpose, or other purposes, or that it will be able to obtain additional resources on terms acceptable to the Company or at all.

Any additional equity financing may be dilutive to the Company's existing Shareholders and any debt financing, if available, may involve restrictive covenants, which limit the Company's operations and business strategy. If the Company is unable to raise capital if and when needed, this could delay or suspend the Company's business strategy and could have a material adverse effect on the Company's activities.

Default Risk – Debt and Convertible Securities Agreement

As announced on 10 September 2020, the Company entered into a convertible securities agreement with Mercer, a United States based investment group (2020 Convertible Securities Agreement). Pursuant to the 2020 Convertible Securities Agreement, the Company was provided with funding of up to $15,000,000 (Mercer Facility).

Under the 2020 Convertible Securities Agreement, a total of 6,325,000 convertible notes were issued in two tranches (representing drawdowns of A$5,750,000) (Convertible Notes). The Company has obligations to either repay outstanding amounts owed by the Company, or issue Shares upon receipt of a conversion notice. As at the date of this Prospectus, a total of 4,225,000 Convertible Notes have been converted into Shares and the balance of 2,100,000 Convertible Notes remain on issue. As announced on 2 February 2023, the Company and Mercer agreed to extend the maturity date of the 2,100,000 convertible notes on issue from 24 November 2022 to 1 February 2024.

As announced on 29 July 2022, the Company entered into an agreement with Mercer (2022 Convertible Securities Agreement), whereby Mercer conditionally agreed to provide the Company with up to a total of US$10 million in funding. During the period from 4 August 2022 to 1 November 2022, the Company drew down an aggregate of US$3,100,000 in exchange for the issue of 3,410,000 Convertible Notes. During the period from 28 December 2022

Directors' Report

to 6 February 2023, the Company drew down an additional US$1,133,120 in exchange for the issue of 1,246,432 Convertible Notes. On 9 March 2023 (prior to the general meeting of Shareholders), the Company drew down an additional US$500,000 in exchange for the issue of 550,000 Convertible Notes.

At the date of this report, the Company has issued 2,100,000 Convertible Notes under the 2020 Convertible Securities Agreement and 5,206,432 Convertible Notes under the 2022 Convertible Securities Agreement.

The Company expects to be able to redeem the Convertible Notes or make interest payments in respect of the amounts advanced under the Convertible Notes using the proceeds from future debt or equity raisings, cash flows from operations or proceeds from the sale of assets. However, there is a risk that the Company may be unable to procure or raise sufficient cash resources from its operations, future debt or equity raisings. Should the Company default on its obligations under the Convertible Securities Agreement, an event of default will occur. In these circumstances, if the Company is unable to raise sufficient funds or otherwise cure the default, Mercer will be able to seek immediate repayment of the debts due or enforce the security granted under the associated security document and sell some or all of the Company's assets.

The Group does not have its own distribution operations and is reliant on contractual arrangements with third parties

The Group does not have its own distribution capability and at present, relies on partnerships with pharmaceutical distributors and logistics providers in key territories to facilitate the import and distribution of its products.

For example, the Company has signed a distribution agreement with Sciensus Rare, a part of UK health care group, Sciensus, for the distribution of CannEpil® and CogniCann® in key European territories and the UK. In each jurisdiction, the Group's products are imported by appointed distributors who hold the required controlled substance licences and distribution capability.

The ability of the Group to distribute its products may be severely and adversely affected, delayed or unable to continue at all. Delays in the distribution of the Group's products may arise due to operational issues or delays affecting or arising from the distribution partners, which are outside the control of the Group such as any of them losing or failing to maintain requisite licences and approvals.

The Group's intellectual property protection may be limited

The Company is actively trademarking both its brands and ingredients of the Group's product suites and has filed for trademarks in both the EU and Australia, for CannEpil®, Cimetra®, CogniCann™, TopiCann™, CannEkid and CannaHub™ (the Group's collaboration with RMIT and HUJI). The Group has two patent protections of its products, CimetrA and CannEpil IL. Nevertheless, the patents may be infringed by other companies around the world without the Company's knowledge.

Foreign exchange risks

The Company and its Australian operating subsidiary, MGC Research (Aus) Pty Ltd, are incorporated and registered in Australia, the other members of the Group operate in numerous jurisdictions, including the United Kingdom, Slovenia and Malta. Consequently, the Group may generate revenue and incurs costs and expenses in more than one currency, predominately the Euro. Accordingly, the depreciation and/or the appreciation of the Euro, for example, relative to the Australian Dollar would result in a foreign currency loss/gain. Any depreciation of the Euro, relative to the Australian Dollar may result in lower than anticipated revenue, profit and earnings of the Company.

Directors' Report

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, options 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 securities incentive plan.

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 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 incentive plan.

Performance-based Remuneration

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.

Directors' Report

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Overview of Company Performance

The table below sets out information about MGC Pharmaceuticals Group earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Net loss after tax ($) attributable to members of the parent entity	(20,823,584)	(20,347,439)	(15,871,978)	(19,370,226)	(8,623,856)
Share price at year end ($)	0.005	0.02	0.037	0.02	0.052
Basic loss per share (cents)	(0.71)	(0.79)	(0.83)	(1.40)	(0.71)
Dividends paid	-	-	-	-	-

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*, Non - *Executive Chairman
○ Mr Mitchell ceased being a director on 1 June 2023, continuing in the role of Corporate Advisor to the Board
Services Agreement with Sibella Capital Pty Ltd, an entity controlled by Mr Mitchell
• MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable; ○ Fees of £13,000 per month paid at agreed exchange rate of 0.52504 AUD per GBP.

Dr Stephen Parker, Non-Executive Chairman
• Director Agreement dated 1 July 2020, no termination date or payment on termination; ○ Non-Executive Director fees of £2,200 per month

Roby Zomer, CEO & Managing Director
• Director Agreement dated 1 July 2020, no termination date or payment on termination; ○ Standard director fee of £2,500 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 addendum commenced 25 January 2022; no termination date or payment on termination; ○ Fees of €1,203.36 per month
Paid to Chitta Lu Limited, an entity controlled by Mr Zomer:

Directors' Report

Roby Zomer, CEO & Managing Director
• MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable; o Fees of £11,000 per month.

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

Layton Mills, Non-Executive Director
• Director Agreement dated 1 June 2023, no termination date or payment on termination; o Non-Executive Director fees of $4,000 per month

Mr Nativ Segev, Non-Executive Director
• Mr Segev ceased being a director on 1 June 2023
• MGC Pharmaceuticals d.o.o (the Group's Slovenian subsidiary) director agreement terminated 30/06/2023
Services Agreement with Brighght Global Limited, an entity controlled by Mr Segev, valid from 1 July 2020
• MGC Pharmaceuticals Ltd services agreement this automatically renews every 12 months unless terminated, 90 days' notice; o Fees of $9,000 per month o Terminated 30 June 2023

Dr Evan Hayes, Non-Executive Director
• Mr Hayes ceased being a director on 1 January 2023

Directors’ Report

Details of Remuneration

Key Management Personnel Remuneration

Directors	Short-term Benefits			Post-employment benefits					
	Cash and salary	Perfor-mance Bonus	Other[ii]	Super-annuation	Termination benefits	Equity	Share based Payments[i]	Total	Perform-ance related %
2023									
Brett Mitchell	337,928	-	-	-	-	-	-	337,928	-
Roby Zomer	354,018	-	-	-	-	-	-	354,018	-
Nativ Segev	116,732	-	-	-	-	-	-	116,732	-
Ross Walker	44,000	-	-	-	-	-	-	44,000	-
Stephen Parker	30,591	-	-	-	-	-	-	30,591	-
Evan Hayes	35,200	-	-	-	-	-	-	35,200	-
Layton Mills	-	-	-	-	-	-		-	-
Total	**918,469**	**-**	**-**	**-**	**-**	**-**	**-**	**918,469**	**-**
2022									
Brett Mitchell	378,344	-	-	-	-	-	144,730	523,074	27.67%
Roby Zomer	421,692	-	62,940	-	-	-	144,730	629,362	23.00%
Nativ Segev	129,992	-	-	-	-	-	8,375	138,367	7.20%
Ross Walker	48,000	-	-	-	-	-	8,375	56,375	14.86%
Stephen Parker	67,666	-	-	-	-	-	11,166	78,832	14.16%
Evan Hayes	48,000	-	-	-	-	-	11,166	59,166	18.87%
Total	**1,093,694**	**-**	**62,940**	**-**	**-**	**-**	**328,542**	**1,485,176**	

All Directors have contracts with the Company.

Option Holdings of Key Management Personnel

Directors	Opening Balance	Granted as Compensation	Options Exercised	Net Other Changes	Closing Balance (vested and exercisable)
2023					
Brett Mitchell[i]	4,500,000	-	-	-	4,500,000
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Evan Hayes	-	-	-	-	-
Total	**4,500,000**	**-**	**-**	**-**	**4,500,000**
2022					
Brett Mitchell	5,055,554	-	(555,554)	-	4,500,000 [i]
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Total	**5,055,554**	**-**	**(555,554)**	**-**	**4,500,000**

i. 4,500,000 options are held by YCAGAGF Investments Pty Ltd a company of which Mr Mitchell is a director and 33% shareholder.

Directors' Report

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	Performance Rights Exercised	Net Other Changes	Balance at Date of Retirement	Closing Balance	Vested Unexercised
2023							
Roby Zomer	22,400,000	-	-	(17,500,000) [iii]	-	4,900,000	4,900,000
Stephen Parker	1,400,000	-	-	(1,400,000) [iii]	-	-	-
Ross Walker	1,050,000	-	-	(1,050,000)[iii]	-	-	-
Layton Mills[v]	-	-	-	-	-	-	-
Brett Mitchell[i]	22,400,000	-	-	(17,500,000)[iii]	4,900,000	-	-
Nativ Segev[i]	1,650,000	-	-	(1,050,000)[iii]	600,000	-	-
Evan Hayes[ii]	2,000,000	-	-	-	2,000,000	-	-
Total	**50,900,000**	**-**	**-**	**(38,500,000)**	**7,500,000**	**4,900,000**	**4,900,000**
2022							
Brett Mitchell	5,000,000	27,400,000[iv]	-	(10,000,000)[iii]	-	22,400,000	2,400,000
Roby Zomer	5,000,000	27,400,000 [iv]	-	(10,000,000) [iii]	-	22,400,000	2,400,000
Nativ Segev	-	2,100,000 [iv]	-	(450,000) [iii]	-	1,650,000	600,000
Ross Walker	-	2,100,000 [iv]	(600,000)	(450,000) [iii]	-	1,050,000	-
Stephen Parker	-	2,600,000 [iv]	(600,000)	(600,000) [iii]	-	1,400,000	-
Evan Hayes	-	2,600,000 [iv]	-	(600,000) [iii]	-	2,000,000	600,000
Total	**10,000,000**	**64,200,000**	**(1,200,000)**	**(22,100,000)**	**-**	**50,900,000**	**6,000,000**

i. Ceased being a Director on 1 June 2023.
ii. Ceased being a Director on 1 January 2023.
iii. Lapsed as vesting conditions not satisfied.
iv. Granted and vested during the FY22 reporting period subsequent to shareholder approval.
v. Joined as a director 1 June 2023

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	Convertible Securities Exercised	Net Other Changes	Balance at Date of Retirement	Closing Balance
2023						
Roby Zomer	33,819,673	-	-	-	-	33,819,673
Stephen Parker	1,993,427	-	-	-	-	1,993,427
Ross Walker	4,970,370	-	-	-	-	4,970,370
Layton Mills[iv]	-	-	-	-	-	-
Brett Mitchell[i]	30,960,558	-	-	-	30,960,558	-
Nativ Segev[i]	58,000,001	-	-	-	58,000,001	-
Evan Hayes[ii]	295,000	-	-	-	295,000	-
Total	**130,039,029**	**-**	**-**	**-**	**89,255,559**	**40,783,470**
2022						
Brett Mitchell	30,405,004	-	555,554	-	-	30,960,558
Roby Zomer	33,000,001	-	-	819,672[iii]	-	33,819,673
Nativ Segev	53,000,001	-	-	5,000,000[iii]	-	58,000,001
Ross Walker	4,370,370	-	600,000	-	-	4,970,370
Stephen Parker	282,316	-	600,000	1,111,111i[ii]	-	1,993,427
Evan Hayes	-	-	-	295,000[iii]	-	295,000
Total	**121,057,692**	**-**	**1,755,554**	**7,225,783**	**-**	**130,039,029**

i. Ceased being a Director on 1 June 2023
ii. Ceased being a Director on 1 January 2023
iii. Acquired on market
iv. Joined as a director 1 June 2023

Directors' Report

Share-based and other performance-based compensation
No share-based payments were issued to Directors during the current financial year.

Performance bonuses
No performance bonuses were issued during the current financial 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 2023.

Directors' Report

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:

Related Party	Relationship	Nature of transactions	Transactions		Balances (owing to)/ owed by	
			Full Year 30-Jun-23 $	Full Year 30-Jun-22 $	Full Year 30-Jun-23 $	Full Year 30-Jun-22 $
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Corporate services from Chieftain – 1 Jul 20 to 31 Dec 20	-	-	-	-
CHIEFTAIN SECURITIES (WA) PTY LTD (CHIEFTAIN WA)	(ii)	Corporate services from Chieftain – 1 Jul 21 to 30 June 22	-	60,000	22,000	22,000
SPUTNIK ENTERPRISES LTD	(iii)	Corporate Advisory Services	-	149,201	-	-
CHITTA LU LIMITED	(iv)	Charges from CLL to corporate administrative costs	-	7,115	-	-
AUSTRALIA CANNABIS VENTURES LIMITED (ACV)	(v)	(Re-charges) to ACV for corporate administrative costs	-	(1,078)	-	-

(i) Mr Brett Mitchell holds a 25% shareholding in Chieftain Securities Pty Ltd.
(ii) Mr Brett Mitchell holds a 25% shareholding in Chieftain Securities (WA) Pty Ltd.
(iii) Mr Roby Zomer and Mr Brett Mitchell each holds a 50% shareholding in Sputnik Enterprises LTD
(iv) Mr Roby Zomer is a Director and 100% shareholder of Chitta Lu Limited
(v) Mr Brett Mitchell is an Executive Chairman and shareholder of Australian Cannabis Ventures Limited.

End of Remuneration Report

Directors' Report

Meetings of Directors

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

	Board Meetings	
	Held	Attended
Roby Zomer	4	4
Stephen Parker	4	4
Ross Walker	4	4
Layton Mills[iii]	-	-
Brett Mitchell[i]	4	4
Nativ Segev[i]	4	4
Evan Hayes[ii]	2	2

i. Retired 1 June 2023

ii. Retired 1 January 2023

iii. Joined as a director 1 June 2023

In additional to attending board meetings a number of Board Resolutions were passed by Written Resolution

The Company has remuneration, nomination and audit and risk committees in place. The attendances of the Sub-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	-	-	-	-	3	3
Ross Walker	-	-	-	-	3	3
Stephen Parker	-	-	-	-	3	3
Evan Hayes	-	-	-	-	2	2

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 ASX 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.co.uk

Options

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

Date of Expiry	Exercise Price	Number
12 Apr 2024	$0.012	166,035,793
30 Nov 2024	£0.02	9,000,000
30 Jun 2025	$0.013	50,000,000
14 Jul 2026	$0.0012	452,358,614
31 Jul 2026	$0.003	181,304,269
TOTAL		**858,698,676**

Directors' Report

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

Description	Exercise Price	Vested	Number
Dec 19 Director Rights	nil	Yes	5,000,000
Apr 21 Employee Class C	nil	yes	7,500,000
Apr 21 Director Class C	nil	yes	5,400,000
Dec 21 Employee Class D	nil	yes	250,000
Dec 21 Employee Class E	nil	no	250,000
TOTAL			**18,400,000**

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 Nov 2020	$0.010[1]	A$1.00	1 Feb 2024	2,100,000
4 Aug 2022	$0.010[2]	US$1.00	4 Feb 2024	1,320,000
26 Aug 2022	$0.010[2]	US$1.00	26 Feb 2024	825,000
23 Sep 2022	$0.010[2]	US$1.00	23 Mar 2024	605,000
1 Nov 2022	$0.010[2]	US$1.00	1 May 2024	660,000
28 Dec 2022	$0.010[2]	US$1.00	28 Jun 2024	586,432
3 Feb 2023	$0.010[2]	US$1.00	3 Aug 2025	660,000
8 Mar 2023	$0.010[2]	US$1.00	8 Sep 2025	550,000
Total				**7,306,432**

1. Shareholder approval granted on 31 March 2023 to amend the minimum conversion price of the Remaining 2020 Convertible Notes from "not less than A$0.018" to "not less than A$0.01".

2. Shareholder approval granted on 31 March 2023 to amend the minimum conversion price of the 2022 Convertible Notes from "not less than A$0.014" to "not less than A$0.01".

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, Hall Chadwick, 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 Hall Chadwick 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, Hall Chadwick: R&D rebate application and tax compliance. 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.

Directors' Report

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2023 has been received and can be found on the following page 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 2023

R. Zomer

Roby Zomer
Managing Director
Dated 29 September 2023

MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND CONTROLLED ENTITIES

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MGC PHARMACEUTICALS LTD

In accordance with section 307C of the *Corporations Act 2001,* I am pleased to provide the following declaration of independence to the directors of MGC Pharmaceuticals Ltd. As the lead audit partner for the audit of the financial report of MGC Pharmaceuticals Ltd. for the year ended 30 June 2023, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Hall Chadwick (NSW)

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

SKumar

SANDEEP KUMAR
Partner
Dated: 29 September 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2023

	Note	30-Jun-23 $	30-Jun-22 $
Revenue from contracts with customers	*4a)*	3,387,567	4,732,012
Cost of sales	*5a)*	(1,936,890)	(2,922,119)
Gross profit		**1,450,677**	**1,809,893**
Other operating income	*4c)*	528,213	9,190
Administrative expenses	*5b)*	(14,787,073)	(11,829,361)
Other operating expenses	*5c)*	(3,642,897)	(4,323,682)
Fair value movement on financial instruments	*5f)*	(131,409)	(1,240,814)
Impairment expense	*5d)*	(4,532,940)	(4,983,858)
Operating loss		**(21,115,429)**	**(20,558,632)**
Finance costs	*5e)*	(257,403)	(210,142)
Finance income	*4b)*	240	301
Other income		241,075	650
Loss before income tax		**(21,131,517)**	**(20,767,823)**
Income tax expense	*6*	(2,018)	-
Loss for the year		**(21,133,535)**	**(20,767,823)**
Attributable to:			
Members of the parent entity		(20,823,584)	(20,347,439)
Non-controlling interest		(309,951)	(420,384)
		(21,133,535)	**(20,767,823)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		1,264,822	(942,191)
Other comprehensive income (net of tax) for the year		**1,264,822**	**(942,191)**
Total comprehensive loss for the year		**(19,868,713)**	**(21,710,014)**
Total comprehensive loss attributable to:			
Members of the parent entity		(19,897,587)	(21,170,411)
Non-controlling interest		28,874	(539,603)
		(19,868,713)	**(21,710,014)**
Earnings per share			
Basic and diluted loss for the year attributable to ordinary equity holders of the parent	18	(0.71)	(0.79)

The accompanying notes form part of these financial statements

Consolidated Statement of Financial Position

As at 30 June 2023

	Note	30-Jun-23 $	30-Jun-22 $
CURRENT ASSETS			
Cash and cash equivalents	*7*	239,821	1,886,347
Inventory	*8*	1,362,502	1,837,803
Trade and other receivables	*9*	531,314	1,937,114
Prepayments		396,926	796,376
Total Current Assets		**2,530,563**	**6,457,640**
NON-CURRENT ASSETS			
Plant and equipment	*10*	6,864,412	6,664,798
Intangible assets and goodwill	*11*	-	3,145,724
Financial assets	*20*	-	155,971
Right-of-use assets	*14*	588,677	2,133,685
Total Non-Current Assets		**7,453,089**	**12,100,178**
TOTAL ASSETS		**9,983,652**	**18,557,818**
CURRENT LIABILITIES			
Trade and other payables	*13a)*	3,303,826	3,519,206
Deferred revenue	*13b)*	658,133	1,810,361
Financial liabilities at fair value through profit or loss	*15*	9,179,515	2,100,000
Lease liabilities	*14*	190,570	277,689
Total Current Liabilities		**13,332,044**	**7,707,256**
NON-CURRENT LIABILITIES			
Provisions		21,009	16,448
Deferred revenue	*13c)*	4,277,865	3,679,413
Lease liabilities	*14*	384,569	1,974,918
Total Non-Current Liabilities		**4,683,443**	**5,670,779**
TOTAL LIABILITIES		**18,015,487**	**13,378,035**
NET (LIABILITIES) ASSETS		**(8,031,835)**	**5,179,783**
EQUITY			
Contributed equity	*16a)*	103,690,800	97,251,478
Share based payment reserve	*16bi)*	8,142,037	7,924,264
Foreign currency translation reserve	*16bii)*	315,406	(610,591)
Consolidation reserve		(382,404)	(382,404)
Accumulated losses		**(119,168,919)**	**(98,345,335)**
Equity attributable to equity holders of the parent		**(7,403,080)**	**5,837,412**
Non-controlling interest		(628,755)	(657,629)
TOTAL EQUITY		**(8,031,835)**	**5,179,783**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2023

	Contributed Equity	Share Based Payment Reserve	Foreign Currency Translation Reserve	Consolidation Reserve	Retained Earnings	Non-Controlling Interest	Total
	$	$	$	$	$	$	$
Balance at 30 June 2021	**84,511,983**	**7,490,483**	**212,381**	**(382,404)**	**(77,997,896)**	**(8,648)**	**13,825,899**
Other comprehensive income	-	-	(822,972)	-		(119,219)	(942,191)
Loss after income tax expense	-	-	-	-	(20,347,439)	(420,384)	(20,767,823)
Total comprehensive loss for the year	**-**	**-**	**(822,972)**	**-**	**(20,347,439)**	**(539,603)**	**(21,710,014)**
Shares issued during the year (net of share issue costs)	9,243,118		-	-	-	-	9,243,118
Exercise of performance rights	406,050	(406,050)	-	-	-	-	-
Acquisition of Czech/Russia	-	-	-	-	-	(109,378)	(109,378)
Share based payments	90,545	839,831	-	-	-	-	930,376
Exercise of options	509,081	-	-	-	-	-	509,081
Conversion of convertible note	2,490,701	-	-	-	-	-	2,490,701
Balance at 30 June 2022	**97,251,478**	**7,924,264**	**(610,591)**	**(382,404)**	**(98,345,335)**	**(657,629)**	**5,179,783**
Balance at 1 July 2022	**97,251,478**	**7,924,264**	**(610,591)**	**(382,404)**	**(98,345,335)**	**(657,629)**	**5,179,783**
Other comprehensive income	-	-	925,997	-		338,825	1,264,822
Loss after income tax expense	-	-	-	-	(20,823,584)	(309,951)	(21,133,535)
Total comprehensive loss for the year	**-**	**-**	**925,997**	**-**	**(20,823,584)**	**28,874**	**(19,868,713)**
Shares issued during the year (net of share issue costs)	2,768,965	-	-	-	-	-	2,768,965
Exercise of performance rights	8,000	(8,000)	-	-	-	-	-
Acquisition of ZAM Software Ltd	1,231,245	-	-	-	-	-	1,231,245
Share based payments	1,113,612	225,773	-	-	-	-	1,339,385
Equity issued to extinguish financial liabilities	1,317,500	-	-	-	-	-	1,317,500
Balance at 30 June 2023	**103,690,800**	**8,142,037**	**315,406**	**(382,404)**	**(119,168,919)**	**(628,755)**	**(8,031,835)**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2023

	Note	30-Jun-23 $	30-Jun-22 $
Cash flows from operating activities			
Receipts from customers		3,959,182	6,378,021
Payments to suppliers and employees		(13,794,361)	(14,269,817)
Payments for research expenses		(2,262,030)	(4,241,927)
Research and development rebate		371,215	-
Government grants and tax paid		(2,018)	650
Interest received		240	301
Interest paid		(257,403)	(25,453)
Net cash used in operating activities	*24*	**(11,985,175)**	**(12,158,225)**
Cash flows from investing activities			
Cash acquired through assets acquisition (MGC Czech)		-	151,426
Government grant received relating to plant and equipment		796,066	1,586,467
Payments for investments in unrelated entities		-	(155,971)
Purchase of plant and equipment / assets under construction		(189,871)	(2,693,100)
Net cash provided by (used in) investing activities		**606,195**	**(1,111,177)**
Cash flows from financing activities			
Proceeds from issue of shares and conversion of options		3,086,803	10,703,451
Proceeds from borrowings		6,948,106	-
Payment of lease liabilities		(200,955)	(263,008)
Partial repayment of loan by third party		216,338	61,424
Transaction costs on issue of shares		(317,838)	(764,061)
Net cash provided by financing activities		**9,732,454**	**9,737,806**
Net decrease in cash and cash equivalents held		**(1,655,989)**	**(3,531,597)**
Cash and cash equivalents at beginning of year		1,886,347	5,433,241
Foreign exchange movement in cash		9,463	(15,297)
Cash and cash equivalents at end of year	*7*	**239,821**	**1,886,347**

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 2023 were authorised for issue in accordance with a resolution of Directors on 29 September 2023. 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 Suite 1, 295 Rokeby Road, Subiaco, WA 6008, Australia.

MGC Pharmaceuticals Ltd (LSE: MXC, ASX: MXC) is a European based pharmaceutical company, focused on developing and supplying accessible and ethically produced plant derived 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.

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.

At 30 June 2023, the Group had a cash and cash equivalents balance of $239,821 and had a net working capital deficit of $10,801,481, which included convertible notes with a face value of $9,179,515 repayable on 24 November 2022 if not converted prior to maturity. The Group incurred a loss for the year ended 30 June 2023 of $21,133,535 and had net cash outflows from operating and investing activities of $11,378,980.

Notes to the Financial Statements

The Group's cashflow forecast for the 12 months ending 30 September 2024 indicates that the Group will require additional capital to refinance existing debt and fund ongoing corporate expenditure and working capital requirements.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations, meet its obligations as and when they fall due and thus continue as a going concern, for the following reasons:

- On 29 July 2022 the Group entered into a new convertible securities finance agreement ("the second agreement") with Mercer Street Global Opportunity Fund, LLC ("the investor") to provide the Group with a funding facility of up to a total of US$10,000,000. At the date of this report, convertible note funding of US$4,733,120 has been received under this agreement in seven tranches.
- Any further drawdown of funds under the second agreement 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.
- The Convertible Securities Finance Agreement ("the first agreement") entered into with the investor on 8 September 2020 expired on 8 March 2022. At the date of this report, convertible notes with a face value of US$2,100,000 remain on issue under the first agreement with an extended Maturity Date of 24 November 2022. On 1 February 2023, the Company executed an agreement to extend the maturity date of the A$2,100,000 convertible notes on issue, which has extended the maturity date of these convertible notes to 1 February 2024. The investor has the option to convert these convertible notes to ordinary shares on or prior to the Maturity Date or to demand repayment, at their discretion.
- The ability of the Group to raise additional capital in the form of debt and/or equity as part of the future plan.

The ability of the Group to continue as a going concern is dependent on:

- The Group being able to secure additional debt and/or equity funding as and when required during the next 12 months to conduct its planned activities and meet its corporate expenditure requirements.
- The Group's current fundraising and commitment to further reducing overheads, as well as the opportunity to restructure the agreements with Mercer.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of 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 2023 ("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.

Notes to the Financial Statements

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

Notes to the Financial Statements

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;

Notes to the Financial Statements

- 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

Notes to the Financial Statements

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) Investments in associates

Investments in associates and joint ventures are accounted for using the equity method.

The carrying amount of the investment and associates and joint ventures is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate and joint venture, adjusted where necessary to ensure consistency with the accounting policies of the group.

Unrealised gains and losses on transactions between the group and its associates and joint ventures are eliminated to the extent of the group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

l) Other significant accounting policies

Refer to the relevant notes to the financial statements for other accounting policies, including revenue (note 4), income taxes (note 6), government grants (note 4), cash and cash equivalents (note 7) inventory (note 8), plant and equipment (note 10), share-based payments (note 28) and employee benefits (note 27).

m) 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.

n) 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 2022, 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.

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 and note 12).

f) **Expected credit losses** (refer note 9).

Notes to the Financial Statements

4. 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 the customer, identifies the performance obligations in the contract and determines the transaction price (which takes into account estimates of variable consideration and the time value of money). The consolidated entity then 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 recognised over time as the performance obligations are satisfied.

Revenue from sale of non-pharma products

Revenue from the sales of non-pharma products 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 recognised using the effective interest rate method.

	30-Jun-23 $	30-Jun-22 $
a) Revenue from contracts with customers		
Pharma sales	2,506,782	4,026,130
Consulting services (*clinical research fees and clinic consults*)	6,967	477,666
Non-pharma sales	873,818	228,216
	3,387,567	**4,732,012**
b) Finance income		
Interest income calculated using the effective interest rate method	240	301
	240	**301**
c) Other operating income		
Government grants	528,213	9,190
	528,213	**9,190**

Notes to the Financial Statements

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.

5. COST OF SALES AND EXPENSES

	30-Jun-23 $	30-Jun-22 $
a) Cost of sales		
Cost of goods sold - Pharma	1,862,942	2,466,361
Cost of sales – Consulting services	6,296	415,255
Cost of goods sold – Non-pharma	67,652	40,503
	1,936,890	**2,922,119**
b) Administrative expenses		
Corporate costs	276,396	376,799
Professional and consultancy fees	976,377	1,270,081
Directors' fees	918,469	1,127,436
Employee benefit expenses	5,153,098	3,796,318
Employee share based payment expense	2,656,885	643,782
Travel expenses	924,940	975,851
Marketing expenses	926,914	1,009,157
Depreciation	751,937	247,689
Office and administrative expenses	2,202,057	2,382,248
	14,787,073	**11,829,361**
c) Other operating expenses		
Unrealised foreign exchange	33,230	(240,520)
Realised foreign exchange	1,183,422	155,952
Inventory write-off	164,215	166,323
Laboratory operating expenses	269,360	1,524,130
Research expense	1,992,670	2,717,797
	3,642,897	**4,323,682**

	30-Jun-23	30-Jun-22
d) Impairment expense		
Impairment of goodwill (refer note 11)	3,145,724	3,903,156
Impairment of work-in-progress balance on delayed site	-	1,080,702
Impairment of equity-accounted investments (refer note 12)	1,231,245	-
Impairment of financial assets	155,971	-
	4,532,940	**4,983,858**

	30-Jun-23	30-Jun-22
e) Finance cost		
Finance costs	257,403	210,142
	257,403	**210,142**

Notes to the Financial Statements

	Note	30-Jun-23	30-Jun-22
f) Fair value movement on financial instruments			
Fair value loss on financial liability – convertible notes	*15*	131,409	555,938
Fair value loss on financial asset – investment in unlisted entity	*20*	-	573,703
Fair value gain on financial asset – pre-acquisition loan to MGC Pharmaceuticals (sro)	*9*	-	(533,984)
Fair value loss on financial asset – loans to third parties	*9*	-	645,157
		131,409	**1,240,814**

6. 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.

Notes to the Financial Statements

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-23 $	30-Jun-22 $
a)	**Major components of income tax expense for the periods presented:**		
	Current tax	2,018	-
	Deferred tax	-	-
	Income tax expense	2,018	-
b)	**The prima facie tax on (loss) before income tax is reconciled to the income tax as follows:**		
	Prima facie tax payable on (loss) before income tax at 25% (2022: 25%)	(5,282,879)	(5,191,956)
	Adjustments due to permanent differences	1,860,385	1,125,513
	Deferred tax assets not brought to account	3,422,494	4,066,443
	Under/over provision of prior year	2,018	-
	Income tax expense	**2,018**	**-**
c)	**Deferred Tax Assets Not Brought to Account in Australia, the benefits of which will only be realised if the conditions for deductibility set out above are met:**		
	Tax losses	9,797,970	8,425,862
	Temporary differences	363,744	579,706
	Total	**10,617,714**	**9,005,568**

7. 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-23 $	30-Jun-22 $
Cash at bank	239,821	1,886,347
	239,821	**1,886,347**

8. 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-23 $	30-Jun-22 $
Finished goods – at lower of cost and net realisable value	523,405	819,615
Raw materials – at cost	839,097	1,018,188
	1,362,502	1,837,803

Notes to the Financial Statements

9. 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.

	30-Jun-23	30-Jun-22
Current	$	$
Trade receivables	208,742	738,531
Other receivables	249,259	422,515
GST/VAT receivable	73,313	776,068
Financial assets at fair value through profit or loss[1]	-	-
	531,314	**1,937,114**

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

	30-Jun-23	30-Jun-22
[1] **Financial assets at fair value through profit or loss**	$	$
Opening - financial asset at fair value through profit or loss	-	-
Loans acquired in asset acquisition	-	256,527
Loan repayment received	-	(61,424)
Foreign currency translation	-	(77,886)
Loans advanced to third parties	-	527,940
Net fair value loss on financial assets	-	(111,173)
Acquisition of MGC Pharmaceuticals (sro)	-	(533,984)
Closing – financial asset at fair value through profit or loss	-	-

Pre-acquisition loan to MGC Pharmaceuticals (sro)

A loan was advanced to MGC Pharmaceuticals (sro) in the prior period and was classified as a financial asset at fair value through profit or loss, with a fair value determined to be nil at the acquisition date of 31 September 2021 due to the equity risk associated with the loan. During the prior year, the Group acquired MGC Pharmaceuticals (sro) and recognised a fair value gain of $533,984 to reverse the loss recorded in the year before. This was included in the "net fair value gain/(loss) on financial assets" line above. Subsequent to the acquisition, the loan eliminates on consolidation. Subsequent to the acquisition, the loan eliminates on consolidation.

10. 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 prior year the Group completed construction of a fully functioning GMP certified manufacturing facility in Malta for liquid dose form products and the anti-inflammatory product ArtemiC™. At 30 June 2023 the facility had been fully commission with a GMP licence granted in March 2023. The facility was 80% funded by way of grant from Malta Enterprises (refer to note 13c).

Notes to the Financial Statements

	30-Jun-23 $	30-Jun-22 $
Plant and equipment*		
- gross carrying amount at cost	2,664,866	2,203,496
- accumulated depreciation	(1,824,984)	(1,353,483)
	839,882	**850,013**
Malta manufacturing facility		
- gross carrying amount at cost	7,378,613	6,867,601
- accumulated depreciation and impairment	(1,354,083)	(1,052,816)
	6,024,530	**5,814,785**
Total property, plant and equipment	**6,864,412**	**6,664,798**

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

	30-Jun-23 $	30-Jun-22 $
Property, plant and equipment movement		
Opening balance at 1 July	6,664,798	5,272,202
Additions	189,871	2,693,099
Impairment	-	(1,080,702)
Depreciation	(539,498)	(247,686)
Foreign currency translation	549,241	27,885
	6,864,412	**6,664,798**

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 fully constructed manufacturing facility. This facility was granted a GMP Licence in March 2023. The Group has decided that the larger project is no longer in the long term interest of the company and has terminated the lease on that site. All capitalised design and engineering costs relating to the larger project had been provided for in the previous year. The Group did not identify any indicators of impairment in relation to the current facility.

Notes to the Financial Statements

11. INTANGIBLE ASSETS AND GOODWILL

	30-Jun-23	30-Jun-22
Goodwill	$	$
Opening balance at 1 July	**3,145,724**	**7,048,880**
- Impairment	(3,145,724)	(3,903,156)
	-	**3,145,724**

Impairment of 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. Performance since acquisition has been lower than expected and the Group's impairment testing determined that the recoverable amount of the CGU was nil as at 30 June 2023 and recorded an impairment expense of $3,145,724 in the profit and loss.

Acquisition of MGC Pharmaceutical sro (Czech Republic) – asset acquisition

During the prior period, the Group acquired a 54% interest in MGC Pharmaceutical sro (Czech Republic), which in turn held a 100% interest in MGC Pharmaceuticals Ltd (Russia). The acquisition occurred via a share transfer with nil consideration. The acquiree did not meet the definition of a business and therefore the acquisition was accounted for as an asset acquisition.

A non-controlling interest of $109,377 was recognised at the acquisition date. The non-controlling interest's share of loss for the year was $309,951 (2022: $410,503) and the non-controlling interest's share of other comprehensive income for the year was $338,825 (2022: $119,219).

Subsequent to the year end MGC Pharmaceutical (sro) was disposed of as being no longer relevant to the core business of the Group.

12. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 5th August 2022 the Company acquired 40% of the issued capital of ZAM Software Ltd, a private entity that owns a real-time data collection software with proprietary Artificial Intelligence (AI) algorithms.

ZAM Software Ltd contributed A$nil operating profit after tax for the period from acquisition to 30 June 2023. At 30 June 2023 the Company determined that the recoverable amount of the investment was nil as at 30 June 2023 and recorded an impairment expense of $1,231,245 in the profit and loss.

Notes to the Financial Statements

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-23 $	30-Jun-22 $
a) Current trade and other payables		
Trade payables	(2,185,662)	(2,523,618)
Accruals	(535,546)	(688,128)
Other payables	(582,618)	(307,460)
	(3,303,826)	**(3,519,206)**
b) Deferred revenue - Current		
Deferred revenues – customer advance	-	(1,559,501)
Deferred revenue – Malta grant*	(658,133)	(250,860)
	(658,133)	**(1,810,361)**

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 2023.

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

c) Deferred Revenue – Non-Current

	30-Jun-23 $	30-Jun-22 $
Deferred Revenue – Malta grant*	(4,277,865)	(3,679,413)
	(4,277,865)	**(3,679,413)**

** During the year ending June 2021, 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 2023, an amount of €2,908,000 $4,785,411 had been received from Malta Enterprise. In accordance with AASB 120, the grant is being 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. Construction was completed in October 2021 and the facility was issued a GMP licence in March 2023.*

Notes to the Financial Statements

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 with 5 years option to renew for the ArtemiC production facility. The Group also has other immaterial leases for office and lab rental.

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

Right-of-use assets	30-Jun-23 $	30-Jun-22 $
Opening balance at 1 July	2,133,685	1,869,006
Additions of right-of-use assets in period	217,527	422,213
Depreciation of right-of-use assets	(212,439)	(157,534)
Decrease on early termination of lease	(1,628,799)	-
Foreign exchange	78,702	-
Closing balance	**588,676**	**2,133,685**

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

Lease liabilities	30-Jun-23 $	30-Jun-22 $
Opening balance at 1 July	2,252,608	1,982,807
Additions to lease liabilities	217,527	422,213
Interest on lease liabilities	173,014	153,189
Lease payments	(373,969)	(263,785)
Decrease on early termination of lease	(1,790,155)	-
Foreign exchange	96,114	(41,816)
Closing balance	**575,139**	**2,252,608**
Current	190,570	277,689
Non-current	384,569	1,974,919
Total lease liability	**575,139**	**2,252,608**

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

	30-Jun-23 $	30-Jun-22 $
Depreciation on right-of-use asset	212,439	157,534
Interest expense on lease liabilities	173,014	153,189
Expense related to short-term leases	38,844	118,738
Total amounts recognised in profit or loss	**424,297**	**429,461**

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

	30-Jun-23 $	30-Jun-22 $
Total cash outflows for leases	**373,969**	**382,523**

Malta long-term lease agreement

The group has determined that the larger site no longer meets the long term requirements of the group, and has agreed an early termination of the lease agreement with the lessor. This has resulted in a significant decrease in the long term lease liabilities and right of use assets of the company, with any differences expensed to the profit and loss account.

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

Notes to the Financial Statements

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Convertible notes

Australian dollar denominator facility

In September 2020, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to A$15,000,000 can be drawn down in exchange for the issue of a number of convertible notes with a face value of A$1.00 each equal to 110% of the amount of funding received. The facility expired on 8 March 2022 and can no longer be drawn on. The notes drawn under this facility were repayable at face value 12 months from the date of the respective draw down, if not converted or repurchased prior to maturity.

On 1 February 2023, the Company executed an agreement to extend the maturity date of the A$2,100,000 convertible notes on issue, which has extended the maturity date of these convertible notes to 1 February 2024 (**2020 Extension Agreement**).

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

- The conversion price will be the lower of A$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 A$0.018.

US dollar denominated facility

In July 2021, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to US$10,000,000 can be drawn down in exchange for the issue of a number of convertible notes with a face value of US$1.00 each equal to 110% of the amount of funding received. The facility expires on 18 January 2024. The notes are repayable at face value 18 months from the date of the respective draw down, if not converted or repurchased prior to maturity (**US$ Con Note Facility**).

Between 19 July 2022 and 7 March 2023, the Company drew down US$4,733,120 (A$7,581,350) in funding from the US$ Con Note Facility, issuing Mercer 4,733,120 US$1.00 convertible notes. The US$ convertible notes are convertible at the discretion of Mercer at any time prior to maturity, with a conversion price as follows:

- The conversion price will be the lower of A$0.020 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 A$0.014.

On 1 February 2023, subsequent to the balance date, the Company executed an agreement with Mercer to vary the US$ Con Note Facility so the convertible notes issued after 23 December 2022 would have a minimum conversion price of A$0.010, and to seek shareholder approval, before 31 March 2023, to reduce the minimum conversion price of the 3,410,000 US$1.00 convertible notes issued before 23 December 2022, reduced from A$0.014 to A$0.010 (**2022 Variation Agreement**).

The convertible notes are determined to be hybrid financial instruments and have been designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss	**30-Jun-23** **$**	**30-Jun-22** **$**
Convertible notes		
Opening balance – at 1 July	2,100,000	4,034,763
Issue of convertible notes	6,948,106	-
Converted to ordinary shares	-	(2,490,701)
Loss on remeasurement of financial liability	131,409	555,938
Closing balance – fair value at 30 June	9,179,515	2,100,000

Notes to the Financial Statements

The fair value (Level 3) of the hybrid contract was determined using valuation techniques including use of a Black-Scholes option pricing model, with estimates of projected conversion prices and the following significant inputs to the valuation at 30 June 2023:

	Australian dollar facility	US dollar facility
Valuation date	30 June 2023	30 June 2023
Share price	$0.005	$0.005
Exercise price	$0.010 to $0.035[1]	$0.010 to $0.035[1]
Expiry date	Feb 2024	Feb – Sep 2024
Expected future volatility	150%	150%
Risk free rate	3.00%	3.00%
Dividend yield	nil	nil

[1] *calculated using a weighted average of $0.030*

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-23 NUMBER	30-Jun-22 NUMBER	30-Jun-23 $	30-Jun-22 $
Ordinary shares on issue, fully paid	3,450,692,750	2,728,293,852	103,690,800	97,251,478
	3,450,692,750	2,728,293,852	**103,690,800**	**97,251,478**

Reconciliation of movement in share capital

	No. Of Shares	Issue Price	Amount
Closing balance at 30 June 2021	**2,319,502,595**		**84,511,983**
Exercise of $0.045 Options – 8 Jul 2021	55,555	0.0450	2,500
Conversion of performance rights – 8 Jul 2021	400,000	0.0610	24,400
Conversion of Convertible Notes[1] – 8 Jul 2021	14,792,899	0.0380	562,130
Conversion of Convertible Notes[1] –3 Sep 2021	35,714,285	0.0540	1,928,571
Exercise of $0.045 Options – 9 Sep 2021	11,257,368	0.0450	506,581
Conversion of performance rights –9 Sep 2021	3,550,000	0.0610	216,550
Acquisition of MediCaNL (Tranche 2) – release of unissued shares - 20 Sep 2021	17,923,153	-	-
Conversion of performance rights – 20 Sep 2021	300,000	0.0610	18,300
Conversion of performance rights (Director) – 7 Oct 2021	600,000	0.0410	24,600
Conversion of performance rights (Director) – 24 Nov 2021	600,000	0.0410	24,600
Conversion of performance rights – 24 Nov 2021	200,000	0.0610	12,200
Acquisition of MediCaNL (Tranche 3) – 24 Nov 2021 – release of unissued shares	17,923,153	-	-
Shares issued for UK/US placement – 6 Dec 2021	275,000,000	0.0371	10,194,370
Consideration for Mercer CN extension – 8 Dec 2021	750,000	0.0420	31,500
Conversion of performance rights – 1 Feb 2022	500,000	0.0610	30,500
Employee bonus – 1 Feb 2022	1,440,117	0.0410	59,045
Acquisition of MediCaNL (Tranche 4) – 22 Feb 2022 – release of unissued shares	17,923,153	-	-
Conversion of performance rights – 7 Apr 2022	900,000	0.0610	54,900
Acquisition of MediCaNL (Tranche 5) – 13 May 2022 – release of unissued shares	8,961,574	-	-
Less: costs of issue	-		(951,252)
Closing balance at 30 June 2022	**2,728,293,852**		**97,251,478**

Notes to the Financial Statements

	No. Of Shares	Issue Price	Amount
Opening balance at 1 July 2022	**2,728,293,852**		**97,251,478**
Issue of Mercer Commencement Shares – 3 Aug 2022	21,511,545	0.0200	430,231
Issue of shares in lieu of cash – 3 Aug 2022	15,000,000	0.0200	300,000
Acquisition of ZAM Software Ltd – 5 Aug 2022	65,841,924	0.0187	1,231,245
Issue of shares in lieu of cash – 26 Aug 2022	20,000,000	0.0200	400,000
Issue of shares in lieu of cash – 1 Nov 2022	15,000,000	0.0100	150,000
Exercise of performance rights (T7) – 1 Nov 2022	200,000	0.0100	2,000
Exercise of performance rights (Class C) – 27 Feb 2023	600,000	0.0090	5,400
Share issue to UK placement – 14 Apr 2023	180,005,680	0.0080	1,440,045
Share issue to UK/AU placement – 18 Apr 2023	58,315,909	0.0080	466,527
Share issue to Mercer – 18 Apr 2023	93,750,000	0.0080	750,000
Issue of shares in lieu of cash – 5 May 2023	43,691,589	0.0107	467,500
Issue of shares to employees in lieu of salaries – 5 May 2023	82,864,778	0.0107	886,653
Issue of shares to employees in lieu of salaries – 5 May 2023	24, 617,673	0.0090	221,559
Exercise of performance rights (T8) – 21 Jun 2023	1,000,000	0.0090	6,000
Less: costs of issue	-		(317,838)
	3,350,692,950		**103,690,800**

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 current and prior periods there were a number of conversions of notes issued into equity. Refer to note 15 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-23 $	30-Jun-22 $
Opening balance at 1 July	**7,924,264**	**7,490,483**
Exercise of performance rights	(8,000)	(406,050)
Share based payments	225,773	839,831
	8,142,037	**7,924,264**

Notes to the Financial Statements

ii. Foreign currency translation reserve

	30-Jun-23 $	30-Jun-22 $
Opening balance at 1 July	**(610,591)**	**212,381**
Currency translation differences arising during the year	925,997	(822,972)
	315,406	**(610,591)**

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 in 2023 and 2022 financial year.

Notes to the Financial Statements

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-23	30-Jun-22
Earning per share		
Basic loss per share (cents)	(0.71)	(0.79)
Diluted loss per share (cents)	(0.71)	(0.79)
Reconciliation of earnings to profit or loss	**$**	**$**
(Loss) used in calculating basic and diluted EPS	(20,823,584)	(20,347,439)
Earnings per share		
Basic loss per share (cents)	(0.71)	(0.79)
Diluted loss per share (cents)	(0.71)	(0.79)
Reconciliation of earnings to profit or loss	**$**	**$**
(Loss) used in calculating basic and diluted EPS	(20,823,584)	(20,347,439)
	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	2,947,177,984	2,566,210,688

At 30 June 2023, the Company had the following convertible securities on issue: performance rights 18,400,000 (2022: 68,675,000), options 284,028,101 (2022: 94,432,986) and convertible notes face value of A$2,100,000 and US$4,733,120 (2022: A$2,100,000). 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.

Notes to the Financial Statements

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:

	Floating interest rate	1 Year or less	Over 1 to 5 years	Over 5 Years	Non-interest bearing	Remaining contractual maturities	Weighted average interest rate
30-Jun-23	$	$	$	$	$	$	%
Financial assets							
Cash and cash equivalents	239,821	239,821	-		-	239,821	0.10%
Trade and other receivables	-	-	-		531,314	531,314	
	239,821	**239,821**	**-**	**-**	**531,314**	**771,135**	
Financial liabilities							
Trade and other payables	-	-	-	-	3,303,826	3,303,826	
Convertible notes	-	-	-	-	9,179,515	9,179,515	
Lease liabilities	-	190,570	347,412	37,157	-	575,139	
	-	**190,570**	**347,412**	**37,157**	**12,483,341**	**13,058,480**	
30-Jun-22	**$**	**$**	**$**	**$**	**$**	$	%
Financial assets							
Cash and cash equivalents	1,886,347	1,886,347	-		-	1,886,347	0.02%
Trade and other receivables	-	-	-		1,937,114	1,937,114	
	1,886,347	**1,886,347**	**-**	**-**	**1,937,114**	**3,823,461**	
Financial liabilities							
Trade and other payables	-	-	-	-	3,519,206	3,519,206	
Convertible notes	-	-	-	-	2,100,000	2,100,000	
Lease liabilities	-	277,689	807,010	1,167,909	-	2,252,608	
	-	**277,689**	**807,010**	**1,167,909**	**5,619,206**	**7,871,814**	

Notes to the Financial Statements

[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 2023 and 2022, 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 2022 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 (€), and ILS (₪).

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 2023	Level 1	Level 2	Level 3	Total
Financial assets	$	$	$	$
Other financial assets (equity investments)	-	-	-	-
Closing balance at 30 June 2023	**-**	**-**	**-**	**-**
Financial liabilities				
Other financial liabilities (convertible note)	-	-	9,179,515	9,179,515
Closing balance at 30 June 2022	**-**	**-**	**9,179,515**	9,179,515

Notes to the Financial Statements

30 June 2022	Level 1	Level 2	Level 3	Total
Financial assets	**$**	**$**	**$**	**$**
Other financial assets (equity investments)	-	-	155,971	155,971
Closing balance at 30 June 2022	**-**	**-**	**155,971**	**155,971**
Financial liabilities				
Other financial liabilities (convertible note)	-	-	2,100,000	2,100,000
Closing balance at 30 June 2022	**-**	**-**	**2,100,000**	**2,100,000**

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

Movement of Level 3 financial instruments	30-Jun-23	30-Jun-22
Opening Balance	**155,971**	**564,186**
Addition of financial asset-investment in unlisted entity	-	155,971
Fair value loss on financial asset – investment in unlisted entity	-	(573,703)
Foreign exchange gain on financial asset	-	9,517
Impairment expense	(155,971)	-
Closing Balance	**-**	**155,971**

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 in prior year was information obtained from the investee in relation to the value per share of the most recent capital raising conducted by the entity, which was Euro 100/share ($151.63/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. During the current year the value of the investment was written down to nil.

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.

Notes to the Financial Statements

21. CONTROLLED ENTITIES

The consolidated financial statements of the Group include:

Parent Entity:	Country of incorporation	Percentage Owned (%)* 30-Jun-23	30-Jun-22
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	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	Slovenia	100	100
MGC Pharmaceuticals (sro)	Czech Republic	54	54
MGC Pharma (Malta) Holdings Limited	Malta	100	100
MGC Pharma (Malta) R&D Limited	Malta	100	100
MedicaNL Israel 2019 Ltd	Israel	100	100
Subsidiaries of MGC Pharma (Malta) Holdings Limited			
MGC Pharma (Malta) Property Limited	Malta	100	100
MGC Pharma (Malta) Operations Limited	Malta	100	100
Subsidiaries of MGC Pharmaceuticals (sro)			
MGC Pharmaceuticals Ltd (Russia)	Russia	100	100

** Percentage of voting power in proportion to ownership*

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 of two segments. The first being the production and supply of medicinal cannabis products and the second being the production and supply of non-cannabis phytomedicines, on the basis that the Group's CODM reviews financial information in relation to operating results at the Group level.

Geographic information on the Group's revenue by location of operations for the period and total assets at 30 June 2023 is as follows:

30 June 2023	Malta $	Israel $	Slovenia $	Australia and others $
Sales revenue	**-**	**7,098**	**2,846,926**	**533,543**
Total assets	**6,412,025**	**28,170**	**2,228,708**	**1,314,748**
30 June 2022				
Sales revenue	**-**	**456,596**	**3,219,710**	**1,055,706**
Total assets	**8,639,316**	**572,711**	**3,507,953**	**5,837,838**

Notes to the Financial Statements

23. CONTINGENCIES AND COMMITMENTS

a) Commitments

	30-Jun-23 $	30-Jun-22 $
No later than one year	-	37,396
Later than one year and not later than five years	-	36,767
Total commitments	**-**	**74,163**

Commitments relate to office leases in Slovenia, which had been signed prior to 30 June 2022 but not yet commenced.

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. The Company agreed an early termination of the lease with Malta Industrial Parks on the larger site during the year resulting the minimum expenditure commitment is no longer required.

24. CASH FLOW INFORMATION

	30-Jun-23 $	30-Jun-22 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
(Loss) after income tax	(21,133,535)	(20,767,823)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation and amortisation	751,937	141,438
Gain on lease modifications	(161,356)	-
Share based payment expense	2,656,885	524,494
Loss on financial liabilities at fair value	131,409	667,111
Impairment of intangible assets	3,145,724	4,983,858
Impairment of equity investment	1,231,245	
Impairment of unlisted investment	155,971	573,703
Other non-operating Items	(216,338)	7,647
Other non-trading Income	(528,213)	(9,191)
Exchange differences	(88,636)	(240,518)
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease / (increase) in inventory	475,301	(965,359)
Decrease / (increase) in trade and other receivables	1,405,800	1,293,101
Increase / (decrease) in trade payables and accruals	188,631	1,633,314
Cash flow used in operations	**(11,985,175)**	**(12,158,225)**

Notes to the Financial Statements

25. AUDITOR'S REMUNERATION

	30-Jun-23 $	30-Jun-22 $
Fees to Hall Chadwick (2022: 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	140,000	199,925
Fees for other services - R&D rebate application and tax compliance	14,918	29,075
Total auditor's remuneration	**154,918**	**229,000**

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-23 $	30-Jun-22 $
Current assets	227,872	1,427,454
Non-current assets	18,735,115	10,015,355
Total Assets	**18,962,987**	**11,442,809**
Current liabilities	10,570,460	3,517,037
Total Liabilities	**10,570,460**	**3,517,037**
Contributed equity	103,690,800	97,251,478
Share based payment reserve	8,142,037	7,924,264
Accumulated losses	(103,440,310)	(97,249,970)
Total Equity	**8,392,527**	**7,925,772**
Loss for the year	**(6,190,340)**	**(26,019,392)**
Total comprehensive loss for the year	**(6,190,340)**	**(26,019,392)**

ii) Commitments and contingent liabilities of the parent

The parent entity did not have any contingent liabilities or commitments as at 30 June 2023 (30 June 2022: 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.

Notes to the Financial Statements

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-23 $	30-Jun-22 $
Short-term employee benefits	918,469	1,156,634
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	-	328,542
	918,469	**1,485,176**

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.

Refer to the remuneration report contained in the directors' report for details of non-remuneration related transactions including amounts receivable and payable at the end of the year.

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.

Notes to the Financial Statements

a) Performance Rights

2023

No additional performance rights were issued during the year.

2022

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, refer to disclosure made in the 2021 year below. As a result of the Company receiving shareholder approval at the General Meeting of shareholders on 12 August 2021, MGC issued 64,200,000 performance rights to directors of the Company on 9 September 2021.

Employees

On 12 November 2021 the Company's Key Account Manager was issued 500,000 performance rights over fully paid shares over the Company in accordance with the terms of their employment contract. The performance rights were valued and expensed on the contract execution date of 30 April 2021 (Prior Year) and were valued at the share price on that day being $0.06 per performance right.

Material terms of the Performance Rights issued are set out in the following table:

Class	Vesting milestone	Performance rights	Milestone date
D	The participant remaining an Eligible Participant of the Company's ESOP until 30 April 2022	250,000	30 Apr 22
E	The participant remaining an Eligible Participant of the Company's ESOP until 30 April 2023	250,000	30 Apr 23
		500,000	

On 1 February 2022 the Company's Head of Quality Unit/QP was issued 1,440,117 fully paid ordinary shares in the Company in accordance with the terms of their employment contract. The employee's contract, in consideration for accepting a below market salary, includes the provision for the grant of an annual bonus of €37,200, at the board's discretion, payable in fully paid ordinary shares. On 16 December 2021 the board approved the grant of the bonus to the employee. The shares issued were expensed on grant using a share value of A$0.041 per share.

Reconciliation of Performance Rights

Opening Balance	Granted as compensation [i]	Exercised	Lapsed	Outstanding at 30 June	Outstanding and Exercisable at 30 June
2023					
68,875,000	-	1,800,000	(48,475,000)	18,400,000	18,400,000
2022					
37,550,000	64,700,000	(7,050,000)	(26,525,000)	68,875,000	14,950,000

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 2022 and therefore had not yet been issued.

b) Options

2022

In consideration for the execution of the variation agreement to convertible notes facility with Mercer Street Global Opportunity Fund (refer to note 15), the company agreed to issue Mercer 50,000,000 unlisted options with an exercise price of $0.013 and an expiry date of 30 June 2025. The options issued were expensed on grant date as share based payment expense using a fair value of A$0.013 per option.

Notes to the Financial Statements

Inputs to the valuation of the abovementioned options are tabled below.

	Broker options
Number options issued	50,000,000
Grant date	1 Feb 2023
Spot price	$0.011
Exercise price	$0.013
Expiry date	30 Jun 2025
Expected future volatility	29%
Risk free rate	3.324%
Dividend yield	Nil
Value per option	$0.013

2021

On 15 December 2021, the £5.5 million Placement announced on 1 December 2021 MGC Pharma issued 9,000,000 options over fully paid ordinary shares of the Company to the UK based Lead Manager under the terms of the placement agreement.

Inputs to the valuation of the abovementioned options are tabled below.

	Broker options
Number options issued	9,000,000
Grant date	15 Dec 21
Spot price	$0.042
Exercise price	£0.02
Expiry date	01 Dec 2024
Expected future volatility	70%
Risk free rate	0.093%
Dividend yield	Nil
Value per option	$0.021

The Lead Manager’s 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. Total amount included within share issue costs equated to $187,191.

Notes to the Financial Statements

Table of share-based payment options

Description	Opening Balance	Granted	Exercised	Lapsed	Closing Balance
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)	-
Unlisted options exercisable at $0.05 expiring 31 Aug 2023	16,300,000	-	-	-	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 £0.02 expiring 1 Dec 2024	9,000,000	-	-	-	9,000,000
Unlisted options exercisable at $0.013 expiring 30 Jun 2025	-	50,000,000	-	-	50,000,000
TOTAL	**94,432,986**	**50,000,000**	**-**	**(34,132,986)**	**110,300,000**

Share-based payment expense

For the year ended 30 June 2023, the Group has recognised $1,339,385 of share-based payment expenses in the statement of profit or loss (30 June 2022: $652,640) relating to share-based payments to directors and employees. The Group has also recognised $1,317,500 (30 June 2022: $nil) of share-based payment expense in relation to extinguishing financial liabilities.

29. EVENTS AFTER THE REPORTING DATE

Post year end, the Company conditionally raised £0.65 million (A$1.24 million) (before expenses) by way of a placing and subscription of 541,666,667 new ordinary shares of no-par value (**Ordinary Shares**) in the capital of the Company (**Fundraising Shares**) at a price of 0.12 pence (0.23 cents) per Fundraising Share ("Issue Price"). The Company also agreed to issue one free attaching option exercisable at 0.12 pence (0.23 cents) with an expiry date of 14 July 2026 for every one Fundraising Share subscribed for under the Placement and Subscription.

Additionally, the Company launched a Share Purchase Plan to its Australian shareholders to raise up to $2,685,728. The Company received applications from eligible shareholders totalling A$834,000 to subscribe for 362,608,570 new fully paid ordinary shares in the capital of the Company at A$0.0023 (0.23 cents) per Share, with A$1,851,728 to be placed under a Shortfall Offer. Subject to shareholder approval to be sought at the Company's upcoming general meeting on 5 September 2023, applicants will receive one free attaching option exercisable at A$0.003 (0.3 cents) each on or before 31 July 2026 (Options) for every two (2) Shares subscribed for under the SPP, being 181,304,269 Options.

The Company terminated its operations in Czech and Russia subsequent to the year end.

The Company finalised early termination of its 65 year lease in Malta subsequent to the year end.

Other than those matters disclosed in the financial statements, there have been no significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the group's state of affairs.

Directors' Declaration

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

1. The financial statements and notes, as set out in pages 24 to 58, 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 2023 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(a) 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
29 September 2023

MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

Report on the Financial Report

Opinion

We have audited the financial report of MGC Pharmaceuticals Ltd (the company) and its controlled entities (the group), which comprises the consolidated statement of financial position as at 30 June 2023, 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, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the director's declaration.

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

(i) giving a true and fair view of the group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if given to the directors as at the time of this auditor's report.

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) in the financial statements which indicates that the group incurred a loss after tax of $21,133,535 during the year ended 30 June 2023 and as of that date, the group's total liabilities exceeded its total assets by $8,031,835. As stated in Note 2(a), these events or conditions, along with other matters as set forth in Note 2(a) indicate the existence of a material uncertainty 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the year ended 30 June 2023. 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.

MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

Key Audit Matter	How Our Audit Addressed the Key Audit Matter
Impairment assessment of goodwill and equity-accounted investments *Refer to note 3 Critical accounting estimates and judgements, note 11 Intangible assets and goodwill and note 13 investments accounted for using the equity method*	
As required by Australian Accounting Standards, the group is required to perform: • impairment test of goodwill on at least an annual basis. • impairment test on equity-accounted investment when there is objective evidence indicate the investment is impaired. The group performed impairment test of its goodwill and equity-accounted investment as at 30 June 2023, resulting in: • a full impairment on the carrying value of goodwill associated with MedicaNL and recognition of $3,145,724 impairment loss. • A full impairment on the carrying value of investment in ZAM Software Ltd and recognition of $1,231,245 impairment loss. We considered this to be a key audit matter because of the significant judgment and estimates involved in determining the recoverable amount of these assets, including assumptions relating to future revenues, operating and capital costs, the discount rate use to reflect the risk associated with the forecast cash flows which are affected by future events and economic conditions.	Our audit procedures included, amongst others: • Ensured the group's impairment methodology was in accordance with the requirements of the applicable Australian Accounting Standards. • Evaluated management's key assumptions used in the cash flows forecasts to determine the recoverable amount of these assets, including involved our valuation experts to review the mathematical accuracy of the cash flows forecasts, discount rates and terminal value growth rates where applicable. • Challenged management on the judgements used in the cash flow forecast by considering this information and evidence available to us internally and externally. • Concurred with management's assessment to impair in full the carrying value of goodwill and investment in ZAM Software Ltd. • Assessed the adequacy of the group's disclosures in relation to the impairment of goodwill and investments accounted for using the equity method.

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 group's annual report for the year ended 30 June 2023, 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.

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.

MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

Responsibilities of the Directors for the Financial Report

The directors of the Croup 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 ability of the group to continue as a going concern, disclosing, as applicable, matters related 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.

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 judgement 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.

MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

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 compiled 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, related safeguards.

From the communication with the directors, we determined those matters that were of most significant in the audit of the financial report for the current period and are therefore the key audit matters. We have described these matters in our auditor's report unless laws or regulations precludes public disclosure about the matter, or when in extremely rare circumstances, we determined 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 Remuneration Report

We have audited the remuneration report included in the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of MGC Pharmaceuticals Ltd for the year ended 30 June 2023 complies with s 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 s 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.

Hall Chadwick (NSW)

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

SKumar

SANDEEP KUMAR
Partner
Dated: 29 September 2023

Additional ASX Information

Additional ASX Information

EXCHANGE LISTING

MGC Pharmaceuticals Ltd shares 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%)

Name	Number of Fully Paid Ordinary Shares	Voting Power
Premier Fund Managers Ltd	383,885,951	8.67%

CLASS OF SHARES AND VOTING RIGHTS

At 21 September 2023, there were 10,119 holders of 4,427,968,187 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 no escrowed securities on issue.

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 21 SEPTEMBER 2023

Range	Total Holders	Shares	%
1 - 1,000	153	22,777	0.00
1,001 - 5,000	233	1,011,321	0.02
5,001 - 10,000	1,036	8,542,053	0.19
10,001 - 100,000	6,004	254,974,609	5.76
100,001 and Over	2,693	4,163,417,427	94.03
Total	**10,119**	**4,427,968,187**	**100.00**

The number of shareholders holding less than a marketable parcel is 8,649.

Additional ASX Information

UNLISTED SECURITIES AS AT 21 SEPTEMBER 2023

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Options exercisable at $0.012 expiring 12/04/2024	166,035,793	26	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	46,875,000
Options exercisable at £0.02 expiring 30/11/2024	9,000,000	1	JIM NOMINEES LIMITED	9,000,000
Options exercisable at $0.013 expiring 30/06/2025	50,000,000	1	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	50,000,000
Options exercisable at $0.003 expiring 14/07/2026	452,358,614	5	ORCA CAPITAL GMBH	150,786,205
			AURORA NOMINEES LIMITED	111,204,826
			NORTRUST NOMINEES LIMITED	99,273,828
Options exercisable at $0.003 expiring 31/07/2026	181,304,269	241		
Convertible Notes	5,306,432	1	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	5,306,432
Performance Rights	18,400,000	26	CHITTA LU LIMITED	4,900,000
			MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C> + <LEFTHANDERS SUPER FUND A/C>	4,900,000

TOP 20 SHAREHOLDERS AS AT 21 SEPTEMBER 2023

Rank	Name	Number of Shares	% of Shares
1	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	1,416,661,256	31.99
2	BIOHEKA LIMITED	107,000,000	2.42
3	CITICORP NOMINEES PTY LIMITED	95,516,192	2.16
4	ORCA CAPITAL GMBH	94,287,918	2.13
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	93,845,701	2.12
6	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	85,199,520	1.92
7	MR SHACHAR SHIMONY	69,500,000	1.57
8	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	65,600,000	1.48
9	SOFIA EVEN	51,000,000	1.15
10	MR MICHAEL SEAN NEWTON	48,000,000	1.08
11	CHETCUTI HOLDINGS PTY LTD	46,044,900	1.04
12	MR GEORGE BISHAY	36,822,890	0.83
13	BNP PARIBAS NOMS PTY LTD <DRP>	36,108,923	0.82
14	MRS ILENA ALEMAO	23,343,478	0.53
15	MRS YIFAT STEUER	17,193,146	0.39
16	FAIRBROTHER HOLDINGS PTY LTD	16,043,478	0.36
17	JEP PTY LTD <JP PENSION FUND A/C>	13,675,805	0.31
18	IBI TRUST MANAGEMENT <NADYA LISOVODER A/C>	13,372,365	0.30
19	MR GAGANDEEP SINGH	13,333,333	0.30
20	MR PAUL MERLO	13,043,488	0.29
Total		**2,355,592,393**	**53.20**
Total issued capital – selected security class(es)		**2,072,375,794**	**46.80**