



MGC PHARMACEUTICALS LTD**ACN 116 800 269****NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the Meeting will be held at:

TIME: 10am AWST

DATE: Thursday, 22nd November 2018

PLACE: 1202 Hay Street, West Perth, Western Australia 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm on Tuesday 20th November 2018.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2018.”

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Prohibition Statement:

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRETT MITCHELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of clause 13.2 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Brett Mitchell, a Director, retires by rotation, and being eligible, is re-elected as a Director.”

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 71,428,572 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. **RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO CORPORATE ADVISORS**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 10,000,000 Options on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. **RESOLUTION 5 – APPROVAL OF DISPOSAL OF MGC DERMA**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 11.4 and for all other purposes, Shareholders approval the Disposal of the Company’s wholly-owned subsidiary, MGC Derma, on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast on this Resolution by a party to the transaction to acquire MGC Derma or any associate of that party (or those parties). However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, if it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. **RESOLUTION 6 – APPROVAL OF 10% PLACEMENT CAPACITY**

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

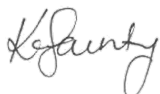
“That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the

Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 11 October 2018

By order of the Board



**Ms Kate Sainty
Joint Company Secretary**

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6382 3390.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2018 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.mgcpharma.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – BRETT MITCHELL

3.1 General

ASX Listing Rule 14.4 provides that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled not to be subject to re-election.

The Constitution sets out the requirements for determining which Directors are to retire by rotation at an annual general meeting.

Brett Mitchell, who has served as a director since 4 April 2013 and was last re-elected on 30 November 2015, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Mr Mitchell is a corporate finance executive with over 20 years of experience in the finance, technology and resources industries. Mr Mitchell has been the co-founder of a number of ASX and private companies across these sectors, and holds executive and non-executive directorship roles with his key business interests. Mr Mitchell's executive management responsibilities cover capital markets, corporate finance, new business strategy and treasury for these companies.

Mr Mitchell holds a Bachelor of Economics from the University of Western Australia and is also a member of the Australian Institute of Company Directors (AICD).

Mr Mitchell is currently a director of Sky and Space Global Ltd (ASX:SAS) and TNT Mines Ltd (ASX:TIN).

3.3 Independence

If elected the board [considers / does not consider] Mr Mitchell will be an independent director.

3.4 Board recommendation

The Board supports the re-election of Mr Mitchell and recommends that Shareholders vote in favour of this Resolution.

4. RESOLUTION 3 – RATIFICATION OF PRIOR ISSUE OF PLACEMENT SHARES

4.1 General

On 17 April 2018, the Company issued 71,428,572 Shares at an issue price of \$0.07 per Share to raise \$5,000,000 (**April Placement**).

Funds raised from the April Placement will be applied toward the construction of the Company's fully licensed medical cannabis production and cultivation facility in Malta and as general working capital. Details of the approval granted to the Company by the Maltese Government are available per the Company's ASX announcement dated 11 April 2018.

All Shares issued under the April Placement were issued pursuant to the Company's capacity under ASX Listing Rule 7.1A which was approved by Shareholders at the annual general meeting held on 22 November 2017.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the April Placement Shares (**Ratification**).

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

Where an eligible entity obtains shareholder approval to increase its placement capacity under ASX Listing Rule 7.1A then any ordinary securities issued under that additional placement capacity:

- (a) will not be counted in variable "A" in the formula in ASX Listing Rule 7.1A; and
- (b) are counted in variable "E",

until their issue has been ratified under ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1A) or 12 months has passed since their issue.

By ratifying the issue the subject of this Resolution, the base figure (ie variable "A") in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval. Although, it is noted that the Company's use of the 10% annual placement capacity following this Meeting remains conditional on Resolution 6 being passed by the requisite majority.

4.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 71,428,572 Shares were issued;
- (b) the issue price was \$0.07 per Share;

- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from the April Placement were applied toward the construction of the Company's fully licensed medical cannabis production and cultivation facility in Malta and as general working capital.

5. RESOLUTION 4 – RATIFICATION OF PRIOR ISSUE OF OPTIONS TO CORPORATE ADVISORS

5.1 General

On 17 April 2018, the Company issued 10,000,000 Options in consideration for lead manager and corporate advisory services provided by Bell Potter Securities (and its nominees) and corporate advisors to the April Placement, comprising:

- (a) 3,000,000 Options to Bell Potter Securities;
- (b) 2,000,000 Options to Merchant Funds Management Pty Ltd; and
- (c) 5,000,000 Options to Chieftain Securities Pty Ltd.

As disclosed in the Company's ASX announcement dated 11 April 2018, Director Brett Mitchell is also a director and shareholder of Chieftain Securities Pty Ltd, with the issue of Options in consideration for services provided by Chieftain Securities Pty Ltd considered industry standard and negotiated on arm's length commercial terms. It is noted the Mr Mitchell does not control Chieftain Securities Pty Ltd.

This Resolution seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options (**Ratification**).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

5.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 10,000,000 Options were issued;

- (b) the Options were issued for nil cash consideration in satisfaction corporate advisory services provided by Bell Potter Securities, Merchant Funds Management and Chieftain Securities Pty Ltd;
- (c) the Options were issued on the terms and conditions set out in Schedule 1;
- (d) the Options were issued to Bell Potter Securities, Merchant Funds Management Pty Ltd and Chieftain Securities Pty Ltd, none of which are related parties of the Company; and
- (e) no funds were raised from this issue as the Options were issued in consideration for corporate advisory services provided in relation to the April Placement.

6. RESOLUTION 5 – APPROVAL OF DISPOSAL OF MGC DERMA

6.1 Background

As announced on 27 September 2018, the Company has entered into a conditional share sale agreement with Cannaglobal Canada Co. Inc (**CGC**) pursuant to which the Company has agreed to sell, and CGC has agreed to acquire, 100% of the issued capital in the Company's wholly owned subsidiary, MGC Derma (**MGC Derma**) (**Transaction**).

To facilitate the Transaction, the Company (via its wholly owned subsidiary MGC Pharma (UK) Ltd) has acquired the remaining 49% of the issued capital of MGC Derma from Dr. M Burnstein Ltd (**Burnstein**), prior to divesting its 100% interest in MGC Derma to CGC in connection with the Transaction.

Upon completion of the Transaction, CGC will hold 100% of the issued capital in MGC Derma.

The Company considers that the Transaction will allow the MXC to focus solely on MGC Pharma, the strategic core of the Company, as well as its nutraceuticals and botanicas divisions.

6.2 Strategic Rationale

The Company is a European-based medical cannabis company which operates within the biopharmaceutical industry. The Company's main business activity is the production and supply of high quality cannabinoid-based pharmaceutical products for the emergent medical markets in Europe, North America and Australasia. The Company's core strategy is centred on pharmaceutical product research and development and Active Pharmaceutical Ingredient (**API**) extraction.

Since listing, the Company's strategy has been focused on establishing a vertically integrated "seed-to-pharma" business model, building operations across all parts of the supply chain, including growing operations, development of cannabinoids based pharmaceutical products, production and commercialisation of medical and cosmetic cannabis products and distribution in regulated markets worldwide.

The Company is the only medical cannabis company listed on the ASX with a combined Israeli, European and Australian clinical research strategy.

The Company has consistently foreshadowed in its past announcements that it is actively pursuing opportunities within the cannabis sector for what it considers to be its core business divisions, MGC Pharma and MGC Botanic, with the ability to deliver significant future revenue and the opportunity to provide global synergistic value as regulatory frameworks in key international markets continue to evolve.

MGC Derma requires significant management time and resources to ensure that it is successful in its business strategy and can become a viable, self-funding business in the future. Advanced dermatological research and development is not a core capability of MXC's current personnel and MGC Derma's proposed activities at the current stage of development require extensive capital to progress.

6.3 Core Business Divisions

The Company's core business divisions currently include:

- (a) **MGC Pharma:** MGC Pharma (100% owned subsidiary) is currently the Company's core business division with a concentrated focus on medical research and development of the Company's pharmaceutical products pipeline. Key developments in the past twelve (12) months include:
- (i) receiving Good Manufacturing Practice (**GMP**) certification and formal approval of its application for a manufacturing licence to produce GMP grade medical cannabis medicines containing THC and CBD APIs at its European production and compounding facility, allowing the Company to commence full scale manufacturing of CannEpil for final, independent validation before export into Australasia and Europe;
 - (ii) being awarded approval to construct a large commercial scale of medical cannabis production facility, and receiving approval from the Maltese government for the construction of that facility in Malta;
 - (iii) execution of an exclusive three (3) year distribution agreement with A.M Mangion Ltd, a leading distributor of pharmaceutical products to the European healthcare sectors (see announcement dated 6 September 2018);
 - (iv) in partnership with the Institute for Health Research at the University of Notre Dame, the Company received Human Research Ethics Committee approval to conduct a Phase II clinical trial into the benefits of CogniCann™ in Dementia and Alzheimer patients;
 - (v) the grant of a manufacturing licence allowing MXC to produce additional medicinal cannabis-based pharma products, for use by MXC in clinical studies, research pipelines and product development; and
 - (vi) launch of a new product line of CBD and hemp-enhanced Nutraceutical products for retail customers in March 2018.
- (b) **MGC Botanic:** MGC Botanic (100% owned subsidiary) provides the raw materials and appropriately matched genetic product to support the

clinical testing and commercialisation of the Company's core pharmaceutical products described above. Key business developments in the past twelve (12) months have included:

- (i) being awarded approval to construct a 4,000m² state-of-the-art medical cannabis production and cultivation facility, and receiving approval from the Maltese government for the construction of that facility; and
 - (ii) the acquisition of an 80% interest in Panax Pharma s.r.o (Panax), a company incorporated in Czech Republic, as part of its strategic partnership with the Czech Institution of Experimental Botany (IEB) at the Academy of Botanical Sciences.
- (c) **MGC Derma:** MGC Derma (100% owned subsidiary) is focused on the development and commercialisation of the Company's line of cosmetics and dermatologically-tested products, which are currently sold in certain retail outlets across Europe.

6.4 CannaGlobal

Cannaglobal Canada Co. Inc (**GCG**) is a diversified Canadian holding company with a global portfolio of cannabis and hemp assets. CGC has a strong global presence across all aspects of the retail sale and distribution of CBD products.

CGC is currently seeking other investment opportunities and acquisitions which would allow it to build a portfolio of investments suitable to list on the Canadian Securities Exchange (**Exchange**).

Upon completion of the Transaction, the Company would obtain an interest of approximately 10% in CGC.

6.5 Acquisition of Remaining 49% of MGC Derma

Until recently, the Company (via its wholly owned subsidiary MGC Pharma (UK) Ltd) owned 51% of the issued capital of MGC Derma. The remaining 49% interest was held by Dr M. Burnstein Ltd (**Burnstein**). The Company entered into a conditional acquisition agreement (**Acquisition Agreement**) with Burnstein pursuant to which the Company has acquired the remaining 49% interest in the issued capital of MGC Derma from Burnstein (**Acquisition**) to own 100% of the issued capital of MGC Derma.

The consideration paid to Burnstein for the Acquisition is the forgiveness of all outstanding loan repayments owed by Burnstein to the Company, equal to an amount of CAD\$1,225,000 (representing 49% of the total loan to date of CAD\$2.5 million funded in full by MXC to MGC Derma, and invested into the development of MGC Derma's formulas, distribution channels, stock and brand) (**Debt Forgiveness**). In addition to the Debt Forgiveness, Burnstein will be excluded from any future funding obligations and will be given the exclusive right to provide cosmetics raw material and product development to MGC Pharma for CBD and Cannabis-based cosmetic products.

The Acquisition Agreement otherwise contains terms and conditions considered standard for an agreement of this nature.

6.6 Key terms of Transaction

As noted above, the Company has entered into a conditional term sheet (**Term Sheet**) with CGC pursuant to which the Company will agree to sell MGC Derma, as well as all liability associated with MGC Derma, to CGC.

The material terms of the Term Sheet are summarised below:

- (a) (**Conditions Precedent**): both parties' obligation to complete the Transaction will be subject to customary conditions and any other conditions agreed by the parties under the Formal Agreement (defined below) as follows:
- (i) in the case of CGC:
 - (A) completion of due diligence on MGC Derma to satisfaction of CGC;
 - (B) the Board of Directors of CGC approving the Transaction; and
 - (C) no event of material adverse change occurring in the business, results of operations, prospectus, condition (financial or otherwise) of MGC Derma;
 - (ii) in the case of the Company:
 - (A) the Company obtaining all necessary shareholder and regulatory approvals;
 - (B) the Board of Directors of the Company approving the Transaction;
 - (C) there being no material adverse change in the business, results of operations, prospects, condition (financial or otherwise) or assets of CGC or any Canadian publicly listed company to which CGC assigns its rights or obligations under the Term Sheet (together, **CGC Purchasing Entity**);
 - (D) the CGC Purchasing Entity being a public company, shares of which are trading on the Canadian Securities Exchange; and
 - (E) the CGC Purchasing Entity has a market capitalisation not less than CAD\$50,000,000.
- (b) (**Consideration**): the consideration payable for the sale of MGC Derma will be up to a total of CAD\$12,500,000 (A\$13,541,292), which will be satisfied through the issue of Shares in the CGC Purchaser Entity in the following stages:
- (i) (**Stage 1 Consideration**): CAD\$9,000,000 (A\$9,749,731) payable in Shares in the CGC Purchaser Entity on the date of settlement of the Transaction (**Settlement Date**) (to be escrowed for twelve (12) months from the Settlement Date);

- (ii) **(Stage 2 Consideration)**: CAD\$1,500,000 (A\$1,624,955) payable in Shares in the CGC Purchaser Entity in the event MGC Derma achieves CAD\$500,000 aggregate gross revenue based on receivable funds during the thirty six (36) month period from the Settlement Date; and
- (iii) **(Stage 3 Consideration)**: CAD\$2,000,000 (A\$2,166,606) payable in Shares in the CGC Purchaser Entity in the event MGC Derma achieves CAD\$1,000,000 aggregate gross revenue based on receivable funds during the thirty six (36) month period from the Settlement Date.

The issue price per Share in the CGC Purchaser Entity will be equal to the five (5) day volume weighted average trading price per fully paid ordinary share in the capital of the CGC Purchaser Entity, as traded on the Exchange for the five (5) business days immediately prior to the Settlement Date (provided that that value is not lower than the lowest price permitted under the rules of the Exchange).

- (c) **(Supply Agreement)**: Immediately following the Settlement Date, CGC, MGC Derma and MGC Pharma will enter into an exclusive supply agreement (Supply Agreement) pursuant to which:
 - (i) **(Exclusive Orders)**: MGC Derma will continue to purchase raw materials required to manufacture the MGC Derma products from a subsidiary within the Company group for a period not less than five (5) years from the Settlement Date; and
 - (ii) **(Initial Payment)**: within ten (10) days of signing the Supply Agreement, CGC will transfer to the Company CAD\$1,000,000 in consideration for the future supply of product in accordance with (c)(i) above.
- (d) **(Management)**: Subject to Settlement occurring, the Company will appoint or cause to be appointed CGCs nominees as the CEO and other senior management of MGC Derma, as to be instructed by CGC. Following Settlement, the CGC Purchasing Entity will be fully and solely responsible for the management and financing of MGC Derma, and the Company will be entitled to appoint one (1) non-executive director to the Board of MGC Derma and one (1) observer to the Board of the CGC Purchasing Entity.
- (e) **(Loan Agreement)**: The parties have agreed that the loan agreement between MGC Pharma (UK) Ltd and MGC Derma dated 1 October 2016 (**Loan**) which, as at the date of this meeting is outstanding at an amount equal to approximately CAD\$2,500,000 (A\$2,708,258), will be restructured as follows:
 - (i) the repayment date of the loan is extended to two (2) years from the date of the Formal Agreement repayable earlier at the election of CGC;
 - (ii) interest is to be charged at a rate of 5% per annum on any amount outstanding; and
 - (iii) the principal and all accrued interest under the Loan will, at the election of MGC, convert into Shares in the CGC Purchasing

Entity upon the occurrence of an equity financing of at least CAD\$25,000,000 (A\$27,082,585) in the CGC Purchasing Entity.

- (f) **(Formal Agreement)**: The parties will negotiate in good faith the execution of a definitive share purchase agreement (**Formal Agreement**) which shall comprise the material terms of the Terms Sheet and other customary terms.

The Term Sheet otherwise contains terms and conditions considered standard for an agreement of its nature.

6.7 Capital structure

The Company's capital structure will not be affected by the Transaction, and no related parties are involved in the Transaction.

6.8 Listing Rule 11.4

Listing Rule 11.4 provides that a company must not dispose of a major asset if, at the time of the disposal, it is aware that the entity acquiring the asset intends to issue or offer securities with a view to becoming listed. However, the rule does not apply in the following cases:

- (a) the securities except those to be retained by the company, are offered pro rata to shareholders, or in another way that in ASX's opinion is fair in all the circumstances; or
- (b) the company's shareholders approve the disposal without a pro-rata offer being made.

The Company is seeking Shareholder approval under Listing Rule 11.4.1(b) for the purposes of Resolution 5.

6.9 Impact of the Disposal on the Company

Generally

As described above, the Transaction will not result in any change to the Company's main undertaking; it will remain a focused medical cannabis company. Additionally, while the Transaction will cause the divestiture of MGC Derma, the Company will maintain a commercial interest in the development of MGC Derma's products by virtue of:

- (a) retaining an indirect interest in MGC Derma by holding Shares in its parent company, CGC; and
- (b) through the continued supply of CDB and raw materials pursuant to the Supply Agreement.

Commercial Impact

The Company considers that the financial impact of the Transaction will be minimal. The pro forma balance sheet and transaction comparison tables (at Schedules 3 and 4 respectively) demonstrate that:

- (c) the value of MGC Derma as included in MXC's most recent audit reviewed accounts (as at 30 June 2018) is A\$0.9m representing 4.6% of

MXC's most recently audited consolidated total assets and 1.9% of MXC's most recently audited consolidated equity interests; and

- (d) the total expenditure on MGC Derma and its activities in the calendar year ending 30 June 2018 was A\$1.45m with other expenditure for MXC amounting to A\$4.4m.

The value of MGC Derma in the accounts of the Company and the effect set out in the comparison table at Schedule 3 also shows that the disposal of MGC Derma will not affect the scale of the Company's operations.

6.10 Future direction following Transaction

The Company has been listed on ASX since May 2016 and since that date has operated as a medical cannabis company. In line with the Company's strategic direction, it is intended the Transaction will allow additional funds and resources to be applied to the development of its core business divisions, MGC Pharma and MGC Botanic.

The concentration of MXC on its core business division, being pharmaceuticals, is a logical evolutionary step for MXC as the Transaction is consistent with the current strategic direction of the Company (as has been continually communicated to the market).

6.11 Key benefits of the Transaction

The Company considers that the following non-exhaustive list is indicative of the strategic and commercial benefit the Transaction will have on the Company's business:

- (a) **Strategic Focus:** The Transaction is consistent with the Company's strategic direction to operate as a seed-to-pharma global cannabis pharmaceutical company and will allow the Company to focus solely on MGC Pharma, the strategic core of the Company, as well as its nutraceuticals and botanicas divisions.
- (b) **Re-allocation of resources:** MGC Derma requires significant management time and resources to ensure that it is successful in its business strategy and can become a viable, self-funding business in the future.

The Transaction will allow the Company to re-allocate resources and working capital towards MGC Pharma to facilitate the expansion that section of the Company's business, specifically the expansion of its manufacturing facility in Slovenia, the establishment of operations in Malta and further research and development projects with RMIT advance.

- (c) **Acquisition of CGC Interest:** Following Settlement of the Transaction, and subject to the satisfaction of certain Milestones, the Company will receive up to CAD\$12,500,000 (A\$13,541,292) in shares the CGC Purchaser Entity. The Company considers that the Consideration received for the divestiture of MGC Derma is significant and may be applied toward its existing and future business activities.
- (d) **Due Diligence Investigations:** Prior to execution of the Term Sheet, the Company undertook appropriate enquiries and due diligence investigations into CGC, specifically into its assets and liabilities, financial

position and performance, and the potential value of the securities of the CGC Purchaser Entity and its future prospects and direction and the expertise of its directions, management and key personnel. Such investigations consolidated the Company's confidence that the Transaction would:

- (i) provide commercial benefit to the Company indirectly, as a result of creating future value for shareholders in the CGC Purchaser Entity, such as the Company; and
- (ii) that the Transaction is in the best interests of the Company and its Shareholders for the reasons described in (a), (b) and (c) above.

6.12 Directors' Recommendations

Based on the information available, each of the Directors considers that the Disposal is in the best interests of the Company. The Directors therefore unanimously recommend Shareholders vote in favour of this Resolution.

7. RESOLUTION 6 – APPROVAL OF 10% PLACEMENT CAPACITY

7.1 General

ASX Listing Rule 7.1A provides that an Eligible Entity (as defined below) may seek shareholder approval by special resolution passed at an annual general meeting to have the capacity to issue up to that number of Equity Securities (as defined below) equal to 10% of its issued capital (**10% Placement Capacity**) without using that company's existing 15% annual placement capacity granted under ASX Listing Rule 7.1.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$59.429 million (based on the number of Shares on issue and the closing price of Shares on the ASX on 2 October 2018).

An Equity Security is a share, a unit in a trust, a right to a share or unit in a trust or option, an option over an issued or unissued security, a convertible security, or, any security that ASX decides to classify as an equity security.

Any Equity Securities issued under the 10% Placement Capacity must be in the same class as an existing class of quoted Equity Securities.

As at the date of this Notice, the Company currently has two classes of quoted Equity Securities on issue, being the Shares (ASX Code: MXC) and listed Options (ASX Code: MXCOD).

If Shareholders approve this Resolution, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

This Resolution is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of this Resolution for it to be passed.

7.2 Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in section (i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If this Resolution is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 2 October 2018.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic

dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable 'A' in ASX Listing Rule 7.1A2)	Dilution			
	Issue Price (per Share)	\$0.0255 50% decrease in Issue Price	\$0.051 Issue Price	\$0.0765 50% increase in Issue Price
1,304,116,500 (Current Variable A)	Shares issued - 10% voting dilution	130,411,650 Shares	130,411,650 Shares	130,411,650 Shares
	Funds raised	\$3,325,497	\$6,650,994	\$9,976,491
1,956,174,750 (50% increase in Variable A)	Shares issued - 10% voting dilution	195,617,475 Shares	195,617,475 Shares	195,617,475 Shares
	Funds raised	\$4,988,245	\$9,976,491	\$14,964,736
2,608,233,000 (100% increase in Variable A)	Shares issued - 10% voting dilution	260,823,300 Shares	260,823,300 Shares	260,823,300 Shares
	Funds raised	\$6,650,994	\$13,301,988	\$19,952,982

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 1,212,830,411 existing Shares on issue comprising.
2. There are currently 91,286,090 listed Options (ASX:MXCOD) and it is assumed those Options have been exercised into Shares for the purposes of calculating voting dilution.
3. The issue price set out above is the closing price of the Shares on the ASX on 1 October 2018 (\$0.051).
4. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
5. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use funds raised for the potential acquisition of new business opportunities and investments (including expenses associated with such acquisition), continued expenditure on the Company's current business divisions and general working capital; or
- (ii) as non-cash consideration for the potential acquisition of new business opportunities and investments including any previously announced acquisitions, in such circumstances the Company will provide a valuation of the non-cash consideration as required by listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A(4) and 3.10.5A upon issue of any Equity Securities.

(e) **Allocation policy under the 10% Placement Capacity**

The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new resources, assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) **Previous approval under ASX Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 22 November 2017 (**Previous Approval**).

The Company has issued 71,428,572 Shares pursuant to the Previous Approval. The Company issued no listed Options pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 22 November 2017, the Company also issued a further 44,793,137 Shares and 30,500,000 Options which represents approximately 5.4% of the total diluted number of Equity Securities on issue in the Company on 22 November 2017, which was 1,388,835,929 (refer to Appendix 3B dated 30 June 2017).

Further details of the issues of Equity Securities by the Company during the 12 month period preceding the date of the Meeting are set out in Schedule 2.

(g) **Compliance with ASX Listing Rules 7.1A.4 and 3.10.5A**

When the Company issues Equity Securities pursuant to the 10% Placement Capacity, it must give to ASX:

- (i) a list of the recipients of the Equity Securities and the number of Equity Securities issued to each (not for release to the market), in accordance with Listing Rule 7.1A.4; and
- (ii) the information required by Listing Rule 3.10.5A for release to the market.

7.3 **Voting Exclusion**

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on this Resolution.

GLOSSARY

\$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company or **MGC** means MGC Pharmaceuticals Ltd (ACN 116 800 269).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share with the terms and conditions set out in Schedule 1.

Optionholder means a holder of an Option.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2018.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF OPTIONS

- (a) Each April 2018 Lead Manager & Advisor Option (**Option**) gives the holder the right to subscribe for one Share upon the exercise of each Option.
- (b) The Options have no vesting period.
- (c) The Options are exercisable on or prior to 30 June 2021 (the "**Expiry Date**") by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- (d) An Option not exercised on or before the Expiry Date will automatically lapse.
- (e) Subject to paragraph (m), the amount payable upon exercise of each Option will be \$0.15 (**Exercise Price**).
- (f) The Options held may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (g) The Optionholder may exercise the Options by lodging with the Company, on or before the Expiry Date:
 - i. a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - ii. a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Options shall be freely transferable and subject to compliance with the Corporations Act.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (o) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

SCHEDULE 2 – ISSUES OF EQUITY SECURITIES SINCE 22 NOVEMBER 2017

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) ¹	Form of consideration
Issue – 15 December 2017 Appendix 3B – 15 December 2017	113,637	Shares ²	Shares issued to unrelated Optionholders upon exercise of unlisted Options	\$0.065 (6.5 cents)	Amount raised = \$7,386.42 Amount spent = \$7,386.42 Use of funds ⁵ = working capital
Issue – 30 January 2018 Appendix 3B – 30 January 2018	26,500,000	Shares ²	Shares issued to Directors of the Company on conversion of Performance Rights (refer to Shareholder meetings held 27/09/2016 and 29/11/2016)	No issue price (non-cash consideration)	Consideration: performance based remuneration for services provided to the Company Current value: \$1,298,500
Issue – 30 January 2018 Appendix 3B – 30 January 2018	8,026,000	Shares ²	Shares issued to employees on conversion of Performance Rights (refer to Shareholder meeting held 27/09/16)	No issue price (non-cash consideration)	Consideration: performance based remuneration for services provided to the Company Current value: \$393,274
Issue – 16 February 2018 Appendix 3B – 16 February 2018	18,940	Shares ²	Shares issued to unrelated Optionholders upon exercise of unlisted Options	\$0.065 (6.5 cents)	Amount raised = \$1,231.10 Amount spent = \$1,231.10 Use of funds ⁵ = working capital
Issue – 2 March 2018 Appendix 3B – 5 March 2018	20,000,000	Unquoted Options ³	Options issued to employees pursuant to the employee incentive scheme approved at the Shareholder meeting held 22/11/17	No issue price (non-cash consideration)	Consideration: performance based remuneration for services provided to the Company Current value: \$1.16m
Issue – 23 March 2018 Appendix 3B – 23 March 2018	37,879	Shares ²	Shares issued to unrelated Optionholders upon exercise of listed Options (ASX:MXCOD)	\$0.065 (6.5 cents)	Amount raised = \$2,463.00 Amount spent = \$2,463.00 Use of funds = working capital
Issue – 23 March 2018 Appendix 3B – 23 March 2018	500,000	Unquoted Options ³	Options issued to employees pursuant to the employee incentive scheme approved at the Shareholder meeting held 22/11/17	\$0.125 (12.5 cents)	Consideration: performance-based remuneration for services provided to the Company Current value: \$29,000
Issue – 17 April 2018	71,428,572	Shares ²	Sophisticated investor clients of Bell Potter	\$0.07 (7 cents)	Amount raised = \$5,000,000 Amount spent = \$ -

Appendix 3B – 17 April 2018			Securities		Use of funds ⁵ = funds applied to construction of MXC's medical cannabis production and cultivation facility in Malta & working capital Amount remaining = \$5,000,000 Proposed use of remaining ⁵ = As above
Issue – 17 April 2018 Appendix 3B – 17 April 2018	10,000,000	Unquoted Options ⁴	Bell Potter Securities and other corporate advisors in consideration for services provided to capital raising completed 17 April 2018	No issue price (non-cash consideration)	Consideration: broker / corporate advisory fee for placement completed on 17 April 2018 Current value: \$390,000
Issue – 18 May 2018 Appendix 3B – 18 May 2018	96,681	Shares ²	Shares issued to unrelated Optionholders upon exercise of listed Options	\$0.065 (6.5 cents)	Amount raised = \$6,284.27 Amount spent = \$6,284.27 Use of funds ⁵ = working capital
Issue – 17 July 2018 Appendix 3B – 17 July 2018	10,000,000	Shares ²	Shares issued to Brett Mitchell (Director) on conversion of Performance Rights (refer to Shareholder meetings held 27/09/2016 and 29/11/2016)	No issue price (non-cash consideration)	Consideration: performance based remuneration for services provided to the Company Current value: \$480,000

Notes:

- Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
- Fully paid ordinary shares in the capital of the Company, ASX Code: MXC (terms are set out in the Constitution).
- Unquoted Options, exercisable at \$0.125 each, on or before 31 March 2021. The securities were issued under the Company's Employee Incentive Scheme, the key terms and conditions of which are summarised in the notice of meeting for the shareholder meeting held on 22 November 2017.
- Unquoted Options, exercisable at \$0.15 each, on or before 30 June 2021. The full terms and conditions are disclosed in this notice of meeting (refer to Resolution 4).
- This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
- In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.049) as the context requires on the ASX on 3 October 2018. In respect of unquoted Equity Securities the value of Options is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

SCHEDULE 3 – PRO FORMA BALANCE SHEET

The audited balance sheet as at 30 June 2018 and the unaudited pro-forma balance sheet as at 30 June 2018 shown below have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

The pro-forma balance sheet has been prepared assuming that the Transaction completes and therefore that:

- (a) de-consolidation of MGC Derma (post acquisition of remaining 49% in MGC Derma) and accounted for as an equity accounted investment;
- (b) MGC Derma (which currently has a book value of A\$33,048 in the Company's accounts) is disposed;
- (c) the cash consideration of CAD\$1,000,000 under the Supply Agreement (equal to A\$1,111,111 based on current exchange rate of [CAD\$1:A\$0.9]);
- (d) the initial consideration of CAD\$9,000,000 to be paid in Purchaser shares (equal to \$10,000,000 based on a current exchange rate of [CAD\$1:A\$0.9])
- (e) the CAD\$2,500,000 intercompany loan from MGC Pharma (UK) Limited to MGC Derma being assumed by Cannaglobal ((equal to A\$2,777,778 based on the current exchange rate of [CAD\$1:A\$0.9]))
- (f) each of the Milestone are met such that a total of CAD\$3,500,000 to be paid in Purchaser Shares is received (AUD consideration of AUD\$3,888,889 based on a rate of CAD\$1:A\$0.9))

	CONSOLIDATED AUDITED 30 June 2018 (A\$'000)	PROFORMA POST DISPOSAL OF MGC DERMA CONSOLIDATED 30 June 2018 (A\$'000)
CURRENT ASSETS		
Cash and Cash Equivalents	9,859	9,569
Inventories	712	361
Trade & other receivables	932	697
TOTAL CURRENT ASSETS	11,503	10,627
NON CURRENT ASSETS		
Property, plant and equipment	1,334	1,266
Intangibles	7,083	7,083
Other financial assets	73	13,446
Other receivables		2,676
TOTAL NON CURRENT ASSETS	8,490	24,471
TOTAL ASSETS	19,993	35,098

	CONSOLIDATED AUDITED 30 June 2018 (A\$'000)	PROFORMA POST DISPOSAL OF MGC DERMA CONSOLIDATED 30 June 2018 (A\$'000)
CURRENT LIABILITIES		
Trade & other payables	961	772
Contingent Consideration	6,270	6,270
TOTAL CURRENT LIABILITIES	7,231	7,042
NON CURRENT LIABILITIES		
Other non-current liabilities	25	25
Deferred Revenue	47	47
TOTAL NON CURRENT LIABILITIES	72	72
TOTAL LIABILITIES	7,303	7,114
NET ASSETS	12,690	27,984
EQUITY		
Contributed Equity	48,440	48,440
Reserves	3,522	3,522
Accumulated losses	(38,030)	(23,978)
Equity attributable to the owners of MXC	13,932	27,984
Non-controlling interest	(1,242)	-
TOTAL EQUITY	12,690	27,984

The Pro-Forma balance sheet includes the following adjustments:

Adjustment	Description
1a	Recognition of acquisition of remaining 49% of Dr Burstein share capital as per point 3.2
1b	Elimination of 49% investment in Derma recognised at 1a on consolidation
2	Recognition of non-controlling interest of MGC Derma on acquisition of remaining 49% from Dr Burstein as per point 3.2
3	Disposal of MGC Derma by elimination of identifiable assets and liabilities
4	Recognition of remaining balance on CAD\$2.5m loan versus its value of GBP£1.7m
6	Recognition of CAD\$9m equity to be issued by Cannaglobal as consideration for disposal of MGC Derma
7	Recognition of CAD\$3.5m equity to be issued by Cannaglobal assuming completion of milestones, as consideration for disposal of MGC Derma
<p>The following exchange rates have been assumed in preparation of the above:</p> <p>GBP:AUD 1.78 (rate as at 30 June 2018 for translation of revised balance sheet post transaction)</p> <p>CAD:GBP 0.60 (for translation of proposed transactions in relation to MGC Derma disposal)</p>	

SCHEDULE 4 – TRANSACTION BASED COMPARISON TABLE

Particulars	Prior to Transaction (30 June 2018 audited)	Projected change due to Transaction (Movement)	Post Transaction – Pro forma – 30 June 2018 unaudited	Percentage change due to Transaction
Consolidated Total Assets (A\$'000)	19,993	15,105	35,098	75%
Consolidated Total Equity (A\$'000)	12,690	15,294	27,984	120%
Annual Expenditure (A\$'000)*	5,870	378	6,248	6%
Total shares on issue ¹	1,202,830,412	-	-	-
Total options on issue ²	91,286,089	-	-	-
Total performance rights on issue ³	13,638,000	-	-	-
Market capitalisation (\$A)	78.5m	-	-	-

*Excludes non-cash based expenditure of A\$1.07m of share based payments, A\$0.3m depreciation, A\$1.9m loss on re-measurement of performance shares, revaluation of investment of A\$20k and impairment provision of A\$0.2m.

Lodge your vote:

 **Online:**
www.investorvote.com.au

 **By Mail:**
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:
(within Australia) 1300 850 505
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Proxy Form

XX



Vote and view the annual report online

- Go to www.investorvote.com.au or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.



Your access information that you will need to vote:

Control Number: 181870

PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

 **For your vote to be effective it must be received by 10:00am (WST) Tuesday, 20 November 2018**

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions for Postal Forms

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,
or turn over to complete the form** →

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of MGC Pharmaceuticals Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the Meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of MGC Pharmaceuticals Ltd to be held at 1202 Hay Street, West Perth, Western Australia on Thursday, 22 November 2018 at 10:00am (WST) and at any adjournment or postponement of that Meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolution 1 (except where I/we have indicated a different voting intention below) even though Resolution 1 connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolution 1 by marking the appropriate box in step 2 below.

STEP 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director – Brett Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ratification of prior issue of Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Ratification of prior issue of Options to corporate advisors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Approval of disposal of MGC Derma	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /