



MGC PHARMACEUTICALS LTD
ACN 116 800 269

PROSPECTUS

For an offer of:

- (a) up to 21,156,574 Options exercisable at \$0.045 each expiring at 5:00 pm (WST) on 31 August 2021, on the basis of one (1) free-attaching Option for every two (2) Shares subscribed for by Eligible Shareholders under the Share Purchase Plan (**SPP Options Offer**);
- (b) up to 64,815,000 Options exercisable at \$0.045 each expiring at 5:00 pm (WST) on 31 August 2021, on the basis of one (1) free-attaching Option for every two (2) Shares subscribed for by Eligible Participants under the Secondary Placement (**Placement Options Offer**);
- (c) 1,000 Shares in the capital of the Company at an issue price of \$0.02 per Share to raise \$20 (before expenses) (**Cleansing Offer**).

The SPP Options Offer, Placement Options Offer and Cleansing Offer are together, referred to as the **Offers**.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered as speculative.

CONTENTS

1. CORPORATE DIRECTORY 1

2. SUMMARY OF IMPORTANT DATES AND INFORMATION 2

3. DETAILS OF THE OFFERS 4

4. PURPOSE AND EFFECT OF THE OFFERS 10

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES..... 13

6. RISK FACTORS 17

7. ADDITIONAL INFORMATION 26

8. DIRECTORS’ AUTHORISATION 33

9. GLOSSARY 34

1. CORPORATE DIRECTORY

Directors

Brett Mitchell
Executive Chairman

Roby Zomer
Managing Director and CEO

Nativ Segev
Non-Executive Director

Stephen Parker
Non-Executive Director and Chair of the Corporate Governance Committees

Ross Walker
Non-Executive Director

Company Secretary

Rachel Kerr

Registered Office

1202 Hay Street
WEST PERTH WA 6005

Telephone: +61 8 6382 3390

Website: www.mgcpharma.com.au

Email: info@mgcpharma.com.au

Auditor*

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

Share Registry*

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

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

ASX Code

MXC

*These entities are included for information purposes only. They have not been involved in the preparation of this Prospectus and have not consented to being named in this Prospectus.

2. SUMMARY OF IMPORTANT DATES AND INFORMATION

2.1 Timetable

Event	Date ¹
Lodge Prospectus with the ASIC and ASX	4 May 2020
Opening date of Offers under the Prospectus Issue of Shares under the Secondary Placement	4 May 2020
Closing Date of the Cleansing Offer ¹	5 May 2020
Closing Date of the SPP Options Offer and Placement Options Offer ¹	5:00pm (WST) 8 May 2020
Issue of securities under the Offers ¹	11 May 2020

Notes:

1. These dates are indicative only and subject to change. The Directors reserve the right to vary these dates, including the Closing Date of the Offers, without prior notice.

2.2 Important Notes

This Prospectus is dated 4 May 2020 and was lodged with the ASIC and ASX on that date. The ASIC, ASX and their respective officers take no responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Securities may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary. The Securities the subject of this Prospectus should be considered highly speculative.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

2.3 Risk factors

Potential investors should be aware that subscribing for Securities in the Company involves a number of risks. The key risk factors of which investors should be aware are set out in section 6 of this Prospectus. These risks together with other general risks applicable to all investments in listed securities not specifically referred to, may affect the value of the Securities in the future. Accordingly, an investment in the Company should be considered highly speculative. Investors should consider consulting their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

2.4 Taxation implications

The Directors do not consider it appropriate to give Shareholders advice regarding the taxation consequences of applying for Securities under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Shareholders. As a result, Shareholders should consult their professional tax adviser in connection with applying for Securities under this Prospectus.

2.5 Forward-looking statements

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of our Company, the Directors and our management.

The Company cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

The Company has no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 6.

3. DETAILS OF THE OFFERS

3.1 Background to the SPP Options Offer

As announced on 17 February 2020, the Company undertook a capital raising comprising an offer to existing Shareholders pursuant to a share purchase plan (**SPP** or **Share Purchase Plan**) and a placement to professional and sophisticated investors (**Placement**) (together, the **Capital Raising**).

The funds raised under the Capital Raising will be applied to fund the immediate production and future production for its cannabinoid based medicines to fulfil current and future sales orders including CannEpil®, CogniCann®, and MP100 in Australia, Europe and Latin America, the ongoing operating expenses of the Company, and general working capital requirements.

Under the SPP, Shareholders in Australia and New Zealand registered on the Record Date (**Eligible Shareholders**) were offered the opportunity to subscribe for up to \$3 million worth of new Shares at an issue price of \$0.027 per Share, together with one (1) free-attaching Option for every two (2) Shares subscribed for and issued (exercisable at \$0.045 each, on or before 5:00 pm (WST) on 31 August 2021).

On 26 February 2020, the Company issued 31,250,000 Shares under the Placement at an issue price of \$0.032 per Share, raising \$1 million.

On 18 March 2020, the Company issued 42,313,301 Shares under the SPP at an issue price of \$0.027 per Share, raising \$1.142 million.

In certain circumstances a listed company may undertake a share purchase plan in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (**ASIC Instrument**). This ASIC Instrument allows a share purchase plan to be conducted without the use of a prospectus.

The Company relied on the ASIC Instrument in respect of the Shares to be issued pursuant to the SPP, however, it is unable to rely on the ASIC Instrument for the Options issued pursuant to the SPP Options Offer because the relief only extends to Shares. Accordingly, the Company is undertaking the SPP Options Offer under this Prospectus.

3.2 SPP Options Offer

By the SPP Options Offer under this Prospectus, the Company offers, for nil cash consideration, up to 21,156,574 free-attaching Options exercisable at \$0.045 on or before 5:00 pm (WST) on 31 August 2021 on the basis of one (1) free-attaching Option for every two (2) Shares subscribed for by Eligible Shareholders under the SPP.

No funds will be raised from the issue of Options pursuant to the SPP Options Offer.

The Options offered pursuant to the SPP Options Offer will be issued on the terms and conditions set out in section 5.1 of this Prospectus.

Shares issued upon exercise of any Options will be fully paid and will rank equally in all respects with the Company's existing Shares on issue. A summary of the rights and liabilities attaching to the Shares is set out in Section 5.2.

The purpose of the SPP Options Offer is set out in section 4.1.

(a) What is my SPP Entitlement?

The number of Options for which you are entitled to apply for under the Offer (**SPP Entitlement**) is one-half of the number of Shares you subscribed for in the SPP.

If your SPP Entitlement results in a fraction of an Option, it will be rounded down to the nearest whole number.

No payment is required to take up your SPP Entitlement.

SPP Entitlements are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you will be unable to transfer your SPP Entitlement to another party.

If you choose to accept your SPP Entitlement to Options under the SPP Options Offer, you must accept your SPP Entitlement in full.

If you advise you do not wish to accept your SPP Entitlement under the SPP Options Offer then your SPP Entitlement will lapse at the Closing Date.

Detailed instructions on how to accept your SPP Entitlement are set out in Section 3.8. All applications, once received, are irrevocable.

(b) Why should you apply for Options

The Options, will be issued for nil consideration. There are no brokerage fees or other costs payable by Eligible Shareholders to acquire Options. It is noted that in order to be entitled to these Options, Eligible Shareholders paid \$0.027 for each Share subscribed for in the SPP. As detailed in the Company's announcements relating to the SPP it was advised Eligible Shareholders accepting the terms of the SPP Offer Document would be issued one (1) free attaching option for every two (2) Shares subscribed for.

There is no obligation to apply for or exercise any of the Options that you are entitled to. **However, Eligible Shareholders should note that they will be deemed to have accepted their respective SPP Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Application Form accompanying this Prospectus.**

Eligible Shareholders should seek and rely on their own taxation advice regarding the exercise of Options as the taxation consequences will depend on the particular circumstances of the individual.

(c) Offer Period: Opening and Closing Dates

The Offer opens for receipt of acceptances on 4 May 2020 and closes at 5:00pm (WST) on 8 May 2020, subject to any variation of the Closing Date by the Directors in accordance with the ASX Listing Rules.

3.3 Background to the Placement Options Offer

As announced on 28 April 2020, the Company is proposing to issue 129,630,000 Shares at an issue price of \$0.027 per Share to sophisticated and professional investors to raise a total of \$3,500,000, together with one (1) free-attaching Option for every two (2) Shares subscribed for and issued (**Secondary Placement**).

The funds raised under the Secondary Placement will be applied towards the production for the Company's cannabinoid-based medicines to fulfil current and future sales orders, to progress the Company's clinical trials for ArtemiC to be tested on patients diagnosed with COVID-19, including the product development of ArtemiC for commercial production and supply, general working capital and costs of the Offer.

3.4 Placement Options Offer

By the Placement Options Offer under this Prospectus, the Company intends to offer up to 64,815,000 Options exercisable at \$0.045 each expiring at 5:00 pm (WST) on 31 August 2021, on the basis of one (1) free-attaching Option for every two (2) Shares subscribed for by Eligible Participants in the Secondary Placement.

The Options offered pursuant to the Placement Options Offer will be issued on the terms and conditions set out in section 5.1 of this Prospectus.

Shares issued upon exercise of any Options will be fully paid and will rank equally in all respects with the Company's existing Shares on issue. A summary of the rights and liabilities attaching to the Shares is set out in Section 5.2.

The purpose of the Placement Options Offer is set out in section 4.1.

(a) What is my Placement Entitlement?

The number of Options for which you are entitled to apply for under the Offer (**Placement Entitlement**) is one-half of the number of Shares you subscribed for in the Secondary Placement. If your Placement Entitlement results in a fraction of an Option, it will be rounded up to the nearest whole number.

No payment is required to take up your Placement Entitlement.

Placement Entitlements are non-renounceable. Accordingly, there will be no trading of rights on the ASX and you will be unable to transfer your Placement Entitlement to another party.

If you choose to accept your Placement Entitlement to Options under the Placement Options Offer, you must accept your Placement Entitlement in full.

If you choose not to accept your Placement Entitlement under the Placement Options Offer then your Placement Entitlement will lapse at the Closing Date.

Detailed instructions on how to accept your Placement Entitlement are set out in Section 3.8. All applications, once received, are irrevocable.

(b) Why should you apply for Options

The Options, if applied for, will be issued for nil consideration. There are no brokerage fees or other costs payable by Eligible Participants to acquire Options. It is noted that in order to be entitled to these Options, Eligible Participants paid \$0.027 for each Share subscribed for under the Secondary Placement.

There is no obligation to apply for or exercise any of the Options that you are entitled to. **However, Eligible Participants should note that they will be deemed to have accepted their respective Placement Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Application Form accompanying this Prospectus.**

Eligible Participants should seek and rely on their own taxation advice regarding the exercise of Options as the taxation consequences will depend on the particular circumstances of the individual.

(c) **Offer Period: Opening and Closing Dates**

The Offer opens for receipt of acceptances on 4 May 2020 and closes at 5:00pm (WST) on 8 May 2020, subject to any variation of the Closing Date by the Directors in accordance with the ASX Listing Rules.

3.5 Cleansing Offer

By the Cleansing Offer under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of \$0.02 per Share to raise \$20 (before costs).

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties.

All of the Shares offered under the Cleansing Offer will rank equally with Shares on issue at the date of this Prospectus.

Please refer to Section 5.2 of this Prospectus for further information regarding the rights and liabilities attaching to the Shares offered pursuant to the Cleansing Offer.

The purpose of the Cleansing Offer is set out in section 4.1.

3.6 Eligible participants

SPP Options Offer

Only Eligible Shareholders who participated in the SPP may participate in the SPP Options Offer.

Placement Options Offer

Only Eligible Participants who participated in the Secondary Placement may participate in the Placement Options Offer.

Cleansing Offer

Only the parties approached by the Company may participate in the Cleansing Offer.

3.7 Minimum subscription

There is no minimum subscription for the Offers.

3.8 Applications

SPP Options Offer

Applications for Options can only be made by Eligible Shareholders at the direction of the Company.

No subscription monies are payable for the Options offered pursuant to this Prospectus as the Options are being issued as an entitlement to Eligible Shareholders on the basis of one (1) Option for every two (2) Shares subscribed for and issued under the SPP.

Eligible Shareholders will be deemed to have accepted their respective SPP Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Application Form accompanying this Prospectus. Accordingly, Eligible Shareholders do not need to do anything to accept the Offer applicable to them.

Placement Options Offer

Applications for Options can only be made by Eligible Participants at the direction of the Company.

No subscription monies are payable for the Options offered pursuant to this Prospectus as the Options are being issued as an entitlement to Eligible Participants on the basis of one (1) Option for every two (2) Shares subscribed for and issued under the Secondary Placement.

Eligible Participants will be deemed to have accepted their respective Placement Entitlement if the Company does not receive notice to the contrary prior to the Closing Date in response to an Application Form accompanying this Prospectus. Accordingly, Eligible Participants do not need to do anything to accept the Offer applicable to them.

Cleansing Offer

Applications for Shares must be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of \$0.02 per Share. All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to “**MGC Pharmaceuticals**” and crossed “**Not Negotiable**”.

Completed Application Forms and cheques must be mailed or delivered to the address set out on the Application Form, with sufficient time to be received by or on behalf of the Company by **no later than 5.00pm (WST) on the Closing Date**.

The Company reserves the right to close the Cleansing Offer early.

3.9 Underwriting

The Offers are not underwritten.

3.10 Securities will be quoted

An application for Official Quotation of the Securities offered pursuant to this Prospectus has been made to the ASX for the SPP Options Offer and Placement Options Offer. An application for Official Quotation of the Cleansing Offer will be made within 7 days of the date of this Prospectus.

If ASX does not grant Official Quotation of the Securities offered pursuant to this Prospectus before the expiration of 3 months after the date of issue of the Prospectus, (or such period as varied by the ASIC), the Company will not issue any Securities.

The fact that ASX may grant Official Quotation to the Securities is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

3.11 Issue

Securities issued pursuant to the Offers will be issued in accordance with the ASX Listing Rules and timetable set out in section 2.1.

Holding statements for Securities issued under the Offers will be mailed in accordance with the ASX Listing Rules and timetable set out in section 2.1.

3.12 Overseas shareholders

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law.

This Offers do not, and are not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Securities on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

New Zealand

The Securities are not being offered to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand to whom the Offers are being made in reliance on the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (as amended) (New Zealand).

This Prospectus has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (New Zealand). This Prospectus is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Israel

The Company does not intend to offer the new Securities to the public in Israel within the meaning of the Israeli Securities Law, 1968, or offer new securities, within any specific year, to more than 35 offerees resident in Israel. The new Securities have not been approved or disapproved by the Israeli Securities Authority (the **ISA**), nor have such new securities been registered for sale in Israel.

The new Securities may not be offered or sold, directly or indirectly, to the public in Israel, absent the publication of a prospectus. The ISA has not issued permits, approvals or licenses in connection with the offering or publishing of this document; nor has it authenticated the details included herein, confirmed their reliability or completeness, or rendered an opinion as to the quality of the new securities being offered. Any resale in Israel, directly or indirectly, to the public of the new securities offered by this document is subject to restrictions on transferability and must be effected only in compliance with the Israeli securities laws and regulations.

3.13 Enquiries

Any questions concerning the Offers should be directed to the Company on + 61 8 6382 3390.

4. PURPOSE AND EFFECT OF THE OFFERS

4.1 Purpose of the Offers

SPP Options Offer

The primary purpose of the SPP Options Offer is to issue up to 21,156,574 Options on the basis of one (1) free-attaching Option for every two (2) Shares subscribed for under the SPP.

The Options are being offered under this Prospectus to allow the Options, and Shares issued on the exercise of any of the Options, to be on-sold within 12 months of their issue without a disclosure document or 'cleansing statement' being issued for those Options or Shares, that otherwise would be required under the Corporations Act to on-sell those Options or Shares within 12 months of their issue.

No funds will be raised from the issue of the Options pursuant to the SPP Options Offer as the Options are free attaching to Shares subscribed for under the SPP.

Placement Options Offer

The primary purpose of the Placement Options Offer is to issue up to 64,815,000 Options on the basis of (1) free-attaching Option for every two (2) Shares subscribed for and issued to Eligible Participants under the Secondary Placement.

The Options are being offered under this Prospectus to allow the Options, and Shares issued on the exercise of any of the Options, to be on-sold within 12 months of their issue without a disclosure document or 'cleansing statement' being issued for those Options or Shares, that otherwise would be required under the Corporations Act to on-sell those Options or Shares within 12 months of their issue.

No funds will be raised from the issue of the Options pursuant to the Placement Options Offer as the Options are free attaching to Shares subscribed for under the Secondary Placement.

Cleansing Offer

The primary purpose of the Cleansing Offer is to remove any trading restrictions that may have attached to Shares issued by the Company prior to the Closing Date.

To this end:

- (a) as announced on 28 April 2020, the Company is proposing to issue 129,630,000 Shares at an issue price of \$0.027 per Share to sophisticated and professional investors to raise a total of \$3,500,000 under the Secondary Placement. Funds raised under the Secondary Placement will be applied towards the production for the Company's cannabinoid-based medicines to fulfil current and future sales orders, to progress the Company's clinical trials for ArtemiC to be tested on patients diagnosed with COVID-19, including the product development of ArtemiC for commercial production and supply, general working capital and costs of the Offer; and
- (b) the Company proposes to issue a total of 1,296,296 Shares to Canaccord Genuity (Australia) Limited (or its nominee) (**Canaccord**) for services provided to the Company as lead manager to the Secondary Placement.

Relevantly, section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

- (a) the relevant securities are in a class of securities that are quoted securities of the body; and

- (b) either:
- (i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or
 - (ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and
- (c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

All funds raised from the Cleansing Offer will be applied towards the expenses of the Offers.

4.2 Effect of the Offers

The principal effect of the Offers, assuming all Options offered under the Prospectus pursuant to the Offers are issued, will be:

- (a) to increase the number of Options currently on issue by up to 85,971,574 Options; and
- (b) to increase the number of Shares currently on issue by up to 1,000 Shares.

4.3 Effect on capital structure

The effect of the Offers on the capital structure of the Company, assuming the maximum number of Options offered under this Prospectus are issued, is set out below.

Shares ¹	Number
Shares currently on issue	1,444,686,052
Shares to be issued pursuant to the Secondary Placement	129,630,000
Shares to be issued to Canaccord as part consideration for services provided as lead manager to the Secondary Placement	1,296,296
Shares offered pursuant to the Cleansing Offer	1,000
Total Shares on issue after completion of the Offers	1,575,613,348

Notes:

1. The rights and liabilities attaching to Shares are summarised in section 5.2 of this Prospectus.

Options	Number
Options currently on issue ⁴	98,400,000
Options offered pursuant to the SPP Options Offer ^{1,3}	21,156,574
Options to be issued pursuant to the Placement Options Offer ^{2,3}	64,815,000
Total Options on issue after completion of the Offers⁴	184,371,574

Notes:

1. Being, one (1) free-attaching Option for every two (2) Shares subscribed for and issued under the SPP.
2. Being, one (1) free-attaching Option for every two (2) Shares subscribed for and issued under the Secondary Placement and assuming all Eligible Shareholders accept the SPP Options Offer.
3. Refer to section 5.1 for the terms and conditions of the Options to be issued under the SPP Options Offer and the Placement Options Offer and assuming all Eligible Participants accept the Placement Options Offer.

4. Comprising:
- a. 19,900,000 Options, exercisable at \$0.125 on or before 31 March 2021;
 - b. 10,000,000 Options, exercisable at \$0.15 on or before 30 June 2021;
 - c. 16,000,000 Options, exercisable at \$0.065 on or before 30 June 2021;
 - d. 17,500,000 Options, exercisable at \$0.05 on or before 31 August 2023;
 - e. 17,500,000 Options, exercisable at \$0.06 on or before 31 August 2023; and
 - f. 17,500,000 Options, exercisable at \$0.07 on or before 31 August 2023.

Performance Rights	Number
Performance Rights on issue as at the date of this Prospectus	28,000,000 ^{1,2}
Issued under the Offers	Nil
Total Performance Rights on issue upon completion of the Offers	28,000,000

Notes:

1. 8,000,000 Performance Rights were originally issued under the Company's Employee Performance Rights Plan on 23 December 2019 and all have subsequently vested in February 2020 (following the satisfaction of applicable performance milestones).
2. 20,000,000 Performance Rights were issued to Company directors Roby Zomer and Brett Mitchell under the Company's Employee Performance Rights Plan on 23 December 2019, 5,000,000 of these have vested but have not been converted.

4.4 Financial effect of the Offers

There will be no proceeds from the SPP Options Offer or the Placement Options Offer.

There will be nominal proceeds (\$20) from the Cleansing Offer.

The expenses of the Offers will be met from the Company's existing cash reserves.

As such, the Offers will have an effect on the Company's financial position, being the decrease in the Company's existing cash reserves as a result of the costs of the Offers of approximately \$38,931.

4.5 Details of substantial holders

As at the date of this Prospectus no persons (together with their associates) have a relevant interest in 5% or more of the Shares on issue.

There will be no change to the substantial holders on completion of the Offers.

5. RIGHTS AND LIABILITIES ATTACHING TO SECURITIES

5.1 Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.045 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 August 2021 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with Section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy Section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do

all such things necessary to satisfy Section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

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.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

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.

(l) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

(m) **Quotation**

The Company will apply for quotation of the Options on the official list of the ASX.

5.2 Shares

The following is a summary of the more significant rights and liabilities attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours:

(a) **General meeting and notices**

Each member is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to members under the Constitution, the Corporations Act or the ASX Listing Rules.

(b) **Voting rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at a general meeting of the Company every holder of fully paid ordinary shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a share and more than one of them is present at a meeting and tenders a vote in respect of the share, the Company will count only the vote cast by the member whose name appears first in the Company's register of members.

(c) **Issues of further Shares**

The Directors may, on behalf of the Company, issue, grant options over unissued shares to any person on the terms, with the rights, and at the times that the Directors decide. However, the Directors must act in accordance with the restrictions imposed by the Constitution, Listing Rules, the Corporations Act and any rights for the time being attached to the shares in any special class of those shares.

(d) **Variation of Rights**

Unless otherwise provided by the terms of issue of a class of shares and subject to the Corporations Act, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(e) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and ASX Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(f) **Dividends**

The Directors may from time to time determine dividends to be distributed to members according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the share (not credited) bears to the total amounts paid and payable (excluding amounts credited) in respect of such shares.

(g) **Dividend reinvestment and Share plans**

Subject to the requirements in the Corporations Act and the ASX Listing Rules, the Directors may implement and maintain dividend reinvestment plans (under which any member may elect that dividends payable by the Company be reinvested by way of subscription for fully paid shares in the Company).

(h) **Capitalisation of profits**

Subject to the ASX Listing Rules and any rights or restrictions attaching to any class of shares, the Company may capitalise profits. Members are entitled to participate in a capital distribution in the same proportions in which they are entitled to participate in dividends.

(i) **Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up and the Corporations Act, if the Company is wound up all monies and property that are to be distributed among Shareholders on a winding-up, shall be distributed in proportion to the Shares held by them respectively, irrespective of the amount paid-up or credited as paid-up on the Shares.

(j) **Shareholder liability**

As the Shares issued will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) **Alteration of constitution**

In accordance with the Corporations Act, the Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

6. RISK FACTORS

6.1 Introduction

The Securities offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus and to consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

6.2 Company specific

(a) **Coronavirus (COVID-19) risk**

The outbreak of the coronavirus disease (COVID-19) is impacting global economic markets. The nature and extent of the effect of the outbreak on the performance of the Company remains unknown. The Company's Share price may be adversely affected in the short to medium term by the economic uncertainty caused by COVID-19. Further, any governmental or industry measures taken in response to COVID-19 may adversely impact the Company's operations and are likely to be beyond the control of the Company.

As the Company is operationally based in Slovenia, in the European Union, which has been and will continue to be heavily impacted in various unforeseen ways, impacting, both supply chain and operational realities, creating possible disruptions in production, access, specialized workers availability, cross border movement and ability to ship and receive, the Company is operating and will continue to operate with the best intentions of fulfilling commitments to shareholders and patients, but anticipates significant shifts in timelines.

The Directors are monitoring the situation closely and have considered the impact of COVID-19 on the Company's business and financial performance. However, the situation is continually evolving, and the consequences are therefore inevitably uncertain. In compliance with its continuous disclosure obligations, the Company will continue to update the market in regard to the impact of the coronavirus on its revenue channels and adverse impact on the Company. If any of these impacts appear material prior to close of the Offers, the Company will notify investors under a supplementary prospectus.

(b) **Going concern risk**

The Company's half year financial report for the year ended 31 December 2019 (**Half Year Financial Report**) includes an emphasis of matter on the financial condition of the Company and the possible existence of a material uncertainty about the Company's ability to continue as a going concern.

Since the balance date of the Half Year Report, the Company has raised ~\$2.14 million under the SPP and Placement and has received binding commitments for subscriptions for a further \$3.5 million worth of Shares under the Secondary Placement. Notwithstanding the 'going concern' paragraph included in the Half Year Financial

Report, the Directors believe that the Company will have sufficient funds to adequately meet the Company's current expenditure commitments and short-term working capital requirements.

(c) **The Group's product portfolio is subject to further development and clinical trials which may not be completed or be successful**

While the Group's products, phytocannabinoid-derived medicines CannEpil® and CogniCann™ are in production and are currently only available for prescription in Australia as medicinal cannabis products, supplied in accordance with the Australian federal access scheme for unapproved therapeutic goods, known as the Special Access Scheme, SAS and in the case of CannEpil®, is being prescribed in the United Kingdom as a "special" (an unlicensed medicine), these and the other products in the Group's portfolio remain subject to further development, observational research and preclinical or clinical trials before they can be classified as licenced medicines.

The Group's lead product CannEpil® has been the subject of observational research, preclinical studies and clinical research over the last four years. In Australia, two clinical trials (including a Phase I trial) have recently been granted Human Research Ethics Committee (HREC) approval. In addition, CogniCann™, the Group's other most clinically advanced product, developed for the management of the symptoms of dementia/Alzheimer's disease, is currently the subject of a Phase IIb clinical trial, being undertaken in Australia, in collaboration with the University of Notre Dame Australia (UNDA).

As detailed in the Company's announcement released 15 April 2020, the Company has also entered into a binding agreement with Micelle Technology AG to provide necessary research support, commercial manufacturing and distribution of a natural anti-infective based formulation (known as 'ArtemiC') with the aim to treat human patients with serious viral infections with inflammatory complications. The Phase II clinical trial is expected to commence shortly.

On 22 April 2020, the Company announced further successful research results from the ongoing pre-clinical research program that supports and directs novel cannabinoid formulations in the development of treatment for glioblastoma multiforme, the most aggressive, and so far therapeutically resistant, primary brain tumour.

Although the Group is seeking to further develop its portfolio of products and progress each through the phases of clinical trial testing to improve or confirm safety and efficacy, there can be no assurance that any of the Group's products will complete any of the clinical trials successfully. Clinical trials have a high risk of failure and negative advanced clinical trial results can occur even after promising results in earlier trials. Further, post-clinical marketing studies for the Group's products may be required and there can be no guarantee that such studies will corroborate the results of earlier trials.

Further, the Group has not undertaken clinical trials on any pharmaceutical products or phytocannabinoid-derived medicines before and as such does not have an established record of developing and producing pharmaceutical products and bringing them to market. However, the current Clinical Advisory Team have experience in clinical studies, and in bringing products to registration under Food and Drug Administration

Further, research and development and clinical trials are expensive, time consuming and difficult to design and implement. Even if the results of the Group's research and development activities and clinical trials are favourable, some product development activities may be expected to continue for several years and may take significantly longer to complete. In addition, regulatory authorities may suspend, delay or terminate research and development activities or clinical trials at any time.

Any of the foregoing could have a material adverse effect on the Group's business, results of operations and financial condition.

- (d) **The operations of the members of the Group are subject to each meeting the legal and regulatory requirements specific to each jurisdiction in which they conduct business, which may be new and evolving, or subject to change**

The Group's ability to research, develop and commercialise its products is dependent upon its ability (and certain third-party service providers such as distributors and research organisations) to comply with local laws and regulations in each jurisdiction in which it operates, and to obtain and maintain licenses and permits in respect of each relevant activity. Controlled substance legislation differs between countries and legislation in certain countries remains new and evolving and could restrict or limit the Group's ability to develop and sell its products over time.

The global framework, as it relates to drugs, is derived from the Narcotics Conventions. Most countries, including Australia, Slovenia, Malta and the United Kingdom, are parties to the Narcotic Conventions, which govern international trade and domestic control of narcotic substances, including cannabis extracts; however countries may interpret and implement their treaty obligations in a way that creates legal or regulatory obstacles to operations, or which result in the Group being required to meet the requirements of conflicting or incompatible laws or regulations across the different jurisdictions in which the members of the group conduct business.

- (e) **The pricing strategy adopted for the Group's products may prove to be inaccurate**

The Directors' believe that the pricing strategy adopted for the sale of CannEpil® and CogniCann™ reflects the current potential market for each product, by reference to other products or therapies currently available on the market; however, such strategy and pricing, may prove to be inaccurate or may require amendment. Any significant changes to the proposed pricing of the Group's products either now, or throughout the product development process, may adversely affect the financial condition or profitability of the Group.

- (f) **The Group's products may not ever be covered by insurance or reimbursement schemes**

Government authorities and third-party payers, such as private health insurers, decide which pharmaceutical products they will cover and the amount of reimbursement. Reimbursement may depend upon a number of factors, including the payer's determination that use of a product is safe, effective and medically necessary, appropriate for the specific patient and cost-effective. Obtaining coverage and reimbursement approval for a product from a Government, or other third-party payer, is a time-consuming and costly process that could require the Group to provide supporting scientific, clinical and cost-effectiveness data for the use of its products.

- (g) **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 export, import or distribution capability and at present, relies on partnerships with pharmaceutical distributors and logistics providers in key territories to facilitate the export and import of its products. For example, MGC Pharmaceuticals d.o.o has appointed Lenis farmacevtika, as the exclusive exporter of its products, including CannEpil® and CogniCann™, from Slovenia to the United Kingdom, other European Union jurisdictions and the ASEAN (utilising its licences to handle all controlled substances). 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.

(h) **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[®], CogniCann[™], TopiCann[™], CannEkid and CannaHub[™] (the Group's collaboration with RMIT and HUJI). The Group is also in the process of registering four strains of Cannabis spp with the Community Plant Variety Office. Two of the leading strains are MXC-THC-10/3 for THC and strain MXC-CBD-81/5 for CBD, which have >35% THC and >20% CBD, respectively. The Group does not currently have any patent protection of its products, or other intellectual property and it is not yet known whether it will be possible to obtain any patent protection of any of the Group's products, or other intellectual property. In particular, the Group does not have any intellectual property protection for the seed strains that it holds. In the event that the Group is unable to secure patent protection for its strains it may be unable to prevent third-parties from using these to develop the same, or substantially the same products. This could result in increased competition for the Group, which may materially reduce revenues, or increase costs. Should either or both of these occur the financial position and prospects of the Group could be materially and adversely affected.

(i) **The Group may not be able to prevent disclosure of its trade secrets, know-how or other proprietary information**

The Group relies on trade secret protection to protect its interests in proprietary know-how and in processes for which patents are difficult to obtain or enforce. The Group's employees, consultants, contract personnel or third-party partners, either accidentally or through wilful misconduct, may cause serious damage to its development programmes or clinical trials and/or its strategy by disclosing confidential information to third parties. It is also possible that confidential information could be obtained by third parties as a result of breaches of the Group's physical or electronic security systems. Any disclosure of confidential information into the public domain, or to third parties, could allow the third parties to access confidential information and use it in competition with the Group. In addition, others may independently discover the confidential information of the Group. Should these events arise, the financial position or prospects of the Group may be materially and adversely affected.

(j) **Claims alleging infringement of a third party's intellectual property could result in significant losses and expenses to the Group and the loss of rights**

The value of any intellectual property owned by the Group depends, in part, on how successfully it can defend against claims that the Group is infringing the intellectual property rights of third parties. The Group could potentially receive notice that it is infringing the intellectual property of a third party. In addition, the validity of intellectual property rights (such as patents) may become subject to claims and/or challenges by third parties. Litigation proceedings in relation to intellectual property rights is a risk in many pharmaceutical businesses and, from time to time, competitors and other third parties may seek to assert the right to restrict the use of patent, copyright, trademark or other intellectual property rights relating to products. Intellectual property litigation can be expensive, complex and lengthy and its outcome is frequently difficult to predict. If the Group were to receive an infringement claim, the claim could consume significant time, financial and other resources of the Group, irrespective of its merits, and this might result in key technical and management personnel diverting attention and focus away from their normal duties and operations.

If the Group were unsuccessful in defending an intellectual property infringement claim, it may have to pay substantial damages and/or legal costs to the successful third party and/or may have to cease the development, manufacture, use or sale of infringing technologies, products or processes, and/or expend significant resources to develop or acquire the right to use non-infringing technology (including by way of a licence). This may materially affect the ability of the Group to exploit its intellectual property and may result in a loss of value of the Group. Any such events could have a material and adverse effect on the business, financial condition and/or prospects of the Group.

(k) **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 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.

(l) **The Group's research and development programme is heavily reliant on collaborations with third parties**

The Group has an ambitious research and development agenda. Research and development projects include preclinical, clinical, botanical and product development, focused at the intersection of phytocannabinoid-derived medicines and the pharmaceutical industry.

While the Group has its own Clinical Advisory Team, which carries out product specific research and development at the Group's facility in Slovenia, the majority of its research and development activities are undertaken through research collaborations with third parties, research institutes or universities.

In Slovenia, the Group has partnered with the National Institute of Biology for preclinical in-vitro research to develop cannabinoid formulations to define the protocols for clinical trials for the treatment of high-grade brain tumours, i.e. glioblastoma the most recent results announced 2 April 2020. Secondly, the Company has also collaborated with Institute of Hops Research and Brewing and Biotechnical Faculty at the University of Ljubljana, to conduct a comprehensive, large scale research project on the cultivation of cannabis for medical purposes, and the standardisation of post-cultivation production processes, from genetics through to API. This research enables the Group to create standardisations for cultivation, extraction and production of APIs of various phytocannabinoids.

In Australia, MGC Research (Aus) Pty Ltd (a wholly owned subsidiary of the Company) has entered into a collaboration and relationship agreement with the Royal Melbourne Institute of Technology (**RMIT**), which allows it access to RMIT's facilities and researchers, dedicated to cannabinoid research, with the Group having first rights to any cannabinoid products developed. The Company has also the CannEpi[®] Driving Study in collaboration with Swinburne University and Cannabis Access Clinics and Epilepsy Action Australia study comparing CannEpi[®] to 100% CBD as announced.

In addition, the Group, along with RMIT and the Hebrew University of Jerusalem, have established a research hub to facilitate research in the medicinal cannabis sector, CannaHub[™]. The collaboration grants the Group with the first right to review and commercialise any innovative developments generated from the hub.

These research and development collaborations allow the Group to take advantage of the local skills, expertise, facilities and access to clinical results/data in the phytocannabinoid industry, access to various patient populations, as well as increasing the profile of the Group, allowing it early access to innovation and developments in the industry.

In the event that any or all of these collaborative arrangements were suspended or terminated, either by any or all of the third parties or the Group, the Group may have its access to research information or facilities delayed or withdrawn which could result in product research and development or clinical trials being delayed or suspended indefinitely, possibly at critical phases. Further, while these collaborative arrangements allow the Group first rights to the commercialisation of intellectual property or allow it to be developed jointly, in the event that these rights are disputed the ability of the Group to further advance its current products or develop new products may be delayed, come to an end, or may require additional resources. Any or all of these events occurring could have a material adverse effect on the financial condition, operations or prospects of the Group.

(m) **There is a limited pool of individuals with developed skills in the medicinal cannabis industry**

The development and production of phytocannabinoid-derived medicines is a new and evolving industry. The Group is one of only a few companies globally manufacturing phytocannabinoid-derived medicines to GMP certified pharmaceutical grade. There is a limited number of individuals with an understanding of the industry, the regulatory framework or products and their development. The Group may face significant delays or competition in recruiting or locating individuals with the necessary skills or attributes to successfully integrate into the business in a way which promotes its future development and implementation of the strategy. As the Group expands its operations it may need to recruit personnel either from other medicinal cannabis companies, or other industry sectors, which may take time, either to source acceptable candidates, or to have them commencing working in the business. Given the limited number of individuals who may be available to the Group at any given time, there may be significant delays in recruitment, which could have a material effect on continuing or expanding operations of the business which could in turn have a material and adverse effect on the financial condition or operation of the Group.

(n) **The Company and its subsidiaries have a limited operational history in a new competitive and evolving sector**

The Company has only been operating its current business since 2016. While its founders, Directors and Clinical Advisory Team have significant experience in the industry, the Company and the Group as a whole has a limited operational history and it has not, as yet, completed clinical trials on phytocannabinoid-derived medicines, or taken a pharmaceutical product through to CMA. Given this limited operational history, there is inherent uncertainty in relation to the Group's business. There can be no guarantee that the Group's business model or research and development initiatives will be successful, or even if they are successful, able to generate the revenue which is anticipated.

The medicinal cannabis industry is undergoing rapid growth and substantial change, which is resulting in increasing consolidation and formation of strategic relationships. The Company expects this consolidation and strategic collaborating to continue. Acquisitions or other consolidating transactions could harm the Group by it losing strategic relationships, if third parties with whom it has arrangements (such as distribution or research and development) are acquired by or enter into relationships with a competitor (which could cause the Group to lose access to distribution, content, technology and other resources), or the Group's current competitors could become

stronger, or competitors could merge or amalgamate, forming much larger and experienced organisations. Any of these events could put the Group at a competitive disadvantage, which could cause it to lose research and development facilities or access to technology. Risks relating to the industry in which the Group operates

(o) **The Group may be subject to product liability claims or regulatory action**

As a manufacturer of a range of phytocannabinoid-derived medicines designed to be applied or ingested by humans, the Group faces an inherent risk of exposure to product liability claims or regulatory action. Such claims or regulatory action may arise if the Group's products are alleged to have caused, illness, or injury. This may be either as a result of the product research, development and manufacture process, tampering of products by unauthorised third parties, product contamination, or adverse reactions resulting from human consumption of phytocannabinoid-derived medicines, either alone or in combination with other medication or substances. As a result of any or all of these circumstances, the Group may be subject to product liability claims, which could be expensive to defend or result in settlement payments or judgments against it. In addition, regulatory authorities may interrupt, delay or halt product research, development and/or manufacture and the Group may be required to make material changes to the development or manufacture of products. A product liability claim, or regulatory action, could also materially and adversely affect the reputation of the Group with its suppliers, distributors and consumers. Should any or all of these circumstances materialise the financial position, prospects and future operations of the Group could be materially and adversely affected.

(p) **Cannabis based medicinal products may not be widely adopted or prescribed, or may be subject to significant competition from competing products, treatments or therapies**

Phytocannabinoid-derived medicines as a treatment for neurological disorders, cancer, cancer treatment side effects, autoimmune disorders or chronic pain have not as yet been fully or widely accepted or adopted by the medical community, patients or the general public. The products of the Group face competition from synthetic cannabis products, established and developed pharmaceutical products or treatments, non-medicinal cannabidiol (CBD) products sold as wellness products or supplements, or in jurisdictions where it is legal, the use of cannabis with moderate to high THC, used recreationally to self-medicate symptoms or conditions. These alternative treatments for the key indications which the Group's products seek to treat, either those which are established or emerging, could render the Group's products obsolete and/or otherwise uncompetitive.

Notwithstanding the technical merits of a product there can be no assurance as yet that the Group's phytocannabinoid-derived medicines will be adopted as a standard means of medical practice or that the medical procedures at which the Group's products are targeted will gain wider market acceptance.

6.3 General risks

(a) **Sufficiency of funding**

The Group's "Seed to Medicine" 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.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

- (i) general economic outlook;
- (ii) introduction of tax reform or other new legislation;
- (iii) interest rates and inflation rates;
- (iv) changes in investor sentiment toward particular market sectors;
- (v) the demand for, and supply of, capital; and
- (vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and technology related stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Economic and government risks

The future viability of the Company is also dependent on a number of other factors affecting performance of all industries and not just the medical and cosmetics industry including, but not limited to, the following:

- (i) general economic conditions in jurisdictions in which the Company operates;
- (ii) changes in government policies, taxation and other laws in jurisdictions in which the Company operates;
- (iii) the strength of the equity and share markets in Australia and throughout the world, and in particular investor sentiment towards the bio-medical sector;
- (iv) movement in, or outlook on, interest rates and inflation rates in jurisdictions in which the Company operates; and
- (v) natural disasters, social upheaval or war in jurisdictions in which the Company operates.

6.4 Investment speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company.

The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Securities offered under this Prospectus.

Therefore, the Securities to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Securities.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Securities pursuant to this Prospectus.

7. ADDITIONAL INFORMATION

7.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

7.2 Continuous disclosure obligations

The Company is a “disclosing entity” (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company’s securities.

This Prospectus is a “transaction specific prospectus”. In general terms a “transaction specific prospectus” is only required to contain information in relation to the effect of the issue of securities on a company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
 - (i) the annual financial report most recently lodged by the Company with the ASIC;
 - (ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and
 - (iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the

Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged by the Company with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
29/04/2020	March Quarterly Activity and Cashflow Report
28/04/2020	Second Ethics Committee Approval for Phase II COVID-19 Trial
28/04/2020	Proposed issue of Securities – MXC
28/04/2020	Proposed issue of Securities – MXC
28/04/2020	MGC Pharma Secures Commitments for \$3.5m Placement
24/04/2020	Trading Halt
22/04/2020	Successful Research Results for MGC on Glioblastoma
17/04/2020	Phase II Clinical Trial on Patients Diagnosed with COVID-19
17/04/2020	Pause In Trade
15/04/2020	Reinstatement to Official Quotation
15/04/2020	MGC Pharma Signs Agreement Targeting Anti-Viral Treatments
15/04/2020	MGC Pharma Listing Rule 10.19 Correction
08/04/2020	Suspension from Official Quotation
06/04/2020	MGC Pharma COVID-19 Business and Operations Update
03/04/2020	Voluntary Suspension Extension
02/04/2020	Voluntary Suspension Extension
31/03/2020	Voluntary Suspension Extension
27/03/2020	Voluntary Suspension Extension
26/03/2020	Voluntary Suspension Extension
25/03/2020	Voluntary Suspension Extension
24/03/2020	Voluntary Suspension Extension
23/03/2020	Change of Director's Interest Notice - Appendix 3Y x 2
23/03/2020	Suspension from Official Quotation
19/03/2020	Trading Halt
17/03/2020	SPP - Appendix 2A
16/03/2020	Operational Update and Share Purchase Plan Completion
09/03/2020	Patients Begin Treatment in Clinical Trial of CogniCann
03/03/2020	Extension of SPP Closing Date
03/03/2020	Binding Amendment to Supply Agreement with ONIX Brazil
28/02/2020	Half Yearly Report and Accounts
28/02/2020	Trading Halt

Date	Description of Announcement
27/02/2020	Notice Under Section 708A(5)(e) of the Corporations Act
26/02/2020	Commercial Supply Deal Signed for First Products into Poland
25/02/2020	Completion of \$1m Placement - Appendix 2A
21/02/2020	85% Increase in Order Volume of New Prescription Products
20/02/2020	SPP Offer Document and Application Forms Despatched
17/02/2020	Security Purchase Plan- Offer Document
17/02/2020	Notice Under Section 708A(5)(e) of the Corporations Act
17/02/2020	Proposed issue of Securities - MXC
17/02/2020	MGC Pharma announces \$1m Strategic Placement and \$3m SPP
13/02/2020	Trading Halt
31/01/2020	December Quarterly Activity and Cashflow Report
28/01/2020	Agreement Signed with Leading Peruvian Distributor
20/01/2020	THC: Product Supply Agreement Signed with MGC Pharma
20/01/2020	Supply Agreement with THC Global for Canndeo Products
17/01/2020	Company Presentation for UK and Australian Investors
09/01/2020	MGC Pharma Crosses 2,000 Prescription Milestone
07/01/2020	Launch of New Product Line in Aus & NZ - Mercury Pharma
02/01/2020	Change of Director's Interest Notice - Appendix 3Y x 2
30/12/2019	Corporate Governance Plan
23/12/2019	Issue of Securities - Appendix 3B and Cleansing Notice
19/12/2020	First Shipment of CogniCann en route to Australia
18/12/2019	MGC Pharma Removal from BNY Mellon's Restricted List
17/12/2019	Prescriptions Grow Above 1,800 & First Ireland Prescriptions
03/12/2019	Approval Received for Distribution of CannEpiI into Ireland
29/11/2019	Results of Annual General Meeting
27/11/2019	MGC Pharma AGM Webinar
26/11/2019	Growth in Prescriptions Issued Continues During November
22/11/2019	Binding Term Sheet to Immediately Expand into Latin America
20/11/2019	Trading Halt
20/11/2019	Pause in Trade
14/11/2019	UK and Australia Roadshow Presentation
12/11/2019	Company Update- Government Grant Received, LSE Dual Listing
31/10/2019	September Quarterly Activity and Cashflow Report
31/10/2019	MGC Reaches 1,000 Prescription Milestone Ahead of Schedule
29/10/2019	Notice of Annual General Meeting/Proxy Form
24/10/2019	800 Prescription Milestone Passed for MGC Pharma Products

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website www.mgcpharma.com.au.

7.3 Market price of shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest, lowest and last market sale prices of the Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the last dates of those respective sales were:

	Price	Date
Highest	\$0.042	17 April 2020
Lowest	\$0.015	13 March 2020
Last	\$0.028	1 May 2020

7.4 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) any property acquired or proposed to be acquired by the Company in connection with:
 - (i) its formation or promotion; or
 - (ii) the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

- (d) as an inducement to become, or to qualify as, a Director; or
- (e) for services provided in connection with:
 - (i) the formation or promotion of the Company; or
 - (ii) the Offer.

Security holdings

The relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below:

Director	Shares	Options	Performance Rights
Brett Mitchell	27,905,004	9,500,000 ^{1,2}	10,000,000
Nativ Segev	53,000,001	Nil	Nil
Roby Zomer	30,500,001	Nil	10,000,000
Ross Walker	4,370,370	Nil ³	Nil
Stephen Parker	Nil	Nil	Nil

Notes:

1. Chieftain Securities Pty Ltd holds these options of which Mr Mitchell is a director and 33.33% shareholder.
2. Mr Mitchell will be issued 555,554 Options under the SPP Options Offer.
3. Dr Walker will be issued 185,185 Options under the SPP Options Offer.

Remuneration

The remuneration of an executive Director is decided by the Board, without the affected executive Director participating in that decision-making process. The total maximum remuneration of non-executive Directors is determined by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

A Director may be paid fees or other amounts (i.e. non-cash performance incentives such as Options, subject to any necessary Shareholder approval) as the other Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director. In addition, Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The following table shows the total (and proposed) annual remuneration paid to both executive and non-executive Directors:

Director	Remuneration for year ended 30 June 2018	Remuneration for year ended 30 June 2019	Proposed remuneration for current financial year ¹
Brett Mitchell	\$345,549	\$289,765	\$280,593
Nativ Segev	\$452,780	\$393,541	\$346,384
Roby Zomer	\$417,828	\$406,409	\$371,459
Ross Walker	\$65,000	\$60,000	\$52,000
Stephen Parker ²	N/A	\$20,058	\$61,637

Notes:

1. Includes recent 50% cut to salary's from 1 March 2020 announced to the ASX 6 April 2020
2. Appointed on 13 March 2019.

7.5 Interests of experts and advisers

Other than as set out below or elsewhere in this Prospectus, no:

- (a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus; or
- (b) promoter of the Company;
- (c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the 2 years preceding lodgement of this Prospectus with the ASIC, any interest in:

- (d) the formation or promotion of the Company;
- (e) any property acquired or proposed to be acquired by the Company in connection with:

- (i) its formation or promotion; or
 - (ii) the Offer; or
- (f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

- (g) the formation or promotion of the Company; or
- (h) the Offer.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin \$10,000 (excluding GST and disbursements) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has not received any fees from the Company.

7.6 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the securities), the Directors, the persons named in the Prospectus with their consent as proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading and deceptive statements made in the Prospectus. Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and
- (b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

7.7 Expenses of the Offers

The total expenses of the Offers are estimated to be approximately \$38,931 (excluding GST) and are expected to be applied towards the items set out in the table below:

Fees	\$
ASIC	3,206
ASX	24,725
Legal	10,000
Printing and distribution	1,000
Total	38,931

7.8 Electronic prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Forms. If you have not, please contact the Company on + 61 8 6382 3390 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.mgcpharma.com.au.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

7.9 Financial forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

7.10 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship

The Company will not be issuing share or option certificates. The Company is a participant in CHES, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHES will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Shares or Options issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHES and issuer sponsorship. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

7.11 Privacy Act

If you complete an application for Securities, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a holder of equity securities in the Company, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus. Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.



R. Zomer

**Mr Roby Zomer
Managing Director
For and on behalf of
MGC PHARMACEUTICALS LTD**

9. **GLOSSARY**

\$ means the lawful currency of the Commonwealth of Australia.

Application Form means the application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

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

ASX Listing Rules means the listing rules of the ASX.

ASX Settlement Operating Rules means the settlement rules of the securities clearing house which operates CHES.

Board means the board of Directors unless the context indicates otherwise.

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.

Closing Date means the date specified in the timetable set out in section 2.1 (unless extended or closed early).

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

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Directors means the directors of the Company as at the date of this Prospectus.

Eligible Participants means those persons who subscribed for and were issued Shares under the Secondary Placement.

Eligible Shareholders are Shareholders with a registered address in Australia or New Zealand who were registered holders of Shares on the Record Date.

Group means the Company and its subsidiaries.

Offers means the SPP Options Offer and the Cleansing Offer.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Optionholder means a holder of an Option.

Prospectus means this prospectus.

Record Date means the date specified in the timetable set out in section 2.1.

SPP Options means the Options proposed to be issued under the SPP Options Offer.

Secondary Placement has the meaning given in section 3.3.

Section means a section of this Prospectus.

Securities means Shares and/or Options.

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

Shareholder means a holder of a Share.

SPP or Share Purchase Plan has the meaning given in section 3.1.

WST means Australian Western Standard Time.