10 September 2020

ASX Code: MXC

$15m Financing Agreement provides full funding for future growth and accelerate production to drive sales in key markets

Agreement for funding of up to $15m signed with US based strategic investor

Mercer Street Global Opportunity Fund, LLC

A S X R E L E A S E

- Agreement provides MGC Pharma access to full funding capacity in order to implement its business plan, for up to A$15m
- Financing will commence in September and be used to :
  - fund production for sales of both ArtemiC™ and MGC Pharma's unique phytocannabinoid medicine products into new key markets including Brazil and UK, to generate revenues for MXC to achieve its target cashflow break-even in H1 2021
  - complete ongoing clinical trials, including completion of Phase II clinical trial of COVID-19 targeted formulation ArtemiC™, acceleration of CannEpil® Phase IIb clinical trial and continue with Glioblastoma brain cancer research

MGC Pharmaceuticals Ltd (ASX:MXC, '**MGC Pharma**' or 'the **Company**'), is pleased to announce that it has entered into a convertible securities financing agreement (**Agreement**) with Mercer Street Global Opportunity Fund, LLC (**'Mercer'** or **'Mercer Street'**), a United States based investment group, to provide the Company with funding of up to a total of A$15m. The first tranche of A$2.25 million will be provided shortly to the Company upon satisfaction of the closing conditions (including lodgement of a prospectus), through the issue of 2,475,000 convertible notes with a face value of $1 each to Mercer Street (**Tranche 1 Notes**).

Under the financing facility, the Company may request additional drawdowns of up to a further A$12.75 million, via the issue of a further 14,025,000 convertible notes to Mercer at a face value of $1 each.

This $15m financing facility provides MXC with access to significant capital in order to fully execute its business commercialisation strategy, accelerate all its clinical trial and research programs, and fund the Company through to its cashflow break-even target of H1 calendar 2021. The Company will continue to impose strict cost controls within the operations and administration, and will look to use funding under this agreement selectively to support new growth or strategic initiatives.

Specifically, funds from the Agreement will be used to complete preclinical and clinical trials for ArtemiC™ and CannEpil®, the acquisition of Medicinal Cannabis Clinic (refer ASX release 20 July 2020), progress to the next phase of the Glioblastoma cancer study, cancer treatment research programs in collaboration with RMIT in Australia and commencement of FDA Pre-Investigational New Drug (IND) registration of ArtemiC™.

Furthermore, this funding enables MXC to ramp-up sales of its phytocannabinoid medicines including the aggressive sales strategy of the Mercury Pharma product line into new markets, ensuring the Company meets its target of issuing 5,000 prescriptions per month in H1 2021, to achieve operating cash flow break-even status. This includes increasing market size in Australia, and first bulk orders to UK and Brazil.

The Company will shortly issue the 2,475,000 convertible notes under a prospectus. In addition, the Company will also issue 9,375,000 fully paid ordinary shares in consideration for the provision of the funding ('**Commencement Shares**'). The issue of the Tranche 1 Notes and Commencement Shares will be made utilising the Company's existing ASX Listing Rule 7.1 placement capacity. Subsequent tranches under the facility may be subject to shareholder approval if sufficient placement capacity is not available.

info@mgcpharma.com.au | mgcpharma.com.au
MGC Pharmaceuticals Ltd | 1202 Hay Street, West Perth, WA 6005
PO Box 1976, West Perth WA 6872
T: +61 8 6382 3390

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "2020 has been an important year for our operational and commercial progress and we have now reached an inflection point in our growth. This funding Agreement in total is significantly larger than what we envisage being required. However, in the near term, it allows us to fast track commercial activities and multiple preclinical and clinical trials until their completion. We are also now able to complete the acquisition of Medicinal Cannabis Clinic which provides us access to large new markets and patients in Australia, currently our largest market and revenue generator."

Jonathan Juchno, Managing Partner, Mercer Street, commented: "Mercer Street's management team have played an active role in supporting and investing in many cannabis businesses in North America over the past several years, and have been active investors in ASX Listed Companies over a long period. We are excited to have the opportunity to support the team at MXC as they execute on their business strategy."

Agreement Particulars

Subject to the satisfaction of various conditions, Mercer agrees to advance the Company $2,250,000 and the Company will issue the Tranche 1 Notes to Mercer. The Company will also issue to Mercer (or its nominee) the Commencement Shares.

The parties may agree to the provision of additional funding from Mercer (between $500,000 and $12,750,000), within 18 months from the execution of the Agreement, subject to the discretion of the Company and Mercer, and the Company having sufficient capacity under Chapter 7 of the Listing Rules to issue the convertible notes or shareholder approval being obtained.

In consideration for any additional funding, the Company will issue Mercer the number of convertible notes (with a face value of $1.00 each) which is equal to 110% of the amount of the additional funding. Repayment of the face value of the convertible notes is secured by a first ranking general security deed.

The key terms of the convertible notes are as follows:

- The face value of each Convertible Security issued is to be satisfied by either conversion, repayment or repurchase, as detailed below.
- Conversion

  The Investor may (at its absolute discretion and within 12 months from the date of issue) convert the convertible notes in to Shares.

  The number of Shares to which Mercer is entitled to upon conversion is determined by the following formula:

  Number of Shares = repayment amount / conversion price.

  The conversion price is as follows:

  - **Tranche 1** - In respect of the Tranche 1 Notes, any conversion within two months of the issue of the Tranche 1 Notes will have a conversion price of $0.024. After this, the conversion price will be the lower of $0.02 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice (**Tranche 1 Conversion Price**), subject to the Tranche 1 Conversion Price not being less than $0.018 ; and
  - **Subsequent drawdowns** - In respect of any additional convertible notes issued under subsequent drawdowns, the conversion price will be the lower of $0.035 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than $0.018.

  Upon conversion of the convertible securities:

  - those convertible securities will be cancelled and may not be reissued; and
  - the face value of the convertible security which has been converted will be deemed satisfied.

- Repayment
  If Mercer does not elect to convert the convertible notes before the date which is 10 business days prior to the relevant maturity date (being 12 months from the date of issue) the Company must repay the face value of the convertible notes to Mercer.
  If a change of control event or a delisting event occurs, Mercer may require repayment by the Company of some or all of the outstanding convertible notes.
- Repurchase
  Provided that Mercer has not issued a conversion notice and the Company is in compliance with the Agreement, the Company may elect to repurchase all of the outstanding convertible notes on issue at any time, for a 3% premium to the face value of the convertible notes, subject to Mercer having the right to convert 30% of the amount sought to be re-purchased into shares in the Company (on the terms summarised above) and provided such repurchase is permitted by law and the ASX Listing Rules.

The Agreement may be terminated on the happening of a number of events including (but not limited to), by Mercer if a condition is not satisfied, or an event of default occurs , by the mutual written consent of the parties or by the Company, only after the issue of the Tranche 1 Notes and the Commencement Shares.

The Agreement otherwise contains representations, warranties and indemnities which are considered standard for an agreement of this nature.

--Ends--

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

PR/IR Advisors – Media & Capital Partners	MGC Pharmaceuticals Ltd
Melissa Hamilton (PR) +61 417 750 274	Brett Mitchell
Rod Hinchcliffe (IR) +61 412 277 377	Executive Chairman
Melissa.Hamilton@mcpartners.com.au	+61 8 6382 3390
Rod.Hinchcliffe@mcpartners.com.au	info@mgcpharma.com.au

About MGC Pharma

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

Employing its 'Nature to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility. MGC Pharma has a number of research collaborations with world renowned academic institutions, and including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

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

Follow us through our social media channels