

MGC Pharmaceuticals Ltd
ACN 116 800 269
(formerly Erin Resources Limited)

PROSPECTUS

For the offer of 500,000 Shares at an issue price of \$0.02 each to raise \$10,000 (before costs) (**Public Offer**).

The Prospectus also contains an offer of 200,000,000 Shares and 100,000,000 Performance Shares to the Vendors (or their nominees) in consideration for the acquisition of all the issued capital in MGC (**MGC Offer**). Refer to Section 6.2 of this Prospectus for more information in respect of the MGC Offer.

Conditional Offer

The Public Offer is conditional upon the Conditions of the Offer outlined in Section 6.3 being satisfied. In the event that the Conditions of the Offer are not satisfied, the Company will not proceed with the Public Offer and the Company will repay all application monies received. In the event that the Public Offer does not proceed the MGC Offer will not proceed.

Re-compliance with Chapters 1 and 2

In addition to the purpose of raising funds under the Public Offer and issuing Securities under the other Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities.

Important Information

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.

An investment in the Securities offered by this Prospectus should be considered as speculative.

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1. Important Information

1.1 Important notice

This Prospectus is dated 18 December 2015 and was lodged with the ASIC on that date. The ASX, ASIC and their officers take no responsibility for the contents of this Prospectus or the merits of the investment to which the Prospectus relates. The expiry date of this Prospectus is that date which is 13 months after the date this Prospectus was lodged with the ASIC (**Expiry Date**). No Securities may be issued on the basis of this Prospectus after the Expiry Date.

It is important that investors read this Prospectus in its entirety and seek professional advice where necessary before deciding whether to invest. An investment in the Securities the subject of this Prospectus should be considered speculative. Please refer to Section 0 for details relating to risk factors that could affect the financial performance and assets of the Company.

As the MGC Offer includes non-quoted Performance Shares, the Company is prohibited from accepting applications under the MGC Offer during the Exposure Period. This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the acceptance of applications for or issue of non-quoted Performance Shares. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with section 724 of the Corporations Act. Applications under the MGC Offer under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

Application will be made to ASX within seven days after the date of this Prospectus for Official Quotation of the Shares the subject of this Prospectus.

Persons wishing to apply for Securities under the Offers must do so using the applicable Application Form as provided with a copy of this Prospectus. The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus.

1.2 Web site – electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.mgcpharma.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must only access this Prospectus from within Australia.

The Corporations Act 2001 (Cth) prohibits any person passing onto another person an Application Form unless it is attached to, or accompanied by, the complete unaltered version of the Prospectus. If you have received this Prospectus as an electronic prospectus, please ensure that you have received the entire Prospectus accompanied by the relevant Application Form. During the offer period, any person may obtain a copy of the Prospectus (free of charge) by contacting the Company on (08) 9389 2000.

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.

1.3 Overseas applicants

The offer of Securities made pursuant to this Prospectus is not made to persons to whom, or places in which, it would be unlawful to make such an offer of Securities. No action has been taken to register or qualify the Offers under this Prospectus or otherwise permit the Offers to be made in any jurisdiction outside of Australia. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law in those jurisdictions and therefore persons who come into possession of this Prospectus should seek legal advice on, and observe, any of those restrictions. Failure to comply with these restrictions may violate securities laws.

It is the responsibility of any Applicant outside Australia to ensure compliance with all laws of any country relevant to his or her Application. The return of a duly completed Application Form will be taken by the Company to constitute a representation and warranty that there has been no breach of such law and that all necessary approvals and consents have been obtained.

1.4 Forward looking statements

This Prospectus may contain forward-looking statements which are identified by words such as 'may', 'should', 'will', 'expect', 'anticipate', 'believes', 'estimate', 'intend', 'scheduled' or 'continue' or other similar words. Such statements and information are subject to risks and uncertainties and a number of assumptions, which may cause the actual results or events to differ materially from the expectations described in the forward looking statements or information.

Whilst the Company considers the expectations reflected in any forward looking statements or information in this Prospectus are reasonable, no assurance can be given that such expectations will prove to be correct. The risk factors outlined in Section 0, as well as other matters not yet known to the Company or not currently considered material to the Company, may cause actual events to be materially different from those expressed, implied or projected in any forward looking statements or information. Any forward looking statement or information contained in this Prospectus is qualified by this cautionary statement.

1.5 Definitions

A number of defined terms are used in this Prospectus. Unless the contrary intention appears, the context requires otherwise or words are defined in Section 16, words and phrases in this Prospectus have the same meaning and interpretation as in the Corporations Act or ASX Listing Rules.

1.6 Disclaimer

No person is authorised to give any information or to make any representation in relation to the Offers which is not contained in this Prospectus. Any information or representation not so contained may not be relied upon as having been authorised by the Company or the Directors in relation to the Offers. You should only rely on information in this Prospectus.

2. Corporate directory

Existing Directors

Brett Mitchell –Executive Chairman
Nick Castleden – Non-Executive Director
Nick Poll – Non-Executive Director

Proposed Directors

Nativ Segev– Proposed Managing Director
Roby Zomer – Proposed Executive Director
Ross Walker - Proposed Non-Executive Director

Company Secretary

Rachel Kerr

Registered Office

Level 7
1008 Hay Street
Perth WA 6000

Investigating Accountant

PKF Mack
Level 4, 35 Havelock Street
West Perth WA 6005

Auditors

PKF Mack
Level 4, 35 Havelock Street
West Perth WA 6005

Lawyers

GTP Legal
Level 1, 28 Ord Street
West Perth WA 6005

Author of Slovenian Legal Opinion

KPMG Poslovno Svetovanje, d.o.o.
Železna cesta 8a
1000 Ljubljana
Slovenia

Share Registry*

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

Company Website

www.mgcpharma.com.au

ASX Code

Current: MXC

* This entity is included for information purposes only and has not been involved in the preparation of this Prospectus.

3. Key information and indicative timetable

Public Offer	
Price per Share	\$0.02
Shares offered	500,000
Amount to be raised (before costs)	\$10,000
MGC Offer	
Shares offered to the Vendors	200,000,000
Performance Shares offered to the Vendors	100,000,000
General	
Total cash on completion of the Offers	\$1,766,717
Total Shares on issue upon completion of the Offers	711,433,252
Total Performance Shares on issue upon completion of the Offers	100,000,000
Market capitalisation on completion of the Offers at \$0.02 per Share	\$14,228,665
Note:	
1. Refer to Section 6.7 for further details relating to the proposed capital structure of the Company.	

Indicative timetable	
General Meeting	16 November 2015
Lodgement of this Prospectus with ASIC	18 December 2015
Opening Date for the Offers	29 December 2015
Closing Date for the Offers	31 December 2015
Completion of Acquisition	4 January 2015
Issue of Securities under the Offers	11 January 2015
Dispatch of holding statements	12 January 2015
Expected date for Shares to be reinstated to trading on ASX	14 January 2015

The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offers early without notice.

Percentage of Shares held by different categories of Shareholder on completion of the Acquisition and the Offers	
Category of Shareholder	
Existing Securityholders at the date of this Prospectus	71.35%
Vendors	28.11%
Participants in the Public Offer	0.07%
Shares to be issued to service providers	0.47%
Total	100.00%
Total number of Shares on issue	711,433,252
Note: The above assumes that no Options are exercised, and none of the Performance Shares have been converted.	

Percentage of Shares held by different categories of Shareholder (on a Fully Diluted Basis)	
Category of Shareholder	
Existing Securityholders at the date of this Prospectus	63.40%
Vendors	33.90%
Participants in the Public Offer	0.06%
Shares to be issued to service providers	0.38%
New Optionholders	2.26%
Total	100.00%
Total number of Shares on issue – Fully Diluted Basis	884,933,252
Note: The above assumes that all Options are exercised, and all of the Performance Shares have been converted, but no new capital has been raised and no Securities have been issued other than those the subject of this Prospectus.	

4. Investment Summary

This Section is not intended to provide full information for investors intending to apply for Securities offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety. The Securities offered pursuant to this Prospectus carry no guarantee in respect of return of capital, return on investment, payment of dividends or the future value of the Securities.

4.1 Introduction

Topic	Summary	Details
Who is the issuer of the Prospectus?	MGC Pharmaceuticals Ltd ACN 116 800 269 (Company) (formerly “Erin Resources Limited”).	Section 7.1
Who is the Company and what does it do?	The Company is a public company that has been listed on the ASX since December 2006. The Company’s most recent activities involved mineral exploration in Senegal. The Company has also been reviewing potential new investment opportunities in the resources sector and other industries. Following an extended period of difficult market capital market conditions for junior resources companies, the Company remained open minded to acquisitions or investments in other sectors.	Section 7.1
What is the Company’s strategy?	The Company is proposing to acquire 100% of the issued capital of MGC. MGC is a Slovenian based medical and cosmetics cannabis company, formed in early 2015 to specifically target the global potential of the medical and cosmetic cannabis markets utilising exclusive access to a unique CBD genetics strain. Following reinstatement to quotation of the Company’s Shares on ASX, the Company’s primary focus will be to develop the business of the MGC Group in line with its business model and strategy.	Section 7.2
What are the Company’s key assets?	The Company’s primary assets are its cash holdings of approximately \$1,756,717 and its Senegal mineral exploration assets. Via the Acquisition, the Company intends to acquire 100% of the issued capital of MGC.	Section 7.1, 7.5
What is the Public Offer?	The Company is offering 500,000 Shares to the public at an issue price of \$0.02 each to raise \$10,000 (before costs of the Offers). The Public Offer is not underwritten.	Section 6.1
What is the MGC Offer?	The Company is offering 200,000,000 Shares and 100,000,000 Performance Shares to the Vendors in consideration for the acquisition of all the shares in MGC.	Section 6.2
What are the conditions of the Offers?	The Public Offer is conditional upon the following events occurring: <ul style="list-style-type: none">• the Company raising the amount of the Public Offer (being \$10,000);• Completion of the Acquisition; and• ASX approving the Company’s re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules and	Section 6.3

Topic	Summary	Details
	<p>receiving conditional approval for re-quotations from ASX on terms which the Company believes are capable of satisfaction.</p> <p>If any of the Conditions of the Offer are not satisfied then the Company will not proceed with the Public Offer and the Company will repay all Application Monies received. If the Company does not proceed with the Public Offer it will not proceed with the MGC Offer.</p>	
Why is the Public Offer being conducted?	The purpose of the Public Offer is to meet the requirement that the Company re-complies with the ASX's admission requirements in accordance with Chapters 1 and 2 of the Listing Rules.	Section 6.5

4.2 The Acquisition of MGC

Topic	Summary	Details
What is the Acquisition?	The Acquisition is the Company's proposed acquisition of 100% of the issued capital of MGC pursuant to the Option Agreement.	Section 13.2
What are the key terms of the Acquisition?	<p>The key terms of the Acquisition are as follows</p> <p>(a) as consideration for the acquisition of 100% of the issued capital of MGC, the Company will issue to the Vendors:</p> <p style="margin-left: 40px;">i) 200,000,000 Shares; and</p> <p style="margin-left: 40px;">ii) 100,000,000 Performance Shares.</p> <p>(b) The Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Prospectus:</p> <p style="margin-left: 40px;">i) each MGC Group Company obtaining any third party consents or approvals required, including from counterparties to contracts and shareholder approvals, to give effect to the transactions contemplated by the Option Agreement;</p> <p style="margin-left: 40px;">ii) the Company obtaining all necessary regulatory approvals on terms acceptable to the Company and the Vendors as are required to give effect to the transactions contemplated by the Acquisition Agreement, including (if required) re-compliance with Chapters 1 and 2 of the Listing Rules, and the Company receiving conditional approval from ASX to reinstate the Company's quoted securities to trading on ASX following completion of the Acquisition on terms which the Company believes are capable of satisfaction; and</p>	Section 13.2

Topic	Summary	Details
	<p>iii) the Vendors entering into such form of restriction agreement in respect of the Consideration Securities that they are to receive as consideration as required by the ASX.</p> <p>(c) The Vendors have acknowledged that some or all of the Consideration Securities may be escrowed in accordance with the requirements of ASX.</p> <p>(d) There are normal commercial warranties associated with the Acquisition.</p>	
<p>What approvals were sought at the General Meeting?</p>	<p>At the General Meeting, the Company received Shareholder approval for the following resolutions:</p> <p>(a) the change in nature and scale of the activities of the Company as a result of the Acquisition;</p> <p>(b) the issue of the Consideration Securities to the Vendors;</p> <p>(c) the creation of the Performance Shares as a new class of shares in the Company;</p> <p>(d) the change of the Company's name to "MGC Pharmaceuticals Limited"; and</p> <p>(e) the appointment of Messrs Nativ Segev and Roby Zomer as directors of the Company.</p>	<p>Section 6.4</p>
<p>Why is the Company required to re-comply with Chapters 1 and 2 of the Listing Rules?</p>	<p>At the General Meeting, the Company received Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.</p> <p>The Company was suspended from trading from the day of the General Meeting and will not be reinstated until the Company has re-complied with Chapters 1 and 2 of the Listing Rules.</p>	<p>Section 6.4</p>
<p>Who are MGC and MGC Group?</p>	<p>MGC is a company incorporated in the United Kingdom with core operations based in Slovenia. MGC is a medical and cosmetics cannabis company, formed in 2015 to specifically target the global potential of the fast growing medical and cosmetic cannabis markets utilising its industry experience, contacts and exclusive access to a unique CBD genetics strain.</p> <p>The MGC Group consists of MGC and its wholly owned subsidiary company MGC Slovenia, a company incorporated in Slovenia.</p>	<p>Section 7.3</p>

Topic	Summary	Details
What is MGC's business model?	<p>MGC's business is centred on the growing of high CBD yielding cannabis sativa in an outdoor growing operation in Europe, which will produce 2 crop cycles per year. The CBD will then be extracted at MGC's Slovenian facilities and sold as a wholesale product to cosmetic and therapeutic product manufacturers. The CBD will also be used to produce MGC's own line of cosmetic products in Slovenia under the Ananda Cosmetics Joint Venture.</p> <p>Simply put, MGC will grow a cannabis sativa crop, harvest it, dry it out, extract CBD from it and then sell it to enterprise customers in bulk, individual consumers in delivery devices or other products, and maintain a supply with which to engage in further research and development.</p> <p>The sale of MGC's first produced CBD resin and MGC's line of cosmetic products are presently intended to commence in the first half of 2016.</p> <p>MGC will evaluate additional business opportunities in Europe, North America or the Asia/Pacific region in the future depending on the legalisation of the CBD and medical cannabis industries.</p> <p>Investors should note, given the MGC Group's limited operating history, the ability to achieve its objectives is high risk.</p>	Section 7.3

4.3 Key Risks

Prospective investors should be aware that subscribing for Securities in the Company involves a number of risks and uncertainties. The risk factors set out in Section 0 and other risks applicable to all listed securities, may affect the value of the Securities in the future. Accordingly an investment in the Company must be considered highly speculative. This Section summarises some of the risks that apply to an investment in the Company. Investors should refer to Section 0 for a more detailed summary of the risks.

Key risk	Details	Details
Conditional Acquisition and Offers	<p>As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements. The Shares have been suspended from the date of the General Meeting. It is anticipated that the Shares will remain suspended until Completion of the Acquisition, the Offers, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.</p> <p>In the event that the Conditions of the Offer set out in Section 6.3 are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Public Offer and will repay all Application Monies received. In the event that the Public Offer does not proceed the MGC Offer will not proceed.</p>	Section 12.1(a)

Key risk	Details	Details
Sufficiency of funding	<p>The MGC Group’s business strategy will require substantial expenditure and there can be no guarantees that the Company’s existing cash reserves, funds raised by the Public Offer and funds generated over time by the MGC business will be sufficient to successfully achieve all the objectives of the Company’s business strategy. Further funding of existing and/or new projects may be required by the Company to support the ongoing activities and operations of the MGC Group, including the need to conduct further research and development, enhance its operating infrastructure and to acquire complementary businesses and technologies.</p>	Section 12.1(r)
Controlled substance legislation	<p>Controlled substance legislation differs between countries and legislation in certain countries may restrict or limit MGC’s ability to sell its proposed products.</p> <p>Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to obtaining marketing approval for MGC’s proposed products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit MGC’s proposed products to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.</p>	Section 12.1(h)
Protection of Intellectual Property Rights	<p>The MGC Group does not currently have any patent protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent protection of the MGC Group intellectual property. In particular, MGC does not have any intellectual property protection for the seeds that it holds. It may be difficult to prove ownership of the genetic and DNA code of the strain of cannabis which MGC owns seeds for as the seeds have been modified through hybrid plants and clones without tracing the original genetic codes. Accordingly, the MGC Group relies on its intellectual property being kept confidential within the organisation, although it has plans to register its relevant intellectual property at the appropriate time, and jurisdiction, in the future. If the MGC Group fails to protect its intellectual property secrets, competitors may gain access to its know-how and technology, which could harm the business.</p> <p>The Company may be required to spend significant resources to monitor and protect the intellectual property acquired through the proposed Acquisition of MGC. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel.</p>	Section 12.1(s)
Agricultural risks	<p>The Company’s business will involve the growing of medicinal cannabis, which is an agricultural product. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. Although the</p>	Section 12.1(c)

Key risk	Details	Details
	<p>Company plans to have both indoor and outdoor growing operations under climate controlled conditions and employ trained personnel to carefully monitor and manage the growing conditions there can be no guarantee that natural elements will not have a material adverse effect on the production of the growing operations.</p>	
<p>Competition for products</p>	<p>The medicinal and cosmetic products industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than MGC. Some of these competitors and potential competitors have more experience than MGC has in the development of medical and/or cosmetic products, including validation procedures and regulatory matters. In addition, MGC's proposed products will, if successfully developed, compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than MGC or its joint venture and collaboration partners have. If MGC is unable to compete successfully, MGC may be unable to generate, grow and sustain its revenue.</p>	<p>Section 12.1(m)</p>
<p>Obtaining and maintaining licenses</p>	<p>The Company's ability to research, develop and commercialise its products is dependent on the Company's ability to maintain licenses relating to the cultivation, possession and supply of controlled substances in its area of operations.</p> <p>The Company's operations will initially be located in Slovenia. Initial licenses to cultivate cannabis and produce and export cannabis products need to be obtained and are granted by the relevant local authorities. MGC has been granted a license from the Slovenian Government to grow and process its unique cannabis sativa L (Hemp). The license enables MGC to establish a growing operation in the region. The license also enables MGC to extract the CBD resin from the Cannabis Sativa L at the growing facility. The license for the first CBD crop issued by the Slovenian government is required to be renewed with each new crop that is planted, and the Company will make application at the appropriate time to ensure the correct procedures are followed for renewal. Although the Slovenian Government may have previously granted growing licenses historically, they may not do so in the future. If this is the case, MGC may not be in a position to carry on its research and development program in Slovenia.</p> <p>In addition MGC will require a license from the Slovenian Government (and any other European country where MGC may have future operations) to export the products produced. Prior to finalisation of processing CBD resin, MGC will apply for further licenses to export the products. There is no guarantee that these licenses will be granted or that they will be granted on satisfactory terms which may have a negative affect on the Company's operations.</p>	<p>Section 12.1(g)</p>
<p>Property for growing</p>	<p>The Company has recently entered into an agreement to lease suitable farmland for its Slovenian cannabis growing operations. Although the</p>	<p>Section 12.1(b)</p>

Key risk	Details	Details
	Company does not require vast acreage for the planting of its cannabis plants (up to 20 acres in the initial business plan) and depending on the size of the future MGC growing operations in Slovenia, there can be no guarantee that the Company will be able to acquire all the necessary land on suitable terms although there is significant supply of suitable agricultural land available in Slovenia. If the lease agreement is not renewed on its expiry, the hemp license may be at risk of being terminated. In addition, there is no guarantee that the Company will be able to renew the lease it has been granted on suitable terms and if the lease agreement is not renewed on expiry of the term, or if the lease agreement is terminated, the hemp license may be at risk of being terminated.	
CBD Resin	If MGC is unable to achieve a CBD resin or product of a sufficiently high purity to enable it to be marketable to the MGC's joint venture partners or other third parties in an efficient and cost-effective manner, it may be unable to produce CBD resin to provide to MGC's joint venture partners or other third parties in a profitable manner. In this eventuality, subcontractors and vendors may be sourced in order to provide some of the materials committed to by MGC. These occurrences may have a detrimental effect on MGC's financial performance.	Section 12.1(j)
Limited trading history	MGC has only been recently incorporated and whilst its management have significant experience in the industry, MGC has a limited trading history. Given this limited trading history, there is inherent uncertainty in relation to MGC's business, and investors should consider MGC's prospects in light of its limited trading history. There can be no guarantee that MGC's research and development initiatives will be successful, or even if they are successful, to be able to generate revenue. Consequently, there can be no forecast or confirmation as to the Company's future performance following completion of the Acquisition.	Section 12.1(t)
Reliance on key management personnel	The recent developments of MGC have been in large part due to the talent, effort and experience of its senior management team, in particular the leadership of Nativ Segev, Elad Segev and Roby Zomer. Although these individuals have entered into executive services agreements with the Company, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed which may adversely affect the business. The MGC Group is also substantially dependent on the continued service of its existing development personnel because of the complexity of its services and technologies. There is no assurance that the MGC Group will be able to retain the services of these persons.	Section 12.1(u)

4.4 Proposed use of funds and other key terms of the Offers

Topic	Summary	Details
What is the proposed use of	The funds raised under the Public Offer and the Company's cash reserves will be used to fund the following key business activities:	Section 6.6

Topic	Summary	Details
funds raised under the Public Offer?	<ul style="list-style-type: none"> • Growing facilities, including greenhouses; • Extraction and laboratory facilities; • Ananda Cosmetics Joint Venture – cosmetic product line; • CBD Genetics Research and Development; • Corporate overheads and operating costs; and • Costs of the Offers. 	
Will the Company be adequately funded after Completion?	The Directors are satisfied that on Completion, the Company will have sufficient working capital to carry out its business objectives as set out in this Prospectus.	Sections 6.5 and 6.6
What rights and liabilities attach to the Shares being offered?	All Shares issued under the Public Offer and the MGC Offer will rank equally in all respects with existing Shares on issue. The rights and liabilities attaching to the Shares are described in Section 14.1.	Section 14.1
What rights and liabilities attach to the Performance Shares being offered under the MGC Offer?	The Performance Shares being offered under the MGC Offer will convert into Shares (on a one for one basis) upon MGC or one of its subsidiaries securing an off-take agreement to sell CBD oil that contains a minimum purity of 50% CBD and/or other MGC products, and achieving revenue of €1,000,000 from the supply of CBD oil and/or other MGC products under that off-take agreement. The other rights and liabilities attaching to the Performance Shares are described in Section 14.2.	Section 14.2
Is the Public Offer underwritten?	No, the Public Offer is not underwritten.	Section 6.8
Will the Securities issued under the Offers be listed?	<p>The Company will apply for listing of the Shares offered under the Public Offer and the MGC Offer on the ASX under the ASX code MXC within seven days of the date of this Prospectus. Completion of the Offers is conditional on, amongst other matters, ASX approving this application.</p> <p>The Company will not apply for quotation of the Performance Shares.</p>	Section 6.4
What are the tax implications of investing in Securities under the Offers?	The tax consequences of any investment in Securities will depend upon your particular circumstances. Prospective investors should obtain their own tax advice before deciding to invest.	Section 6.19
What is the Company's dividend policy?	<p>The Company does not expect to pay dividends in the near future as its focus will primarily be on using cash reserves to grow and develop the MGC Group's business.</p> <p>Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend upon matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances are given in</p>	Section 6.10

Topic	Summary	Details
	relation to the payment of dividends, or that any dividends may attach franking credits.	
How do I apply for Shares under the Public Offer?	Applications for Shares under the Public Offer must be made by completing a Public Offer Application Form and must be accompanied by a cheque in Australian dollars (or an electronic transfer to the bank account advised by the Company) for the full amount of the application being \$0.02 per Share. Cheques must be made payable to "MGC Pharmaceuticals Ltd – Share Offer Account" and should be crossed "Not Negotiable".	Section 6.11(a)
How do I apply for Securities under the MGC Offer?	The MGC Offer is an offer to the Vendors and their nominees only. Only the Vendors or their nominees may accept the MGC Offer. A personalised MGC Offer Application Form will be issued to each Vendor or their nominees together with a copy of this Prospectus. The Company will only provide the MGC Offer Application Forms to the persons entitled to participate in the MGC Offer.	6.11(b)
When will I receive confirmation that my application has been successful?	It is expected that holding statements will be sent to successful Applicants by post on or about the dispatch date noted in the indicative timetable set out in Section 3.	Sections 3, 6.13 and 6.15
How can I find out more about the Prospectus or the Offers?	Questions relating to the Offers can be directed to the Company on +61 8 9389 2000.	Section 6.20

4.5 Board and management

Topic	Summary	Details
Who are the Directors of the Company:	<p>The Existing Directors of the Company are:</p> <ul style="list-style-type: none"> • Brett Mitchell – Executive Chairman • Nick Castleden – Non-Executive Director • Nick Poll – Non-Executive Director <p>On Completion of the Acquisition and the Offers, changes will be made to the Board, with the resignation of Nick Poll and the appointment of the Proposed Directors, such that the Board will then comprise:</p> <ul style="list-style-type: none"> • Brett Mitchell – Executive Chairman • Nativ Segev – Managing Director • Roby Zomer – Executive Director • Nick Castleden – Non-Executive Director • Ross Walker – Non-Executive Director <p>Refer to Section 8.1 for details of the relevant experience and expertise of the Directors and Proposed Directors.</p>	Section 8.1

Topic	Summary	Details
Who are the key management personnel?	<p>From completion of the Acquisition, the key management personnel of the Company will include:</p> <ul style="list-style-type: none"> • Nativ Segev – Managing Director • Roby Zomer – Executive Director • Brett Mitchell – Executive Chairman • Elad Segev – Manager of Breeding and Cultivation • Refer to Section 8.1 for details of the relevant experience and expertise of the key management personnel. 	Section 8.1
What are the significant interests of Directors?	<p>The interests of the Directors are detailed in Section 8.2.</p> <p>The security holdings of the Directors are set out in Section 8.3.</p> <p>Section 8.5 sets out details of related party transactions with the Company from which the Directors may benefit.</p> <p>Proposed Directors, Mr Nativ Segev and Mr Roby Zomer, are also directors of MGC.</p> <p>Mr Nativ Segev and Mr Roby Zomer are beneficially Vendors of MGC and will receive the securities noted in Section 8.3 for their securities currently held in MGC.</p>	Sections 8.2, 8.3, and 8.5
Are there any relationships between the Company and parties involved in the Acquisition or Offers that are relevant to investors?	None other than as set out in this Prospectus	Section 8.5

4.6 Miscellaneous

Topic	Summary	Details
What material contracts are the Company and MGC Group a party to?	<p>The material contracts of the Company and the MGC Group Companies comprise:</p> <ol style="list-style-type: none"> (a) the Acquisition Agreement; (b) the Off-Take Agreement; (c) the Joint Venture Agreement; (d) the University of Sydney Agreement; (e) Executive Services Agreement – Managing Director; (f) Executive Services Agreement – Executive Director; (g) Executive Service Agreement – Executive Chairman and 	Sections 8.5, 8.6 and 13.

	(h) Executive Services Agreement – Manager of Breeding and Cultivation.	
What is the financial position of the Company and MGC post completion of the Offers and the Acquisition?	<p>The Company is currently listed on ASX and its financial history, including its 2015 Annual Report is available on its website (www.mgcpharma.com.au).</p> <p>The MGC Group’s historical operations have been limited with no revenue since incorporation to 30 June 2015.</p> <p>Further financial information regarding the Company and the MGC Group is set out in Section 9 of this Prospectus and considered in the Investigating Accountant’s Report in Section 10.</p>	Sections 9 and 10
Will any Securities be subject to escrow?	<p>Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company’s Shares being reinstated to trading on the ASX, certain Shares and Performance Shares in the Company will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement.</p> <p>The Vendors have acknowledged that some or all of the Consideration Securities may be escrowed in accordance with the requirements of ASX and will sign such form of escrow agreement as required by the ASX.</p> <p>No Shares issued under the Public Offer are expected to be subject to escrow.</p> <p>Refer to Section 6.9 for further details of the escrow arrangements.</p>	Section 6.9

5. Chairman's letter

Dear Investor

On behalf of the Directors, I am pleased to present this Prospectus to you as part of the transaction to complete the acquisition of MGC.

MGC is a medical and cosmetics cannabis company, formed in early 2015 to specifically target the global potential of the fast growing medical and cosmetic cannabis markets utilising its industry experience, contacts and access to a unique CBD genetics strain to maximise crop yield.

This Prospectus has been issued by the Company for a public offering of 500,000 Shares at an issue price of \$0.02 each to raise \$10,000. The funds raised together with existing cash held by the Company will be used to construct the initial growing facilities in Slovenia, acquire extraction and laboratory equipment for CBD testing and production, create a cosmetic product line under the Ananda Cosmetics Joint Venture and for CBD genetics and product research and development in Australia and Europe. Refer to Section 6.6 for further details on the use of funds.

In addition to the purpose of raising funds under the Public Offer, this Prospectus is issued for the purpose of re-complying with the admission requirements under Chapters 1 and 2 of the Listing Rules following a change to the nature and scale of the Company's activities from a mineral exploration company to the cultivation of cannabis for the development of medical and cosmetic products.

This Prospectus also contains an offer of 200,000,000 Shares and 100,000,000 Performance Shares to the Vendors (or their nominees) in consideration for the acquisition of all the issued capital in MGC. Refer to Section 6.2 of this Prospectus for more information in respect of the MGC Offer.

This Prospectus includes details of the Offers, the Company and the MGC Group, including the assets and proposed operations, together with a statement of the risks associated with investing in the Company. I recommend that you read this document carefully and seek independent professional advice before investing in the Company.

I would like to thank all existing shareholders for their support of the Company and our new future as MGC Pharmaceuticals. On behalf of the Directors, I would like to wish all Shareholders a Merry Christmas and a prosperous 2016.

Yours sincerely,



Brett Mitchell
Executive Chairman

6. Details of the Offers

6.1 The Public Offer and Minimum Subscription

Pursuant to this Prospectus, the Company offers 500,000 Shares at an issue price of \$0.02 each to raise \$10,000 (before costs of the Offers).

All Shares issued pursuant to the Public Offer will rank equally with the existing Shares on issue. Please refer to Section 14.1 for further information regarding the rights and liabilities attaching to the Shares.

The minimum level of subscription for the Public Offer is the amount of the Public Offer being 500,000 Shares to raise \$10,000. No Shares will be issued until the Minimum Subscription has been received. If the Minimum Subscription is not received within four months after the date of this Prospectus (or such period as varied by ASIC), the Company will not issue any Shares under this Prospectus and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

Please refer to Section 6.11(a) for details on how to apply for Shares under the Public Offer.

6.2 The MGC Offer

Pursuant to this Prospectus, the Company is also offering 200,000,000 Shares and 100,000,000 Performance Shares to the Vendors (or their nominees) in consideration for the acquisition of all the issued capital in MGC (**MGC Offer**).

All Shares issued pursuant to the MGC Offer will rank equally with the existing Shares on issue. Please refer to Section 14.1 for further information regarding the rights and liabilities attaching to the Shares. The terms and conditions attaching to the Performance Shares to be issued pursuant to the MGC Offer are outlined in Section 14.2.

Please refer to Section 6.11(b) for details of how to apply for Shares and Performance Shares under the MGC Offer.

6.3 Conditions of the Offer

The Public Offer is conditional upon the following events occurring:

- (a) the Company receiving subscriptions for the amount of the Public Offer (being \$10,000) (see Section 6.1);
- (b) Completion of the Acquisition; and
- (c) ASX approving the Company's re-compliance with the admission requirements of Chapters 1 and 2 of the Listing Rules and receiving conditional approval for re-quotations from ASX on terms which the Company believes are capable of satisfaction'

(together the **Conditions of the Offer**).

If the Conditions of the Offer are not achieved then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest) in accordance with the Corporations Act.

If the Public Offer does not proceed, the MGC Offer will not proceed.

6.4 Re-compliance with Chapters 1 and 2 of the Listing Rules

At the Company's General Meeting on 16 November 2015, the Company obtained Shareholder approval for, amongst other things, a change in the nature and scale of the Company's activities as a result of the Acquisition. To give effect to these changes, the ASX requires the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements.

The Company was suspended from trading from the time of the General Meeting and will not be reinstated until the Company has satisfied the Conditions of the Offer, including re-compliance with Chapters 1 and 2 of the Listing Rules.

There is a risk that the Company may not be able to meet the requirements for re-quotations on the ASX. In the event the Conditions of the Offer are not satisfied or the Company does not receive conditional approval for re-quotations on ASX then the Company will not proceed with the Public Offer and will repay all Application Monies received (without interest). If the Public Offer does not proceed the MGC Offer will not proceed.

The Company will apply to ASX no later than seven days from the date of this Prospectus for Official Quotation of the Shares issued pursuant to this Prospectus. If the Shares are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full (without interest) in accordance with the Corporations Act.

The Company will not apply to ASX for quotation of the Performance Shares. Neither ASX nor ASIC take responsibility for the contents of this Prospectus. The fact that ASX may grant Official Quotation of the Shares issued pursuant to this Prospectus is not to be taken in any way as an indication by ASX as to the merits of the Company or the Shares.

6.5 Purpose of the Public Offer

The purpose and key objectives of the Public Offer are to:

- (a) meet the requirements of ASX to re-comply with the ASX's admission requirements under Chapters 1 and 2 of the Listing Rules;
- (b) provide funding for the continued development of the MGC Group's business model and strategy (Section 7.3);
- (c) meet the expenses of the Offers; and
- (d) provide working capital and administration expenditure.

6.6 Use of funds

The Company intends to apply the funds raised from the Public Offer together with existing cash reserves over the first year following reinstatement to quotation of the Company's Shares as follows:

Source of funds	
Cash and equivalents on hand	\$1,756,717
Funds raised under the Public Offer	\$10,000
Total funds available	\$1,766,717
Use of funds	
Slovenian Growing Facilities and Operating Costs	\$485,000
Extraction and Laboratory Facilities	\$425,000
Ananda Cosmetics Joint Venture – Cosmetic Product Line	\$275,000
Corporate Overheads and Operating Costs	\$300,000
CBD Genetics Research and Development Costs	\$100,000
Working Capital	\$36,246
Costs of the offer ¹	\$145,471
Total funds applied	\$1,766,717
Notes:	
1. Refer to Section 14.11 for further details of the costs of the Offers.	

The above table is a statement of current intentions as at the date of this Prospectus. Investors should note that, as with any budget, the allocation of funds set out in the above table may change depending on a number of factors, including the outcome of operational activities, regulatory developments and market and general economic conditions. In light of this, the Board reserves the right to alter the way the funds are applied.

The Directors are satisfied that upon completion of the Offers, the Company will have sufficient working capital to meet its stated objectives as set out in this Prospectus.

The use of further debt or equity funding will be considered by the Board where it is appropriate to expand sales and marketing efforts, accelerate a specific product development or capitalise on further opportunities.

6.7 Capital structure

The proposed pro forma capital structure of the Company following completion of the Offers and the Acquisition is as follows:

Equity component	Shares ¹	Options ²	Performance Shares ³
On issue as at date of Prospectus	507,586,552	53,500,000	-
Issued pursuant to the Public Offer	500,000	-	-
Issued pursuant to the MGC Offer	200,000,000	-	100,000,000
Issued pursuant to the Option Offer	-	20,000,000 ⁴	-
Issued to sub-underwriters and service providers	3,346,700 ⁵	-	-
Total following completion of the Acquisition and Offers	711,433,252	73,500,000	100,000,000
Notes:			
1. Rights attaching to Shares are summarised in Section 14.1			
2. Further details in respect to the terms and conditions of the Options are outlined in the Options table below.			
3. Rights attaching to the Performance Shares are summarised in Section 14.2. Performance Shares will convert into Shares on achievement of the Milestone.			
4. Comprises 10,000,000 Class A New Options and 10,000,000 Class B New Options.			
5. To be issued to Media and Capital Partners in lieu of fees owing for professional services provided to the Company.			

Following completion of the Offers and Acquisition the Company will have 73,500,000 Options on issue as outlined below.

Options	Number
On issue at the date of this Prospectus	
Unlisted Options each exercisable at \$0.20 on or before 30 June 2017	4,000,000
Unlisted Options each exercisable at \$0.30 on or before 23 January 2018	1,000,000
Unlisted Options each exercisable at \$0.35 on or before 23 January 2018	500,000
Unlisted Options each exercisable at \$0.40 on or before 23 January 2018	500,000
Unlisted Options each exercisable at \$0.025 on or before 30 June 2017	36,250,000
Unlisted Options each exercisable at \$0.04 on or before 30 June 2017	11,250,000
To be issued to pursuant to the Option Offer	
Unlisted Options each exercisable at \$0.025 on or before 30 June 2017	10,000,000
Unlisted Options each exercisable at \$0.04 on or before 30 June 2017	10,000,000
Total Options following completion of the Offers	73,500,000

6.8 No Underwriting

The Public Offer is not underwritten.

6.9 Restricted securities

Subject to the Company re-complying with Chapters 1 and 2 of the Listing Rules and the Company's Shares being reinstated to trading on the ASX, certain Shares and Performance Shares in the Company will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of reinstatement. During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

It is anticipated that the only securities to be escrowed are:

- (a) the securities to be issued as consideration under the Acquisition Agreement, being 200,000,000 Shares and 100,000,000 Performance Shares being issued to the Vendors (or their nominees) will be subject to ASX escrow for 24 months from the date of re-compliance with the Listing Rules; and
- (b) the 3,346,700 Shares to be issued to Media and Capital Partners in lieu of fees owing for professional services provided to the Company will be subject to ASX escrow for 24 months from the date of re-compliance with the Listing Rules.

None of the Shares issued under the Public Offer are expected to be restricted securities.

The Vendors have acknowledged that some or all of the Consideration Shares may be escrowed in accordance with the requirements of ASX and will sign such form of escrow agreement as required by the ASX.

The restricted securities listed above are subject to change depending on the escrow periods imposed by ASX in accordance with the Listing Rules. Prior to the Company's Shares being reinstated to trading on the ASX, the Company will enter into escrow agreements with the recipients of the restricted securities in accordance with Chapter 9 of the Listing Rules, and the Company will announce to ASX full details (quantity and duration) of the Securities required to be held in escrow.

6.10 Dividend policy

The Company does not expect to declare any dividends in the near future as its focus will primarily be on using cash reserves to grow and develop the MGC Group's business.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on matters such as the availability of distributable earnings, the operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurances can be given by the Company in relation to the payment of dividends or that franking credits may attach to any dividends.

6.11 How to apply

(a) Public Offer

Applications for Shares under the Public Offer will only be accepted on the general application form accompanying this Prospectus (**Public Offer Application Form**). The Public Offer Application Form must be completed in accordance with the instructions set out on the back of the form.

The Public Offer Application Form must be accompanied by a personal cheque, payable in Australian dollars, or payment to the bank account advised by the Company, for an amount equal to the number of Shares for which the Applicant wishes to apply multiplied by the Application price of \$0.02 per Share. Cheques must be made payable to “**MGC Pharmaceuticals Ltd – Share Offer Account**” and should be crossed “**Not Negotiable**”.

Applications for Shares must be for a minimum of 100,000 Shares (\$2,000) and thereafter in multiples of 25,000 Shares (\$500).

Completed Public Offer Application Forms and accompanying cheques (or payment to the bank account advised by the Company) must be received by the Company before 5.00pm (WST) on the Closing Date at either of the following addresses:

MGC Pharmaceuticals Ltd

Delivery Address	or	Postal Address
Level 7, 1008 Hay Street Perth WA 6000		PO Box 7209 Cloisters Square WA 6850

Applicants under the Public Offer are urged to lodge their Public Offer Application Forms as soon as possible as the Public Offer may close early without notice.

An original, completed and lodged Public Offer Application Form together with a cheque for the Application Monies or a payment to the bank account advised by the Company, constitutes a binding and irrevocable offer to subscribe for the number of Shares specified in the Public Offer Application Form. The Public Offer Application Form does not need to be signed to be valid. If the Public Offer Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may be treated by the Company as valid. The Directors' decision as to whether to treat such an application as valid and how to construe, amend or complete the Public Offer Application Form is final. However an Applicant will not be treated as having applied for more Shares than is indicated by the amount of the cheque or direct transfer for the Application Monies.

(b) MGC Offer

The MGC Offer is an offer to the Vendors or their nominees only.

Only the Vendors or their nominees may apply for Shares under the MGC Offer.

A personalised application form will be issued to each Vendor or their nominees together with a copy of this Prospectus (**MGC Offer Application Form**). The number of Shares to be offered to each Vendor will be outlined in the MGC Offer Application Form provided by the Company. The Company will only provide the MGC Offer Application Forms to the persons entitled to participate in the MGC Offer.

In order to apply for the issue of Shares under the MGC Offer you must complete and return the personalised MGC Offer Application Form to:

Company Secretary
MGC Pharmaceuticals Ltd
Level 7, 1008 Hay Street
Perth WA 6000

by no later than 5.00pm on the Closing Date. If you do not return your MGC Offer Application Form by this time and date, then the MGC Offer to you will lapse.

6.12 Application monies to be held on trust

Until the Securities are issued under this Prospectus, the Application Monies for Shares under the Public Offer will be held by the Company on trust on behalf of Applicants in a separate bank account maintained solely for the purpose of depositing Application Monies received pursuant to this Prospectus. If the Shares to be issued under this Prospectus are not admitted to quotation within three months after the date of this Prospectus, no Shares will be issued and Application Monies will be refunded in full without interest in accordance with the Corporations Act.

6.13 Allocation of Securities

The Directors will determine the recipients of the Shares under the Public Offer. The Directors reserve the right to reject any application or to issue a lesser number of Shares than that applied for. If the number of Shares allocated is less than that applied for, or no issue is made, the surplus Application Monies will be promptly refunded by cheque to the Applicant (without interest).

Subject to ASX granting approval for quotation of the Shares, the issue of Shares will occur as soon as practicable after the Public Offer closes. Securities under the other Offers will be issued on or about the same date as under the Public Offer. Holding statements will be dispatched as required by ASX. It is the responsibility of applicants to determine their allocation prior to trading in the Shares.

Applicants who sell the Shares before they receive their holding statement will do so at their own risk.

6.14 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place in which, or to any person to whom it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws. No action has been taken to register this Prospectus or qualify the Securities or otherwise permit a public offering of the Securities the subject of this Prospectus in any jurisdiction outside Australia.

It is the responsibility of Applicants outside Australia to obtain all necessary approvals for the issue of the Securities pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by the Applicant that all relevant approvals have been obtained.

6.15 CHESS and Issuer Sponsorship

The Company participates in the Clearing House Electronic Subregister System (**CHESS**). All trading on the ASX in existing Shares is, and in new Shares will be, settled through CHESS. ASX Settlement Pty Ltd (**ASXS**), a wholly-owned subsidiary of the ASX, operates CHESS in accordance with the Listing Rules and the ASX Settlement Operating Rules. On behalf of the Company, the Share Registry operates an electronic issuer sponsored sub-register and an electronic CHESS sub-register. The two sub-registers together make up the Company's principal register of securities.

Under CHESS, the Company will not issue certificates to Shareholders. Instead, Shareholders will receive a statement of their holdings in the Company. If an investor is broker sponsored, ASXS will send a CHESS statement.

The CHESS statement will set out the number of Securities issued under this Prospectus, provide details of your holder identification number, the participant identification number of the sponsor and the terms and conditions applicable to the Securities.

If you are registered on the Issuer Sponsored subregister, your statement will be dispatched by the Company's share registry and will contain the number of Securities issued to you under this Prospectus and your security holder reference number.

A CHESS statement or Issuer Sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their security holding changes. Shareholders may request a statement at any other time, however a charge may be made for additional statements.

6.16 Risks

As with any investment in securities, there are risks associated with investing in the Company. The principal risks that could affect the financial and market performance of the Company are detailed in Section 0 of this Prospectus. An investment in the Securities on offer under this Prospectus should be considered speculative. Accordingly, before deciding to invest in the Company, applicants should read this Prospectus in its entirety and should consider all factors in light of their individual circumstances and seek appropriate professional advice.

6.17 Forecast financial information

Given the nature of the MGC Group business and the fact the MGC Group is in an early stage of development, there are significant uncertainties associated with forecasting future revenues and expenses of the Company. In light of uncertainty as to timing and outcome of the Company's growth strategies and the general nature of the industry in which the Company will operate, as well as uncertain macro market and economic conditions in the Company's markets, the Company's performance in any future period cannot be reliably estimated. On this basis and after considering Regulatory Guide 170, the Directors believe that reliable financial forecasts for the Company cannot be prepared and accordingly have not included financial forecasts in this Prospectus

6.18 Privacy statement

If you complete an Application for Securities, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your Application,

service your needs as a security holder and to facilitate distribution payments and corporate communications to you as a security holder.

The information may also be used from time to time and disclosed to persons inspecting the register, including 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 Share Registry.

You can access, correct and update the personal information that the Company holds about you. If you wish to do so, please contact the Share Registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (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 Form for Securities, the Company may not be able to accept or process your Application.

6.19 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them in relation to the Offers, by consulting their own professional tax advisers. Neither the Company nor any of its Directors or officers accepts any liability or responsibility in respect of the taxation consequences of the matters referred to above.

6.20 Enquiries

This is an important document and should be read in its entirety. Investors should consult with their professional advisers before deciding whether to apply for Securities under this Prospectus. Any investment in the Company under this Prospectus should be considered highly speculative.

Questions relating to the Offers can be directed to the Company on +61 8 9389 2000.

7. Company and MGC Group Overview

7.1 Company overview and current assets

The Company is a mineral exploration company, with interests in exploration permits in Senegal. The Company has also been considering other potential new opportunities in the resources sector. Following an extended period of difficult market conditions for junior resources companies, the Company remained open minded to acquisitions or investments in other sectors.

The Company announced on 18 May 2015 that it had signed a binding heads of agreement (**Option Agreement**) under which the Company had the option to acquire 100% of the issued capital of MGC (**Acquisition**). MGC is a medical and cosmetics cannabis company, formed to specifically target the global potential of the fast growing medical and cosmetic cannabis markets utilising their industry experience, contacts and exclusive access to a unique CBD genetics strain.

On 26 August 2015, the Company announced that it had exercised the option under the Option Agreement and would proceed to complete the Acquisition, subject to satisfaction of the conditions precedent. A formal sale and purchase agreement in respect of the Acquisition was entered into between the Company and the Vendors on 1 December 2015 (**Acquisition Agreement**).

Between the execution of the Option Agreement and the Acquisition Agreement, a performance milestone for a proposed class of performance shares that were originally proposed to be issued to the Vendors for the Acquisition was satisfied. Accordingly, the consideration payable under the Acquisition was revised to remove that proposed class of performance shares from the consideration payable, and to correspondingly increase the number of ordinary Shares to be issued to the Vendors.

Details of the Acquisition Agreement are set out in Section 13.2.

7.2 Company strategy

The Company is proposing to acquire 100% of the issued capital in MGC pursuant to the Acquisition Agreement.

Following Completion of the Acquisition and reinstatement to quotation of the Company's Shares on ASX, the Company's primary focus will be to develop the business of MGC Group in line with its business model and strategy as outlined further in Section 7.3.

Details about the Company's mineral exploration assets in Senegal are set out in Section 7.5.

7.3 Overview of MGC Group

(a) Overview of MGC Business

MGC was established in 2015 by leading Israeli medical cannabis industry executives, with the goal to create a global cannabidiol (**CBD**) and medical cannabis business focused on the CBD market in Europe. CBD is a non-psychoactive compound and is commonly used to treat many skin and health conditions including acne, psoriasis, eczema and dry skin.

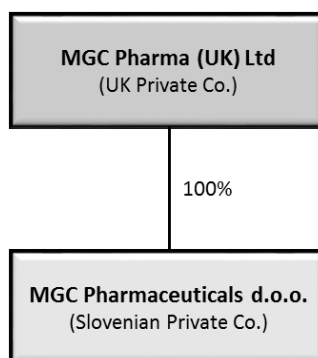
MGC's business is centred on the growing of high CBD yielding cannabis sativa in an outdoor growing operation in Europe, which will produce 2 crop cycles per year. The CBD will then be extracted at MGC's Slovenian facilities and sold as a wholesale product to cosmetic and therapeutic product manufacturers. The CBD will also be used to produce a line of cosmetic products in Slovenia under the Ananda Cosmetics Joint Venture (refer to Section 13.4).

The sale of the CBD resin and the line of cosmetic products is presently intended to commence in the first half of 2016.

MGC will evaluate additional business opportunities in Europe, North America or the Asia/Pacific region in the future depending on the legalisation of the CBD and medical cannabis industries.

(b) MGC Group Structure

The MGC Group comprises MGC and a wholly owned subsidiary Slovenian subsidiary, MGC Pharmaceuticals d.o.o as shown in the corporate structure below, post completion of the acquisition:



MGC is a UK incorporated company, and MGC Slovenia is a Slovenian incorporated company. The MGC Group's operations are headquartered in Slovenia, which is part of the European Union.

(c) Medical cannabis

Cannabis, also known as marijuana, is part of a family of plants called Cannabaceae. There are over 700 varieties of cannabis that have been described to date, based on characteristics such as shape, colour, height and smell for example. Cannabis is usually recognised by two main types, cannabis sativa, which originated in the Western hemisphere and cannabis indica, which originated in Central and South Asia.

Medical cannabis refers to cannabis and its component cannabinoids, usually tetrahydrocannabinol (**THC**) and CBD, to be used as medical therapy to treat diseases or alleviate symptoms of these diseases.

There are more than 70 compounds called "cannabinoids" that have been identified in cannabis, among them Δ9- THC and CBD, a non-psychoactive component of cannabis which accounts for more than 50% of the known therapeutic applications. CBD is considered to have a wider scope of medical applications. A range of clinical studies indicated that CBD appears to relieve the symptoms of a number of conditions including convulsion (epilepsy), inflammation, anxiety, nausea and short term memory loss.

(d) **MGC business model and strategy**

MGC's business model involves growing cannabis sativa plants from high CBD yielding seeds and extracting CBD resin from the plants grown. MGC will then both sell the CBD resin as a wholesale product to cosmetic and therapeutic product manufacturers, and use the CBD resin under its Ananda Cosmetics Joint Venture.

Simply put, MGC will grow a product, harvest it, dry it out, extract it and then provide it to enterprise customers in bulk, individual consumers in delivery devices or other products, and maintain a supply with which to engage in further research and development.

The phases of MGC's business are explained below.

1. Sativa High CBD yielding seeds

MGC holds seeds with specialised genetics consisting of a strain of cannabis sativa which comprises of very low THC at below 0.3% and a very high CBD content in excess of 10%. Cannabis strains with high yields of CBD are highly sought after in the industry, as they generate higher amounts of CBD from a smaller distribution of cannabis.

MGC is currently in the process of establishing its laboratory for its plant genetics and greenhouse facilities to plant its first CBD crop in March 2016.

MGC will then use the high yielding seeds to grow cannabis sativa L (Hemp) crops.

The MGC Group does not currently have any registered protection of its intellectual property in its sativa high CBD yielding seeds and it is not yet known whether it will be in fact possible to obtain any registered protection of the intellectual property.

2. Growing cannabis sativa

MGC has been granted a license from the Slovenian Government to grow and process its unique cannabis sativa L (Hemp). The license enables MGC to establish a growing operation in the region. The license also enables MGC to extract the CBD resin from the Cannabis Sativa L at the growing facility. The license for the first CBD crop issued by the Slovenian government is required to be renewed with each new crop that is planted, and the Company will make application at the appropriate time to ensure the correct procedures are followed for renewal.

The ability to both grow and process Cannabis Sativa L in Slovenia provides MGC with a number of avenues to commercialise its growing operation.

MGC has recently secured the site for its first CBD crop and greenhouse facility in Slovenia as Slovenia has a strong agriculture industry and an abundance of available farm land. MGC has recently secured suitable farmland for its CBD crop and processing facility in Slovenia under a leasehold arrangement for €17,000 per annum. The MGC team is now advancing planning, designing and sourcing the local inputs and construction materials to build its greenhouses (to cultivate seedlings) and growing facilities on the site.

MGC business model for CBD cultivation and production is based on minimised capital costs and operating expenses by establishing outdoor growing operations, which by direct comparison require significantly less capital and operating costs than indoor growing, climate controlled greenhouse operations.

The growing conditions for the Sativa strain are similar to that of hemp and more favourable than that of medical cannabis, requiring significantly less space to grow. MGC will be able to grow for up to eight months of the year in the Slovenia (Northern Hemisphere) outdoor operations.

Although its primary focus will be growing operations in Slovenia, MGC has also secured the option to acquire a license to grow its cannabis sativa L in Namibia. Establishing operations and strategic relationships in the Southern Hemisphere is a subsequent stage of MGC's business strategy. Through harvesting only in the optimal seasons, being April to October in the Northern Hemisphere and November to May in the Southern Hemisphere, MGC ultimately aims to become a low cost producer and supplier of CBD extract. The ability to grow crops all year round will also ensure the business is receiving cash flows for the full 12 months of the year.

3. Extracting CBD Resin

As noted above, MGC has secured its premises where the laboratory and extraction facility will be located, outside Ljubljana.

The extraction process to be used is known as a CO₂ Super Critical Fluid extraction process, which is a well known and commonly used extraction process in the pharmaceutical and chemical industries- for food, biofuels and agriculture as a few examples. The process is outlined in the following Figures.

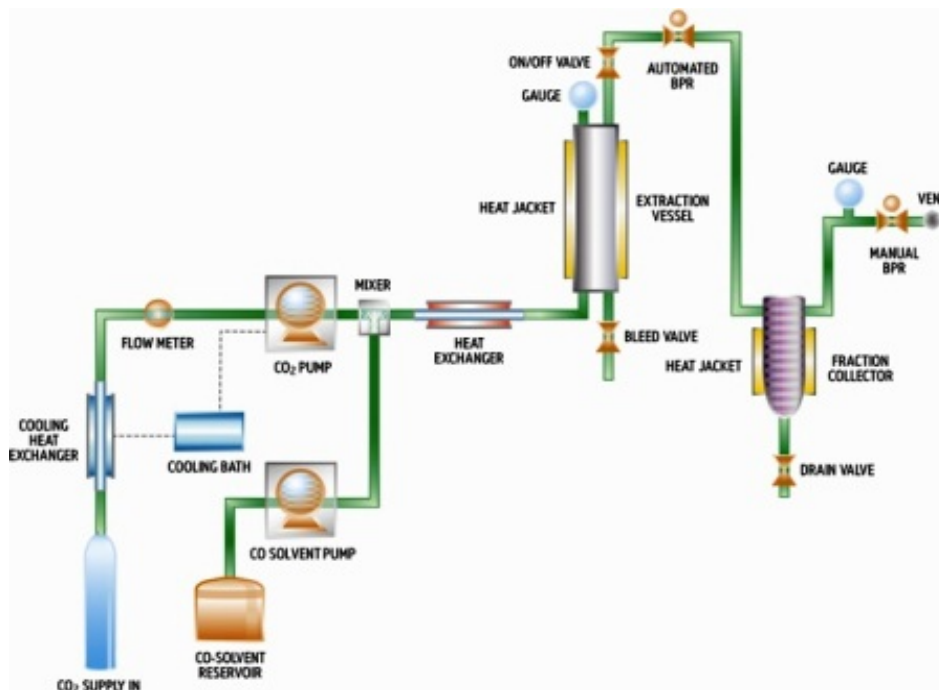


Figure 1. Extraction Process



Figure 2. MGC's CBD Extraction System Equipment

MGC proposes to maintain all of its facilities as certified GMP (Good Manufacturing Practices), GAP (Good Agricultural Practices), and GLP (Good Laboratory Practices), as part of ensuring that only the highest quality product will enter MGC's supply chain and reach the customer.

4. Selling and using CBD resin

The CBD resin extracted at MGC's Slovenian facilities will be sold as a wholesale product to cosmetic and therapeutic product manufacturers. The CBD resin will also be used to produce MGC's own line of cosmetic products in Slovenia under the Ananda Cosmetics Joint Venture (refer to Section 13.4) and MGC will apply for appropriate licenses to export CBD based products throughout the EU as and when required. MGC and Natura have entered into an Off-Take Agreement for CBD resin (refer to Section 13.3 for further details).

MGC business model is focused on the growing of high CBD yielding cannabis sativa crop, with the plants harvested after a 4 month growth cycle and then the whole plant processed through a CO₂ extraction process to separate and capture the high value CBD resin. CBD resin is used as a base product for a number of medical and cosmetic products globally.

The MGC revenue model is based on producing and selling CBD resin as a wholesale product to the cosmetic, therapeutic and medical product producers, like Burstein Ltd.

In addition, MGC wants to create a line of vertically integrated CBD products in order to capture a higher margin of its CBD produced than by selling the CBD resin to the wholesale

market. This would be an additional revenue stream and is the commercial motivation behind the Ananda Cosmetics Joint Venture to create a line of MGC cosmetic products.

5. Ananda Cosmetics Joint Venture – CBD cosmetics products

MGC and Dr M. Burstein Ltd (Burstein Ltd) have entered into a joint venture agreement to use their respective know-how and expertise for research and development and then production of end-user over the counter protocols, formulas and other intellectual property for the cosmetics and pharmaceuticals industry based on CBD generated from cannabis plants. The parties have incorporated a joint venture company, Ananda Cosmetics, which is owned 51% by MGC and 49% by Burstein Ltd. Refer to Section 13.4 for details of the Ananda Cosmetics Joint Venture Agreement.

In September 2015 the Company announced the launch of the initial CBD cosmetics product range under the Ananda Cosmetics Joint Venture with first sales expected to occur in early 2016.

Ananda Cosmetics has completed the development of 15 cosmetic products. The products have completed thorough testing under European regulations (*No 1223/2009*) and in early 2016 Ananda Cosmetics expects to complete the manufacture of 500 units of each product, bringing the total to 7,500 units.

The manufacturing is to be undertaken within Burstein Ltd's manufacturing facility in Slovenia. The products developed include facial serums and creams, eye serums, soaps and toners and cleansing milks. Ananda Cosmetics is currently in the process of launching a dedicated sales website where the products will be available for purchase and shipment internationally.

Ananda Cosmetics has a further 40 plus products in its development pipeline, which will be manufactured and distributed according to the demand experienced for the first batch of products, which will include the care of Acneic prone skin.

(e) Research and development initiatives

MGC will perform research and development in the following fields relating to the medical cannabis industry, as part of its current and future joint venture initiatives:

- R&D in Cannabis and CBD Genetics
- R&D collaboration with respect to CBD based Medical Devices and Treatments (eg. Cosmetic products developed under the Ananda Cosmetics Joint Venture)
- R&D for epilepsy and other conditions that have shown positive responses to treatment with CBD.

Through the Ananda Cosmetics Joint Venture, MGC has created a skin care formula with the potential to be an effective relief treatment from Psoriasis. The formula has progressed to the second stage of testing following positive results from the initial testing phase, which demonstrated positive results on the skin conditions on over 93% of the 75 participants in the trial. The second stage of testing will include safety assessments required under EU regulations and after care observation of the trial volunteers to determine the impact of the formula over an extended period of time. The second stage of testing is expected to commence shortly and if it

is successful, a final testing phase will commence in the first quarter of 2016. If the final testing phase is successful, the formula may be available to the market by mid 2016.

In addition to the Psoriasis skin care formula, the Ananda Cosmetics Joint Venture over 20 formulas undergoing trials with human volunteers. The formulas that demonstrate positive results will be progressed to second stage testing.

The Company has entered into a collaboration with the University of Sydney Business School's Community Placement Programme (**CPP**) on research and commercial opportunities in the Australian medical cannabis market.

The parties will collaborate on a research based initiative to evaluate the business case for Hemp and CBD products to be sold within Australia. The partnership will include the research of technical scientific aspects for CBD products as well as the commercial opportunity, through market demand surveys, and analysis of the regulatory environment in order to facilitate MGC's Australian strategy and entry into the domestic market.

The collaboration is expected to be a multi-year partnership with students from the University of Sydney Business School, and potentially other faculties working across the project with CPP. The Company will provide appropriately qualified and skilled staff to provide the program with necessary information and support.

CPP is a cross faculty program run by the University of Sydney Business School to provide its partners with high calibre research and business insights to enable companies to implement well researched marketing strategies and business plans. It has projects with multiple partners throughout Australian and Asian markets, across a number of sectors including banking and finance, agribusiness and pharmaceuticals. All projects have both a commercial application as well as a broader social benefit.

(f) MGC's business versus other medical cannabis related businesses

MGC is focusing its energies and resources on CBD, the lesser known and until recent years the less understood part of the Cannabis plant. MGC is leveraging itself to be a supply chain leader for a product that could be at the forefront of a revolution in new and traditional medicines and medical treatments in the future.

While other growers are dealing with the difficulties of manufacturing a labour intensive product, fighting legislation, and dealing with slow acceptance from financial markets, MGC is seeking to quietly establish itself by growing mass quantities of a more easily grown and harvested plant, with less contentious end users.

Obviously, as legislation worldwide begins to change, MGC will not ignore its skills and resources in the Medical Cannabis field generally. MGC will remain open to finding revenue sources in products of both iterations (THC & CBD). MGC will seek to do this through joint ventures, branding itself as a quality brand in the field worldwide, and establishing long term relationships with major buyers.

MGC's entire process is highly research & development oriented. Each harvest and each planting will be an opportunity to learn about ideal plant conditions, geographic differences, cloning and tissue culture options, and more. MGC's extraction process, and laboratories, will constantly be pushing the boundaries on techniques and technologies to maximize our extract per plant and to create the highest quality and value products on the market.

MGC intends to place itself at the forefront of public awareness of CBD, via branding, and via research and development projects with high exposure value. Additionally, MGC will become a member of local groups for growers, extractors and providers of similar products.

(g) **Industry overview**

The MGC business and operations are currently located in the European Union and based in Slovenia, focusing on commercial and research opportunities in the medical and cosmetics cannabis market. The core business strategy is to develop and supply high quality non-psychoactive CBD to the growing European and international cosmetics and medical markets.

i) **Overview of the medical cannabis market**

The medical cannabis market is in its infancy. Currently, around the world, laws are changing daily, access to the benefits of medical cannabis is expanding along with awareness and research.

USA

The legalisation of medical marijuana is the key driving force behind the increasing attractiveness of the US market affecting also the rest of the world. Currently, the use of medical marijuana is legal in 23 states, of which California, with over half a million MC patients, is the largest. 12 states have passed, or are about to pass CBD only medical cannabis regulations.

Medical marijuana is still not legal at the federal level. Recently, new Senate legislation has passed shielding medical marijuana patients, from federal prosecution in states that have legalised marijuana for medical purposes. Other pending legislation is calling to reclassify marijuana from a Schedule I drug, which has no medical benefit and includes recreational drugs (like LSD and heroin), to a Schedule II drug, which has an accepted medical use.

Canada

The Marijuana for Medical Purposes Regulations (MMPR) regulation took effect in April 2014 and essentially overhauled the existing regulations around medical marijuana. In essence, the MMPR facilitates production of marijuana by commercial producers who must comply with strict safety and quality demands. It also streamlines the application process for patients who now need a prescription from a health care practitioner. Twenty-three licenses have been issued to commercial producers that supply patients directly. Health Canada has estimated that the number of patients using medical cannabis is approximately 50,000 currently and they predict the number will grow.

Europe

Europe is a small market but growing. It is served primarily by the Dutch company Bedrocan and imported by individual patients from across Europe. The Czech Republic is about to launch a national medical cannabis program with a number of local growers. Italy is joining the trend and the military has taken the role to grow in secured location. The current estimated compounded annual growth is approximately 15% for the European market as a whole.

Patients require prescriptions, in some cases from neurologists rather than GP's, while distribution is conducted through pharmacies or other types of regulated dispensaries.

Australia

The use of medical Cannabis is currently illegal. It is however not illegal produce or use cannabis products under licence in Victoria. New South Wales has announced several trials to start in 2016 including epilepsy in children and pain relief in adults. Additionally, in a process to be completed by the end of 2015, Victoria aims to become the first state to legalise medical marijuana in Australia.

Israel

The 3rd country to have set up a medical cannabis program on a national scale, Israel has a well-developed and well-regulated cannabis growing sector. Furthermore, Israel is at the forefront of research around medical cannabis.

ii) Target markets

USA

The legalisation of medical cannabis is the key force behind the increasing attractiveness of the US market and also with direct influence on the global markets.

The current size of the medical cannabis market is approximately USD 2billion (2014-15).

730,000 patients have received medical recommendations to use cannabis to date, with the reported total over one million registered patients.

Canada

The market for medicinal use of cannabis is estimated at \$144 million in 2014 and has been growing by approximately 23% on a year on year basis.

Europe

Medical cannabis is currently imported (in small quantities) from the Netherlands and used by patients in 10 European countries. The largest markets are: France, Italy, Netherland and Romania.

7.4 Financial information

Information relating to the financial information of the Company and the MGC Group is set out in Section 9 of this Prospectus and in the Investigating Accountant's Report in Section 10 of this Prospectus.

7.5 Senegal mineral assets

The Company currently owns an 80-100% equity interest in five (5) strategically located gold permits in Senegal. All the Company's projects lie within the Kedougou inlier that extends over eastern Senegal and along the country's western border with Mali. There are four multi-million ounce gold deposits discovered

within 25km of the Company's projects: Loulo (12Moz), Masawa (3.5Moz), Petowal (1.4Moz) and Oromin (3.7Moz), demonstrating the potential for commercial discovery in the district.

The Company has spent \$118,861 in the current financial year to date on the Senegal projects on directly related exploration and management activities in country, and the exploration season is just commencing. The Company is currently in discussions with interested parties regarding future exploration programs on the Senegal gold projects for 2016.

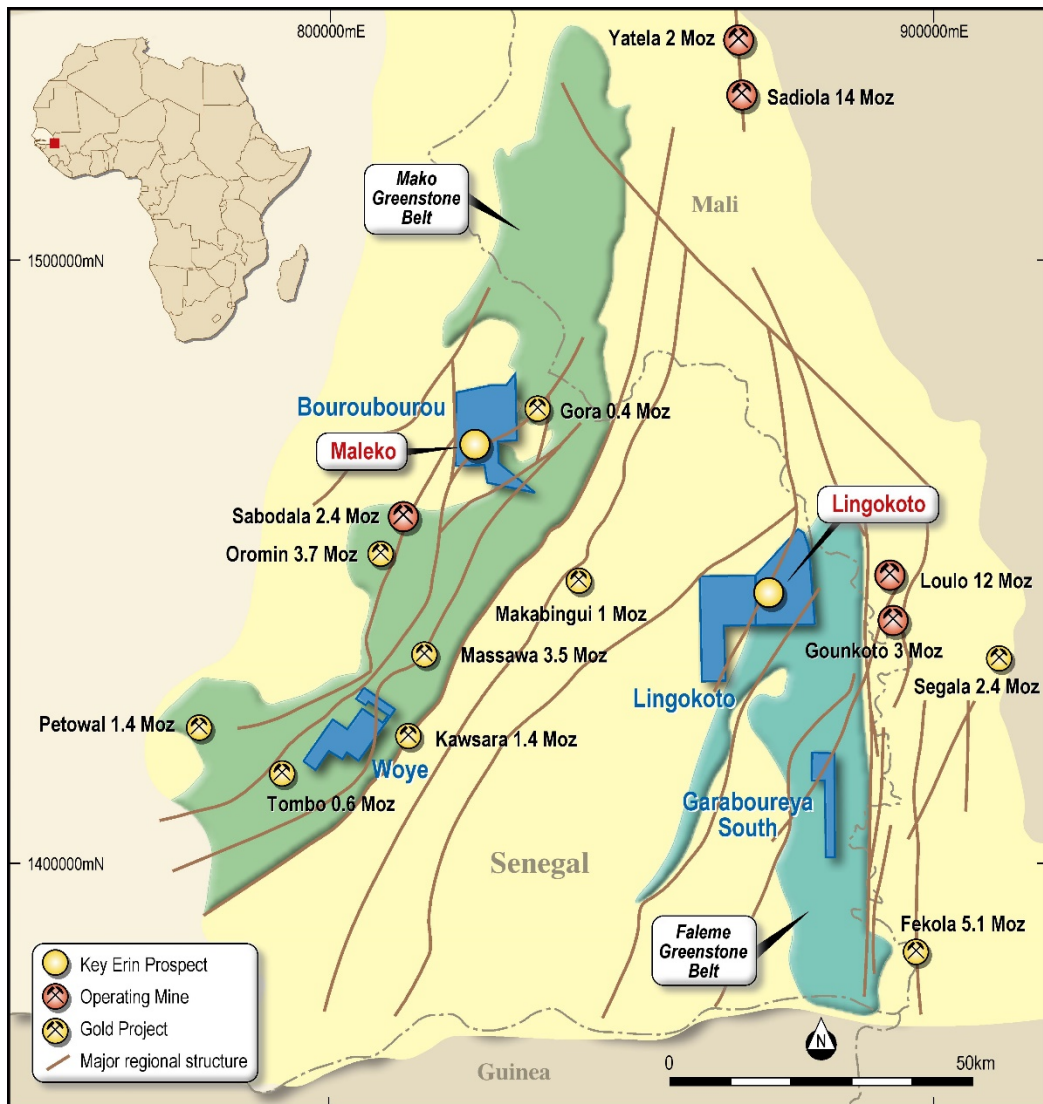


Figure 3. Regional Plan Senegal Permits and Location of Lingokoto Permit

Exploration Programs Completed in 2015

On the Bouroubourou project area in 2015, located near Teranga's Sabadola gold mine, step-out soil sampling was carried out over an untested area south of the Maleko drill-target, successfully identifying several anomalous trends flanking a granitoid intrusion. Field investigation of a 1km long >20ppb soil anomaly containing individual results to 1420ppb Au (1.42g/t Au) has located several localised outcrops of silica-pyrite veined sediments exposed through cover material. Rock-chip traverses over the outcrops returned promising results including 2m @ 15.7g/t Au and 2m @ 1.78g/t Au, and spot sample results between 0.10 and 7.35g/t Au.

This prospect is now emerging as the second priority drill-target to complement the lead Maleko gold prospect. Additional field work will continue over this target and new anomalous trends on the permit.

Lingokoto Gold Project

The final set of aircore drilling results released by the Company in July 2014 confirmed the significant potential of the Lingokoto gold project in Senegal.

The region to the east of the permit contains several 1Moz-plus gold deposits, including Randgold Limited's Loulo goldmine (more than 12Moz gold) which lies 24km east of the Lingokoto discovery.

The aircore program completed in early 2014 was the first systematic drilling program at Lingokoto, and it successfully extended the known mineralisation 980m to the south-west of the initial RAB intersections, which included a near-surface result of 6m at 51.5gpt (see ASX release dated January 29, 2014).

A second aircore drilling program was subsequently undertaken at Lingokoto in 2014. The aircore line 360m to the south-west of the initial RAB traverse intersected zones of up to **18m at 1.66g/t end-of-hole** (including **12m at 2.14g/t**). Results from adjacent holes include **12m at 0.97g/t**, **6m at 1.52g/t** and **6m at 1.01g/t**. The same line also intersected results such as **9m at 1.19g/t** and **9m at 1.05g/t** in other anomalous zones.

The southern-most line drilled to date (980m south-west of the initial RAB traverse) has returned results of **3m at 4.81g/t**, **3m at 3.51g/t**, **3m at 2.07g/t** and **6m at 1.47g/t** in several anomalous areas.

An extensional traverse drilled 320m to the north-east of the original RAB line returned anomalous (>0.20g/t Au) gold results in the expected structural position.

The Company also completed four short validation drill lines flanking mineralised parts of the initial RAB traverse, which have confirmed bedrock mineralisation in this area. A 70m-wide zone of anomalism has results to **24m at 0.75g/t EOH** including **6m at 1.07g/t**; and **3m at 2.20g/t**.

All assay results are from three metre composite samples. Significant assay results above a 0.5g/t Au cut-off grade are set out in Table 1 below.

Drilling is at an early stage and initial observations are that gold anomalism is predominately hosted by saprolitic clays below a laterite profile. Observed lithologies include greywacke, volcanoclastic sediments, diorite, quartzite and zones of sericite-silica-tourmaline-pyrite alteration.

Table 1: Lingokoto Aircore Drilling Results (>0.50g/t Au)

Hole Number	E UTM 29*	N UTM 29*	RL	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intercepts (>0.50g/t)
LGTAC026	221566	1441995	128	50	132	25	6	9	3m @ 2.22g/t Au
LGTAC028	221591	1441968	125	50	132	32	9	32	23m @ 0.75g/t Au EOH
						incl.	15	18	3m @ 1.07g/t Au
LGTAC029	221604	1441955	126	50	132	26	6	12	6m @ 0.64g/t Au
						and	18	24	6m @ 0.91g/t Au
LGTAC030	221616	1441945	130	50	132	24	15	18	3m @ 0.71g/t Au
LGTAC047	221369	1441748	144	50	132	41	9	21	12m @ 0.51g/t Au
						and	36	39	3m @ 0.54g/t Au
LGTAC048	221389	1441732	144	50	132	30	6	15	9m @ 1.05g/t Au
LGTAC061	221549	1441609	158	50	132	28	12	15	3m @ 0.62g/t Au
LGTAC063	221580	1441587	158	50	132	30	9	21	12m @ 0.97g/t Au

Hole Number	E UTM 29*	N UTM 29*	RL	Dip	Azimuth	Total Depth (m)	From (m)	To (m)	Intercepts (>0.50g/t)	
LGTAC064	221597	1441575	159	50	132	33	15	33	18m @ 1.66g/t Au	EOH
						incl.	18	30	12m @ 2.14g/t Au	
LGTAC065	221617	1441562	159	50	132	28	12	18	6m @ 1.52g/t Au	
						and	6	9	3m @ 0.63g/t Au	
LGTAC066	221627	1441552	157	50	132	19	3	9	6m @ 1.01g/t Au	
LGTAC067	221639	1441546	159	50	132	22	0	6	6m @ 0.7g/t Au	
LGTAC069	221654	1441520	140	50	132	45	33	45	12m @ 0.64g/t Au	EOH
LGTAC071	221689	1441478	140	50	132	57	30	33	3m @ 0.5g/t Au	
LGTAC072	221713	1441453	140	50	132	41	18	27	9m @ 1.19g/t Au	
LGTAC074	220870	1441388	119	50	132	28	21	24	3m @ 2.07g/t Au	
LGTAC081	221002	1441284	122	50	132	49	15	18	3m @ 3.51g/t Au	
						and	33	45	12m @ 1.6g/t Au	
						incl.	33	36	3m @ 4.81g/t Au	
LGTAC083	221056	1441234	125	50	132	65	30	36	6m @ 1.48g/t Au	
LGTAC084	221082	1441202	125	50	132	63	12	15	3m @ 0.5g/t Au	

* modified UTM grid Zone 29N

Maleko Gold Project

In early 2014, the Company reported fresh soil sampling results from the Maleko prospect, confirming Maleko as the Company's second highly promising gold project in Senegal, with the anomaly more than doubling in length to 1.2km.

The Maleko project is strategically located only 20km from Teranga's Sabadola mine, the only operating gold mine in Senegal. Maleko is located between Sabadola and Teranga's Gora deposit, which is high grade feed for the Sabadola mill.

Drilling at Maleko in late 2013 returned strong results from bedrock, including 7m at 10.4g/t. The drilling program was only conducted over a 140m strike length, with the best results coming from the western-most traverse against the original permit boundary, where the anomaly now remains open for a further 1km.

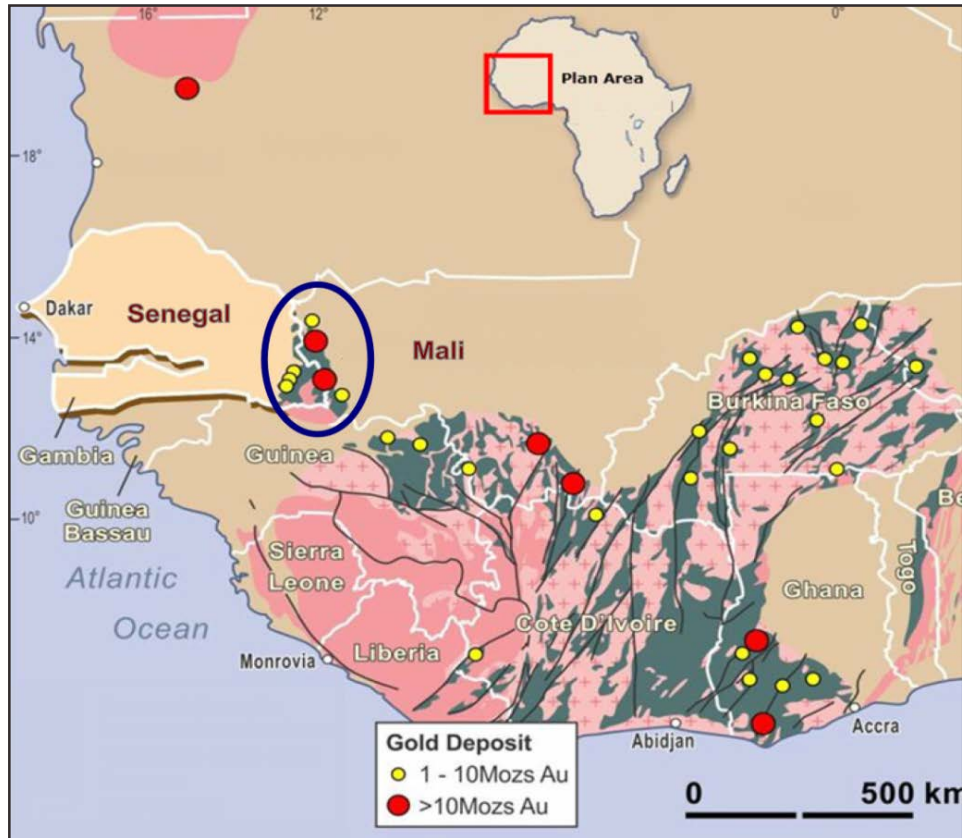


Figure 4. Biriminan Shield, Kedogou inlier 45m oz discovered

Competent Persons Statement

The information in this document that relates to Exploration Results is based on information compiled or reviewed by Mr Nick Castleden who is a member of the Australian Institute of Geosciences. Mr Castleden is a Director of the Company and has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Castleden consents to the inclusion in this document of the matters based on his information in the form and context in which it appears.

Exploration results referring to Lingokoto have been previously disclosed by the Company in accordance with JORC 2012 in the announcements dated 29/01/2014 entitled 'High Grades Encountered in First Pass Drilling'. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement. The exploration results relating to the other projects were previously prepared and disclosed under the JORC Code 2004 and have not been updated since to comply with the JORC Code 2012 on the basis that the information has not materially changed since it was last reported. The Company confirms that the form and context in which the Competent Person's findings are presented here have not been materially modified from the original market announcement. Refer to www.mgcpharma.com.au for details on exploration results.

8. Directors, key management and corporate governance

8.1 Director profiles

Subject to the Completion of the Acquisition it is intended that the Board of the Company will be comprised of Brett Mitchell, Nick Castleden, Nativ Segev, Roby Zomer and Ross Walker. Existing Director Nick Poll intends to resign as a Director following Completion of the Acquisition. The Proposed Directors Roby Zomer and Nativ Segev are both directors of MGC and entities controlled by Roby Zomer and Nativ Segev, are shareholders of MGC.

Brief profiles of the Directors of the Company following Completion of the Acquisition are set out below.

Brett Mitchell Executive Chairman

Mr Mitchell is a corporate finance executive with over 25 years of experience primarily in the finance, capital markets and resources industries. He has been involved in the founding, financing and management of early stage resources and technology companies and currently holds a non-executive directorship role on ASX listed DigitalX Ltd (ASX:DCC) and is a proposed Director of Burleson Energy Limited (ASX:BUR).

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

Nativ Segev Managing Director

Mr Segev has extensive experience in the medical cannabis industry including in industrial medical cannabis manufacturing and system design. Between 2012 and 2014 he was the CEO of Israel's second largest licensed medical cannabis company, Cann Pharmaceuticals (known as Better Cannabis). Mr Segev led that company from start-up through to a large private equity investment.

During these years Mr Segev was heavily involved in the medical cannabis regulation process in Israel and the Czech Republic, together with developing new medical treatments and spearheading the discovery of new strains of cannabinoids. Mr Segev MGC recently founded MGC to focus on the expanding European market for cannabinoids in the cosmetic industry.

Roby Zomer Executive Director

Mr Zomer brings a wealth of industrial cannabis Sativa (Hemp) growing and extraction experience, and has over 6 years' experience in the field of Eco Sustainable Projects. In 2009, Mr Zomer was the Founder and CEO of Green City Urban Recycling Ltd. Between 2012 and 2013 Mr Zomer was a consultant and representative of the biofuels industry to the government of Israel and during 2013 was appointed as an executive director of a biofuel company in South Africa and Namibia, a role he still maintains.

Mr Zomer shares Mr Segev's vision of building a large scale European extraction facility and has the necessary skills to establish and run a successful growing operation and extraction facility. He has extensive commercial business contacts in the European industry.

Mr Zomer holds a degree in sound engineering.

Nick Castleden
Non-Executive Director

Mr Castleden is a geologist with over 20 years of experience in the mineral exploration and development industry. He has worked with Australian mining companies including Mt Isa Mines, Perilya Mines, MPI Mines, LionOre and Breakaway Resources in various exploration, geological and management capacities and has had operational experience in Africa, North and South America and across Australia.

Mr Castleden has specific experience in the gold, nickel and base metal exploration business and has participated in the discovery and delineation of new gold and nickel sulphide systems that have progressed through feasibility studies to successful mining. Mr Castleden is currently a Director of Apollo Consolidated Limited.

Ross Walker
Non-Executive Director

Dr Ross Walker is an eminent practicing cardiologist with over 35 years' experience as a clinician. For the past 20 years, he has been focusing on preventative cardiology and is one of Australia's leading preventative health experts.

Considered one of the world's best keynote speakers and life coaches, he is the author of seven best-selling books, a health presenter in the Australian Media, including regular appearances on the Nine Network's 'Today Show' and 'A Current Affair', and Sky News, Switzer Business. He also has a weekly radio show on Sydney's 2UE/ 4BC & 2CC with other regular segments on 2UE, 6PR, 4BC and 3AW.

A brief profile of Nick Poll, an Existing Director who is proposed to resign following completion of the Acquisition, is outlined below.

Nick Poll
Non-Executive Director

Mr Poll has a BSc (Hons) from the University of Western Australia, an MSc in geology from the Colorado School of Mines and an MSc in business from the London Business School. He speaks fluent French and Portuguese and is a member of the Australian Institute of Mining and Metallurgy (AIMM) and the Australian Institute of Company Directors (AICD). Mr Poll is also non-executive director of Fraser Range Metals Pty Ltd.

Mr Poll is a geologist with over 25 years of experience in the geological and business development of mining projects. Most recently, he was co-founder and Managing Director of Mirabela Nickel Limited and led the discovery, development and construction of the Santa Rita nickel project. Santa Rita is the largest nickel sulphide discovery in over a decade and was built within 5 years - from first drill hole to first nickel production. The mine now produces about 20,000t of nickel a year at a cash cost below US\$6.00/lb of nickel.

Mr Poll held various positions in exploration and mining projects for gold and nickel over a long career with WMC Resources Limited. During this time, he established and managed WMC's early stage gold exploration program in French Guiana.

Key management personnel

In addition to the executive capacity of Mr Nativ Segev, who will be Managing Director of the Company upon completion of the Acquisition, Mr Roby Zomer, who will be Executive Director of the Company upon completion of the Acquisition, and Mr Brett Mitchell, the Executive Chairman of the Company, the following person will comprise the key management personnel of the Company upon completion of the Acquisition.

Elad Segev

Manager of Breeding and Cultivation

Mr Elad Segev is currently the manager of breeding and cultivation of MGC, and from Completion, will become the manager of breeding and cultivation of the Company. Mr Elad Segev has vast experience in growing medical cannabis, as well as proficiency in tissue culture methods and mother cultivations, to improve and maintain a high quality of genetics patterns. In addition, Mr Elad Segev has over 7 years of experience in international project management in the biofuels and medical cannabis industries.

Please refer to the Executive Services Agreement summaries in Section 8.6 for details of the material terms of engagement of the key management personnel.

8.2 Directors' interests

Other than as set out in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with 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 its formation or promotion, or the Offers; or
- (c) the Offers,

and the Company has not paid any amount or provided any benefit, or agreed to do so, to any Director, either to induce that Director to become, or to qualify them as a director of the Company, or otherwise, for services rendered by them in connection with the formation or promotion of the Company or the Offers.

8.3 Directors' Securities interests

Directors are not required under the Company's Constitution to hold any Shares.

Set out in the table below are details of the existing relevant interests of the Directors in securities of the Company as at the date of this Prospectus.

Director	Shares	% Interest	Options
Brett Mitchell	11,193,894	2.20%	5,800,000 ¹
Nativ Segev	Nil	Nil	Nil
Roby Zomer	Nil	Nil	Nil
Ross Walker	Nil	Nil	Nil
Nick Castleden	1,185,148	0.23%	7,000,000 ²
Nick Poll	Nil	Nil	2,000,000 ³

Notes

1 2,500,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017, 2,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017 and 800,000 Unlisted Options exercisable at \$0.20 each on or before 30 June 2017.

2 3,500,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017 and 3,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017.

3 1,000,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017 and 1,000,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017.

Set out in the table below are details of the anticipated relevant interests of the Directors in Securities upon Completion.

Director	Shares	% Interest	Options	Performance Shares ¹
Brett Mitchell	11,193,894	1.58%	5,800,000 ²	Nil
Nativ Segev ⁴	40,000,000	5.62%	Nil	20,000,000
Roby Zomer ⁵	20,000,000	2.81%	Nil	10,000,000
Ross Walker	Nil	Nil	Nil	Nil
Nick Castleden	1,185,148	0.17%	7,000,000 ³	Nil
Nick Poll	Nil	Nil	2,000,000 ⁶	Nil

Notes

1 The terms and conditions of the Performance Shares are set out in Section 14.2.

2 2,500,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017, 2,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017 and 800,000 Unlisted Options exercisable at \$0.20 each on or before 30 June 2017.

3 3,500,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017 and 3,500,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017.

4 Held by Shachar Shimony, Adv. on trust for Nativ Segev.

5 Held by Shachar Shimony, Adv. on trust for Roby Zomer.

6 1,000,000 Unlisted Options exercisable at \$0.025 each on or before 30 June 2017 and 1,000,000 Unlisted Options exercisable at \$0.04 each on or before 30 June 2017.

8.4 Remuneration of Directors

The Constitution provides that the remuneration of Non-Executive Directors will not be more than the aggregate fixed sum determined by a general meeting of Shareholders, which is currently \$250,000 per annum.

The annual remuneration of the Directors for the last two financial years was as follows:

Director		Salary and Fees \$	Other \$	Share Based payment Options \$	Total \$
Mr Brett Mitchell	FY2014/2015	25,000	115,000	38,500	178,500
	FY2013/2014	25,000	44,500	-	69,500
Mr Nick Castleden ¹	FY2014/2015	24,833	-	53,900	78,733
	FY2013/2014	4,167	30,000	-	34,167
Mr Nick Poll	FY2014/2015	25,000	-	15,400	40,400
	FY2013/2014	25,000	10,416	-	35,416

1. Mr Castleden was appointed a Director on 12 May 2014

Following completion of the Acquisition it is proposed that the Directors' fees will be \$180,000 for the Executive Chairman and \$36,000 per annum for non-executive Directors (exclusive of superannuation).

The remuneration of the executive Directors and key management personnel will be determined by the Board. A summary of the material terms of employment of Mr Nativ Segev (the proposed Managing Director), Mr Roby Zomer (the proposed Executive Director), Mr Brett Mitchell (the Executive Chairman) and key management personnel are outlined in Sections 8.5(a), 8.5(b) and 8.6.

The annual remuneration (exclusive of superannuation) payable to each of the Directors (following completion of the Acquisition) is as follows:

Director	Annual Remuneration AU\$/EUR€
Brett Mitchell	\$180,000
Nativ Segev	€150,000
Roby Zomer	€120,000
Ross Walker	\$60,000
Nick Castleden	\$36,000

For details of the Directors' interests in securities in the Company refer to Section 8.3 above.

8.5 Agreements with Directors or Related Parties

(a) Executive Service Agreement - Managing Director

The principal terms of the executive services agreement with Mr Segev for the position of Managing Director are as follows:

- i) A base salary of EUR€12,500 per month. Mr Segev will only be entitled to 80% of the base salary until MGC or the Company completes a successful capital raising of at least AU\$2,500,000 following the date of the agreement.
- ii) Mr Segev will also be provided with a company car, gas reimbursement of up to EUR€300 per month and residence reimbursement of EUR€1,000 per month while residing outside Israel and comprehensive medical insurance.
- iii) The agreement has an initial term of 12 months which will automatically renew for additional 12 month periods unless either party terminates the agreement prior to expiry of the relevant term. If the agreement is terminated in the initial 12 month period (other than for cause), then Mr Segev will be paid 12 months base salary.
- iv) Entitlement to participate in incentive plans however no determination has been made at this stage.
- v) Other industry standard provisions for a senior executive of a public listed company.

(b) Executive Service Agreement – Executive Director

The principal terms of the executive services agreement with Mr Zomer for the position of Executive Director are as follows:

- i) A base salary of EUR€10,000 per month. Mr Zomer will only be entitled to 80% of the base salary until MGC or the Company completes a successful capital raising of at least AU\$2,500,000 following the date of the agreement.
- ii) Mr Zomer will also be provided with a company car, gas reimbursement of up to EUR€300 per month and residence reimbursement of EUR€1,000 per month while residing outside Israel and comprehensive medical insurance.
- iii) The agreement has an initial term of 12 months which will automatically renew for additional 12 month periods unless either party terminates the agreement prior to expiry of the relevant term. If the agreement is terminated in the initial 12 month period (other than for cause), then Mr Zomer will be paid 12 months base salary.
- iv) Entitlement to participate in incentive plans however no determination has been made at this stage.
- v) Other industry standard provisions for a senior executive of a public listed company.

(c) **Executive Service Agreement – Executive Chairman**

The principal terms of the executive services agreement with Mr Mitchell for the position of Executive Chairman following Completion of the Acquisition are as follows:

- i) A total salary of AU\$180,000 per annum (exclusive of superannuation). Mr Mitchell will only be entitled to 80% of the base salary until MGC Pharma or the Company completes a successful capital raising of at least AU\$2,500,000 following the date of the agreement.
- ii) The agreement has an initial term of 12 months which will automatically renew for additional 12 month periods unless either party terminates the agreement prior to expiry of the relevant term. If the agreement is terminated in the initial 12 month period (other than for cause), then Mr Mitchell will be paid 12 months base salary.
- iii) Entitlement to participate in incentive plans however no determination has been made at this stage.
- iv) Other industry standard provisions for a senior executive of a public listed company.

(d) **Relationship between Proposed Directors and MGC**

Proposed Directors, Mr Nativ Segev and Mr Roby Zomer are also directors of MGC.

Entities related to Mr Nativ Segev and Mr Roby Zomer are Vendors of MGC and will receive the securities noted in Section 8.3 for their securities currently held in MGC.

(e) **Deeds of indemnity, insurance and access**

The Company is party to a deed of indemnity, insurance and access with each of the Existing Directors and is proposing to enter into similar deeds with each of the Proposed Directors upon their appointment. Under these deeds, the Company indemnifies each Director to the extent permitted by the Corporations Act against any liability arising as a result of the Director acting as a director of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant Director and must also allow the Directors to inspect board papers in certain circumstances.

8.6 Agreements with key management personnel

Refer to Sections 8.5(a), 8.5(b) and 8.5(c) for a summary of the key terms of Mr Nativ Segev's Executive Services Agreement for the position of Managing Director, Mr Roby Zomer's Executive Service Agreement for the position of Executive Director and Mr Brett Mitchell's Executive Service Agreement for the position of Executive Chairman.

(a) **Executive Services Agreement – Manager of Breeding and Cultivation**

The principal terms of the executive services agreement with Mr Elad Segev for the position of manager of breeding and cultivation are as follows:

- i) A base salary of EUR€10,000 per month. Mr Elad Segev will only be entitled to 80% of the base salary until MGC or the Company completes a successful capital raising of at least AU\$2,500,000 following the date of the agreement.
- ii) Mr Elad Segev will also be provided with a company car, gas reimbursement of up to EUR€300 per month, residence reimbursement of EUR€1,000 per month and comprehensive medical insurance while residing outside Israel.
- iii) The agreement has an initial term of 12 months which will automatically renew for additional 12 month periods unless either party terminates the agreement prior to expiry of the relevant term. If the agreement is terminated in the initial 12 month period (other than for cause), then Mr Elad Segev will be paid 12 months base salary.
- iv) Entitlement to participate in incentive plans however no determination has been made at this stage.
- v) Other industry standard provisions for a senior executive of a public listed company.

8.7 Corporate governance

This summary identifies the key corporate governance policies and practices adopted by the Company's Board. The Board is committed to ensuring continued investor confidence in the operations of the Company and in maintaining high standards of corporate governance in the performance of their duties.

The role of the Board

The role of the board of Directors is to provide strategic guidance to the Company (and its related bodies corporate), effective oversight of management and to provide a sound base for a culture of good corporate governance within the Company.

The Board will always retain ultimate authority over the management and staff of the Company and its related bodies corporate.

In performing its role, the Board should act, at all times:

- (a) in recognition of its overriding responsibility to act honestly, fairly and in accordance with the law in serving the interests of the Company, its shareholders, as well as its employees, customers and the community;
- (b) in a manner designed to create and continue to build sustainable value for shareholders;
- (c) in accordance with the duties and obligations imposed upon them by the Company's constitution and applicable law; and
- (d) with integrity and objectivity, consistently with the ethical, professional and other standards set out in the Company's corporate governance policies.

Responsibilities of the Board

The responsibilities of the Board include:

- (a) represent and serve the interests of Shareholders by overseeing and appraising the Company's strategies, policies and performance;
- (b) protect and optimise the Company's performance and build sustainable value for Shareholders;
- (c) set, review and ensure compliance with the Company's values and governance framework; and
- (d) ensure that Shareholders are kept informed of the Company's performance and major developments.

Composition of the Board

Under the Company's constitution, the minimum number of Directors is three and the maximum number is nine. The Board at the date of this Prospectus comprises of three Directors, namely Brett Mitchell, Nick Castleden and Nick Poll. Upon Completion of the Acquisition, the Board will comprise of five Directors, namely Brett Mitchell, Nativ Segev, Roby Zomer, Nick Castleden and Ross Walker. The Directors consider the size and composition of the Board is appropriate given the current size and status of the Company.

Each Director is bound by all of the Company's charters, policies and codes of conduct. If the Board determines it is appropriate or necessary, they may establish committees to assist in carrying out various responsibilities of the Board. Such committees will be established by a formal charter.

The Board delegates the management of the Company's business and day to day operation to the Managing Director who is authorised, in turn, to delegate such powers conferred on him or her to members of the senior management group.

The Board seeks to nominate persons for appointment to the Board who have the qualifications, experience and skills to augment the capabilities of the Board.

Independence of Directors

The Board considers the issue of independence with regard to a set of questions outlined in the Board charter. The issue is considered in light of a materiality threshold relevant to the particular time of the issue.

Independent professional advice

The Directors are entitled to seek independent professional advice at the Company's expense on any matter connected with the discharge of their responsibilities. Such advice may be sought in accordance with the procedures set out in the Board charter.

Securities trading policy

The Company has adopted a formal policy for dealing in the Company's securities by Directors and employees and their related entities (in accordance with Listing Rule 12.9). The securities trading policy regarding allowable dealings is that those persons should:

- (a) not deal in the Company's securities while in possession of price sensitive, non-public information; and
- (b) only trade in the Company's securities after receiving clearance to do so from a designated clearance officer, where clearance may not be provided in defined "blackout periods".

The securities trading policy is available on the Company's website at www.mgcpharma.com.au

Remuneration policy

The Company has adopted a remuneration policy designed to align individual and team reward and encourage executives to perform to their full capacity.

Remuneration packages may contain any or all of the following:

- (a) annual salary base with provision to recognise the value of the individuals' personal performance and their ability and experience;
- (b) rewards, bonuses, commissions, special payments and other measures available to reward individuals and teams following a particular outstanding business contribution;
- (c) share participation; and
- (d) other benefits, such as holiday leave, sickness benefits, superannuation payments and long service benefits.

The Board will determine the appropriate level and structure of remuneration of the executive team and such consideration will occur each year on the recommendation of the Managing Director.

Remuneration of executives will be reviewed annually by the Board. Determination of Non-Executive Director's fees is with regard to the long term performance of the Company.

Continuous disclosure policy

The Company, as a listed public company, is required to disclose price sensitive information to the market as it becomes known to comply with the continuous disclosure requirements of the Corporations Act and the Listing Rules.

The continuous disclosure policy of the Company ensures that all Shareholders and investors have equal access to the Company's information, to the extent practicable. Price sensitive information will be disclosed by way of an announcement to the ASX and placed on the Company's website.

Shareholder communication

The Board strives to ensure that Shareholders are provided with full and timely information to assess the performance of the Company and its Directors and to make well-informed investment decisions.

Information is communicated to Shareholders:

- (a) through the release of information to the market via the ASX;
- (b) through the distribution of the annual report and notice of annual general meeting;
- (c) through letters and other forms of communications directly to Shareholders; and
- (d) by posting relevant information on the Company's website.

Ethical standards and business conduct

The Board recognises the need for Directors and employees to observe appropriate standards of behaviour and business ethics when engaging in corporate activity. Through its code of conduct, the Board intends to maintain a reputation for integrity. The Company's business ethics are founded on openness, honesty, fairness, integrity, mutual respect, ethical conduct and compliance with laws.

The standards set out in the code of conduct are required to be adhered to by officers and employees of the Company. The code of conduct and further details of these standards can be found on the Company's website.

ASX Corporate Governance Principles and Recommendations

Where possible and having regard to the size and nature of the Company's operations, the Board has adopted the Corporate Governance Principles and Recommendations (3rd Edition) issued by the ASX Corporate Governance Council. As a listed entity the Company has been required to report any departures from the principles and recommendations in its annual report. The Company's departures from the principles and recommendations, as at the date of re-admission to the Official List, are set out in the table below.

Recommendation	Nature of departure	Explanation for departure
2.1	The Company does not currently have a nomination committee	Given the Company's current size and stage of development, it is not considered necessary to have a separate Nomination Committee. The Board as a whole will identify candidates and assess their skills in deciding whether an individual has the potential to add value to the Company. The Board may also seek independent advice to assist with the identification process.
2.4	On completion the company majority of the board will not be independent directors	Given the scope and size of the Company's current operations and the skills matrix of the existing Board members, the Board considers

Recommendation	Nature of departure	Explanation for departure
		that the composition of the proposed Board is appropriate.
2.5	The Chairman of the Company is not an independent director	The Chairman, Mr Brett Mitchell, is not an independent Director, given that he is a shareholder of the Company, however the Board considers that this is appropriate given the stage of development of the Company.
4.1	The Company does not have an audit committee	The Board considers that due to the current size and scope of operations of the Company, it does not merit the establishment of a separate audit committee. Until the situation changes the Board of carries out any necessary audit committee functions.
7.1	The Company does not have a risk committee	The Board considers that due to the current size and scope of operations of the Company, it does not merit the establishment of a separate risk management committee. Until such time as determined by the Board, the Board of Directors is responsible for overseeing and approving policies for the management and oversight of material business risks, internal compliance and internal controls.
7.3	The Company does not have an internal audit function	<p>The Company does not have an internal audit function, however it has in place a system of risk management that identifies and categorises and manages material business risks faced by the Company.</p> <p>The Board has delegated responsibility for establishing and maintaining effective management strategies for material business risk to the Executive Chairman, to whom the Company's Financial Controller reports. The Board requires that the Executive Chairman reports regularly as to the effectiveness of the Group's risk management systems.</p>
8.1	The Company does not have a remuneration committee	The Board considers that due to the current size of the Company and its operations, it does not merit the establishment of a separate remuneration committee. Until the situation changes the Board of the Company will carry out any necessary remuneration committee functions.

9. Financial Information

9.1 The Company

This Section contains a summary of the audited historical statement of profit and loss and statement of financial position of the Company for the three years ended 30 June 2015 that the Directors consider relevant to investors. The financial information presented is in an abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with the Corporations Act.

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

	Audited FY ended 30-Jun-13	Audited FY ended 30-Jun-14	Audited FY ended 30-Jun-15
Other Income	25,660	11,357	5,886
Professional and consultancy Fees	(131,022)	(146,051)	(99,859)
Marketing Expenses	(9,383)	(12,326)	(36,393)
Directors fees	(106,972)	(119,083)	(164,833)
Employee benefit expenses	(183,397)	(94,548)	(302,065)
Due-diligence expenditure	-	-	(166,075)
Impairment provision expense	-	(4,834,962)	(2,777,367)
Other expenses	(334,431)	(139,549)	(250,571)
Loss before operating activities	(739,545)	(5,335,162)	(3,791,277)
Foreign exchange losses	(27,352)	(2,653)	(6,514)
Loss before income tax	(766,897)	(5,337,815)	(3,797,791)
Income tax benefit	-	-	-
Loss after income tax from continuing operations	(766,897)	(5,337,815)	(3,797,791)
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
<i>Exchange differences on the translation of foreign operations</i>	24,224	(711)	1,410
Other comprehensive (loss)/income (net of tax) for the year	24,224	(711)	1,410
Total comprehensive loss for the year	(742,673)	(5,338,526)	(3,796,381)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Audited FY ended 30-Jun-13	Audited FY ended 30-Jun-14	Audited FY ended 30-Jun-15
Current assets	237,760	663,390	520,603
Non-current assets	8,466,010	4,315,040	2,000,000
TOTAL ASSETS	8,703,770	4,978,430	2,520,603
Current liabilities	483,989	234,294	398,791
Non-current liabilities	275,000	195,000	195,000
TOTAL LIABILITIES	758,989	429,294	593,791
NET ASSETS	7,944,781	4,549,136	1,926,812
Contributed equity	14,046,083	15,701,181	16,501,303
Share based payment reserve	221,365	509,148	883,083
Other reserve	24,224	23,513	24,923
Accumulated losses	(6,346,891)	(11,684,706)	(15,482,497)
TOTAL EQUITY	7,944,781	4,549,136	1,926,812

PKF Mack has prepared an Investigating Accountant's Report which incorporates the audited financial information for the Company to 30 June 2015. Please refer to Section 10 of the Prospectus for further information. PKF Mack has also prepared the pro-forma statement of financial position following completion of the Offers and the Acquisition in Section 9.3.

The audited financial statements (inclusive of significant accounting policies) of the Company for the financial years 2013, 2014 and 2015 are available on the Company's website at www.mgcpharma.com.au or free of charge by request to the Company on +61 8 9389 2000.

9.2 MGC

This Section contains a summary of the audited historical statement of profit and loss for the period of incorporation until 30 September 2015 and statement of financial position as at 30 September 2015 of MGC. The financial information presented is in an abbreviated form and does not contain all of the disclosures that are usually contained in statutory accounts prepared in accordance with statutory requirements.

STATEMENT OF FINANCIAL POSITION

	Audited Period Ended 30 September 2015 £
Assets	
<i>Current assets</i>	
Trade and other receivables	615
Total assets	615
Equity and liabilities	
<i>Capital and reserves</i>	
Share capital	10
Retained earnings	(80,205)
Total equity attributable to owners of the Company	(80,195)
<i>Current liabilities</i>	
Trade and other payables	80,810
Total liabilities	80,810
Total equity and liabilities	615

STATEMENT OF COMPREHENSIVE INCOME

	Audited Period to 30 September 2015 £
Continuing operations	
Revenue	-
Administrative expenses	(80,205)
Operating loss and loss on ordinary activities before income tax	(80,205)
Income tax	-
Loss after taxation	(80,205)
Loss for the period attributable to equity shareholders	(80,205)
Other comprehensive income	-
Total comprehensive income attributable to equity shareholders	(80,205)

The two companies comprising the MGC and MGC Slovenia (MGC Group), were incorporated on 26 August 2015 and 5 November 2012 respectively. Accordingly the MGC Group is essentially a start-up company with limited trading history. MGC is in the development phase of the business cycle and as such carries the normal risks of a start up business. Given the limited trading history of the MGC Group, no assurance can be given that the MGC Group will achieve commercial viability through the implementation of its business plan.

Investors should note, given the MGC Group's limited operating history, the ability to achieve its objectives is high risk.

The audited financial statements (inclusive of significant accounting policies) of MGC for the period from incorporation to 30 September 2015 is available (free of charge) by request to the Company on +61 8 9389 2000.

9.3 Pro-forma statement of financial position

A consolidated pro-forma historical statement of financial position as at 30 June 2015 for the Company is contained in page 6 of the Investigating Accountant's Report.

The pro-forma statement of financial position has been prepared based on the audited financial statements as at 30 June 2015, the subsequent events set out in note 13 of the Investigating Accountant's Report and adjusting for the transactions and events relating to the Acquisition and the issue of Securities under this Prospectus outlined in note 2 of the Investigating Accountant's Report.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in note 1(a) of the Investigating Accountant's Report and note 2 of the Investigating Accountant's Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the company's actual or prospective financial position.

Potential investors should read the Investigating Accountant's Report in full before making any investment decision.

10. Investigating Accountant's Report

11 December 2015

The Directors
Erin Resources Limited
Level 7
1008 Hay Street
Perth WA 6000

Dear Sirs

INVESTIGATING ACCOUNTANT'S REPORT – ERIN RESOURCES LIMITED

INTRODUCTION

We have been engaged by the Directors of Erin Resources Limited and its controlled entities ('Erin' or 'the Company') to prepare this Investigating Accountant's Report ('Report') for inclusion in a prospectus to be issued by the Company on or around 11 December 2015. The prospectus will offer up to 500,000 ordinary shares at an issue price of \$0.02 each to raise up to \$10,000 before costs ('the Offer'). The prospectus also contains an offer of 200,000,000 ordinary shares and 100,000,000 performance shares to the vendors (or their nominees) in consideration for the acquisition of all the issued share capital of MGC Pharma (UK) Ltd (MGC) and its controlled entities. The purpose of the acquisition of MGC is to obtain a permit/license to grow and cultivate cannabis in Slovenia for medical and cosmetic markets. MGC is a private company registered and incorporated in the UK.

This Report has been prepared to provide information on the historical results of the Company for the year ended 30 June 2015 and on pro forma financial information as at 30 June 2015.

BASIS OF PREPARATION

This Report does not address the rights attaching to the ordinary shares to be issued in accordance with the prospectus, the risks associated with the investment, nor form the basis of an expert's opinion with respect to the value of the Company.

In addition this Report does not provide an expert's opinion on the consideration (in the form of ordinary shares and performance shares) to be issued as consideration for the acquisition of MGC Pharma (UK) Ltd.

PKF Mack has not been requested to consider the risks of becoming a shareholder and does not purport to do so.

PKF Mack takes no responsibility for these matters or any matter or omission in the prospectus other than responsibility for this Report.

SCOPE OF REPORT

PKF Mack has been engaged by the Directors of the Company to report whether anything has come to our attention which would cause us to believe that;

- The pro forma consolidated statement of financial position of the Company as at 30 June 2015, prepared on the basis of the pro forma adjustments detailed in Note 2 to this Report is not fairly presented in accordance with the recognition and measurement requirements (but not disclosure requirements) of Australian Accounting Standards and the accounting policies adopted by the Company.

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PKF Mack | ABN 64 591 268 274

4th Floor, 35 Havelock Street | West Perth | Western Australia 6005 | Australia

PO Box 609 | West Perth | Western Australia 6872 | Australia

ERIN RESOURCES LIMITED INVESTIGATING ACCOUNTANT'S REPORT

The pro forma historical information has been derived from the Statement of Financial Position of the Company as at 30 June 2015 after adjusting for the effects of the pro forma adjustments detailed in Note 2 to this Report.

The historical financial information has been extracted from the financial report of the Company for the year ended 30 June 2015, which was audited by PKF Mack in accordance with Australian Auditing Standards. PKF Mack issued an unmodified audit opinion without an emphasis of matter.

The historical financial information and the pro forma historical financial information is presented in the prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the event and transactions to which the pro forma adjustments relate, as described in Note 2 to this Report, as if those events and transactions had occurred as at the date of the historical financial information. Due to its nature, the pro forma historical financial information does not represent the Company's actual or prospective financial position.

DIRECTORS' RESPONSIBILITY

The Directors are responsible for:

- The preparation and presentation of the historical financial information and the pro forma historical financial information, including the selection and determination of pro forma adjustments made to the historical financial information and included in the pro forma historical financial information; and
- The information contained within the Prospectus.

SCOPE OF REVIEW

We have conducted our review engagement in accordance with Australian Auditing Standard on Assurance Engagement (ASAE) 3450 Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information.

A review consists of making enquiries, primarily to the Directors and management who are persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly we do not express an audit opinion.

CONCLUSIONS

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the pro forma historical financial information is not presented fairly, in all material respects, in accordance with the stated basis of preparation as described in Note 2 to this Report and measurement requirements (but not the disclosure requirements) of Australian Accounting Standards and other mandatory professional reporting requirements.

SUBSEQUENT EVENTS

To the best of PKF Mack's knowledge and belief, there have been no material items, transactions or events subsequent to 30 June 2015 not otherwise disclosed in this report that have come to our attention during the course of our review which would cause the information included in this report to be misleading or deceptive.

RESTRICTIONS ON USE

Without modifying our conclusion, we draw attention to the purpose of the financial information which is for inclusion in the prospectus. As a result the Report may not be suitable for another purpose.

**ERIN RESOURCES LIMITED
INVESTIGATING ACCOUNTANT'S REPORT**

CONSENT

PKF Mack has consented to the inclusion of this limited assurance report in the Prospectus in the form and content in which it is included.

DISCLOSURE OF INTEREST

PKF Mack does not have any interest in the outcome of this Offer, other than the preparation of this report for which normal professional fees will be received. PKF Mack were not involved in the preparation of any part of the prospectus, and accordingly, make no representations or warranties as to the completeness and accuracy of any information contained in any other part of the prospectus.

Yours faithfully

A handwritten signature in black ink that reads "S Fermanis". The signature is written in a cursive style with a horizontal line underneath the name.

SIMON FERMANIS
PARTNER

ERIN RESOURCES LIMITED INVESTIGATING ACCOUNTANT'S REPORT

This section contains consolidated historical financial information and consolidated pro forma historical financial information for the Company as at 30 June 2015. The historical financial information has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards and the accounting policies adopted by Erin Resources Limited as detailed in Note 1. The consolidated pro forma historical financial information has been derived from the historical financial information and assumes the completion of the pro forma adjustments as set out in Note 2 as if those adjustments had occurred as at 30 June 2015.

The consolidated financial information contained in this section of the Prospectus is presented in an abbreviated form and does not contain all the disclosures that are provided in a financial report prepared in accordance with the Corporations Act 2001 and Australian Accounting Standards and Interpretations.

The consolidated historical financial information comprises:

- The audited consolidated statement of profit or loss and other comprehensive income; and
- The audited consolidated statement of financial position as at 30 June 2015.

The consolidated pro forma historical financial information comprises:

- The reviewed consolidated pro forma statement of financial position as at 30 June 2015 for the year then ended, prepared on the basis that the pro forma adjustments detailed in Note 2 had occurred as at 30 June 2015; and
- The notes to the consolidated pro forma historical financial information.

**ERIN RESOURCES LIMITED
INVESTIGATING ACCOUNTANT'S REPORT**

**CONSOLIDATED HISTORICAL STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015**

	Notes	Historical Consolidated \$
Revenue		5,886
Professional and consultancy fees		(99,859)
Marketing expenses		(36,393)
Director's fees		(164,833)
Employee benefit expenses		(302,065)
Due diligence expenditure		(166,075)
Office and administrative expenditure		(43,188)
Impairment provision expense		(2,777,367)
Other expenses		(207,383)
		<hr/>
Loss before operating activities		(3,791,277)
Foreign exchange losses		(6,514)
		<hr/>
Loss before income tax		(3,797,791)
Income tax benefit		-
		<hr/>
Loss after income tax		(3,797,791)
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on the translation of foreign operations		1,410
		<hr/>
Total comprehensive income (net of tax) for the year		(3,796,381)
		<hr/> <hr/>

**ERIN RESOURCES LIMITED
INVESTIGATING ACCOUNTANT'S REPORT**

**CONSOLIDATED HISTORICAL & PRO-FORMA STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015**

	Notes	Historical Erin Resources Limited as at 30 June 2015 \$	Pro forma Consolidated as at 30 June 2015 \$
ASSETS			
Current Assets			
Cash and cash equivalents	3	436,985	2,592,910
Trade and other receivables		83,618	83,618
Total current assets		520,603	2,676,528
Non-Current Assets			
Exploration and evaluation expenditure		2,000,000	2,000,000
Intangible assets	4	-	5,361,957
Total non-current assets		2,000,000	7,361,957
Total Assets		2,520,603	10,038,485
LIABILITIES			
Current Liabilities			
Trade and other payables	5	398,791	126,715
Total current liabilities		398,791	126,715
Non-Current Liabilities			
Borrowings		195,000	195,000
Total non-current liabilities		195,000	195,000
Total Liabilities		593,791	321,715
Net Assets		1,926,812	9,716,770
EQUITY			
Capital & Reserves			
Issued capital	6	16,501,303	24,257,078
Reserves	7	908,006	995,736
Accumulated losses	8	(15,482,497)	(15,536,044)
Total Equity		1,926,812	9,716,770

This statement should be read with the accompanying notes.

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Notes to and Forming Part of the Financial Statements

Note 1. Summary of significant accounting policies

The significant accounting policies that have been adopted in the preparation of the financial information are:

(a) Basis of Preparation

The historical consolidated financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure, requirements specified by all Australian Accounting Standards and Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value, as explained in the accounting policies below.

The financial information is presented in Australian dollars, unless otherwise noted.

(b) Accounting Estimates and Judgements

In the application of the accounting policies the directors are required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the directors in the application of the accounting policies that have a significant effect on the financial information are disclosed, where applicable, in the relevant notes to the financial information. Critical estimates and judgements include:

- a. Impairment of capitalised exploration expenditure – The Group tests exploration expenditure for impairment at each reporting date under the requirements of *AASB 6 Exploration for and Evaluation of Mineral Resources*. Where impairment indicators are identified the recoverable amount of the asset is assessed using value-in-use models. These models require the use of assumptions and judgements around commodity prices, production quantity, timing and cash costs.
- b. Share based payments – The Group assesses the fair value of share based payments such as share options during the period by using option pricing models such as the Binomial or Black-Scholes models that takes into account the various inputs and terms of the equity instrument granted. Management are required to make certain assumptions and estimates in order to determine and quantify these inputs and terms. Performance shares are valued based on the grant date fair value of a share in the Company adjusted for directors assumptions regarding probabilities and timing of the achievement of certain milestones required to be met for the performance shares to vest.
- c. Asset acquisition - The acquisition of MGC Pharma (UK) Limited ('MGC') has been reflected in the pro forma Statement of Financial Position as at 30 June 2015. In accounting for the acquisition, the Group has taken guidance from the principles of AASB 3 Business Combinations ("AASB 3") and determined that MGC does not constitute a business combination based on the requirements of AASB 3 but an asset acquisition. Costs associated with an asset acquisition do not need to be expensed.

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(c) Principles of Consolidation

Subsidiaries

The consolidated historical financial information incorporate the assets and liabilities of all subsidiaries of Erin Resources Limited ('Erin', 'Company') as at 30 June 2015 and the results of all subsidiaries for the year then ended. Erin and its subsidiaries together are referred to in this report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions and balances, and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments that are readily converted to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(e) Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Consolidated Entity will not be able to collect the debts. Bad debts are written off when identified.

(f) Exploration and Evaluation Expenditure

Exploration and evaluation costs, including the costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the Consolidated Entity has obtained the legal rights to explore an area are expensed. Exploration and evaluation assets are only recognised if the rights of interest are current and either:

- The expenditures are expected to be recouped through successful development and exploitation of the area of interest; or
- Activities in the area of interest have not, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. An impairment exists when the carrying amount of capitalised exploration and evaluation expenditure relating to an area of interest exceeds its recoverable amount. The asset is then written down to its recoverable amount. Any impairment losses are expensed.

(g) Intangible assets

Intangible assets acquired as part of a business combination or asset acquisition, other than goodwill, are initially measured at their fair value at the date of acquisition. Intangible assets

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acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

License/permit costs

Costs associated with the acquisition of a license/permit to cultivate hemp and or garden poppy are considered to be indefinite life identifiable intangible assets and are subject to regular impairment testing.

(h) Revenue and Other Income

Revenue is measured at the fair value of the consideration received or receivable. The following specific recognition criteria must also be met before revenue is recognised:

Interest income is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(i) Income Tax

The income tax expense or revenue for the period is the tax payable or recoverable on the current period's taxable income or tax loss based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial information, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(j) Acquisition of Subsidiaries and Businesses

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the

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Consolidated Entity in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair value are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). All other subsequent changes in the fair value of contingent consideration classified as an asset or liability are accounted for in accordance with relevant Standards. Changes in the fair value of contingent consideration classified as equity are not recognised.

Where a business combination is achieved in stages, the Consolidated Entity's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. The date the Consolidated Entity attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 Income Taxes and AASB 119 Employee Benefits respectively;
- Liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with AASB 2 Share-based Payment; and
- Assets (or disposable groups) that are classified as held for sale in accordance with AASB 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Consolidated Entity reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Consolidated Entity obtains complete information about facts and circumstances that existed as of the acquisition date – and is subject to a maximum of one year.

(k) Impairment of Assets

At each reporting date, the Consolidated Entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Consolidated Entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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(l) Investments & Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measure at amortised cost using the effective interest rate method.

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair Value

Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Consolidated Entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised as an expense.

(m) Payables

Liabilities for trade creditors and other amounts are carried at amortised cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Consolidated Entity. The amounts are unsecured and are usually paid within 30 days.

(n) Issued Capital

Issued and paid up capital is recognised at the fair value of the consideration received by the Company.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(o) Employee Benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within twelve months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable. Employee benefits payable later than one year are measured at the present value of the estimated future cash flows to be made for those benefits. Contributions to defined contribution super plans are expensed when the employees have rendered the services entitling them to the contributions.

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(p) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Consolidated Entity has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(q) Share-Based Payments

Equity-settled benefits are provided to employees and directors.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

(r) Foreign Currency Translation

The financial statements are presented in Australian dollars, which is Erin's functional and presentational currency.

(i) Foreign Currency Transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ii) Foreign Operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- Where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables in the Financial Information are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Financial Information.

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Note 2. Summary of Pro Forma Adjustments

The pro-forma financial information has been included to reflect the position of Erin Resources Limited as at 30 June 2015 based on the following:

Assumptions Based on the Transaction

- (a) The issue of 200,000,000 fully paid ordinary shares at a deemed price of \$0.026 each (fair value of Company shares at grant date totalling \$5,200,000) to the holders of securities in MGC pursuant to the Share Sale and Purchase Agreement.
- (b) The issue of 100,000,000 performance shares at \$0.026 (fair value of Company shares at grant date) subject to certain vesting conditions as disclosed in note 7(i) to this report. The total value of the performance shares is deemed to be \$1,960,000 however, this has no impact on the pro forma financial information as these performance shares vest from grant date to 31 December 2016.
- (c) The acquisition of MGC Pharma (UK) Ltd and controlled entities in accordance with 2(a) and 2(b) above.
- (d) The issue of 500,000 ordinary shares in the Company to raise \$10,000.
- (e) Assumed costs associated with the prospectus and transaction totalling \$145,471 capitalised.
- (f) The issue of 20,000,000 options (10,000,000 Class A options and 10,000,000 Class B options) issued to the underwriters. The Class A options have been externally valued by an independent expert and a deemed fair value of \$87,730 is attributable with these options vesting in full on grant date. The Class B options have also been externally valued by an independent expert and a deemed fair value of \$48,830 is attributable. The fair value of these options has no impact on the pro forma financial information as these options vest from grant date to 30 June 2017.
- (g) The issue of 3,346,700 ordinary shares to Media and Capital Partners to settle a liability totalling \$33,467. The fair value of these shares at grant date amounts to \$0.026 giving a total fair value of \$87,014 which results in an expense of \$53,547.
- (h) The assumption that the excess of the consideration over the tangible assets acquired is the fair value of the identifiable intangible including costs associated with its acquisition. The identifiable intangible is considered to be the permit/license which is valued at \$5,361,957.

Recognition of Subsequent Events

- (i) The issue of 135,451,635 ordinary shares in the Company at a price of \$0.02 raising \$2,709,033 incurring capital raising costs totalling \$162,542.
- (j) The payment of significant creditors totalling \$255,105 following receipt of the above noted capital raise.

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	Erin Resources Limited 30 June 2015 \$	Pro Forma 30 June 2015 \$
Note 3. Cash & Cash equivalents		
Balance at 30 June 2015	436,985	436,985
<i>Adjustments per Note 2:</i>		
Receipts from capital raising	-	2,709,033
Related share issue costs	-	(162,542)
Payment of accrued creditors from capital raise funds		(255,105)
Cash acquired upon the acquisition of MGC Pharma (UK) Ltd	-	10
Issue of shares under the prospectus	-	10,000
Costs associated with the transaction	-	(145,471)
Closing balance	<u>436,985</u>	<u>2,592,910</u>

Note 4. Intangible assets

Licence costs

Balance at 30 June 2015	-	-
<i>Adjustments per Note 2:</i>		
Fair value of consideration shares for MGC acquisition over net assets	-	5,216,486
Costs associated with the transaction	-	145,471
	<u>-</u>	<u>5,361,957</u>

Note 5. Trade and Other Payables

Licence costs

Balance at 30 June 2015	398,791	398,791
<i>Adjustments per Note 2:</i>		
Payment of creditors following receipt of capital raise	-	(255,105)
Creditors acquired upon acquisition of MGC Pharma (UK) Ltd and it's controlled entities	-	16,496
Settlement of Media and Capital Partners liability through share issue	-	(33,467)
	<u>398,791</u>	<u>126,715</u>

Note 6. Issued Capital

Balance at 30 June 2015	16,501,303	16,501,303
<i>Adjustments per Note 2:</i>		
Shares issued pursuant to capital raising	-	2,709,033
Related share issue costs	-	(162,542)
Acquisition consideration shares issued	-	5,200,000
Issue of shares under the prospectus	-	10,000
Issue of 20,000,000 options to the underwriters (i)	-	(87,730)
Issue of shares to Media and Capital Partners	-	87,014
	<u>16,501,303</u>	<u>24,257,078</u>

(i) Options issued in part consideration for services rendered in connection with the capital raise in Note 2(i). As these costs are directly related to raising capital the value is classed as a capital raising cost and has been offset against issued share capital. See Note 7 for further information on the determination of the value of the options.

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	Erin Resources Limited 30 June 2015	Pro Forma 30 June 2015
Fully Paid Ordinary Shares		
	#	#
Balance at 30 June 2015	372,134,917	372,134,917
<i>Adjustments per Note 2:</i>		
Shares issued pursuant to capital raising	-	135,451,635
Consideration shares issued	-	200,000,000
Issue of shares under the prospectus	-	500,000
Issue of shares to Media and Capital Partners	-	3,346,700
	<u>372,134,917</u>	<u>711,433,252</u>
	\$	\$

Note 7. Reserves

Foreign Currency Translation reserve at 30 June 2015	24,923	24,923
Share Based Payment Reserve at 30 June 2015 (Note 9)	883,083	970,813
	<u>908,006</u>	<u>995,736</u>

Performance Shares

	#	#
Balance at 30 June 2015	-	-
<i>Adjustments per Note 2:</i>		
Consideration performance shares issued (i)	-	100,000,000
	<u>-</u>	<u>100,000,000</u>

Options

	#	#
Balance at 30 June 2015	53,500,000	53,500,000
<i>Adjustments per Note 2:</i>		
Issue of 20,000,000 options to the underwriters (ii)	-	20,000,000
	<u>53,500,000</u>	<u>73,500,000</u>

(i) The fair value of performance shares issued has been externally valued by an independent expert. The valuation has determined that the value of one performance share equates to the value of an underlying share in the Company (deemed valuation date, using grant date at 16 November 2015 - \$0.026), adjusted to account for a directors estimate of probabilities assigned to the vesting conditions.

As announced to the market on 18 May 2015, these Class B Performance Shares vest subject to MGC or a subsidiary securing an off-take agreement to sell commercial quantities of Cannabidiol (CBD) oil that contains a minimum purity of 50% CBD and/or other MGC products, and achieving first revenue within 3 years. A subsidiary of MGC has secured an offtake agreement and therefore, the remaining condition is the achievement of first revenue within the next three years. Based on internal models and estimates, the directors believe that this will be achieved by 31 December 2016 and have assigned a probability factor of 75%. Therefore, the fair value of the performance rights issued totals \$1,950,000 which will vest over the period from grant date to 31 December 2016.

(ii) The fair value of options issued to the underwriters for services rendered in connection with the capital raise (as described in Note 2(i)) have also been externally valued by an independent expert. There are two tranches of options to be issued – Class A and Class B.

Class A

10,000,000 Class A options are to be issued. Class A options are not subject to any vesting period and are exercisable on or prior to 30 June 2017 (expiry date). The exercise price of Class A options amounts to \$0.025 per share. A Black and Scholes option valuation model was used to value Class A options. Based on the assumptions adopted (disclosed below) the deemed value of Class A options amounts to 0.8773 cent per option which totals \$87,730 (Note 9) which vests immediately on grant

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date. Key assumptions utilised in the Black and Scholes option valuation model for the valuation of Class A options include:

Exercise price	0.025
Expiry	30/06/2017
Grant date	16/11/2015
Share price at grant date	0.026
Risk free rate	2.02%
Volatility	63.15%

Class B

10,000,000 Class B options are to be issued. Class B options have a market based condition and expire on 30 June 2017. In order for the holder to exercise Class B options at the below noted exercise price the ordinary shares in the Company must have traded at or above \$0.03 per share (hurdle price) for a minimum of 30 consecutive trading days. If during the life of the option, the issued share capital of the Company is reconstructed then the hurdle price will be adjusted accordingly. The exercise price of Class B options amounts to \$0.04 per share. A Black and Scholes option valuation model was used to value Class B options. Based on the assumptions adopted (disclosed below) the deemed value of Class B options amounts to 0.4883 cent per option which totals \$48,830 which will vest from grant date to expiry or when the condition is fulfilled. Key assumptions utilised in the Black and Scholes option valuation model for the valuation of Class B options include:

Exercise price	0.04
Expiry	30/06/2017
Grant date	16/11/2015
Share price at grant date	0.26
Risk free rate	2.02%
Volatility	63.15%

Erin Resources Limited 30 June 2015	Pro Forma 30 June 2015
\$	\$

Note 8. Accumulated Losses

Accumulated losses at 30 June 2015	(15,482,497)	(15,482,497)
<i>Adjustments per Note 2:</i>		
Issue of shares to Media and Capital Partners	-	(53,547)
	(15,482,497)	(15,536,044)

	Fair Value	Pro Forma
#	\$	30 June 2015
		\$

Note 9. Share Based Payment Reserve

Erin Resources Limited Opening Balance	-	-	883,083
<i>Adjustments per Note 2:</i>			
Consideration Class B performance shares issued (Note 7(i))	100,000,000	1,950,000	-
Class A options issued to the underwriters (Note 7 (ii))	10,000,000	87,730	87,730
Class B options issued to the underwriters (Note 7 (ii))	10,000,000	48,830	-
		970,813	

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Note 10. Related Parties

There are no other related party transactions other than those disclosed in the 30 June 2015 financial report.

Note 11. Commitments

The Company holds tenements in Senegal and is required to incur minimum expenditure on the tenements to meet both regulatory and joint venture requirements. Within the prior financial year, all joint venture commitments had been met, and 80% - 100% interests had been earned for all projects in line with the joint venture agreements. The table below outlines only the minimum local government expenditure requirements on the exploration permits, payments of which are only payable at a stage of increased activity in Senegal and the commencement of a material exploration program.

	Erin Resources Limited 30 June 2015	Pro Forma 30 June 2015
	\$	\$
No later than 1 year	1,574,705	1,574,705
Later than 1 year but not later than 5 years	1,392,263	1,392,263
Later than 5 years	-	-
	<hr/> 2,966,968	<hr/> 2,966,968

A subsidiary of MGC (subsidiary) has signed a heads of agreement with a third party for the buying and selling of CBD extract resin. This agreement dated 18 May 2015 details a minimum annual obligation in terms of kilograms of CBD resin that must be provided by the subsidiary to the third party for an agreed price. Either party can terminate the agreement with 30 days minimum notice.

Other than these commitments, at the date of the report no other material commitments exist that we are aware of.

Note 12. Contingent Liabilities

The Company currently has contingent liabilities of \$100,054 that are related to, and dependent upon, material events occurring in relation to its Senegalese gold projects.

Note 13. Subsequent Events

Per Note 2(i), the Company issued 135,451,635 ordinary shares in the Company at a price of \$0.02 raising \$2,709,033 before capital raising costs which totalled \$162,542.

On 16 November 2015 the Company obtained approval from shareholders to affect a change to scale and nature of activities of the Company. Furthermore, approval was also obtained for the following:

- Approval of the acquisition of MGC Pharma (UK) Ltd;
- Approval of performance shares;
- Appointment of Mr. Nativ Segev and Mr. Roby Zomer as directors of the Company;
- Change of Company name to MGC Pharmaceuticals Ltd;
- Ratify the prior issue of May 2015 placement options;
- Authorisation for the issue of underwriting options to the underwriters;
- Authorisation to issue the 500,000 placement shares in connection with the prospectus; and
- Authorisation to issue shares to Media and Capital Partners.

Apart from these matters there have been no material events subsequent to balance date that require disclosure.

11. Slovenian Legal Report



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MGC PHARMACEUTICALS LTD

LEGAL OPINION

“Growing hemp in Slovenia”

17th December 2015

Disclaimers

Our advice in this document is limited to the conclusions specifically set forth herein and is based on the completeness and accuracy of the stated facts, assumptions and representations. If any of the stated facts, assumptions or representations is not entirely complete or accurate, this could have a material effect on our conclusions. If this is the case, it is imperative that we are informed immediately, and we will amend our advice accordingly. Our advice is based on legislation which is subject to change. Any such change could affect the validity of our conclusions. If our advice is implemented after some delay, its continuing validity should be confirmed with us.

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1. Background

MGC PHARMACEUTICALS LTD (hereinafter referred to as: MGC) is considering of carrying on the business activities of growing hemp and trading hemp products in Slovenia. For that purpose MGC is considering the potential purchase of business shares (*poslovnih deležev*) in the company company MGC PHARMACEUTICALS, pridelovanje rastlin in trgovina d.o.o., with its corporate seat in Ljubljana and its business address at Emonska cesta 8, 1000 Ljubljana, Slovenia, registered with the Slovenian court register under identification number (*matična številka*) 6255108000 (hereafter referred to as '**MGC Slovenia**' or the '**Company**').

With regards to the above background MGC would like KPMG to clarify following legal issues:

- 1 Is it legal to grow hemp in Slovenia, and if yes what licences permits or other authorisations issued by governmental institutions need to be obtained?
- 2 Is it legal to trade hemp products in Slovenia as long as THC is below 0.2%?
- 3 Analysis of the permit for hemp and poppy cultivation issued to the Company by the Ministry of Agriculture, Forestry and Food of the Republic of Slovenia, on the basis of documents provided by MGC, in order to establish whether the mentioned permit issued to the Company is valid and satisfies the legal requirements for growing hemp in Slovenia.

2. Explanation

2.1. General

The main umbrella act in the field of growing hemp and trading hemp products in Slovenia is ZPPPD¹. Under ZPPPD illicit drugs shall be deemed to be plants and substances of natural or synthetic origin which have psychotropic effects and which can influence a person's physical or mental health or threaten a person's appropriate social status, and which are defined in the classification list of illicit drugs adopted by the Government of the Republic of Slovenia (hereafter referred to as the '**Government**') on the proposal of the Minister of Health². Illicit drugs are classified into one of the following three groups with regard to the seriousness of the human health risks which may be a consequence of their abuse, and with regard to their use in medicine³:

- Group I: plants and substances which are very dangerous for human health due to the severe consequences which can be caused by their abuse, and which are not used in medicine.
- Group II: plants and substances which are very dangerous due to the severe consequences which can be caused by their abuse, and which can be used in medicine.

¹ Production of and Trade in Illicit Drugs Act (*Zakon o proizvodnji in prometu s prepovedanimi drogami*, Official Gazette of the Republic of Slovenia, No. 108/1999 as amended – hereafter referred to as '**ZPPPD**')

² Paragraphs 1 and 2 of Article 2 ZPPPD.

³ Paragraph 3 of Article 2 ZPPPD.

- Group III: plants and substances which are of medium danger due to the consequences which can be caused by their abuse, and which can be used in medicine.

In accordance with the foregoing the Government adopted a Decree on the classification of illicit drugs (hereafter referred to as the '**Decree on Classification**')⁴. As required by ZPPPD⁵, the Decree on Classification contains an internationally unprotected (generic) name in the Latin version or another recognized name, and the chemical name, empirical formula, and molecular weight for all substances.

Under the Decree on Classification, Hemp, whether as plant, resin, extract, tincture (*Canabis sativa* L.) is classified in Group I where plants and substances which are very dangerous due to the severe consequences which can be caused by their abuse, and which cannot be used in medicine, are classified, whereby THC⁶ is classified in Group II where plants and substances which are very dangerous due to the severe consequences which can be caused by their abuse, and which can be used in medicine, are classified.

2.2. Is it legal to grow hemp in Slovenia, and if yes what licences permits or other authorisations issued by governmental institutions need to be obtained?

The production of illicit drugs shall be deemed to be all procedures in which substances classified in the Decree on Classification are obtained, including their cultivation, processing and final preparation.

Under the general rule⁷ the production of, trade in, and possession of illicit drugs from Group I may be performed exclusively for scientific research and for educational purposes.

Notwithstanding the foregoing hemp (*Cannabis Sativa* L.) may be grown for food and industrial purposes on the basis of a permit issued by the ministry competent for agriculture (in Slovenia the Ministry of Agriculture, Forestry and Food of the Republic of Slovenia – hereafter referred to as '**MKGP**')⁸.

The detailed rules for the obtainment of such permit (hereafter referred to as the '**Permit**') are laid down in the Rules on conditions for obtaining a permit for hemp and poppy cultivation (hereafter referred to as the '**Rules**')⁹. The detailed rules and other terms for the obtainment of the Permit can be summarized as follows:

⁴ Decree on the classification of illicit drugs (*Uredba o razvrstitvi prepovedanih drog*, Official Gazette of the Republic of Slovenia, No. 45/2014).

⁵ Paragraph 3 of Article 2 ZPPPD.

⁶ Tetrahydrocannabinol – Isomers D6a(10a), D6a(7), D7, D8, D10, D9(11) and its stereochemical variants C₂₁H₃₀O₂ and Mr = 314,5.

⁷ Paragraph 1 of Article 7 ZPPPD.

⁸ Paragraph 1 of Article 9 ZPPPD.

⁹ Rules on conditions for obtaining a permit for hemp and poppy cultivation (*Pravilnik o pogojih za pridobitev dovoljenja za gojenje konoplje in maka*, Official Gazette of the Republic of Slovenia, No. 40/2011 as amended)

- 1 The Rules define the varieties of hemp that may be grown in Slovenia and the allowed THC content (hereafter referred to as the '**Industrial Hemp**')¹⁰. The Industrial Hemp may be grown for the purpose of production of seeds for further propagation, for production of food and drinks, extraction of substances for cosmetic use, for production of fiber, for animal feed and for other industrial purposes¹¹.
- 2 The Permit can be obtained by the head of the agricultural holding (hereinafter referred to as the '**Producer**') for exclusive cultivation of Industrial Hemp on the land entered into the register of agricultural holdings, provided of course that the Producer complies with all the terms of the Rules¹².
- 3 In Slovenia Industrial Hemp may only be grown on a continuous area of land of no less than 0,1 hectare¹³.
- 4 The potential Producers of Industrial Hemp must file an application¹⁴ at MKGP no later than until 10 May of the current year¹⁵.
- 5 The permit is valid for the period of one vegetation of the crop¹⁶.

¹⁰ For the purposes of the Rules the term "hemp" means all the varieties of hemp listed in the common catalogue of agricultural varieties (EU plant variety database) annually published in the Official Journal of the European Union and on the web page of the Phytosanitary Administration of the Republic of Slovenia in which the THC content does not exceed 0,2 percent (Paragraphs 1 and 2 of Article 3 of the Rules).

¹¹ Paragraph 2 of Article 3 of the Rules.

¹² Notwithstanding, it should be that the Permit cannot be obtained by a Producer:

- that in respect of the previous year grew Industrial Hemp (or poppy cultivation) in contravention with the issued Permit;
- that has in respect of the Industrial Hemp crop (or poppy cultivation), according to the final decisions issued by the inspector at the Inspectorate for Agriculture, Forestry and Food of the Republic of Slovenia, not acted with the due diligence of a good manager in accordance with the rules governing the agricultural land in respect of the previous year.

(paragraph 2 of Article 4 of the Rules)

¹³ Article 1 of the Rules

¹⁴ The application for the obtainment of the Permit must include the following data:

- name, forename and address or firm and seat of the Producer;
- identification number of the head of agricultural holding (KMG-MID);
- the surface of farm land intended for cultivation of Industrial Hemp, including the data on graphical agricultural unit of a farm holding (GERK), on which the sowing of Industrial Hemp is going to take place: GERK PID, common name of GERK, landscape of GERK (in hectares or acres or square meters) and the surface of each variety of Industrial Hemp (in hectares or acres or square meters);
- the variety of Industrial Hemp;
- the anticipated date scheduled for sowing;
- the quantity of seed intended for sowing;
- the anticipated date scheduled for cropping.

The official labels used on the packaging of the seeds in accordance with Council Directive 2002/53/EC of 13 June 2002 on the common catalogue of varieties of agricultural plant species (Official Journal of the European Communities No. 193 of 20. June 2002, page 74), last amended by the Commission Directive 2009/74/EC of 26 June 2009 amending Council Directives 66/401/EEC, 66/402/EEC, 2002/55/EC and 2002/57/EC as regards the botanical names of plants, the scientific names of other organisms and certain Annexes to Directives 66/401/EEC, 66/402/EEC and 2002/57/EC in the light of developments of scientific and technical knowledge (Official Journal of the European Communities No. 166 of 27 June 2009, page 40), needs to be attached to the application for the obtainment of the Permit.

(Article 6 of the Rules)

¹⁵ Article 5 of the Rules.

¹⁶ Article 7 of the Rules.

As the terms “head of agricultural holding” and “register of agricultural holdings” are only defined in ZKme-1¹⁷, they can only be interpreted within the meaning given to them in Zkme-1¹⁸. Therefore, the Permit can only be obtained by a those legal persons (a private entrepreneur, a farm/beekeeper, which is not a legal person or a private entrepreneur, agricultural holding – common pasture or agricultural holding – plain) that are entered in the register of agricultural holdings as agricultural holdings¹⁹. The detailed rules for entering the agricultural holding into the register of agricultural holdings are laid down in the Rules on the register of agricultural holdings²⁰ and in the Rules on the register of actual use of agricultural and forestry land²¹.

Given to the above it can be concluded, that it is legal for a legal person to grow Industrial Hemp in Slovenia if it obtains:

- a Permit (a permit for hemp and poppy cultivation) in accordance with the Rules; and

¹⁷ Agriculture Act (*Zakon o kmetijstvu*, Official Gazette of the Republic of Slovenia, No. 45/2008 as amended - hereafter referred to as '**ZKme-1**').

¹⁸ The term “head of agricultural holding” (*nosilec ali nosilka kmetijskega gospodarstva*), as defined in Point 3 of Article 3 ZKme-1, means a legal or natural person authorized or eligible to file applications relating to measures of agricultural policy or to cooperate in the implementation of measures of agricultural policy and transmit the data into the records within the scope of the ministry responsible for Agriculture, Forestry and Food, on behalf of the agricultural holding (hereafter referred to as the '**head of agricultural holding**').

The term “agricultural holding” (*kmetijsko gospodarstvo*), as defined in Point 2 of Article 3 ZKme-1 (hereafter referred to as the '**agricultural holding**'), means an organizationally and commercially rounded economic unit that includes one or more production units, is involved in agricultural or agricultural and forestry activities, has a single management, address or a seat, name or company name and is organized as :

- a legal person,
- a private entrepreneur,
- a farm, which is not a legal person or a private entrepreneur, whereby a beekeeper shall be considered a farm,
- agricultural holding – common pasture,
- agricultural holding – plain.

The term “register of agricultural holdings” means the register that contains the data on agricultural land on the Slovenian territory (hereafter referred to as the '**register of agricultural holdings**').

In accordance with Article 141 ZKme-1 the agricultural holdings must be entered in the register of agricultural holdings if they meet one of the following criteria:

1. That they are registrants for inclusion into the databases within the framework of MKGP in accordance with applicable rules.
2. That they are applying for financial support under ZKem-1 or any other measures of agricultural policy.
3. That they are entered into official records or registers for carrying on agricultural activities under other rules or regulations.
4. That they have in use:
 - at least 1 hectare of land, that under the register of actual use of agricultural or wooded land fall under agricultural land;
 - at least 0,1 hectare of olive plantations;
 - at least 0,2 hectare of intensive orchard; or
 - a hop field.

¹⁹ Articles 141 to 145 ZKme-1.

²⁰ Rules on the register of agricultural holdings (*Pravilnik o registru kmetijskih gospodarstev*, Official Gazette of the Republic of Slovenia, No. 73/2014).

²¹ Rules on the register of actual use of agricultural and forestry land (*Pravilnik o evidenci dejanske rabe kmetijskih in gozdnih zemljišč*, Official Gazette of the Republic of Slovenia, No. 122/2008 as amended).

- is entered in the register of agricultural holdings in accordance with ZKme-1, the Rules on the register of agricultural holdings²² and the Rules on the register of actual use of agricultural and forestry land²³.

2.3. Is it legal to trade hemp products in Slovenia as long as THC is below 0.2%?

Under the general rule the production of, trade in, and possession of illicit drugs from Group I may be performed exclusively for scientific research and for educational purposes²⁴ whereby illicit drugs from groups II may be produced, released into circulation, or possessed for medical, veterinary, educational, and scientific-research purposes²⁵. License's to perform such activities shall be issued by the minister responsible for health (in Slovenia currently the Minister of Health) based on the estimated annual requirements²⁶.

Illicit drugs may be released into circulation exclusively on the basis of a license issued by the Minister of Health²⁷.

Wholesale trade in illicit drugs may be performed by legal entities and natural persons involved in the production of illicit drugs and legal entities and natural persons who meet the conditions stipulated in a special Act governing wholesale trade in medicines²⁸.

In addition to the conditions specified in the preceding paragraph, legal entities and natural persons who perform wholesale trade in illicit drugs from Groups I and II must meet the following conditions²⁹:

- 1 That they have premises and equipment which are suitable for the storage and issuing of illicit drugs and which meet technical and sanitary conditions.
- 2 That they store illicit drugs in special premises in which there may be no other products, and that such premises must be protected against access by unauthorized persons.

Retail trade in illicit drugs from groups II and III shall be performed by pharmacies in accordance with the Act governing the performance of pharmacy activities³⁰.

Illicit drugs may be imported and exported solely by legal entities and natural persons who are registered to perform the production of or wholesale trade in medicines on the basis of a licence issued by the Minister for Health³¹.

²² Please see footnote No. 20.

²³ Please see footnote No. 21.

²⁴ Paragraph 1 of Article 7 ZPPPD.

²⁵ Paragraph 2 of Article 7 ZPPPD.

²⁶ Paragraph 3 of Article 7 ZPPPD.

²⁷ Paragraph 1 of Article 10 ZPPPD.

²⁸ Mainly the Medical Products Act (Zakon o zdravilih, Official Gazette of the Republic of Slovenia, No. 17/2014) and on its basis adopted regulations.

²⁹ Paragraph 2 of Article 11 ZPPPD. The Minister for health shall specify in greater detail the technical and sanitary conditions and the method of protecting the premises (Paragraph 3 of Article 11 ZPPPD) .

³⁰ Mainly the Pharmacies Act (Zakon o lekarniški dejavnosti, Official Gazette of the Republic of Slovenia, No. 9/1992 as amended) and on its basis adopted regulations and the relevant EU regulation.

³¹ Article 13 ZPPPD.

Given to the above it can be concluded, that it is legal for a legal person to trade Industrial Hemp based products in Slovenia if it obtains all the above mentioned necessary licenses to perform such activities.

2.4. Analyses of the Permit issued to MGC Slovenija by MKGP

We were provided with the following documents, namely:

- Extract from the register of agricultural holdings No. 330-5/2015/513 of 20 October 2015 issued by the Krško Administration Unit (hereafter referred to as the '**Extract**');
- Decision to issue a permit for cultivation of Industrial Hemp issued by MKGP No. 33001-580/2015/2 of 26 November 2015 (hereafter referred to as the '**Decision**');
- Application to issue a permit for cultivation of hemp filled at MKGP on 13 November 2015 (hereafter referred to as the '**Application**');
- Commercial lease agreement concluded between MGC (as the lessee) and VINA JARKOVIČ (as the lessor) on 14 October 2015, together with the handover report of 12 October 2015 (hereafter referred to as the '**Lease Agreement**').

According to the Extract the Company was entered into the register of agricultural holdings as the head of the agricultural holding and as the user of agricultural land with surface area of 129,10 acres (1,2910 hectares) entered into the register of agricultural holdings under plot identification number (GERK PID) 4445874 which is currently being used as a field.

We were not provided with the minutes on the oral proceedings in relation with the entrance or change of data in the register of agricultural holdings on the basis of which the Extract was issued. Notwithstanding, we assume, that the Company was entered into the register of agricultural holdings on the basis of the Lease Agreement (as the user of leased land). The Lease Agreement was not reviewed since this would exceed the scope of the Legal Opinion hereunder. However, for the purposes of this Legal Opinion we assume that the Lease Agreement was concluded in accordance with the Slovenian legal requirements concerning the lease of agricultural land³².

³² Acquisition of agricultural land needs to be carried out in accordance with the procedure (hereafter referred to as the '**Procedure**') laid down in Slovenian Agricultural Land Act (*Zakon o kmetijskih zemljiščih*, Official Gazette No. 59/1996 with amendments hereafter referred to as '**ZKZ**'). With some exceptions the Procedure also applies mutatis mutandis for leases of agricultural land. The lease relationship needs to be entered in to the land register and must contain certain information laid down in ZKZ. ZKZ also lays down certain mandatory rules on the duration, prolongation and termination of the lease contract. Before a lease contract, the subject of which is agricultural land, may be concluded the Procedure must be carried out or the lease contract is null and void. Notwithstanding the fact that ZKZ does not directly stipulate, that the mentioned ZKZ provisions also apply when agricultural land is being subleased there is a strong possibility that the Procedure and other above mentioned provisions of ZKZ also apply mutatis mutandis for sublease of agricultural land. In addition to the foregoing, pursuant to the relevant provisions of Code of Obligations (*Obligacijski zakonik*, Official Gazette of the Republic of Slovenia, No. 83/2001 as amended hereafter referred to as '**OZ**') and ZKZ, unless agreed otherwise, the lessee may lease the leased land to another (sublease), but only if damage is not thereby inflicted on the lessor. The lessee shall guarantee to the lessor that the sublessee will use the leased land according to the lease contract. The lessor may terminate the lease contract if the lessee subleases the leased land without the lessor's permission when such is required by law or by the contract. In case the Lease Agreement would turn out to be null and void or in case the lessee's right to use the leased land would be affected (e.g. if the Lease Agreement would be terminated or if the use of leased land would be prevented or omitted by a certain third person), this could mean the Company could potentially be removed from the register of agricultural holdings and consequently the Decision could be revoked.

According to the Decision the Company is permitted to grow Industrial Hemp – variety FEDORA 17 - on the land entered in the register of agricultural holdings of RS under plot identification number (GERK PID) 4445874 and on the surface of 100 (1 hectare). Furthermore based on the Decision the permit to grow hemp was issued for one time sowing in the year 2016.

We can accordingly confirm that the Company holds a valid Permit to cultivate Industrial Hemp – variety FEDORA 17 - on the land entered in the register of agricultural holdings of RS under plot identification number (GERK PID) 4445874 on the surface of 100,00 acres (1 hectare) but only for one time sowing in the year 2016, under the terms as explained in this legal opinion.

* * * * *

We trust that the above comments are helpful and responsive. Please feel free to contact us if you have any questions or if we can be of any further assistance.

With kind regards,

Matic Kramar
Manager



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Tax partner



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12. Risk factors

An investment in the Securities offered under this Prospectus should be considered speculative because of the nature of the Company's business. This Section identifies the major areas of risk associated with an investment in the Company, but should not be taken as an exhaustive list of the risk factors to which the Company and its Shareholders are exposed.

Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which securities will trade. Potential investors should read the entire Prospectus and consult their professional advisers before deciding whether to apply for Securities.

12.1 Risks specific to the MGC Acquisition

(a) Conditional Acquisition and Offers

As part of the Company's change in nature and scale of activities, ASX will require the Company to re-comply with Chapters 1 and 2 of the Listing Rules. This Prospectus is issued to assist the Company to re-comply with these requirements. The Shares have been suspended from the date of the General Meeting. It is anticipated that the Shares will remain suspended until Completion of the Acquisition and the Offers, re-compliance by the Company with Chapters 1 and 2 of the Listing Rules and compliance with any further conditions ASX imposes on such reinstatement. There is a risk that the Company will not be able to satisfy one or more of those requirements and that its Shares will consequently remain suspended from quotation.

Completion of the Public Offer remains subject to the Company acquiring all of the shares in MGC. In the event that the Conditions of the Offer set out in Section 6.3 are not satisfied or the Company does not receive conditional approval for re-quotation on ASX, the Company will not proceed with the Public Offer and will repay all Application Monies received. In the event that the Public Offer does not proceed the MGC Offer will not proceed.

Risks to MGC's business – growing facilities

The Company intends to operate growing facilities in Europe, focused in the immediate term in Slovenia, after which the Company's business will involve the growing of medicinal cannabis and will be exposed to the following risks:

(b) Property for growing

The Company has recently entered into an agreement to lease farmland for its Slovenian cannabis growing operations. Although the Company does not require vast acreage for the planting of its cannabis plants (up to 20 acres in the initial business plan), and depending on the size of the future MGC growing operations in Slovenia there can be no guarantee that the Company will be able to acquire all the necessary land on suitable terms although there is significant supply of suitable agricultural land available in Slovenia. In addition, there is no guarantee that the Company will be able to renew the lease it has been granted on suitable terms and if the lease agreement is not renewed on expiry of the term, the hemp license may be at risk of being terminated.

(c) Agricultural risks

The Company's business will involve the growing of medicinal cannabis, which is an agricultural product. As such the business will be subject to the risks inherent in the agricultural industry, such as insects, plant diseases, storm, fire, frost, flood, drought, water availability, water salinity, pests, bird damage and force majeure events. Although the Company plans to have both indoor and outdoor growing operations under climate controlled conditions and employ trained personnel to carefully monitor and manage the growing conditions there can be no guarantee that natural elements will not have a material adverse effect on the production of the growing operations.

(d) Key inputs for growing medicinal cannabis

The key inputs include raw material and supplies related to growing operation as well as electricity, water and other local utilities. Any significant interruptions or negative changes in the availability of economics of the supply chain for the inputs could materially impact the business, financial condition and operating results of the Company. Due to the nature of the product some of these inputs may only be available from single suppliers or a limited group of suppliers. Any restrictions on the ability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial conditions and operating results of the Company.

(e) Production yields

Any Medical Cannabis company is inherently dependent on its ability to maintain a supply of specific plant genetics for the product it plans to produce. MGC has a similar inherent need to maintain supply of high CBD yield product from its growing and extraction operations.

The deciding factor ultimately is the mass of material produced per area cultivated and the percentage content of CBD in the final extract (in the case of MGC, consistently yielding +10% CBD from the cannabis Savita plants).

(f) Product liability claims (Cosmetics, Food Supplements and Medicinal)

As a proposed manufacturer and distributor of a range of cosmetic and medical cannabis products designed to be applied or potentially ingested by humans the Company will face an inherent risk of exposure to product liability claims, regulatory action and litigation. These risks will arise if the Company's medicinal cannabis is alleged to have cause significant loss or injury. In addition, the manufacture of medicinal cannabis involves the risk of injury to consumers due to tampering by unauthorised third parties or product contamination. Previously unknown adverse reaction resulting from human consumption of medicinal cannabis alone or in combination with other medication or substances could occur. The Company may be subject to various product liability claims, including among others that the Company's products caused injury or illness, inadequate instructions for use or warnings concerning possible side effects. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect the Company's reputation with its clients and consumers generally and could have a material adverse effect on the Company's results of operations and financial conditions.

(g) Obtaining and maintaining licences

The Company's ability to research, develop and commercialise its products is dependent on the Company's ability to maintain licenses relating to the cultivation, possession and supply of controlled substances in its area of operations.

The Company's operations will initially be located in Slovenia. Initial licenses to cultivate cannabis and produce and export cannabis products need to be obtained for each operation and are granted by the relevant local authorities. MGC Slovenia has been granted a license from the Slovenian Government to grow and process its unique cannabis sativa L (Hemp). The license enables MGC to establish a growing operation in the region. The license also enables MGC to extract the CBD resin from the Cannabis Sativa L at the growing facility. The license for the first CBD crop issued by the Slovenian government is required to be renewed with each new crop that is planted, and the Company will make application at the appropriate time to ensure the correct procedures are followed for renewal. Although the Slovenian Government may have previously granted growing licenses historically, they may not do so in the future. If this is the case, MGC may not be in a position to carry on its research and development program in Slovenia.

Additionally, any proposed growing operations that are developed in any other European country will be subject to the licenses required and other applicable legislation and regulations enforced in the respective country where the operations are based. The amount of medicinal cannabis and CBD MGC is able to produce in any of these countries could potentially be capped and ultimately this will restrict the amount of cannabinoids that can be sold.

In addition MGC will require a license from the Slovenian Government (and any other European country where MGC may have future operations) to export the products produced. Prior to finalisation of processing CBD resin, MGC will apply for further licenses to export the products. There is no guarantee that these licenses will be granted or that they will be granted on satisfactory terms which may have a negative affect on the Company's operations.

(h) Controlled substance legislation

Controlled substance legislation differs between countries and legislation in certain countries may restrict or limit MGC's ability to sell its proposed products.

Most countries are parties to the Single Convention on Narcotic Drugs 1961, which governs international trade and domestic control of narcotic substances, including cannabis extracts. Countries may interpret and implement their treaty obligations in a way that creates a legal obstacle to obtaining marketing approval for MGC's proposed products in those countries. These countries may not be willing or able to amend or otherwise modify their laws and regulations to permit MGC's proposed products to be marketed, or achieving such amendments to the laws and regulations may take a prolonged period of time.

(i) Changes in laws and regulations

The Company's operations are subject to a variety of laws, regulations and guidelines. The medicinal cannabis industry is evolving worldwide and in Australia and has been identified as possibly posing risks in relation to law enforcement and government regulation. It is likely that governments worldwide, including Australia, will continue to explore the benefits, risks, regulations and operations of companies involved in medical cannabis. While to the knowledge of management, the Company is currently in compliance with all current laws, changes to laws and regulations due to matters beyond the control of the Company may cause adverse effects to its operations. The introduction of new legislation or amendments to existing legislation by governments, or the respective interpretation of the legal requirements in any of the legal jurisdictions which govern the Company's operations or contractual obligations, could impact adversely on the assets, operations and, ultimately, the financial position and financial performance of the Company and its Shares. In addition there is a risk that legal action may be taken against the Company in relation to commercial, legal, regulatory or other matters.

Risks to MGC's business – products

(j) CBD Resin

If MGC is unable to achieve a CBD resin or product of a sufficiently high purity to enable it to be marketable to the MGC's joint venture partners or other third parties in an efficient and cost-effective manner, it may be unable to produce CBD resin to provide to MGC's joint venture partners or other third parties in a profitable manner. In this eventuality, subcontractors and vendors may be sourced in order to provide some of the materials committed to by MGC. These occurrences may have a detrimental effect on MGC's financial performance.

(k) Controlled substances

Some of MGC's proposed products may contain controlled substances and their regulatory approval may generate public controversy. Political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, MGC's products. These pressures could also limit or restrict the introduction and marketing of MGC's products. Adverse publicity from cannabis misuse or adverse side effects from cannabis or other cannabinoid products may adversely affect the commercial success or market penetration achievable by MGC's products. The nature of MGC's business attracts a high level of public and media interest, and in the event of any resultant adverse publicity, MGC's reputation may be harmed.

(l) Development of products and counterparty risks

The MGC Group is party to the Off-Take Agreement with Natura and the Ananda Cosmetics Joint Venture Agreement with Dr. M. Burstein Ltd. The MGC Group will be heavily reliant on Natura and Dr. M. Burstein's expertise for the development of cosmetic and therapeutic products only, and also for the purchase of some of the CBD resin that the MGC Group produces as detailed in the Off Take Agreement. The MGC Group may also become party to other material agreements with third parties. The financial performance of the MGC Group will be exposed to, and may be adversely affected by, any failure by counterparties to these agreements to comply with the terms of those contracts. This risk is beyond the MGC Group's control.

In addition, there is a risk of financial failure or default by a participant in any joint venture or collaboration arrangements to which the MGC Group is or may become a party. There is also a risk of the insolvency or managerial failure by any of the contractors or other suppliers used by MGC in any of its activities, or that any of those agreements are terminated in accordance with their terms. Any of the above outcomes, could result in an adverse effect on MGC's operations, financial position and performance.

(m) Competition for products

The medicinal and cosmetic cannabis products industry is highly competitive and subject to rapid change. The industry continues to expand and evolve as an increasing number of competitors and potential competitors enter the market. Many of these competitors and potential competitors have substantially greater financial, technological, managerial and research and development resources and experience than MGC. Some of these competitors and potential competitors have more experience than MGC has in the development of medical and cosmetic products, including validation procedures and regulatory matters. In addition, MGC's proposed products will, if successfully developed, compete with, product offerings from large and well-established companies that have greater marketing and sales experience and capabilities than

MGC or its joint venture and collaboration partners have. If MGC is unable to compete successfully, MGC may be unable to generate, grow and sustain its revenue.

(n) **Market price of products**

If the Company achieves success leading to production of CBD resin or other cannabis based products, the revenue it will derive through the sale of CBD resin or other cannabis based products exposes the potential income of the Company to market price for those things. There is currently no transparent or liquid quoted market price for CBD resin or other cannabis based products, prices are set under off take contracts. The prices for CBD resin or other cannabis based products may fluctuate and may be affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for CBD resin or other cannabis based products, technological advancements and other macro-economic factors.

(o) **Research and development activities**

Research and development activities for products are expensive, time consuming and difficult to design and implement. Even if the results of MGC's research and development activities 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, including state and local, may suspend, delay or terminate research and development activities at any time, or suspend or terminate the registrations and quota allotments required in order to procure and handle controlled substances, for various reasons. Any of the foregoing could have a material adverse effect on MGC's business, results of operations and financial condition.

(p) **Dangerous products**

If any of MGC's proposed products, prior to or after any approval for commercial sale, cause serious or unexpected side effects, or are associated with other safety risks such as misuse, abuse or diversion, a number of potentially significant negative consequences could result, including:

- i) regulatory authorities may interrupt, delay or halt product development;
- ii) regulatory authorities may deny regulatory approval of MGC's products;
- iii) regulatory authorities may require certain labelling statements, such as warnings or contraindications or limitations on the indications for use, and/or impose restrictions on distribution;
- iv) regulatory authorities may withdraw their approval, require more onerous labelling statements any product that is approved;
- v) MGC may be required to make material changes to products;
- vi) MGC's relationships with joint venture and collaboration partners may suffer;
- vii) MGC could be sued and held liable for harm caused to product users; or
- viii) MGC's reputation may suffer generally.

MGC may have to voluntarily suspend or terminate research and development activities if at any time they present an unacceptable risks to consumers or if preliminary data demonstrates that products are unlikely to receive regulatory approval or unlikely to be successfully commercialised.

(q) **Industry growth and competition**

The medicinal cannabis industry is undergoing rapid growth and substantial change, which has resulted 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 MGC in a number of ways, including:

- i) MGC could lose strategic relationships if third parties with whom it has arrangements with (including Natura and Dr. M. Burstein Ltd) are acquired by or enter into relationships with a competitor (which could cause MGC to lose access to distribution, content, technology and other resources);
- ii) the relationship between MGC and such third parties may deteriorate and cause an adverse effect on MGC's business; and
- iii) MGC's current competitors could become stronger, or new competitors could form, from consolidations.

Any of these events could put MGC at a competitive disadvantage, which could cause MGC to lose research and development facilities or access to technology. Consolidation could also force MGC to expend greater resources to meet new or additional competitive threats, which could also harm MGC's results.

Other general risks to MGC's business

(r) **Sufficiency of funding**

The MGC Group's business strategy will require substantial expenditure and there can be no guarantees that the Company's existing cash reserves and funds generated over time by the MGC 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 MGC 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.

(s) **Protection of Intellectual Property Rights**

The MGC Group does not currently have any patent protection of its intellectual property and it is not yet known whether it will be in fact possible to obtain any patent protection of the MGC Group intellectual property. In particular, MGC does not have any intellectual property protection for the seeds that it holds. It may be difficult to prove ownership of the genetic and

DNA code of the strain of cannabis which MGC owns seeds for as the seeds have been modified through hybrid plants and clones without tracing the original genetic codes. Accordingly, the MGC Group relies on its intellectual property being kept confidential within the organisation, although it has plans to register its relevant intellectual property at the appropriate time, and jurisdiction, in the future. If the MGC Group fails to protect its intellectual property secrets, competitors may gain access to its know-how and technology, which could harm the business.

The Company may be required to spend significant resources to monitor and protect the intellectual property acquired through the proposed Acquisition of MGC. It may initiate or otherwise be involved in litigation against third parties for infringement, or to establish the validity, of its rights. Any litigation, whether or not it is successful, could result in significant expense to the Company and divert the efforts of its personnel.

(t) **Limited trading history**

MGC has only been recently incorporated and whilst its management have significant experience in the industry, MGC has a limited trading history. Given this limited trading history, there is inherent uncertainty in relation to MGC's business, and investors should consider MGC's prospects in light of its limited trading history. There can be no guarantee that MGC's research and development initiatives will be successful, or even if they are successful, to be able to generate revenue. Consequently, there can be no forecast or confirmation as to the Company's future performance following completion of the Acquisition.

(u) **Reliance on key personnel**

The recent developments of MGC have been in large part due to the talent, effort and experience of its senior management team, in particular the leadership of Nativ Segev and Roby Zomer. Although these individuals have entered into executive services agreements with the Company, there is no assurance that such contracts will not be terminated. If such contracts are terminated or breached, or if these individuals no longer continue in their current roles, new personnel will need to be employed which may adversely affect the business.

The MGC Group is also substantially dependent on the continued service of its existing development personnel because of the complexity of its services and technologies. There is no assurance that the MGC Group will be able to retain the services of these persons.

(v) **Research and development**

The Company can make no representation that any of its research into or development of its delivery system technologies will be successful, that the development milestones will be achieved, or that the delivery system technologies will be developed into products that are commercially exploitable.

There are many risks inherent in the development of new products, particularly where the products are in the early stages of development. Projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(w) **Dependence on outside parties**

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. MGC is currently already party to the Ananda Cosmetics Joint Venture Agreement with Dr. M. Burstein Ltd.

The manufacture and global distribution of products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

(x) **Foreign exchange risks**

The Company (inclusive of the MGC Group) will be operating in numerous jurisdictions, including Slovenia. Consequently, it may generate revenue and incurs costs and expenses in more than one currency. 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 foreign currencies relative to the Australian Dollar may result in lower than anticipated revenue, profit and earnings. MGC Group will be affected on an ongoing basis by foreign exchange risks and will have to monitor this risk on an ongoing basis.

(y) **Insurance coverage**

The Company faces various risks in connection with the MGC Group and may lack adequate insurance coverage or may not have the relevant insurance coverage. The Company maintains insurance coverage for its employees, as well as professional indemnity, product liability and third party liability insurance. However it does not maintain business interruption insurance or insurance against claims for certain property damage. The Company will need to review its insurance requirements periodically. If MGC Group incurs substantial losses or liabilities and its insurance coverage is unavailable or inadequate to cover such losses or liabilities, the Company's financial position and financial performance may be adversely affected.

(z) **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.

(aa) **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.

(bb) **Investment risk**

The Securities to be issued pursuant to this Prospectus should be considered speculative. They carry no guarantee as to payment of dividends, return of capital or the market value of the Securities. The prices at which an investor may be able to trade the Securities may be above or below the price paid for the Securities. While the Directors commend the Offer, prospective investors must make their own assessment of the likely risks and determine whether an investment in the Company is appropriate to their own circumstances.

13. Material contracts

13.1 Introduction

Set out below are summaries of the key provisions of contracts to which the Company is a party which are, or may be, material in terms of the Offers or the operations of the Company or otherwise are or may be relevant to an investor who is contemplating the Offers. To understand fully all rights and obligations pertaining to the material contracts, it would be necessary to read them in full.

13.2 Acquisition Agreement

The Company has entered into the Acquisition Agreement with the Vendors pursuant to which the Vendors have agreed to sell 100% of the issued capital of MGC to the Company. The principal terms of the Acquisition Agreement are as follows:

- (a) The consideration is 200,000,000 Consideration Shares and 100,000,000 Performance Shares. An option exercise fee of US\$25,000 was paid on exercise.
- (b) The Acquisition is conditional upon, and subject to, a number of conditions. These conditions have either been satisfied or substantially satisfied, with the exception of the following conditions which remain outstanding at the date of this Notice:
 - i) Each MGC Group Company obtaining any third party consents or approvals required, including from counterparties to contracts and shareholder approvals, to give effect to the transactions contemplated by the Acquisition Agreement;
 - ii) the Vendors entering into such form of restriction agreement in respect of the Consideration Securities that they are to receive as consideration as required by the ASX; and
 - iii) the Company obtaining all necessary regulatory approvals on terms acceptable to the Company and the Vendors as are required to give effect to the transactions contemplated by the Acquisition Agreement, including (if required) re-compliance with chapters 1 and 2 of the Listing Rules and the Company receiving conditional approval from ASX to reinstate the Company's quoted securities to trading on ASX following completion of the Acquisition on terms which the Company believes are capable of satisfaction.
- (c) The Vendors have acknowledged that some or all of the Consideration Securities may be subject to escrow restrictions in accordance with the requirements of ASX and agree to execute such form of restriction agreement as required by the ASX.
- (d) There are standard commercial warranties regarding the MGC Group provided by the Vendors associated with the Acquisition.
- (e) The key terms on which the Performance Shares will be issued are in 14.2.

13.3 Off-Take Agreement

MGC Slovenia and Natura have entered into an off-take agreement for CBD resin extracted from cannabis plants (**Off-Take Agreement**). Under the Off-Take Agreement, Natura has agreed to be ready to buy and MGC will provide a minimum of 300kg of CBD resin per year, according to the demands of Natura's end users.

The initial agreed price is €55,000 per kg of 100% purity CBD resin, with the price to be pro-rated according to the percentage of purity. Where MGC Slovenia has sourced the CBD resin from other producers the price payable by Natura will be determined on a cost plus 5% basis.

The agreement is for a term of four years and will automatically extend for a further four year period unless a termination notice has been given at least 6 months before the end of the third year. The agreement can be terminated by either party with 30 days written notice if no commercial steps or obligations have been carried out by each of the parties within 6 months of the date of the agreement.

MGC and Natura have granted each other exclusivity in respect of the sale and purchase of CBD resin for the duration of the agreement.

13.4 Ananda Cosmetics Joint Venture Agreement

MGC and Dr. M. Burstein Ltd entered into joint venture agreement dated 1 October 2015, to use their respective know-how and expertise, for research and development, and then production, of end-user over the counter, protocols, formulas and other intellectual property for the cosmetics and pharmaceuticals industry based on cannabinoids generated from cannabis plants (**Joint Venture Agreement**).

Under the joint venture, MGC will contribute its know-how, intellectual property and resources in relation to the growing of cannabis plants and processing of cannabinoids (including CBD) generated from cannabis plants, with the CBD to be used as the base ingredient to a series of new cosmetic over the counter products. Dr. M. Burstein Ltd will contribute research and development services and manufacturing services as shall be required for the purpose of the joint venture. The parties will jointly decide on distribution channels and the reseller services required for marketing the products produced by the joint venture.

The parties will from time to time agree upon the quantum of revenue generated from the sale of joint venture products and also on the quantum of costs incurred by each party in accordance with an agreed budget. Each party will be entitled to be reimbursed from the joint venture revenue the agreed costs incurred by it. Any excess joint venture revenue after payment of the agreed costs to each party will constitute net profit, which will be shared by the parties MGC (51%) and Dr. M. Burstein Ltd (49%).

All funding for the joint venture activities will be borne equally by the parties in accordance with an agreed budget. The ownership of any intellectual property, or improvements on intellectual property owned by a party on commencement, developed within the framework of the joint venture will be owned by the parties in their profit sharing proportions.

The agreement is for no fixed term and can be terminated by either party with 30 days written notice, if no commercial steps or obligations have been carried out by each of the parties within 6 months of the date of the agreement, or if no material research or development activity is performed for a consecutive period of 2 months. The agreement can also be terminated with

immediate effect in the case of material breach or the occurrence of insolvency events in respect of a party.

For the duration of the agreement that parties have agreed to certain exclusivity obligations. Dr. M. Burstein Ltd has agreed not to conduct any research and development, processes, development of products, or registration of intellectual property rights produced or developed from cannabis plants, outside of the joint venture (or otherwise with MGC). MGC has agreed to cooperate with Dr. M. Burstein Ltd on an exclusive basis in the research and development process of cosmetic products made of cannabis plants in the cosmetic industry.

MGC and Dr. M. Burstein Ltd have agreed to incorporate a joint venture company owned 51% by MGC and 49% by Dr. M. Burstein Ltd to regulate the ongoing joint venture relationship.

This Joint Venture was originally entered into with Natura and has subsequently been re-executed with Dr M. Burstein Ltd. Dr M. Burstein Ltd is the owner of Natura.

13.5 University of Sydney Agreement

The Company and the University of Sydney Business School, Community Placement Program (CPP) have entered into a memorandum of understanding pursuant to which CPP will provide students (from the Business, Science and/or Agriculture departments) to work on the Company's Projects including researching the business case for Hemp/CBD products to be sold into Australia. This may include the following:

- (a) Research the technical scientific aspects of the product with respect to food supplements, cosmetics and medical devices;
- (b) Investigate the market demand through surveys;
- (c) Analyse legal and regulatory considerations of Hemp/CBD products in Australia; and
- (d) Model the commercial opportunities of the project.

The agreement is non-exclusive with both parties able to engage in similar arrangements with other organisations.

The Company will own all work and IP developed as part of the Project. The agreement may be terminated by either party with seven days notice.

13.6 Agreements with Directors, Related Parties and key management personnel

A summary of the agreements with Directors, key management personnel and related parties of the Company are set out in Sections 8.5 and 8.6.

14. Additional information

14.1 Rights attaching to Shares

Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which can be inspected, free of charge, at the Company's registered office during normal business hours.

The following is a broad summary of the rights, privileges and restrictions attaching to all Shares under the Constitution. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders:

(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 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 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 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 Listing Rules or by the ASX Settlement Operating Rules.

(f) **Partly paid Shares**

The Directors may, subject to compliance with the Constitution, the Corporations Act and Listing Rules, issue partly paid shares upon which there are outstanding amounts payable. These shares will have limited rights to vote and to receive dividends.

(g) **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.

(h) **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.

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

Subject to the requirements in the Corporations Act and the 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).

(j) **Directors**

The Constitution states that the minimum number of Directors is three and the maximum number is nine.

(k) **Powers of the Board**

Except as otherwise required by the Corporations Act, any other law, the Listing Rules or the Constitution, the Directors have the power to manage the business of the Company and may exercise every right, power or capacity of the Company.

(l) **Share buy backs**

Subject to the provisions of the Corporations Act and the Listing Rules, the Company may buy back shares in itself on the terms and at times determined by the Directors.

(m) **Unmarketable parcels**

The Company's constitution permits the Board to sell the Shares held by a Shareholder if they comprise less than a marketable parcel within the meaning of Listing Rules. The procedure may only be invoked once in any 12 month period and requires the Company to give the Shareholder notice of the intended sale.

If a Shareholder does not want his Shares sold, he may notify the Company accordingly.

(n) **Capitalisation of profits**

Subject to the 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.

(o) **Capital reduction**

Subject to the Corporations Act and Listing Rules, the Company may reduce its share capital.

(p) **Preference Shares**

The Company may issue preference shares, including preference shares that are liable to be redeemed. The rights attaching to preference shares are those set out in the Constitution unless other rights have been approved by special resolution of the Company's members.

14.2 Terms and conditions of Performance Shares

For the purpose of these terms and conditions:

ASX means ASX Limited ACN 008 624 691 or, as the context permits, the securities exchange operated by that entity.

Change of Control Event means:

- (a) the occurrence of:

- (i) the offeror under a takeover offer in respect of all Shares announcing that it has achieved acceptances in respect of 50.1% or more of the Shares; and
 - (ii) that takeover bid has become unconditional; or
- (b) the announcement by the Company that:
- (i) shareholders of the Company have at a Court convened meeting of shareholders voted in favour, by the necessary majority, of a proposed scheme of arrangement under which all Shares are to be either:
 - (A) cancelled; or
 - (B) transferred to a third party; and
 - (ii) the Court, by order, approves the proposed scheme of arrangement.

Company means MGC Pharmaceuticals Ltd ACN 116 800 269.

Completion means completion of the acquisition of 100% of the issued capital of MGC by the Company.

Holder means a holder of a Performance Share.

Listing Rules means the Listing Rules of the ASX.

MGC means MGC Pharma (UK) Ltd an entity incorporated in the United Kingdom.

Share means a fully paid ordinary share in the Company.

B. Conversion and expiry of Performance Shares

- (a) **(Conversion on achievement of Milestone)** Upon MGC or one of its subsidiaries securing an off-take agreement to sell CBD oil that contains a minimum purity of 50% CBD and/or other MGC products, and achieving revenue of €1,000,000 from the supply of CBD oil and/or other MGC products under that off-take agreement (**Milestone**), each Performance Share will convert into a Share on a one for one basis.
- (b) **(Expiry Date)** The Milestone must be achieved on or before 5.00pm (WST) on the date which is three years from Completion (**Expiry Date**).
- (c) **(No conversion)** To the extent that Performance Shares have not converted into Shares on or before the Expiry Date, then all such unconverted Performance Shares held by each Holder will automatically consolidate into one Performance Share and will then convert into one Share.
- (d) **(Conversion procedure)** The Company will issue a Holder with a new holding statement for the Share or Shares as soon as practicable following the conversion of each Performance Share.
- (e) **(Ranking of shares)** Each Share into which the Performance Share will convert will upon issue:

- (i) rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
- (ii) be issued credited as fully paid;
- (iii) be duly authorised and issued by all necessary corporate action; and
- (iv) be issued free from all liens, charges and encumbrances whether known about or not including statutory and other pre-emptive rights and any transfer restrictions.

C. Conversion on change of control

- (a) If there is a Change of Control Event in relation to the Company prior to the conversion of the Performance Shares, then:

- (i) the Milestone will be deemed to have been achieved; and
- (ii) each Performance Share will automatically and immediately convert into Shares,

however, if the number of Shares to be issued as a result of the conversion of all Performance Shares due to a Change in Control Event in relation to the Company is in excess of 10% of the total fully diluted share capital of the Company at the time of the conversion, then the number of Performance Shares to be converted will be prorated so that the aggregate number of Shares issued upon conversion of all Performance Shares is equal to 10% of the entire fully diluted share capital of the Company.

D. Rights attaching to Performance Shares

- (a) **(Share capital)** Each Performance Share is a share in the capital of the Company.
- (b) **(General meetings)** Each Performance Share confers on a Holder the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. A Holder has the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting rights)** A Performance Share does not entitle a Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No dividend rights)** A Performance Share does not entitle a Holder to any dividends.
- (e) **(Rights on winding up)** Each Performance Share entitles a Holder to participate in the surplus profits or assets of the Company upon winding up of the Company, but only to the extent of \$0.0001 per Performance Share.
- (f) **(Not transferable)** A Performance Share is not transferable.
- (g) **(Reorganisation of capital)** If there is a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the issued capital of the Company, the rights of a Holder will be varied (as appropriate) in accordance with the Listing Rules which apply to reorganisation of capital at the time of the reorganisation.

- (h) **(Quotation of shares on conversion)** An application will be made by the Company to ASX Limited for official quotation of the Shares issued upon the conversion of each Performance Share within the time period required by the Listing Rules.
- (i) **(Participation in entitlements and bonus issues)** A Performance Share does not entitle a Holder to participate in new issues of capital offered to holders of Shares, such as bonus issues and entitlement issues.
- (j) **(No other rights)** A Performance Share does not give a Holder any other rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

14.3 Terms and Conditions of Class A New Options

- (a) Each Class A New Option (**Option**) gives the holder the right to subscribe for one Share upon the exercise of each Option.
- (b) The Options have no vesting period.
- (c) The Options are exercisable on or prior to 30 June 2017 (the **Expiry Date**) by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- (d) An Option not exercised on or before the Expiry Date will automatically lapse.
- (e) Subject to paragraph (m), the amount payable upon exercise of each Option will be \$0.025 (**Exercise Price**).
- (f) The Options held may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (g) The Optionholder may exercise the Options by lodging with the Company, on or before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Options shall be freely transferable and subject to compliance with the Corporations Act.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.

- (l) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (o) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

14.4 Terms and Conditions of Class B New Options

- (a) Each Class B New Option (**Option**) gives the holder the right to subscribe for one Share upon the exercise of each Option.
- (b) The Options only become exercisable after the vesting date set out in this paragraph. The vesting date of each class of Option is the date on which the Shares have traded at \$0.03 (**Hurdle Price**) or above for a minimum of 30 consecutive Trading Days (**Vesting Date**). If during the currency of the Options there is any reconstruction of the issued share capital of the Company (eg consolidation or subdivision), the Hurdle Price will be adjusted accordingly so that no benefit or detriment results to the Holder as a result of the reconstruction.
- (c) The Options are exercisable after the Vesting Date on or prior to 30 June 2017 (the **Expiry Date**) by notice in writing to the Directors of the Company accompanied by payment of the exercise price.
- (d) An Option not exercised on or before the Expiry Date will automatically lapse.
- (e) Subject to paragraph (m), the amount payable upon exercise of each Option will be \$0.04 (**Exercise Price**).
- (f) The Options held may be exercised in whole or in part, and if exercised in part, multiples of 10,000 must be exercised on each occasion.
- (g) The Optionholder may exercise the Options by lodging with the Company, on or before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised (Exercise Notice); and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised.
- (h) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

- (i) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (j) The Options shall be freely transferable and subject to compliance with the Corporations Act.
- (k) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares.
- (l) The Company will not apply for quotation of the Options on ASX. However, the Company will apply for quotation of all Shares allotted pursuant to the exercise of Options on ASX within 10 Business Days after the date of allotment of those Shares.
- (m) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (n) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.
- (o) An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

14.5 Option Offer

In addition to the Offers, the Company is making an offer pursuant to this Prospectus of up to 20,000,000 New Options (comprising 10,000,000 Class A New Options and 10,000,000 Class B New Options) for nil cash consideration to the sub-underwriters of the exercise of the Company's Options that expired on 30 June 2015 (**Sub-underwriters**) in consideration of the sub-underwriting arrangements between the Company and the Sub-underwriters (**Option Offer**). The Company will send to each Sub-underwriter this Prospectus and a personalised application form, which will outline the number of Options offered to that Sub-underwriter. In order to apply for New Options under the Option Offer you must complete and return the personalised application form to the Company.

14.6 Substantial Shareholders

At the date of this Prospectus, the following Shareholders have a voting power of 5% or more of the Shares on issue.

Shareholder	Number of Shares Held	% interest as at date of Prospectus
Craig Ian Burton	29,851,265	5.88
Timothy Leonard Weir	27,817,978	5.48

On Completion of the Offers the only substantial Shareholders will be two of the Vendors, Nativ Segev and Elad Segev.

The following tables outline the voting power of Nativ Segev and Elad Segev under various scenarios depending on whether the Performance Shares have converted into Shares.

On Completion of the Offers:

Shareholder	Number of Shares Held	% interest as at Completion of Offers
Nativ Segev ¹	40,000,000	5.62
Elad Segev ²	40,000,000	5.62

Notes

- 1 Held by Shachar Shimony, Adv. on bare trust for Nativ Segev.
- 2 Held by Shachar Shimony, Adv. on bare trust for Elad Segev.

On achievement of the Milestone prior to the expiry date of the Performance Shares (assuming no further capital raisings): Shareholder	Number of Shares Held ³	% interest as at Completion of Offers
Nativ Segev ¹	60,000,000	7.39
Elad Segev ²	60,000,000	7.39

Notes

- 1 Held by Shachar Shimony, Adv. on bare trust for Nativ Segev.
- 2 Held by Shachar Shimony, Adv. on bare trust for Elad Segev.
- 3 Assumes all of the Performance Shares issued to the Vendors are converted to Shares prior to the expiry date of the Performance Shares.

The Company will announce to the ASX details of its top-20 Shareholders (following completion of the Offers) prior to the Shares commencing trading on ASX.

14.7 Fees and benefits

Other than as set out below or elsewhere in this Prospectus, no promoter of the Company or 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 has, or had within two years before 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 its formation or promotion or in connection with the Offers under this Prospectus; or
- (c) the Offers under this Prospectus,

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 those persons for services rendered in connection with the formation or promotion of the Company or the Offers of Securities under this Prospectus.

Computershare Investor Services Pty Limited has been appointed to conduct the Company's share registry functions and to provide administrative services in respect to the processing of Applications received pursuant to this Prospectus, and will be paid for these services on standard industry terms and conditions.

PKF Mack has acted as investigating accountant and has prepared the Investigating Accountant's Report which has been included in Section 10 of this Prospectus. The Company estimates it will pay PKF Mack a total of \$10,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, PKF Mack has received fees totalling \$61,820 from the Company.

KPMG Poslovno Svetovanje, d.o.o. has prepared the Slovenian Legal Report which has been included in Section 11 of this Prospectus. The Company estimates it will pay a total of \$6,500 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, KPMG Poslovno Svetovanje, d.o.o has received \$4,657 in fees from the Company.

GTP Legal has acted as the solicitors to the Company in relation to the Offers and has been involved in due diligence enquiries on legal matters. The Company estimates it will pay GTP Legal approximately \$50,000 for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, GTP Legal has received approximately \$132,997 in fees from the Company which include fees for services provided in relation to the Acquisition, due diligence in relation to the Acquisition and the preparation of the notice of meeting seeking approval of the Acquisition at the General Meeting.

14.8 Consents

Each of the parties referred to in this section:

- (a) does not make, or purport to make, any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, other than those referred to in this section;
- (b) has not authorised or caused the issue of this Prospectus or the making of the Offers; and
- (c) makes no representations regarding, and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in, or omissions from, any part of this Prospectus other than a reference to its name and a statement and/or any report (if any) included in this Prospectus with the consent of that party as specified in this section.

PKF Mack has given its written consent to being named as the auditor to the Company in this Prospectus. PKF Mack has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

PKF Mack has given its written consent to being named as Investigating Accountant in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 in the form and context in which the report is included. PKF Mack has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

KPMG Poslovno Svetovanje, d.o.o. has given its written consent to being named as author of the Slovenian Legal Report in this Prospectus and to the inclusion of the Slovenian Legal Report in Section 11 in the form and context in which the report is included. KPMG Poslovno Svetovanje, d.o.o. has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

GTP Legal has given its written consent to being named as the lawyer to the Company in this Prospectus. GTP Legal has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

14.9 Litigation

To the knowledge of the Existing Directors and the Proposed Directors, as at the date of this Prospectus, neither the Company nor MGC Group is involved in any legal proceedings and the Existing Directors and the Proposed Directors are not aware of any legal proceedings pending or threatened against the Company or MGC Group.

14.10 Taxation

The acquisition and disposal of Securities in the Company will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

14.11 Expenses of the Offers

The estimated expenses of the Offers are as follows:

Item of expenditure	
ASIC fees	\$2,320
ASX fees	\$76,151
Legal fees	\$50,000
Investigating Accountant's Report	\$10,000
Share registry, printing and other expenses	\$7,000
Total	\$145,471

15. Directors' authorisation

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

In accordance with Section 720 of the Corporations Act, each Existing Director and Proposed Director has consented to the lodgement of this Prospectus with the ASIC and has not withdrawn that consent.

A handwritten signature in black ink, appearing to read 'Brett Mitchell', with a stylized flourish at the end.

Brett Mitchell

Executive Chairman

For and on behalf of MGC Pharmaceuticals Limited

18 December 2015

16. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

A\$ or \$ means an Australian dollar.

Acquisition means the acquisition by the Company of 100% issued capital of MGC from the Vendors pursuant to the Acquisition Agreement.

Acquisition Agreement has the meaning given in the Section 7.1.

Ananda Cosmetics means Ananda Cosmetics Amrita Ltd an entity incorporated in Slovenia, company number 6949037000.

Ananda Cosmetics Joint Venture means the joint venture between MGC and Dr M. Burstein pursuant to the Joint Venture Agreement.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or the Australian Securities Exchange operated by ASX Limited (as the context requires).

Board means the board of Directors as constituted from time to time.

CBD means cannabidiol.

Class A New Option means an Option exercisable at \$0.025 on or before 30 June 2017 and otherwise with the terms and conditions in Section 14.3.

Class B New Option means an Option exercisable at \$0.04 on or before 30 June 2017 and otherwise with the terms and conditions in Section 14.4.

Completion means the completion of the Acquisition pursuant to the Acquisition Agreement.

Company means MGC Pharmaceuticals Ltd ACN 116 800 269 (formerly Erin Resources Limited).

Completion means completion of the Acquisition.

Consideration Securities means the Shares and Performance Shares to be issued to the Vendors pursuant to the Acquisition Agreement.

Constitution means the constitution of the Company.

Corporations Act means the Corporations Act 2001 (Cth).

CPP means the University of Sydney Business School's Community Placement Programme.

Directors mean the directors of the Company at the date of this Prospectus and the Proposed Directors.

Dr. M. Burstein Ltd or Burstein Ltd means Dr. M. Burstein Ltd an entity incorporated in Israel, Company Number 513856955.

Existing Directors means the persons identified as existing directors in the Corporate Directory, the details of whom are set out in Section 8.1.

General Meeting means the general meeting of Shareholders held on 16 November 2015.

Investigating Accountant's Report means the investigating accountants report in Section 10 of this Prospectus.

Joint Venture Agreement has the meaning given in the Section 13.4.

Listing Rules means the official listing rules of ASX.

Milestone has the meaning given in Section 14.2.

MGC means MGC Pharma (UK) Ltd a company incorporated in the United Kingdom.

MGC Group or **MGC Group Companies** means the MGC and MGC Slovenia.

MGC Offer has the meaning given in Section 6.2.

MGC Slovenia means MGC Pharmaceuticals d.o.o an entity incorporated in Slovenia, company number 6255108000.

Natura means Natura Laboratories d.o.o an entity incorporated in Slovenia, Company Number 6742394000.

New Option means the Class A New Options and the Class B New Options.

Off-Take Agreement has the meaning given in the Section 13.3.

Offers means the Public Offer and the MGC Offer

Official List means the official list of ASX.

Official Quotation means official quotation of the Company's Shares by ASX in accordance with the Listing Rules.

Option means an option to acquire a Share.

Option Agreement means the option agreement dated on or about 18 May 2015 between the Company and the Vendors pursuant to which the Vendors granted the Company the exclusive option to acquire 100% of the issued capital of MGC.

Option Offer has the meaning given in Section 14.5.

Performance Share means a share issued on the terms and conditions set out in Section 14.2.

Prospectus means this information memorandum.

Proposed Directors means the persons identified as proposed directors in the Corporate Directory, the details of whom are set out in Section 8.1.

Public Offer has the meaning given in Section 6.1.

Securities means Shares, Options and Performance Shares or any combination of these as the context provides.

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

Shareholder means a holder of Shares.

THC means tetrahydrocannabinol.

Vendors means the shareholders of MGC being:

- (a) Shachar Shimony, Adv. (held on trust for Nativ Segev, Elad Segev and Roby Zomer);
- (b) Thor's Hammer Limited Company Number 5636971 as trustee for the Thor's Hammer Trust NZ;
- (c) Mr Brett Clifford Lawrence as trustee for the Arcadia Investment Trust; and
- (d) Lancaster Equity Pty Ltd ACN 605 814 186.