

29 October 2019

ASX Code: MXC

## Notice of Meeting for Annual General Meeting

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**MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company')**, a European based 'Seed to Pharmacy' bio-pharma company specialising in the production and development of phytocannabinoid derived medicines, would like to provide its Notice of Meeting for the Annual General Meeting to be held at 2.00pm (WST) on Friday 29 November 2019 at QV1 Conference Centre, QV1 Level 2, 250 St Georges Tce Perth WA 6000, which was dispatched to shareholders yesterday.

The resolutions in the Notice of Meeting address the following key items of business:

- Adoption of Remuneration Report, Re-election of Directors, Approval of 10% Placement Capacity
- Appointment of New Company Auditor – Ernst & Young
- Issue of Related Party Performance Rights to Directors following new service agreements entered into and announced in January 2019, and detailed in the 2019 Annual Report
- Ratification of Prior Share and Option Issues, Issue of Options, New ASX & ASIC Compliant Incentive Performance Rights Plan

MGC Pharma's Audit Committee and Remuneration Committee, chaired by the Company's independent non-executive director Dr Stephen Parker, ratified and approved the appointment of the new auditor Ernst & Young to support the Company's growing international operations, the incentive performance rights plan and the quantum of performance rights to be issued to the Directors based on a 30-day VWAP, as required by ASX Listing Rules for shareholder approval.

--Ends--

**For further information, please contact:**

**UK IR/Media Advisors**

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**MGC Pharmaceuticals Ltd**

Brett Mitchell  
Executive Chairman  
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**MGC PHARMACEUTICALS LTD**

**ACN 116 800 269**

**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is given that the Meeting will be held at:

**TIME:** 2:00pm (WST)

**DATE:** Friday, 29 November 2019

**PLACE:** QV1 Conference Centre  
QV1 Level 2  
250 St Georges Tce  
PERTH WA 6000

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

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

*The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4:00 pm WST on 27 November 2019.*

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## BUSINESS OF THE MEETING

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### AGENDA

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#### 1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

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#### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

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

*“That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2019.”*

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

##### **Voting Prohibition Statement:**

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

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

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

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

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#### 3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR NATIV SEGEV

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

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

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#### 4. RESOLUTION 3 – ELECTION OF DIRECTOR – DR STEPHEN PARKER

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

*“That, for the purpose of clause 13.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Dr Stephen Parker, a Director who was appointed as an additional Director on 13 March 2019, retires, and being eligible, is elected as a Director.”*

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**5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – DR ROSS WALKER**

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

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

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**6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – PLACEMENT SHARES**

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 118,750,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

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

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**7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – PRIORITY OFFER**

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 25,001,000 Shares on the terms and conditions set out in the Explanatory Statement.”*

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

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**8. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE – SHARES ISSUED TO THE VENDORS OF PANAX S.R.O**

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 5,850,875 Shares on the terms and conditions set out in the Explanatory Statement.”*

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

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**9. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE – OPTIONS ISSUED TO CANACCORD GENUITY (AUSTRALIA) LIMITED**

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

*“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 29,000,000 Options on the terms and conditions set out in the Explanatory Statement.”*

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

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**10. RESOLUTION 9 – ISSUE OF OPTIONS TO MERCHANT CORPORATE ADVISORY**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 4,500,000 Options on the terms and conditions set out in the Explanatory Statement.”*

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

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**11. RESOLUTION 10 – ISSUE OF OPTIONS TO RELATED PARTY – CHIEFTAIN SECURITIES PTY LTD**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 4,500,000 Options to Chieftain Securities Pty Ltd (or its nominee) on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of Chieftain Securities Pty Ltd (or its nominee) or any of their associates (**Resolution 10 Excluded Party**). However, the Company need not disregard a vote if it is cast by a **person** as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 10 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 10 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**12. RESOLUTION 11 – ISSUE OF OPTIONS TO CANACCORD GENUITY (AUSTRALIA) LIMITED**

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

*“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 14,500,000 Options on the terms and conditions set out in the Explanatory Statement.”*

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

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**13. RESOLUTION 12 – ADOPTION OF INCENTIVE PERFORMANCE RIGHTS PLAN**

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

*“That, for the purposes of ASX Listing Rule 7.2 (Exception 9(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Performance Rights Plan and for the issue of securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf of any Director except one who is ineligible to participate in any employee incentive scheme in relation to the Company, or any associates of those Directors. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**14. RESOLUTION 13 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR ROBY ZOMER**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 12, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 10,000,000 Performance Rights to Mr Roby Zomer (or his nominee) under the Incentive Performance Rights Plan on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought (or their nominee), or any associates of those Directors (**Resolution 13 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 13 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 13 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**15. RESOLUTION 14 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR BRETT MITCHELL**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 12, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 10,000,000 Performance Rights to Mr Brett Mitchell (or his nominee) under the Incentive Performance Rights Plan on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought (or their nominee), or any associates of those Directors (**Resolution 14 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 14 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 14 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**16. RESOLUTION 15 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR NATIV SEGEV**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, subject to the passing of Resolution 12, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue 12,500,000 Performance Rights to Mr Nativ Segev (or his nominee) under the Incentive Performance Rights Plan on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion:** The Company will disregard any votes cast in favour of the Resolution by or on behalf any Director who is eligible to participate in the employee incentive scheme in respect of which the approval is sought (or their nominee), or any associates of those Directors (**Resolution 15 Excluded Party**). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, provided the Chair is not a Resolution 15 Excluded Party, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

**Voting Prohibition Statement:**

A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
  - (i) a member of the Key Management Personnel; or
  - (ii) a Closely Related Party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

Provided the Chair is not a Resolution 15 Excluded Party, the above prohibition does not apply if:

- (a) the proxy is the Chair; and
- (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

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**17. RESOLUTION 16 – APPROVAL OF 10% PLACEMENT CAPACITY**

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

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

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

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**18. RESOLUTION 17 – APPOINTMENT OF AUDITOR**

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

*“That, for the purposes of section 327B of the Corporations Act and for all other purposes, Ernst & Young having been nominated by a Shareholder and having consented in writing to act in the capacity of auditor, be appointed as auditor of the Company with effect from the close of the Meeting.”*

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**19. RESOLUTION 18 – SPILL RESOLUTION**

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

*“That, for the purposes of section 250V(1) of the Corporations Act and for all other purposes, approval is given for:*

- (a) *the Company to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**); and*
- (b) *all Vacating Directors to cease to hold office immediately before the end of the Spill Meeting; and*

- (c) *resolutions to appoint persons to offices that will be vacated pursuant to (b) to be put to vote at the Spill Meeting.”*

**Voting Prohibition Statement:**

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

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

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

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

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**Dated: 23 October 2019**

**By order of the Board**



**Rachel Kerr  
Company Secretary**

**Voting by proxy**

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

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

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

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

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

**Voting in person**

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

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

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## EXPLANATORY STATEMENT

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

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### 1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Constitution, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2019 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

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

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### 2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

#### 2.1 General

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

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

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

#### 2.2 Voting consequences

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

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

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

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

#### 2.3 Previous voting results

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were more than 25%. Accordingly, the Spill Resolution will be relevant for this Annual General Meeting if at least 25% of the votes cast on the Remuneration Report Resolution are voted against adoption of the Remuneration Report. Refer to Resolution 18 and Section 19 for further information.

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### **3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR NATIV SEGEV**

#### **3.1 General**

ASX Listing Rule 14.4 and clause 13.2 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled to be exempt from this rotation requirement.

Mr Segev, who has served as a Director since 15 February 2016, retires by rotation and seeks re-election.

#### **3.2 Qualifications and other material directorships**

Mr Segev founded MGC Pharma in 2014 with a goal to expand into international markets and raise the quality of medicinal Phytocannabinoid products, in addition to making them accessible to patients all over the world. Prior to establishing MGC Pharma, Mr. Segev was a leader in the Medical Cannabis industry with a sizeable patient-base. He has over 10 years of experience in implementation, legislation and lobbying in the global Medical Cannabis industry, combined with over 15 years of experience in diverse executive roles.

#### **3.3 Independence**

If re-elected the Board does not consider Mr Segev will be an independent Director.

#### **3.4 Board recommendation**

The Board supports the election of Mr Segev and recommends that Shareholders vote in favour of Resolution 2.

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### **4. RESOLUTION 3 – ELECTION OF DIRECTOR – DR STEPHEN PARKER**

#### **4.1 General**

The Constitution allows the Directors to appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Dr Parker, having been appointed by other Directors on 13 March 2019 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

#### **4.2 Qualifications and other material directorships**

Dr Stephen Parker is a seasoned executive with over thirty years' experience in the pharmaceuticals and biotechnology sectors, as a senior executive in the sector, a strategic consultant, a venture capitalist and a senior corporate financier with Baring's, Warburg's and Apax Partners. Dr Parker is currently Chairman of Sareum Holdings plc and a non-Executive Director of Eternans Limited. Stephen has a D.Phil. from Oxford University and an MBA from City University Business School.

#### **4.3 Independence**

Dr Parker has no interests, position, association or relationship that might influence, or reasonably be perceived to influence, in a material respect his/her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company and its security holders generally.

If elected the Board considers Dr Parker will be an independent director.

#### **4.4 Board recommendation**

The Board supports the election of Dr Parker and recommends that Shareholders vote in favour of Resolution 3.

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### **5. RESOLUTION 4 – RE-ELECTION OF DIRECTOR – DR ROSS WALKER**

#### **5.1 General**

ASX Listing Rule 14.4 and clause 13.2 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third AGM following the director's appointment or 3 years, whichever is the longer. However, where there is more than one managing director, only one is entitled to be exempt from this rotation requirement.

Dr Walker, who has served as a Director since 30 November 2015, retires by rotation and seeks re-election.

#### **5.2 Qualifications and other material directorships**

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.

Dr Walker is considered one of the world's best keynote speakers and life coaches, he is the author of seven best-selling books and a health presenter in the Australian Media.

#### **5.3 Independence**

If re-elected the Board does consider Dr Walker to be an independent Director.

#### **5.4 Board recommendation**

The Board supports the election of Dr Walker and recommends that Shareholders vote in favour of Resolution 4.

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### **6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – PLACEMENT SHARES**

#### **6.1 General**

On 29 August 2019 the Company issued 118,750,000 Shares at an issue price of \$0.04 per Share to raise \$4,750,000, pursuant to a placement to sophisticated and professional investors.

The Shares were issued without Shareholder approval pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

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

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

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

## **6.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 5:

- (a) 118,750,000 Shares were issued;
- (b) the issue price was \$0.04 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investors. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue to be used for R&D expenditure on clinical trials, production for sale of MGC Pharma pharmaceutical grade cannabinoid products, to begin construction works on the GMP pharmaceutical facility in Malta, costs towards LSE Standard dual listing and working capital.

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## **7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – PRIORITY OFFER**

### **7.1 General**

On 16 September 2019, the Company issued 25,001,000 Shares at an issue price of \$0.04 per Share to raise \$1,000,040, pursuant to a priority offer to existing eligible shareholders under the prospectus prepared by the Company dated 29 August 2019.

The Shares were issued without Shareholder approval pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1.

Resolution 6 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 6.1 of this Explanatory Statement.

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

### **7.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 6:

- (a) 25,001,000 Shares were issued;
- (b) the issue price was \$0.04 per Share;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to eligible shareholders. None of these subscribers are related parties of the Company; and

- (e) the funds raised from this issue to be used for R&D expenditure on clinical trials, production for sale of MGC Pharma pharmaceutical grade cannabinoid products, to begin construction works on the GMP pharmaceutical facility in Malta, costs towards LSE Standard dual listing and working capital.

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## **8. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE – SHARES ISSUED TO THE VENDORS OF PANAX S.R.O**

### **8.1 General**

On 10 September 2019, the Company issued 5,850,875 Shares to the vendors of Panax s.r.o (**Panax**) in consideration for the acquisition of a further 6.67% interest in Panax following completion of an operational milestone for first extraction of cannabidiol by Panax as part of its Czech Republic operations, as announced in July 2018.

The Shares were issued without Shareholder approval pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares.

A summary of ASX Listing Rule 7.1 and 7.4 is set out in section 6.1 of this Explanatory Statement.

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

### **8.2 Technical information required by ASX Listing Rule 7.4**

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 7:

- (a) 5,850,875 Shares were issued;
- (b) the Shares were issued to the vendors of Panax for nil cash consideration;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to the vendors of Panax, none of who are related parties of the Company; and
- (e) no funds were raised from this issue as the Shares were issued in consideration for the acquisition of a further 6.67% interest in Panax.

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## **9. RESOLUTION 8 – RATIFICATION OF PRIOR ISSUE – OPTIONS TO CANACCORD GENUITY (AUSTRALIA) LIMITED**

### **9.1 General**

As announced by the Company on 21 August 2019, the Company has agreed to issue a total 45,000,000 Options to Canaccord Genuity (Australia) Limited in consideration for acting as equity capital markets advisor to the Company, comprising 14,500,000 Options exercisable at \$0.05, 14,500,000 Options exercisable at \$0.06 and 14,500,000 Options exercisable at \$0.07, all expiring on 31 August 2023.

On 16 September 2019, the Company completed the issue of the first two tranches of these Options and issued:

- (a) 14,500,000 options exercisable at \$0.05 on or before 31 August 2023; and

- (b) 14,500,000 options exercisable at \$0.06 on or before 31 August 2023.

The Options were issued without Shareholder approval pursuant to the Company's existing placement capacity under ASX Listing Rule 7.1.

Resolution 8 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options.

A summary of ASX Listing Rule 7.1 is set out in section 6.1 of this Explanatory Statement.

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

## 9.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to Resolution 8:

- (a) 29,000,000 Options were issued;
- (b) the Options were issued in consideration for services provided by Canaccord Genuity (Australia) Limited in the capacity of equity capital markets advisor to the Company;
- (c) the Options were issued on the terms and conditions set out in Schedule 2;
- (d) the Options were issued to Canaccord Genuity (Australia) Limited, who are not a related party of the Company; and
- (e) no funds were raised from this issue as the Options were issued in consideration for services provided to the Company.

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## 10. RESOLUTIONS 9 – ISSUE OF OPTIONS TO MERCHANT CORPORATE ADVISORY

### 10.1 General

As announced by the Company on 21 August 2019, Merchant Corporate Advisory Pty Ltd and Chieftain Securities Pty Ltd (an entity controlled by Director, Brett Mitchell) (together, the **JLMs**) were engaged as Joint Lead Managers to the Company's recent placement (detailed in Section 6.1 above). In consideration for this engagement, the Company has agreed to issue the JLMs a total of 9,000,000 Options, comprising 3,000,000 Options exercisable at \$0.05, 3,000,000 Options exercisable at \$0.06 and 3,000,000 Options exercisable at \$0.07, all expiring on 31 August 2023 (the **JLM Options**).

Resolution 6 seeks Shareholder approval for the issue of a total of 4,500,000 JLM Options to Merchant Corporate Advisory Pty Ltd (or its nominee), comprising:

- (a) 1,500,000 Options at \$0.05 on or before 31 August 2023;
- (b) 1,500,000 Options at \$0.06 on or before 31 August 2023; and
- (c) 1,500,000 Options at \$0.07 on or before 31 August 2023.

A summary of ASX Listing Rule 7.1 is set out in section 6.1 of this Explanatory Statement.

The effect of Resolution 9 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## 10.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 9:

- (a) the number of Options to be issued is 4,500,000 comprising:
  - (i) 1,500,000 exercisable at \$0.05 on or before 31 August 2023;
  - (ii) 1,500,000 exercisable at \$0.06 on or before 31 August 2023; and
  - (iii) 1,500,000 exercisable at \$0.07 on or before 31 August 2023.
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the Options will be issued for nil cash consideration, in consideration for joint lead manager services provided to the Company;
- (d) the Options will be issued to Merchant Corporate Advisory Pty Ltd (or its nominee), who is not a related party of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised as the Options are being issued in consideration for joint lead manager services provided to the Company.

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## 11. RESOLUTION 10 – ISSUE OF OPTIONS TO RELATED PARTY – CHIEFTAIN SECURITIES PTY LTD

### 11.1 General

As announced by the Company on 21 August 2019, the JLMs were engaged as Joint Lead Managers to the Company's recent placement (as detailed in Section 6.1 above). In consideration for this engagement, the Company has agreed to issue the JLMs a total of 9,000,000 Options, comprising 3,000,000 Options exercisable at \$0.05, 3,000,000 Options exercisable at \$0.06 and 3,000,000 Options exercisable at \$0.07, all expiring on 31 August 2023 (the **JLM Options**).

Resolution 10 seeks Shareholder approval for the issue of a total of 4,500,000 JLM Options to Chieftain Securities Pty Ltd (or its nominee), comprising:

- (a) 1,500,000 options at \$0.05 on or before 31 August 2023;
- (b) 1,500,000 options at \$0.06 on or before 31 August 2023; and
- (c) 1,500,000 options at \$0.07 on or before 31 August 2023.

### 11.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of Options constitutes giving a financial benefit and Chieftain Securities Pty Ltd is a related party of the Company by virtue of being a controlled by Mr Brett Mitchell, a Director of the Company.

The Directors (other than Mr Mitchell who has a material personal interest in the Resolution) consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the grant of these Options because the engagement is considered to be on arm's length terms as the fee charged is comparable to unrelated licensed securities dealers.

### **11.3 ASX Listing Rule 10.11**

ASX Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

As the grant of the Options involves the issue of securities to a related party of the Company, Shareholder approval pursuant to ASX Listing Rule 10.11 is required unless an exception applies. It is the view of the Directors that the exceptions set out in ASX Listing Rule 10.12 do not apply in the current circumstances.

### **11.4 Technical Information required by ASX Listing Rule 10.13**

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to Resolution 10:

- (a) the Options will be granted to Chieftain Securities Pty Ltd (or its nominee);
- (b) the number of Options to be issued is 4,500,000 comprising:
  - (i) 1,500,000 options at \$0.05 on or before 31 August 2023;
  - (ii) 1,500,000 options at \$0.06 on or before 31 August 2023; and
  - (iii) 1,500,000 options at \$0.07 on or before 31 August 2023.
- (c) the Options will be granted no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (d) the Options will be issued for nil cash consideration, accordingly no funds will be raised; and
- (e) the terms and conditions of the Options are set out in Schedule 2.

Approval pursuant to ASX Listing Rule 7.1 is not required for the grant of the Related Party Options as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the grant of Related Party Options to Cheiftain will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

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## **12. RESOLUTION 11 – ISSUE OF OPTIONS TO CANACCORD GENUITY (AUSTRALIA) LIMITED**

### **12.1 General**

As detailed in Section 9.1 above, the Company has agreed to issue a total of 45,000,000 Options to Canaccord Genuity (Australia) Limited in consideration for acting as equity capital markets advisor to the Company, 29,000,000 of which were issued on 16 September 2019 and are the subject of the ratification approval being sought in Resolution 8.

Pursuant to Resolution 8, the Company seeks Shareholder approval for the issue of the final tranche of Options to Canaccord Genuity (Australia) Limited (or its nominee), being 14,500,000 Options exercisable at \$0.07 on or before 31 August 2023.

A summary of ASX Listing Rule 7.1 is set out in section 6.1 of this Explanatory Statement.

The effect of Resolution 11 will be to allow the Company to issue the Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

## **12.2 Technical information required by ASX Listing Rule 7.1**

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 11:

- (a) the maximum number of Options to be issued is 14,500,000;
- (b) the Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Options will occur on the same date;
- (c) the Options will be issued for nil cash consideration, in consideration for services Canaccord Genuity (Australia) Limited, in their capacity as equity capital markets advisor to the Company;
- (d) the Options will be issued to Canaccord Genuity (Australia) Limited (or its nominee), who is not a related party of the Company;
- (e) the Options will be issued on the terms and conditions set out in Schedule 2; and
- (f) no funds will be raised as the Options are being issued in consideration for services Canaccord Genuity (Australia) Limited, in their capacity as equity capital markets advisor to the Company.

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## **13. RESOLUTION 12 – ADOPTION OF INCENTIVE PERFORMANCE RIGHTS PLAN**

Resolution 12 seeks Shareholder approval for the adoption of the employee incentive scheme titled Employee Performance Rights Plan (**Plan**) in accordance with ASX Listing Rule 7.2 (Exception 9(b)).

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period. ASX Listing Rule 7.2 (Exception 9(b)) sets out an exception to ASX Listing Rule 7.1 which provides that issues under an employee incentive scheme are exempt for a period of 3 years from the date on which shareholders approve the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

If Resolution 12 is passed, the Company will be able to issue Performance Rights under the Plan to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period.

Shareholders should note that no Performance Rights have previously been issued under the Plan.

The objective of the Plan is to attract, motivate and retain key employees and it is considered by the Company that the adoption of the Plan and the future issue of Performance Rights under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

Any future issues of Performance Rights under the Plan to a related party or a person whose relationship with the company or the related party is, in ASX's opinion, such that approval should be obtained will require additional Shareholder approval under ASX Listing Rule 10.14 at the relevant time. For this reason, the Company is also seeking approval under Resolutions 14 to 16 for the issue of Performance Rights to certain Directors pursuant to the Plan.

A summary of the key terms and conditions of the Plan is set out in Schedule 3. In addition, a copy of the Plan is available for review by Shareholders at the registered office of the Company until the date of the Meeting. A copy of the Plan can also be sent to Shareholders upon request to the Company Secretary (Ms Rachel Kerr). Shareholders are invited to contact the Company if they have any queries or concerns.

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**14. RESOLUTION 13, 14 AND 15 – ISSUE OF RELATED PARTY PERFORMANCE RIGHTS TO MR ROBY ZOMER, MR BRETT MITCHELL AND MR NATIV SEGEV**

**14.1 General**

The Company has agreed, subject to obtaining Shareholder approval and to the adoption of the Plan (refer Resolution 12), to issue a total of 32,500,000 Performance Rights (**Related Party Performance Rights**) to Mr Roby Zomer, Mr Brett Mitchell and Mr Nativ Segev or (their nominees) (**Related Parties**) pursuant to the Employee Performance Rights Plan (**Performance Rights Plan**) and on the terms and conditions set out below.

The purpose of the issue of the Related Party Performance Rights to the Related Parties (or their nominees) is to further motivate and reward their performance as Directors in achieving specified performance milestones within a specified performance period. The Board considers the granting of the Related Party Performance Rights to be a cost-effective reward for the Company to make to appropriately incentivise the continued performance of the Related Parties and is consistent with the strategic goals and targets of the Company.

**14.2 Chapter 2E of the Corporations Act**

Chapter 2E of the Corporations Act requires that for a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The grant of the Related Party Performance Rights constitutes giving a financial benefit and Messrs Zomer, Mitchell and Segev are related parties of the Company by virtue of being Directors.

Directors, Stephen Parker and Ross Walker (being the Directors who do not have a material interest in Resolutions 13-15) have considered the performance of the Related Parties in their respective roles within the Company and consider that the issue of the Related Party Performance Rights (together with the applicable the vesting hurdles) represent a reasonable form of potential remuneration for the Related Parties in a way that links their performance with the overall performance of the Company, aligning their remuneration to the interests of Shareholders.

Accordingly, Messrs Parker and Walker consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the issue of the Related Party Performance Rights as the exception in section 211 of the Corporations Act applies.

In addition, ASX Listing Rule 10.14 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities under an employee incentive scheme to a director of the entity, an associate of the director, or a person whose relationship with the entity, director or associate of the director is, in ASX's opinion, such that approval should be obtained.

### 14.3 Technical information required by ASX Listing Rule 10.15

Pursuant to and in accordance with the requirements of ASX Listing Rule 10.15, the following information is provided in relation to the proposed issue of the Related Party Performance Rights under Resolutions 13, 14 and 15:

- (a) the related parties are Mr Roby Zomer (Resolution 13), Mr Brett Mitchell (Resolution 14) and Mr Nativ Segev (Resolution 15) and they are related parties by virtue of being Directors;
- (b) the maximum number of Related Party Performance Rights (being the nature of the financial benefit being provided) to be granted in total to Mr Zomer and Mr Mitchell is 20,000,000 Related Party Performance Rights based on share performance and operational milestones as follows:

Milestone	Performance Rights
Malta GMP approved	5,000,000
Holding a Director position on the Board of the Company by 31 December 2019	5,000,000
Holding a Director position on the Board of the Company by 31 December 2020 and achieving share value of minimum of 8c for a minimum of 10 consecutive trading days between 1 January 2020 and 31 December 2020	5,000,000
Holding a Director position on the Board of the Company by 31 December 2021 and achieving share value of minimum of 10c for a minimum of 10 consecutive trading days between 1 January 2021 and 31 December 2021	5,000,000
<b>Total</b>	<b>20,000,000<sup>i</sup></b>

<sup>i</sup>Total of 10,000,000 each for Mr Zomer and Mr Mitchell

Mr Segev will also receive a maximum of 12,500,000 Related Party Performance Rights based on share performance and operational milestones as follows:

Milestone	Performance Rights
Malta GMP approved	2,500,000
Holding a Director position on the Board of the Company by 31 December 2019	2,500,000
Malta Cultivation Construction Completed	2,500,000
Holding a Director position on the Board of the Company by 31 December 2020 and achieving share value of minimum of 8c for a minimum of 10 consecutive trading days between 1 January 2020 and 31 December 2020	2,500,000
Holding a Director position on the Board of the Company by 31 December 2021 and achieving share value of minimum of 10c for a minimum of 10 consecutive trading days between 1 January 2021 and 31 December 2021	2,500,000
<b>Total</b>	<b>12,500,000</b>

- (c) the Related Party Performance Rights will be issued no later than 12 months after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules) and it is anticipated the Related Party Performance Rights will be issued on one date;
- (d) the Related Party Performance Rights will be granted for nil cash consideration, accordingly no funds will be raised;

- (e) no loan will be provided to the Related Parties with respect to the Related Party Performance Rights;
- (f) the Performance Rights Plan is proposed to be adopted by Shareholders pursuant to this Notice of Meeting. No Performance Rights have previously been issued under the Performance Rights Plan;
- (g) any full or part time employee or director (being Mr Zomer, Mr Mitchell and Mr Segev) of the Company is entitled to participate in the Performance Rights Plan, however, at the current time the Company does not intend to make an offer to any other employees. Accordingly, approval is being sought only for the offer to the Related Parties; and
- (h) the terms of the Related Party Performance Rights are in accordance with the Plan subject to the key terms and conditions of the Related Party Performance Rights summarised in Schedule 3.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Related Party Performance Rights to the Related Parties as approval is being obtained under ASX Listing Rule 10.15. Accordingly, the issue of Related Party Performance Rights to the Related Parties will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Board acknowledges that the issue of performance rights to Non-Executive Directors is contrary to Recommendation 8.3 of The Corporate Governance Principles and Recommendations (4th Edition) as published by the ASX Corporate Governance Council. However, the Board (excluding Mr Segev, who has a material personal interest) considers the grant of Related Party Performance Rights to Mr Segev (as a Non-Executive Director) reasonable in the circumstances for the following reasons:

- (a) the primary purpose of the grant of the Related Party Performance Rights to the Related Parties (including Mr Segev) is to provide a performance linked incentive component in the remuneration package for the Related Parties to motivate and reward the performance of the Related Parties in their respective roles as Directors;
- (b) the grant of Related Party Performance Rights to the Related Parties (including Mr Segev) will align the interests of the Related Parties with those of Shareholders;
- (c) the grant of the Related Party Performance Rights is a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties (including Mr Segev); and
- (d) it is not considered that there are any significant opportunity costs to the Company or benefits foregone by the Company in granting the Related Party Performance Rights upon the terms proposed.

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## **15. RESOLUTION 16 – APPROVAL OF 10% PLACEMENT CAPACITY**

### **15.1 General**

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

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

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

As at the date of this Notice, the Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$47,834,884.51 (based on the number of Shares on issue and the closing price of Shares on the ASX on 16 October 2019 and excluding any restricted securities that may be on issue).

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

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

As at the date of this Notice, the Company currently has 1 class of quoted Equity Securities on issue, being the 1,366,710,986 fully paid ordinary Shares (ASX Code: MXC) which includes 10,335,511 VHL ordinary shares.

If Shareholders approve Resolution 16, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2.

Resolution 16 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 16 for it to be passed.

## **15.2 Technical information required by ASX Listing Rule 7.1A**

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 16:

### **(a) Minimum Price**

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

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 15.2(a)(i), the date on which the Equity Securities are issued.

### **(b) Date of Issue**

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

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

**(10% Placement Capacity Period).**

(c) **Risk of voting dilution**

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

If Resolution 16 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in ASX Listing Rule 7.1A(2), on the basis of the market price of Shares and the number of Equity Securities on issue as at 16 October 2019.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Number of Shares on Issue (Variable A in ASX Listing Rule 7.1A2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.018	\$0.035	\$0.05
			50% decrease	Issue Price	50% increase
Funds Raised					
Current	1,366,710,986 Shares	136,671,098 Shares	\$2,391,744	\$4,783,488	\$7,175,232
50% increase	2,050,066,479 Shares	205,006,647 Shares	\$3,587,616	\$7,175,232	\$10,762,848
100% increase	2,733,421,972 Shares	273,342,197 Shares	\$4,783,488	\$9,566,976	\$14,350,465

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

**The table above uses the following assumptions:**

1. There are currently 1,366,710,986 Shares on issue.
2. The issue price set out above is the closing price of the Shares on the ASX on 16 October 2019.
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.
5. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 10% Placement Capacity, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

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

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

- (i) as cash consideration in which case the Company intends to use funds raised for a range of purposes including:
  - (A) the acquisition of new resources, assets and investments (including expenses associated with such an acquisition);
  - (B) research and development in line with the Company's current business;
  - (C) the development of the Company's current business; and
  - (D) general working capital.
- (ii) as non-cash consideration in relation to the acquisition of new resources, assets and investments including or excluding previously announced acquisitions. In such circumstances, the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

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

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

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

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

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

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

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

- (i) the purpose of the issue;

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

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

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

The Company previously obtained approval from its Shareholders pursuant to ASX Listing Rule 7.1A at its annual general meeting held on 22 November 2018 (**Previous Approval**).

The Company has not issued any Shares or Options pursuant to the Previous Approval.

During the 12 month period preceding the date of the Meeting, being on and from 22 November 2018, the Company otherwise issued a total of 153,880,574 Shares and 45,000,000 Options which represents approximately 18.14% of the total diluted number of Equity Securities on issue in the Company on 22 November 2018, which was 1,096,608,703.

Further details of the issues of Equity Securities by the Company during the 12-month period preceding the date of the Meeting are set out in Schedule 1.

### 15.3 Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 16.

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### 16. RESOLUTION 17– APPOINTMENT OF AUDITOR

PKF Perth, which is the Company's current auditor, has given notice of its intention to resign as auditor of the Company to ASIC (under section 329(5) of the Corporations Act).

Upon receipt of ASIC's consent to their resignation, PKF Perth has advised that it will submit a notice of resignation to the Company in accordance with section 329(5) of the Corporations Act, such resignation to take effect from the date of the Meeting.

In accordance with section 328B(1) of the Corporations Act, the Company has sought and obtained a nomination from a Shareholder for Ernst & Young to be appointed as the Company's auditor. A copy of this nomination is attached to this Explanatory Statement as Annexure 1.

Ernst & Young has given its written consent to act as the Company's auditor, subject to Shareholder approval and the resignation of PKF Perth.

If Resolution 17 is passed, the appointment of Ernst and Young as the Company's auditors will take effect from the close of the Annual General Meeting.

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## 17. RESOLUTION 18 – SPILL RESOLUTION

**If less than 25% of the votes cast on Resolution 1 are voted against adoption of the Remuneration Report, the Chair will withdraw Resolution 18.**

### 17.1 General

The Corporations Act requirements for this Resolution to be put to vote are set out in Section 2.2.

The effect of this Resolution being passed is the Company will be required to hold another meeting of Shareholders within 90 days of the date of this Meeting (**Spill Meeting**) and the Vacating Directors will cease to hold office immediately before the end of the Spill Meeting. The business of the Spill Meeting will be to put to vote resolutions to appoint persons to offices vacated by the Vacating Directors.

In the event a Spill Meeting is required a separate notice of meeting will be distributed to Shareholders with details about those persons that will seek election as directors of the Company at the Spill Meeting.

### 17.2 Proxy voting restrictions

Shareholders appointing a proxy for this Resolution should note the voting restrictions applying to Resolution 1 apply in the same manner to this Resolution.

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## GLOSSARY

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\$ means Australian dollars.

**10% Placement Capacity** has the meaning given in Section 15.1.

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

**ASIC** means the Australian Securities & Investments Commission.

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

**ASX Listing Rules** means the Listing Rules of ASX.

**Board** means the current board of directors of the Company.

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

**Chair** means the chair of the Meeting.

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

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or

- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

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

**Constitution** means the Company's constitution.

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

**Directors** means the current directors of the Company.

**Eligible Entity** means an entity that, at the date of the relevant general meeting:

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

**Equity Securities** includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

**Explanatory Statement** means the explanatory statement accompanying the Notice.

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

**Managing Director** means the managing director of the Company who may, in accordance with the ASX Listing Rules, continue to hold office indefinitely without being re-elected to the office.

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

**Option** means an option to acquire a Share.

**Optionholder** means a holder of an Option.

**Proxy Form** means the proxy form accompanying the Notice.

**Remuneration Report** means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2019.

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

**Section** means a section of the Explanatory Statement.

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

**Shareholder** means a registered holder of a Share.

**Vacating Directors** means the Directors who were directors of the Company when the resolution to make the directors' report considered at the last annual general meeting of the Company was passed, other than the Managing Director at that time.

**Variable A** means "A" as set out in the formula in ASX Listing Rule 7.1A(2).

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

## SCHEDULE 1 – ISSUES OF EQUITY SECURITIES SINCE 22 NOVEMBER 2019 12 MONTHS PRIOR TO MEETING

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
Issue – 16 September 2019 Appendix 3B – 16 September 2019	25,001,000	Shares <sup>4</sup> Fully paid ordinary shares.	Issued to eligible shareholders under a Prospectus dated as announced by the Company on 29 August 2019.	\$0.04 (same as the Market Price on 16 September 2019).	Amount Raised = \$1,000,040 Amount spent = nil Use of Funds: the Company plans to allocate the funds towards research and development expenditure on clinical trials, production for sale of cannabinoid products, immediate construction works on Malta GMP Pharma facility, costs towards LSE standard dual listing, corporate and working capital and expenses of the offer. Amount remaining: \$1,000,040 Proposed use of remaining funds: As above
Issue – 16 September 2019 Appendix 3B – 16 September 2019	14,500,000	Options <sup>5</sup> Unlisted options exercisable at \$0.05 expiring on 31 August 2023.	Issued to Canaccord Genuity (Australia) Limited for being appointed as equity capital markets advisor to the Company as announced on 21 August 2019.	Nil cash consideration.	Consideration: For the provision of corporate advisory services.  Current value: \$514,750
	14,500,000	Options <sup>6</sup> Unlisted options exercisable at \$0.06 expiring on 31 August 2023.			
Issue – 9 September 2019 Appendix 3B – 10 September 2019	3,638,000	Shares <sup>4</sup> Fully paid ordinary shares.	Issued following conversion of employee performance rights.	Nil cash consideration.	Consideration: Performance based remuneration for services provided to the Company. Current value: \$127,000
Issue – 9 September 2019 Appendix 3B – 10 September 2019	5,850,875	Shares <sup>4</sup> Fully paid ordinary shares.	Issued in consideration for the acquisition of a further 6.67% in Panax s.r.o, following completion of a key operational milestones for the first extraction of cannabidiol by Panax s.r.o, as announced in July 2018.	Nil cash consideration.	Consideration: the acquisition of a further 6.67% in Panax s.r.o. Current value: \$204,780.63

Date	Quantity	Class	Recipients	Issue price and discount to Market Price (if applicable) <sup>1</sup>	Form of consideration
Issue – 29 August 2019 Appendix 3B – 29 August 2019	118,750,000	Shares <sup>4</sup> Fully paid ordinary shares.	Issued to sophisticated and professional investors who participated in a placement undertaken by the Company as announced on 21 August 2019	\$0.04 (premium of 2.56% to the Market Price of \$0.039 on 29 August 2019).	Amount Raised = \$4,750,000 Amount spent = \$2,618,969 Use of Funds: the Company plans to allocate the funds towards research and development expenditure on clinical trials, production for sale of cannabinoid products, immediate construction works on Malta GMP Pharma facility, costs towards LSE standard dual listing, corporate and working capital and expenses of the offer. Amount remaining: \$2,131,031 Proposed use of remaining funds: As above
Issue – 5 July 2019 Appendix 3B – 5 July 2019	87,426	Shares <sup>4</sup> Fully paid ordinary shares.	Issued following the exercise of options.	\$0.065 (premium of 27.45% to the Market Price of \$0.051 on 5 July 2019).	Amount Raised = \$5,682,69 Amount spent = \$5,682,69 Use of Funds: Working capital
Issue – 21 June 2019 Appendix 3B – 21 June 2019	553,266	Shares <sup>4</sup> Fully paid ordinary shares.	Issued following the exercise of options.	\$0.065 (premium of 20.37% to the Market Price of \$0.054 on 21 June 2019).	Amount Raised = \$35,962.28 Amount spent = \$35,962.28 Use of Funds: Working capital
Issue – 12 April 2019 Appendix 3B – 12 April 2019	16,000,000	Options <sup>7</sup> Unlisted options exercisable at \$0.065 on or before 31 March 2021.	Incentive options issued to employees under the Company's Employee Incentive Option Plan as approved by shareholders at the Company's AGM on 22 November 2019.	Nil cash consideration.	Consideration: Performance based remuneration for services provided to the Company. Current value: \$127,000
Issue – 21 February 2019 Appendix 3B – 21 February 2019	7	Shares <sup>4</sup> Fully paid ordinary shares.	Issued pursuant to the terms of performance shares as approved by shareholders at the general meeting on 16 November 2015.	Nil cash consideration.	Consideration: Conversion of performance shares on expiry Current value: \$0.245

**Notes:**

1. Market Price means the closing price on ASX (excluding special crossings, overnight sales and exchange traded option exercises). For the purposes of this table the discount is calculated on the Market Price on the last trading day on which a sale was recorded prior to the date of issue of the relevant Equity Securities.
2. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
3. In respect of quoted Equity Securities the value is based on the closing price of the Shares (\$0.035) on the ASX on 16 October 2019. In respect of unquoted Equity Securities, the value of Options is measured using the Hoadley EOS2 valuation model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market-based performance conditions (i.e. conditions linked to the price of Shares).
4. Fully paid ordinary shares in the capital of the Company, ASX Code: MGC on 16 October 2019 (terms are set out in the Constitution).
5. Unquoted Options, exercisable at \$0.05 each, on or before 31 August 2023. The full terms and conditions were disclosed in this notice of meeting at Schedule 2.
6. Unquoted Options, exercisable at \$0.06 each, on or before 31 August 2023. The full terms and conditions were disclosed in this notice of meeting at Schedule 2.
7. Unquoted Options, exercisable at \$0.065 each, on or before 31 March 2021. The full terms and conditions were disclosed in the notice of meeting for the shareholder meeting held on 22 November 2018.

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## SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

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(a) **Entitlement**

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

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option (**Exercise Price**) is:

- (i) with respect to the Options the subject of Resolution 8, as detailed in section 9.1;
- (ii) with respect to the Options the subject of Resolution 9, as detailed in section 10.1;
- (iii) with respect to the Options the subject of Resolution 10, as detailed in section 11.1;  
and
- (iv) with respect to the Options the subject of Resolution 11, as detailed in section 12.1.

(c) **Expiry Date**

The date of expiry for the Options (**Expiry Date**) is:

- (i) with respect to the Options the subject of Resolution 8, as detailed in section 9.1;
- (ii) with respect to the Options the subject of Resolution 9, as detailed in section 10.1;
- (iii) with respect to the Options the subject of Resolution 10, as detailed in section 11.1;  
and
- (iv) with respect to the Options the subject of Resolution 11, as detailed in section 12.1.

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

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

(e) **Notice of Exercise**

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

(f) **Exercise Date**

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

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

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

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

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

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

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

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

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

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## SCHEDULE 3 – TERMS AND CONDITIONS OF PERFORMANCE RIGHTS PLAN

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The principle terms of the Employee Performance Rights Plan (**Performance Rights Plan**) are summarised below:

(a) **Eligibility**

Participants in the Performance Rights Plan may be:

- (i) a Director (whether executive or non-executive) of the Company or any Associated Body Corporate of the Company (each, a **Group Company**);
- (ii) a full or part time employee of any Group Company;
- (iii) a casual employee or contractor of a Group Company to the extent permitted by ASIC Class Order 14/1000 as amended or replaced (Class Order); or
- (iv) a prospective participant, being a person to whom the offer is made but who can only accept the offer if an arrangement has been entered into that will result in the person becoming a participant under subparagraphs (i), (ii), or (iii) above,

who is declared by the Board to be eligible to receive grants of Performance Rights under the Performance Rights Plan (**Eligible Participants**).

(b) **Offer**

The Board may, from time to time, at its absolute discretion, make a written offer to any Eligible Participant to apply for Performance Rights, upon the terms set out in the Performance Rights Plan and upon such additional terms and conditions as the Board determines.

(c) **Plan limit**

The Company must have reasonable grounds to believe, when making an offer, that the number of Shares to be received on exercise of Performance Rights offered under an offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the offer.

(d) **Consideration**

Performance Rights granted under the Performance Rights Plan will be issued for nil cash consideration.

(e) **Vesting Conditions**

A Performance Right may be made subject to vesting conditions as determined by the Board in its discretion and as specified in the offer for the Performance Right (**Vesting Conditions**).

**Vesting**

The Board may in its absolute discretion (except in respect of a change of control occurring where Vesting Conditions are deemed to be automatically waived) by written notice to a Participant (being an Eligible Participant to whom Performance Rights have been granted under the Performance Rights Plan or their nominee where the Performance Rights have been granted to the nominee of the Eligible Participant (**Relevant Person**)), resolve to waive any of the Vesting Conditions applying to Performance Rights due to:

- (i) special circumstances arising in relation to a Relevant Person in respect of those Performance Rights, being:
  - (A) a Relevant Person ceasing to be an Eligible Participant due to:
    - (I) death or total or permanent disability of a Relevant Person; or
    - (II) retirement or redundancy of a Relevant Person.
  - (B) a Relevant Person suffering severe financial hardship;
  - (C) any other circumstance stated to constitute “special circumstances” in the terms of the relevant offer made to and accepted by the Participant; or
  - (D) any other circumstances determined by the Board at any time (whether before or after the offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant,

**(Special Circumstances).**

- (ii) a change of control occurring; or
- (iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

**(f) Lapse of a Performance Right**

A Performance Right will lapse upon the earlier to occur of:

- (i) an unauthorised dealing in, or hedging of, the Performance Right occurring;
- (ii) a Vesting Condition in relation to the Performance Right is not satisfied by its due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waive the Vesting Condition and vest the Performance Right in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Performance Rights to remain unvested after the Relevant Person ceases to be an Eligible Participant;
- (iii) in respect of unvested Performance Right only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Performance Right in the circumstances set out in paragraph (f) or the Board resolves, in its absolute discretion, to allow the unvested Performance Rights to remain unvested after the Relevant Person ceases to be an Eligible Participant;
- (iv) in respect of vested Performance Rights only, a Relevant Person ceases to be an Eligible Participant and the Performance Rights granted in respect of that Relevant Person are not exercised within one (1) month (or such later date as the Board determines) of the date that Relevant Person ceases to be an Eligible Participant;
- (v) the Board deems that a Performance Right lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;
- (vi) the Company undergoes a change of control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Performance Right; and
- (vii) the expiry date of the Performance Rights.

(g) **Not transferrable**

Subject to the ASX Listing Rules, and except as otherwise provided for by an offer, Performance Rights are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

(h) **Shares**

Shares resulting from the vesting of the Performance Rights shall, subject to any Sale Restrictions (refer to paragraph (j)), from the date of issue, rank on equal terms with all other Shares on issue.

(i) **Sale Restrictions**

The Board may, in its discretion, determine at any time up until exercise of Performance Rights, that a restriction period will apply to some or all of the Shares issued to a Participant on exercise of those Performance Rights (**Restriction Period**). In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such Restriction Period.

(j) **Quotation of Shares**

If Shares of the same class as those issued under the Performance Rights Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any Restriction Period applying to the Shares ends. The Company will not apply for quotation of any Performance Rights on the ASX.

(k) **No Participation Rights**

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

(l) **No Change**

A Performance Right does not confer the right to a change in the number of underlying Shares over which the Performance Right can be exercised.

(m) **Reorganisation**

If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a Participant are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(n) **Amendments**

Subject to express restrictions set out in the Performance Rights Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may, at any time, by resolution amend or add to all or any of the provisions of the Performance Rights Plan, or the terms or conditions of any Performance Rights granted under the Performance Rights Plan including giving any amendment retrospective effect.

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## ANNEXURE 1 – NOMINATION OF AUDITOR

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16 October 2019

MGC Pharmaceuticals Ltd  
1202 Hay Street  
West Perth WA 6005

I, Rachel Kerr, being a member of MGC Pharmaceuticals Ltd (ACN 116 800 269) (**Company**), nominate Ernst & Young in accordance with section 328B(1) of the *Corporations Act 2001* (Cth) (**Act**) to fill the office of auditor of the Company.

Please distribute copies of this notice of this nomination as required by section 328B(3) of the Act.

Signed and dated 16 October 2019



Rachel Kerr



MXC

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Need assistance?



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+61 3 9415 4000 (outside Australia)



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[www.investorcentre.com/contact](http://www.investorcentre.com/contact)



## YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **2:00pm (WST) Wednesday 27 November 2019.**

# Proxy Form

## How to Vote on Items of Business

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

### APPOINTMENT OF PROXY

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

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

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

**A proxy need not be a securityholder of the Company.**

## SIGNING INSTRUCTIONS FOR POSTAL FORMS

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

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

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

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

## ATTENDING THE MEETING

**If you are attending in person, please bring this form with you to assist registration.**

### Corporate Representative

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Appointment of Corporate Representative" prior to admission. A form may be obtained from Computershare or online at [www.investorcentre.com](http://www.investorcentre.com) under the help tab, "Printable Forms".

## Lodge your Proxy Form:

**XX**

### Online:

Lodge your vote online at [www.investorvote.com.au](http://www.investorvote.com.au) using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**

For Intermediary Online subscribers (custodians) go to [www.intermediaryonline.com](http://www.intermediaryonline.com)

### By Mail:

Computershare Investor Services Pty Limited  
GPO Box 242  
Melbourne VIC 3001  
Australia

### By Fax:

1800 783 447 within Australia or  
+61 3 9473 2555 outside Australia



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

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

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



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## Step 1 Appoint a Proxy to Vote on Your Behalf

XX

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

the Chairman of the Meeting **OR**

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

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of **MGC Pharmaceuticals Ltd** to be held at QV1 Conference Centre, QV1 Level 2, 250 St Georges Terrace, Perth, Western Australia on Friday, 29 November 2019 at 2:00pm (WST) and at any adjournment or postponement of that meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1, 10, 12, 13, 14, 15 and 18 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1, 10, 12, 13, 14, 15 and 18 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 18 where the Chairman of the Meeting intends to vote against.**

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1, 10, 12, 13, 14, 15 and 18 by marking the appropriate box in step 2.

## Step 2 Items of Business

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

The Board recommend you vote in favour of these Resolutions:

	For	Against	Abstain		For	Against	Abstain
1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	10 Issue of Options to Related Party - Chieftain Securities Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Re-election of Director - Mr Nativ Segev	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	11 Issue of Options to Canaccord Genuity (Australia) Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Election of Director - Dr Stephen Parker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	12 Adoption of Incentive Performance Rights Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Re-election of Director - Dr Ross Walker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	13 Issue of Related Party Performance Rights to Mr Roby Zomer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Ratification of prior issue - Placement Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	14 Issue of Related Party Performance Rights to Mr Brett Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Ratification of prior issue - Priority Offer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	15 Issue of Related Party Performance Rights to Mr Nativ Segev	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Ratification of prior issue - Shares issued to the vendors of Panax S.R.O	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	16 Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Ratification of prior issue - Options issued to Canaccord Genuity (Australia) Limited	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	17 Appointment of Auditor	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Issue of options to Merchant Corporate Advisory	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<b>The Board recommend you vote against this Resolution:</b>			
				18 Spill Resolution	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business with the exception of Resolution 18 where the Chairman of the Meeting intends to vote against. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

## Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1  Securityholder 2  Securityholder 3

Sole Director & Sole Company Secretary Director Director/Company Secretary  / / Date

**Update your communication details** (Optional)

Mobile Number  Email Address

By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

