

2 February 2023

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Refinancing and Extension of Convertible Securities Agreements

ASX
RELEASE

MGC Pharmaceuticals Ltd ('MGC Pharma' or 'the Company'), wishes to advise that it has executed Deeds of Variations with Mercer Street Global Opportunity Fund, LLC (**Mercer**) in respect of convertible securities agreements entered into between the Company and Mercer in 2020 and 2022. This includes the refinancing of \$2,100,000 worth of convertible securities which were due to mature in November 2022, by extending the maturing date by 15 months to 1 February 2024.

Further details in respect of the variations to each of the convertible securities agreements is set out below.

Variation to 2020 Convertible Securities Agreement

As announced on 10 September 2020, the Company entered into an agreement with Mercer (**2020 Agreement**), whereby Mercer conditionally agreed to provide the Company with up to \$15 million in funding, via subscriptions for convertible notes in the Company with a face value of AUD\$1.00 each.

As at the date of this announcement 2,100,000 convertible notes issued pursuant to the terms of the 2020 Agreement remain on issue.

The Company and Mercer have agreed to extend the maturity date of the 2,100,000 convertible notes on issue from 24 November 2022 to 1 February 2024.

In addition, and subject to obtaining shareholder approval prior to 31 March 2023, the Company and Mercer have agreed to vary the terms of the 2020 Agreement to amend the minimum conversion price of the convertible notes from "not less than AUD0.018" to "not less than AUD0.01".

In consideration for the execution of the Deed of Variation, the Company has agreed to issue Mercer 50,000,000 unlisted options with an exercise price of AUD\$0.013 and an expiry date of 30 June 2025 (**Options**). The Options will be issued using the Company's existing ASX Listing Rule 7.1 Placement capacity, with material term of the Options found in Annexure A at the end of this release.

Variation to 2022 Convertible Securities Agreement

As announced on 29 July 2022, the Company entered into an agreement with Mercer (**2022 Agreement**), whereby Mercer conditionally agreed to provide the Company with up to a total of US\$10 million in funding, via subscriptions for convertible notes in the Company with a face value of US\$1.00 each.

As at the date of this announcement:

- (a) 3,410,000 convertible notes issued prior to 23 December 2022; and
 - (b) 586,432 convertible notes issued after 23 December 2022,
- pursuant to the terms of the 2022 Agreement, remain on issue.

The Company and Mercer have agreed to vary the terms of the 2022 Agreement to amend the minimum conversion price of convertible notes issued after 23 December 2022 from “not less than AUD0.014” to “not less than AUD0.01”. The 586,432 convertible notes issued on 28 December 2022 were issued with an agreed minimum conversion price of not less than AUD 0.01 (as announced on 28 December 2022).

Subject to the obtaining shareholder approval, prior to 31 March 2023, the Company and Mercer have also agreed to amend the minimum conversion price of convertible notes issued prior to 23 December 2022 from “not less than AUD0.014” to “not less than AUD0.01”. The Company will convene a meeting of its shareholders to seek the above approvals in due course.

Mercer is one of MGC Pharmaceutical Ltd’s top 5 shareholders, and has continued to support the Company since its initial involvement with MGC in 2020.

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Authorised for release by the Non-executive Chairman, for further information please contact:

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About MGC Pharma

MGC Pharmaceuticals Ltd (LSE: MXC, ASX: MXC) is a European based bio-pharma company, focused on developing and supplying accessible and ethically produced plant inspired medicines, combining in-house research with innovative technologies, with the goal of finding or producing treatments to for unmet medical conditions.

The Company’s founders and executives are key figures in the global pharmaceuticals industry and the core business strategy is to develop and supply high quality plant inspired medicines for the growing demand in the medical markets in Europe, North America and Australasia.

MGC Pharma has a robust development pipeline targeting two widespread medical conditions and has further products under development.

MGC Pharma has partnered with renowned institutions and academia to optimise the development of targeted plant inspired medicines, to be produced in the Company’s EU-GMP Certified manufacturing facilities.

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

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Annexure A
Options
Terms and Conditions

1. **Entitlement**
Each Option entitles the holder to subscribe for one Share upon exercise of the Option.
2. **Exercise Price**
Subject to paragraph 9, the amount payable upon exercise of each Option will be AUD\$0.013 (Exercise Price)
3. **Expiry Date**
Each Option will expire at 5:00 pm (AWST) on the 30 June 2025 (Expiry Date). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
4. **Exercise Period**
The Options are exercisable at any time on or prior to the Expiry Date (Exercise Period).
5. **Notice of Exercise**
The Options may be exercised during the Exercise Period by notice in writing to the Company (Notice of Exercise) and payment of the Exercise Price for each Option being exercised by electronic funds transfer or other means of payment acceptable to the Company.
6. **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).
7. **Timing of issue of Shares on exercise**
Within five Business Days after the Exercise Date, the Company will:
 - (a) 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;
 - (b) 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
 - (c) if admitted to the official list of ASX and the official list of the FCA and to trading on the main market for listed securities on the London Stock Exchange plc, or any other public exchange, make an application for the listing and admission to trading of Shares issued pursuant to the exercise of the Options.
8. **Shares issued on exercise**
Shares issued on exercise of the Options rank equally with the then issued shares of the Company. The Option holder is entitled to elect for the Shares to be registered in the name of its nominee by confirming such request in the Notice of Exercise.
9. **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 and/or the Listing Rules of the FCA at the time of the reconstruction in order to ensure that the Optionholder maintains the same relative rights for the Options.
10. **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.
11. **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.
12. **Transferability**
The Options are transferable subject to any restriction or escrow arrangements imposed by ASX or under applicable Australian securities laws.