

21 August 2019

ASX Code: MXC

Firm Commitments Received for \$4.75m Placement & Canaccord Genuity appointed Equity Capital Markets Advisor to lead LSE Dual Listing strategy in 2HCY2019

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Pharmacy' bio-pharma company focused on developing and commercialising cannabinoid derived medicines, is pleased to announce it has secured commitments to raise \$4.75 million by way of a share placement to sophisticated and professional investors (**Placement**) at an issue price of \$0.04 per share (**Issue Price**). The Company will also undertake an offer of shares to eligible existing shareholders under a Priority Offer (**PO**) to raise up to an additional \$1.0 million at the Issue Price.

The Company has engaged the services of Canaccord Genuity in Australia to act as the Company's equity capital markets advisor, and in the UK to lead the Company's planned dual-listing on the London Stock Exchange (**LSE**). During 2019 the Company has materially advanced its dual-listing strategy with Canaccord, and is actively progressing towards a listing on the LSE in 2HCY2019. Following the introduction of medicinal cannabis legislation in November 2018 in the UK, MGC Pharma is positioned to be one of the first medicinal cannabis companies to be listing on the LSE or any major exchange in the United Kingdom.

Key Highlights:

- MGC Pharma has received binding commitments from sophisticated and professional investors to raise \$4.75 million (before costs), via a placement of shares at an issue price of \$0.04 per share
- Canaccord Genuity (Australia) Limited has been appointed to act as equity capital markets advisor to the Company
- Canaccord Genuity Limited and other key advisers in the UK are working with the Company to actively progress a dual listing on the LSE, targeted for 2HCY2019
- Up to an additional \$1 million (before costs) to be raised under a Priority Offer, pursuant to which eligible existing shareholders may subscribe for up to \$25,000 worth of shares, at the same issue price as the Placement
- Up to \$5.75 million to be raised through the Placement and Priority Offer will be used to fund the Company's ongoing operations for production and sales of pharmaceutical grade cannabinoid derived medicines, initial construction works on its Malta GMP Pharma facility and costs towards undertaking a possible dual listing on the LSE

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: "The level of interest from new and existing investors in MGC Pharma is a testament to the opportunity that our business offers investors in providing exposure to the fast-growing medical cannabis market and our unique 'Seed to Pharmacy' strategy. We have had an incredibly busy period of late where we have rapidly advanced the business, delivering material results through ground-breaking research and development, increasing our distribution channels globally, opening new markets, strengthening our partnerships with academic institutions and widening our growing and manufacturing capabilities.

“Recent research on the effectiveness of cannabinoids on brain cancers is potentially transformative; the reaching of the 100 patient treatment milestone in Australia in a relatively short time frame is incredibly encouraging; and the commencement of the construction of the Maltese GMP compliant R&D and manufacturing facility will be pivotal to providing a gateway to key European and global markets. With our leading clinical and commercial position in Europe, and an increasing presence and patient uptake in the UK, we look forward to updating shareholders on further developments, both commercially and in the UK Capital Markets, over the coming months.”

Placement Details

The Company has received binding commitments from sophisticated and professional investors to raise \$4.75 million (before costs) pursuant to the Placement. Under the Placement, the Company will issue a total of 118,750,000 shares at an issue price of \$0.04 per share. All Placement shares will be issued without shareholder approval, under the Company’s existing placement capacity pursuant to ASX Listing Rule 7.1.

Merchant Corporate Advisory Pty Ltd (**Merchant**) and Chieftain Securities Pty Ltd (**Chieftain**) acted as Joint Lead Managers (**JLM’s**) to the Placement, which received strong support from new and existing shareholders.

The Issue Price of \$0.04 per share represents a discount of 25% to the 30-day VWAP of \$0.0538 prior to the trading halt on 19 August 2019. New shares issued under the Placement will rank equally with the Company’s existing ordinary shares on issue.

The issue of all shares under the Placement is expected to be completed on or around Thursday 29 August 2019.

The Company will pay the Joint Lead Managers an aggregate fee equal to 6% of the total funds raised under the Placement. The Placement fee is an industry standard fee, and was negotiated at arm’s length on commercial terms. MGC Pharma Executive Chairman, Brett Mitchell, is also a director and shareholder of Chieftain.

The Company has also agreed (subject to shareholder approval) to grant 9,000,000 options (**JLM Options**) to the JLM’s, Merchant and Chieftain, pursuant under their corporate advisory services mandate for services provided and ongoing support on its corporate activities. The Options will have an expiry date of 31 August 2023, and will be issued in three tranches:

- 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.

Appointment of Canaccord Genuity as ECM Advisor and Lead on LSE Dual Listing

The Company is pleased to announce that it has appointed Canaccord Genuity in Australia and the UK:

- Canaccord Genuity (Australia) Limited (**Canaccord AU**) has been appointed as Equity Capital Markets Advisor (**ECM Advisor**) to provide Equity Capital Markets (**ECM**) services, including broadening the Company’s profile with institutional investors in Australia, the UK, Asia, and North America; and
- Canaccord Genuity Limited (**Canaccord UK**), alongside with legal advisors, has been engaged to lead the planned dual listing of the Company on the LSE, which is being actively progressed during H2CY2019.
- Subject to completion of the Placement and Priority Offer, in consideration for acting as ECM Advisor, the Company will issue to Canaccord AU the following tranches of options with a four-year expiry date from the date of issue:
 - 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.

Priority Offer (PO) Details

The Company will also conduct an offer of up to 25,000,000 new shares under the Priority Offer, at the same price as the Placement, to raise up to \$1.0 million. The Company will offer each shareholder who has a registered address in Australia or New Zealand as at 5:00pm (Perth time) on 28 August 2019 the opportunity to apply for up to \$25,000 worth of new shares under the Priority Offer, with the ability to apply for oversubscriptions in the event of a shortfall. The Priority Offer will be subject to scale-back on a pro rata basis unless the Board otherwise determines should total applications exceed \$1 million.

New shares to be issued under the Priority Offer will rank equally with the Company's existing ordinary shares on issue. All Priority Offer shares will be issued without shareholder approval, under the Company's existing placement capacity pursuant to ASX Listing Rule 7.1. No brokerage or commissions are payable in respect of subscribing for shares under the Priority Offer. No related parties of the Company will be permitted to participate in the Priority Offer. There is no minimum subscription for the Priority Offer.

The Priority Offer is proposed to be made under a prospectus, which is expected to be lodged with the ASIC and despatched to shareholders in the coming week (**Prospectus**). The Prospectus will contain further details with respect to the Priority Offer, including the terms and conditions for participation and a detailed timetable.

Use of funds

All funds raised pursuant to the Placement and Priority Offer will be used to fund the Company's ongoing operations for production and sales of pharmaceutical grade cannabinoid derived medicines, initial construction works on its Malta GMP Pharma facility and costs towards undertaking the dual listing on the LSE. Further details with respect to the use of funds will be contained in the Prospectus.

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) is an EU-based BioPharma company with many years of technical clinical and commercial experience in the medical cannabis industry. The Company's founders were key figures in the global medical cannabis industry and the core business strategy is to develop and supply high quality cannabinoids-based pharmaceuticals products for the growing demand in the medical markets in Europe, North America and Australasia.

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