

**MGC PHARMACEUTICALS LTD
AND CONTROLLED ENTITIES**
ABN 30 116 800 269

APPENDIX 4D

REPORTING PERIOD

Interim financial period to 31 December 2022

PREVIOUS REPORTING PERIOD

Interim financial period to 31 December 2021

Half year information given to ASX under listing rule 4.2A.3

This information contained in this report should be read in conjunction with the most recent annual report.

RESULTS FOR ANNOUNCEMENT TO MARKET

	31-Dec-22 \$	Change %	31-Dec-21 \$
Revenue from ordinary activities	2,662,644	↑ 4%	2,566,111
Loss after income tax from ordinary activities attributable to members	(10,882,134)	↑ 38%	(7,885,117)
Net loss for the period attributable to members	(10,758,487)	↑ 34%	(8,043,661)
Dividend per share	n/a		n/a
Record date for determining entitlement to dividends	n/a		n/a
No dividends have been paid or declared during the year			

NET TANGIBLE ASSETS PER ORDINARY SHARE (cents)

31-Dec-22
(0.10)

30-Jun-22
0.75

DETAILS OF SUBSIDIARIES

During the period, the Group acquired a 40% interest in Zam Software Ltd (United Kingdom) The acquisition occurred via a share transfer.

DIVIDENDS

n/a

n/a

DIVIDENDS REINVESTMENT PLAN

n/a

n/a

ASSOCIATED AND JOINT VENTURE ENTITIES

n/a

n/a

FOREIGN ENTITIES ACCOUNTING STANDARD

Subsidiaries are incorporated in the United Kingdom, Slovenia, Czech Republic and Malta, where International Financial Reporting Standards are applied.

AUDIT DISPUTE OR QUALIFICATION

The independent auditor's review report includes an unqualified conclusion, with an emphasis of matter on going concern, referring to the fact that the entity will require additional funds to continue with its pipeline of works over the coming 12 months.

mgc pharma



ABN 30 116 800 269
MGC PHARMACEUTICALS LTD

INTERIM FINANCIAL REPORT

31 DECEMBER 2022

Contents

Corporate Directory	3
Directors' Report.....	4
Auditor's Independence Declaration	9
Consolidated Statement of Profit or Loss and Other Comprehensive Income.....	10
Consolidated Statement of Financial Position	11
Consolidated Statement of Changes in Equity.....	12
Consolidated Statement of Cash Flows.....	13
Notes to the Consolidated Interim Financial Statements	14
Directors' Declaration	22
Independent Review Report to Members	23

Corporate Directory

Directors

Brett Mitchell	Non-Executive Chairman
Roby Zomer	Managing Director and CEO
Nativ Segev	Non-Executive Director
Ross Walker	Non-Executive Director
Stephen Parker	Non-Executive Director

Securities Exchange Listing

MGC Pharmaceuticals Ltd securities are listed on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE).

ASX Code: MXC

LSE Code: MXC

Company Secretary

David Lim
Rachel Kerr

Share Registry

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

Registered Office and Principal Place of Business

1202 Hay Street
West Perth WA 6005
Tel: +61 8 6382 3390

Website

www.mgcpharma.co.uk

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditors

Hall Chadwick
Level 40, 2 Park Street
Sydney NSW 2000

Directors' Report

The directors submit the consolidated interim financial report for MGC Pharmaceuticals and its controlled entities (the "Group" or "MGC Pharma") for the half-year ended 31 December 2022.

Directors

The names of directors who held office during or since the end of the half-year, all still currently hold office:

Director	Title	Appointment Date
Brett Mitchell ¹	Non-executive Chairman	4 April 2013
Roby Zomer	Managing Director & CEO	15 February 2016
Nativ Segev	Non-Executive Director	15 February 2016
Ross Walker	Non-Executive Director & Head of Medical Advisory Board	15 February 2016
Stephen Parker	Non-Executive Director & Chairman of the Corporate Governance Committees	13 March 2019
Evan Hayes ²	Non-Executive Director & Strategic Advisor	1 September 2020

1. Mr Mitchell's Chairman position transitioned to a non-executive role on 1 January 2023.
2. Mr Hayes ceased being director on 1 January 2023.

Operating Results

The consolidated operating losses for the Group after providing for income tax from continuing operations amounted to A\$11.07m (31 Dec 2021: A\$8.05m).

Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial period.

Review of Operations

Half Year Highlights:

- Sales Revenue of A\$2.66m in the 6 months to 31 December 2022 (2021: A\$2.58m).
- Strong progress along clinical pipelines for both CimetrA™ and ArtemiC™, including studies demonstrating the efficacy of ArtemiC™ in alleviating physical symptoms and mental confusion associated with Long COVID.
- Production upgrade and EU GMP recertification completed at Slovenian production and research facilities.
- Key US and EU commercial partnerships expanded, including delivery of US\$1m (A\$1.389m) order of ArtemiC™ in Q4 to US supply and distribution partner, AMC Holdings Inc.
- Acquisition of 40% of ZAM Software Limited, creator of the ZAM App, which uses patient entered data to provide users with a more complete understanding of their health.
- A strategic review of business operations, resulting in the implementation of a focused product development strategy with material cost reduction initiatives, including an ~35% reduction in director fees, and up to 20% reduction in the cash remuneration of other key executives, effective 1 Dec 2022.

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented:

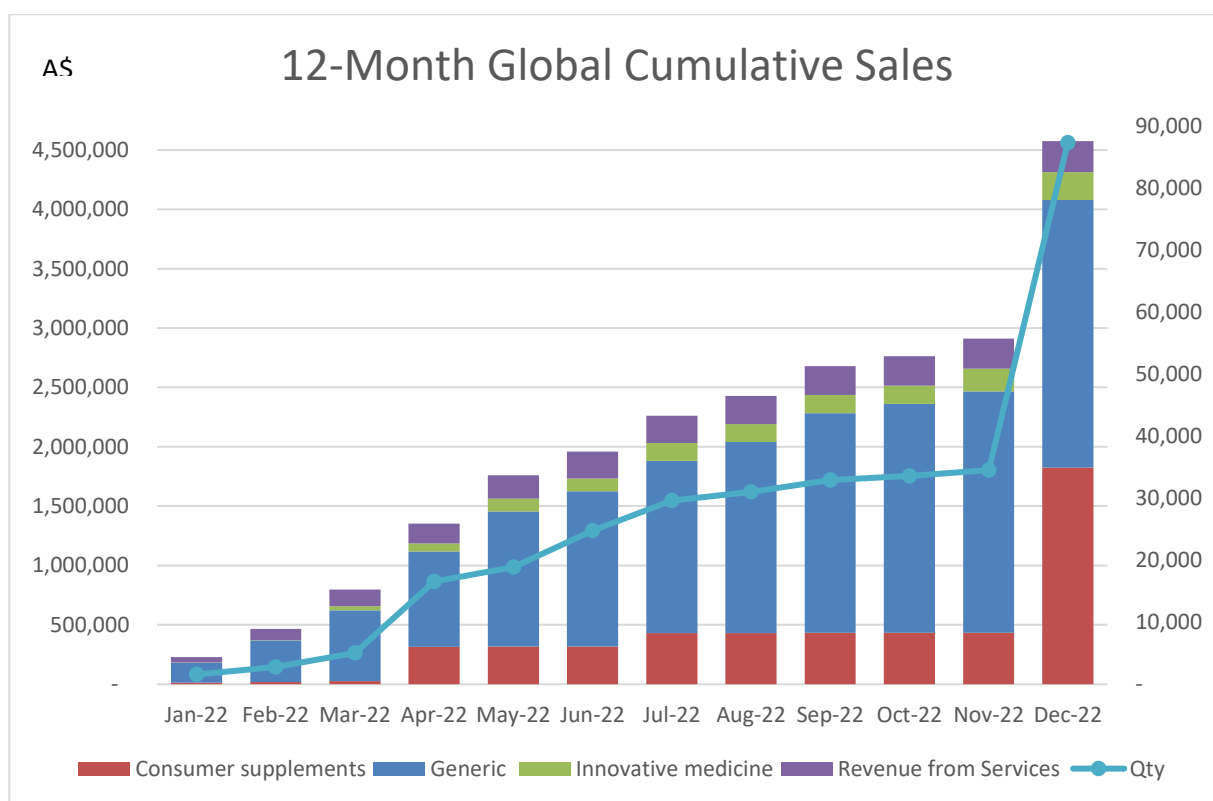
"In the 6 month period to 31 December, MGC has continued to make progress in advancing a number of our products along the clinical pipeline pathway, as well as progressing work to develop sales markets in both the EU and USA. The strategic review of the Company's strategy and business operations has refocused the Company onto its core pharma development activities as it continues towards its strategic goal of developing into a global pharmaceutical company.

With the redefinition of the Company's pharma core focus, which is aided by the continuing strength of clinical studies into our proprietary products CimetrA™ and ArtemiC™, and the developing relationships with both Sciencus Rare and AMC Holdings, we strongly believe that we now have the right foundations in place that will enable the business to continue to progress its development, including fulfilling additional regulatory conditions required for the IND application for CimetrA™ in the US, the largest pharmaceutical market in the world."

Sales

The half-year to 31 December 2022 saw the Company achieve its strongest half year result to date, with sales of A\$2.66 million. This included a US\$1 million (A\$1.389m) order of ArtemiC™ to US supply and Distribution partner, AMC Holdings Inc, being the largest delivery under the agreement to date. This order marks a considerable step forward for MGC in the US market as it develops its profile in North America. The Company has also commenced a successful expansion of its offerings in Australia by offering a greater range of premium flower products through the pharmacy sector.

ArtemiC™ sales during the period totalled A\$1.50 million, representing 57% of the total revenue, with an additional A\$1.10 million of cannabinoid products sales, representing 41% of revenue. The balance of revenue relates to consultancy and other services provided by the Company during the HY period.



Clinical Studies progress

MGC Pharma continued to progress its proprietary Investigation Medicinal Product (IMP), CimetrA™, along the clinical trial pathway in preparation for lodging an Investigational New Drug (IND) application with the US Food and Drug Administration, with the completion of a clinical trial to further assess the efficacy of CimetrA™. The study assessed the efficacy of a range of dosages of the CimetrA™ formulation on rodents exhibiting symptoms of the cytokine storm, and as in previous studies, including a human Phase II clinical trial, demonstrating the anti-inflammatory effect of the treatment. The successful results from this study, a requirement for the US FDA IND application, supports the continued focus of the Company on progressing the IND application, which if successful, is the first stage of the regulatory process to allow CimetrA™ to be sold in the US, globally one of the largest markets for pharmaceuticals.

ArtemiC™

In July 2022 MGC Pharma released the results of a clinical study, sponsored by Swiss PharmaCann AG, which assessed the impact of **ArtemiC™ Support** on patients suffering from Post-acute COVID Syndrome (“**Long COVID**”). The nutraceutical was shown to alleviate symptoms associated with Long COVID including pain, mental confusion and depression, sleep disorders, and inflammation. Analysis of blood samples taken during the trial exhibited a reduction of inflammation and enterohepatic involvement, as well as liver reactant proteins in the patients. The study is an important and exciting step forward in proving the clinical benefits of **ArtemiC™ Support** for people suffering from Long COVID. Furthermore, results from the preclinical trials on the mono ingredients support the result of the studies that the key ingredients in the **ArtemiC™** formula are the Curcuma and Boswellia alongside the Vitamin C.

Partnerships

MGC Pharma and Sciensus Rare (**Sciensus**) continued to build on their Early Access and distribution relationship during the Half-Year, completing a number of key steps to facilitate the supply of products from MGC Pharma’s European production facilities to Sciensus, including the completion of a supply chain quality assurance audit by Sciensus of MGC Pharma’s Maltese and Slovenian manufacturing facilities.

MGC and Sciensus are planning to commence distribution of the first **CannEpil®** units within EU territories and the UK during Q1 2023, together with the completion of key compliance and import approval documentation required for Early Access Distribution in the UK.

As part of the expansion into the EU, an application for the admission of **CannEpil®** to the Danish Medical Cannabis Pilot Programme (DMCPP) will be made by a local Danish entity partner, as required by Danish regulations.

MGC Pharma and Sciensus are also working with AIFA, the Italian medicines regulatory agency, to achieve a Licenza messa in commercio limitata (temporary license to commerce) which will be used to supply networks with large patient cohorts already identified.

In both Portugal and Spain clinicians have been identified to apply for the use of **CannEpil®** on a “named patient” basis, and detailed clinical product meetings have been arranged with these networks, with the expectation that submissions will be made during February 2023.

In addition to further EU territories which will come on stream, the partnership with Sciensus Rare was expanded to cover additional territories across Central and Eastern Europe, along with the Middle East and North Africa.

AMC Holdings, MGC’s US distribution partner amended the terms of its US\$1.000 million (A\$1.389m) order of ArtemiC™ Rescue, with the product delivered in a single shipment, marking the first substantial commercial delivery of the product under the AMC US supply and distribution agreement to date.

GMP recertification of Slovenian production and research facility

MGC Pharmaceuticals completed the upgrade of its GMP certified production facility in Slovenia during the Half-Year, increasing the facility’s production capacity by ~200%. The facility also underwent a GMP audit, a requirement for its ongoing GMP certification, with the facility’s GMP certification extended to February 2027.

Commissioning of the Maltese production facility

The commissioning of MGC Pharma’s Maltese production facility is continuing with EU GMP certification expected in early 2023. Once granted, the GMP certification will allow MGC to manufacture and distribute its proprietary IMP products **Cimetra™**, **CannEpil®**, and **CogniCann®** from the Maltese facility globally.

ZAM App Acquisition

MGC Pharma completed the acquisition of a 40% equity stake in ZAM Software Limited, the owner of the ZAM data collection App. Under the terms of the acquisition agreement, MGC Pharma paid £0.7 million (A\$1.3m) by way of issue of new MGC shares) to acquire a 40% shareholding in ZAM Software Ltd (ZSL), with the balance of ZSL owned by software development company Caba Tech, co-developers of the ZAM App (**ZAM**).

ZAM will enable patients to log their medical history and monitor their medication use. Through the collection of patient data, the ZAM App will provide users with a more complete understanding of their health and treatment impact. In time, an AI algorithm will use data collected from the ZAM App, including results from academic and

clinical studies, to predict potential conflicting side effects from multiple treatments, as well as allowing users to order existing prescriptions, and provide the App user's medical practitioner with a comprehensive set of data on treatment and medical history.

Convertible Note Facility

In July 2022, MGC entered in a US\$10 million (A\$14.6m) Convertible Note Facility with Mercer Street Global Opportunity Fund, LLC, a fund managed by Mercer Street Capital Partners, LLC, a United States-based institutional fund manager (together, "Mercer"), one of the Company's largest shareholders. Funding from the facility is to be used to progress the Company's clinical trial and market development programs. During the December 2022 Half-Year MGC received US\$3.66 million (A\$5.34m) of funding through the facility in exchange for the issue of 3,996,432 Convertible Notes to Mercer.

Strategic review

Following a strategic review of its business operations during the Half-Year, the board implemented further cost reductions which enable the Company to direct a greater portion of its working capital to advancing its clinical trial and research programs in 2023. As a result of the review the board agreed to an immediate ~35% reduction in director fees. In addition to the reduction in director fees, the key executive officers (i.e. non-directors) of the Company also agreed to a 10-20% reduction in their cash remuneration.

Personnel changes

During the Half-Year Mrs Yifat Steuer was appointed COO / Deputy CEO of the Company, and Mr Robert Clements, who has over 30 years of international experience in the pharmaceuticals sector, was appointed to the newly created position of Chief Commercial Officer, which brings together oversight and leadership of all MGC Pharma's key commercial functions including Business Development, Marketing and Sales. Mr Clements has over 30 years of international experience in the pharmaceuticals sector.

MGC Pharma's Chairman, Mr Brett Mitchell's role transitioned to Non-Executive Chairman of the Company's board of directors during the Half-Year, and Mr Evan Hayes resigned from his position as a non-executive director of the Company, effective 1st January 2023. The Company is continuing to evaluate the composition of the board over the next 6 months to ensure that it has the right skill set as it develops its position as a European based life sciences pharmaceutical company.

Change in Advisers

The Company has appointed Australian Chartered Accounting firm, Hall Chadwick Chartered Accountants ("Hall Chadwick"), as its external financial auditor. In accordance with section 327C (2) of the Corporations Act 2001, a Resolution will be put to shareholders at the Company's next Annual General Meeting seeking the ratification of Hall Chadwick's appointment.

The Company has also appointed a new UK corporate broker SW4 Partners, headed by Rupert Fane and Nilesh Patel as key corporate advisors, who set up SW4 recently after originally being part of the Hannam Partners team, the Company's previous UK advisor. The SW4 team is highly regarded in the UK advisory space with a track record in UK capital markets, mergers and acquisitions, as well as corporate finance structuring in the UK and EU life science sector.

UK Annual General Meeting

In November 2022 MGC held its Annual General Meeting in London for the first time, as part of its commitment to provide its UK investors to the opportunity to meet with senior management of the Company, including MGC's Managing Director and CEO, Mr Roby Zomer, Chairman, Mr Brett Mitchell and Chair of the Audit and Risk Committee, Dr Stephen Parker.

Events Subsequent to Reporting Date

Refer to note 15 of the consolidated interim financial report for details of events that occurring after the reporting period.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 31 December 2022.

This report is signed in accordance with a resolution of the Board of Directors.



Brett Mitchell

Non-Executive Chairman

Dated 27 February 2023

**MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES**

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF MGC PHARMACEUTICALS LTD**

In accordance with Section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of MGC Pharmaceuticals Ltd. As the lead audit partner for the review of the financial report of MGC Pharmaceuticals Ltd for the half-year ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- i. the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. any applicable code of professional conduct in relation to the review.

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

[Signature]

DREW TOWNSEND

Partner

Dated: 27 February 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half year ended 31 December 2022

		31-Dec-22	31-Dec-21
		A\$	A\$
Revenue from contracts with customers	3	2,662,644	2,583,105
Cost of sales		(1,429,256)	(1,976,007)
Gross profit		1,233,388	607,098
Other operating income		371,319	12,314
Administrative expenses	13	(7,555,474)	(4,858,565)
Other operating expenses		(1,971,744)	(2,701,938)
Fair value movement on financial instruments	7	(117,454)	(773,975)
Write off/impairment expense		(3,145,724)	(224,134)
Operating loss		(11,185,689)	(7,939,200)
Finance costs		(104,381)	(112,408)
Finance income		(9,068)	381
Other income		227,728	-
Loss before income tax		(11,071,410)	(8,051,227)
Income tax expense		(1,951)	-
Loss for the half-year		(11,073,361)	(8,051,227)
Attributable to:			
Members of the parent entity		(10,882,134)	(7,885,117)
Non-controlling interest		(191,227)	(166,110)
		(11,073,361)	(8,051,227)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		319,271	(190,488)
Other comprehensive income (net of tax)		319,271	(190,488)
Total comprehensive loss		(10,754,090)	(8,241,715)
Total comprehensive loss attributable to:			
Members of the parent entity		(10,758,487)	(8,043,661)
Non-controlling interest		4,397	(1,198,054)
		(10,754,090)	(8,241,715)
Earnings per share			
Basic loss for the half-year attributable to ordinary equity holders of the parent		(0.42)	(0.33)
Diluted loss for the half-year attributable to ordinary equity holders of the parent		(0.42)	(0.33)

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Financial Position

As at 31 December 2022

	Note	31-Dec-22 A\$	30-Jun-22 A\$
CURRENT ASSETS			
Cash and cash equivalents		1,133,688	1,886,347
Inventory		1,695,699	1,837,803
Trade and other receivables		1,146,901	1,937,114
Prepayments		565,040	796,376
Total Current Assets		4,541,328	6,457,640
NON-CURRENT ASSETS			
Plant and equipment	4	6,958,823	6,664,798
Goodwill	5	-	3,145,724
Investments accounted for using the equity method	6	1,316,838	-
Financial assets		155,971	155,971
Right-of-use assets	11	2,270,240	2,133,685
Total Non-Current Assets		10,701,872	12,100,178
TOTAL ASSETS		15,243,200	18,557,818
CURRENT LIABILITIES			
Trade and other payables		2,922,173	3,519,206
Deferred revenue	8	869,238	1,810,361
Financial liabilities at fair value through profit or loss	7	7,583,466	2,100,000
Lease liabilities		213,924	277,689
Total Current Liabilities		11,588,801	7,707,256
NON-CURRENT LIABILITIES			
Provision		17,052	16,448
Deferred income	8	4,292,934	3,679,413
Lease liabilities	11	2,232,071	1,974,918
Total Non-Current Liabilities		6,542,057	5,670,779
TOTAL LIABILITIES		18,130,858	13,378,035
NET ASSETS		(2,887,658)	5,179,783
EQUITY			
Contributed equity	9	99,850,547	97,251,478
Share based payment reserve		8,011,844	7,924,264
Foreign currency translation reserve		(486,944)	(610,591)
Consolidation reserve		(382,404)	(382,404)
Accumulated losses		(109,227,469)	(98,345,335)
Equity attributable to equity holders of the parent		(2,234,426)	5,837,412
Non-controlling interest		(653,232)	(657,629)
TOTAL EQUITY		(2,887,658)	5,179,783

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Changes in Equity

For the half year ended 31 December 2022

	Contributed Equity A\$	Share Based Payment Reserve A\$	Foreign Currency Translation Reserve A\$	Consolidation Reserve A\$	Accumulated losses A\$	Non- controlling interest A\$	Total A\$
Balance at 1 July 2021	84,511,983	7,490,483	212,382	(382,404)	(77,997,896)	(8,648)	13,825,900
Other comprehensive income	-	-	(158,544)	-	-	(31,944)	(190,488)
Loss after income tax expense	-	-	-	-	(7,885,117)	(166,110)	(8,051,227)
Total comprehensive loss for the period	-	-	(158,544)	-	(7,885,117)	(198,054)	(8,241,715)
Shares issued during the period (net of share issue costs)	9,255,943	-	-	-	-	-	9,255,943
Exercise of performance rights	320,650	(320,650)	-	-	-	-	-
Acquisition of business (Czech/Russia)	-	-	-	-	-	(109,377)	(109,377)
Share based payment	31,500	603,720	-	-	-	-	635,220
Exercise of options	509,082	-	-	-	-	-	509,082
Conversion of convertible notes	2,490,702	-	-	-	-	-	2,490,702
Balance at 31 December 2021	97,119,860	7,773,553	53,838	(382,404)	(85,883,013)	(316,079)	18,365,755
Balance at 1 July 2022	97,251,478	7,924,264	(610,591)	(382,404)	(98,345,335)	(657,629)	5,179,783
Other comprehensive income	-	-	123,647	-	-	195,624	319,271
Loss after income tax expense	-	-	-	-	(10,882,134)	(191,227)	(11,073,361)
Total comprehensive loss for the period	-	-	123,647	-	(10,882,134)	4,397	(10,754,090)
Shares issued during the period (net of share issue costs)	-	-	-	-	-	-	-
Exercise of options	2,000	-	-	-	-	-	2,000
Acquisition of ZAM Software Ltd	1,316,838	-	-	-	-	-	1,316,838
Share based payments	1,280,231	87,580	-	-	-	-	1,367,811
Balance at 31 December 2022	99,850,547	8,011,844	(486,944)	(382,404)	(109,227,469)	(653,232)	(2,887,658)

The accompanying notes form part of these consolidated interim financial statements.

Consolidated Statement of Cash Flows

For the half year ended 31 December 2022

	31-Dec-22 A\$	31-Dec-21 A\$
Cash flows from operating activities		
Receipts from customers	2,702,448	3,315,304
Payments to suppliers and employees	(8,529,203)	(7,333,069)
Payments for research expenses	(1,235,460)	(1,383,217)
Research and development rebate	371,215	12,314
Tax paid	(1,951)	-
Interest received	43,591	526
Interest paid	(104,381)	(5,014)
Net cash used in operating activities	(6,753,741)	(5,393,156)
Cash flows from investing activities		
Cash acquired through asset acquisition	-	151,426
Government grant received	769,791	573,933
Payments for investments	-	(155,971)
Purchase of plant and equipment / assets under construction	(235,943)	(2,371,752)
Net cash used in investing activities	533,848	(1,802,364)
Cash flows from financing activities		
Proceeds from issue of shares	-	10,703,451
Proceeds from issue of convertible notes	5,366,012	-
Payment of lease liabilities	(119,363)	(139,589)
Partial repayment of loan by third party	209,197	-
Payment of capital raising costs	-	(751,236)
Net cash provided by financing activities	5,455,846	9,812,626
Net (decrease)/increase in cash and cash equivalents held	(764,047)	2,617,106
Cash and cash equivalents at beginning of period	1,886,347	5,433,241
Foreign exchange movement of cash	11,388	14,465
Cash and cash equivalents at end of period	1,133,688	8,064,812

The accompanying notes form part of these consolidated interim financial statements.

Notes to the Consolidated Interim Financial Statements

NOTE 1. CORPORATE INFORMATION

The consolidated interim financial report of MGC Pharmaceuticals Ltd ('MGC Pharma' or the 'Company') and its controlled entities (the "Group") for the half-year ended 31 December 2022 was authorised for issue in accordance with a resolution of the directors dated 27 February 2023.

MGC Pharmaceuticals Ltd is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (primary market) and the London Stock Exchange (secondary market).

NOTE 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

Statement of Compliance

The consolidated interim financial report is a condensed general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2022 and any public announcements made by the Group during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of Preparation

The consolidated interim financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial assets and liabilities. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the consolidated interim financial report for the half-year ended 31 December 2022 are consistent with those adopted and disclosed in the Group's 2022 annual financial report for the financial year ended 30 June 2022.

Going Concern

During the half-year ended 31 December 2022 the Group incurred a loss from continuing operations of A\$11,073,361 and net operating cash outflows of A\$6,756,741. At 31 December 2022, the consolidated group had a working capital deficit of A\$7,074,473, including a cash and cash equivalents balance of A\$1,133,688. Within the current liabilities are convertible notes with a face value of A\$2,100,000 which mature in February 2024 and convertible notes with a face value of A\$5,366,012 which mature in February to June 2024, which at the date of this report are favourable for the holder to elect to convert to equity.

The Group's cashflow forecasts for the 12 months from the date of this report indicate that the Group will require additional capital to meet its expenditure requirements and carry out its planned activities. Due to ongoing capital raising activity and the existing convertible loan note agreements the Directors are satisfied that additional capital can be raised as and when required to meet its current commitments and further planned activities.

Based on the matters detailed above, the Directors are satisfied that the going concern basis of preparation is appropriate and that the Group will be able to realise its assets and settle its obligations in the ordinary course of business over the next 12 months.

The consolidated interim financial report has been prepared on a going concern basis which contemplates continuity of normal business activities and realisation of assets and settlement of liabilities in the normal course of business. In the event that the Group is unable to obtain additional funding, there is significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern. The consolidated interim financial report does not include any adjustments relating to the recoverability and classification of the recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

Notes to the Consolidated Interim Financial Statements

Comparative Figures

When required by Accounting Standards, comparative figure have been adjusted to conform changes in presentation for the current financial period.

a) New and amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2022.

The adoption of these new and amended Accounting Standards and Interpretations did not result in any significant changes to the Group's accounting policies.

The Group has not early adopted any new or amended Accounting Standards or Interpretations issued but not yet effective.

b) Significant Accounting Judgments, Estimates and Assumptions

In preparing these consolidated interim financial statements, significant judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 30 June 2022.

NOTE 3. REVENUE

	31-Dec-22 A\$	31-Dec-21 A\$
Revenue from contracts with customers		
Pharma sales	2,125,635	2,308,299
Consulting services (<i>clinical research fees and clinic consults</i>)	7,144	16,994
Non-pharma sales	529,865	257,812
	2,662,644	2,583,105

NOTE 4. PLANT AND EQUIPMENT

	31-Dec-22 A\$	30-Jun-22 A\$
Plant and equipment		
- gross carrying amount at cost	2,719,455	2,203,496
- accumulated depreciation	(1,616,384)	(1,353,483)
	1,103,071	850,013
Construction in progress ¹		
- gross carrying amount at cost	7,127,119	6,867,601
- accumulated depreciation	(1,091,479)	(1,052,816)
	6,035,640	5,814,785
Total plant and equipment	7,138,711	6,664,798

¹ Construction in progress relates to a manufacturing facility in Malta for liquid dose form product and the anti-inflammatory product, ArtemiC™. At 31 December 2022, the facility is under commissioning with submissions for a GMP licence to follow. The facility is 80% funded by way of grant from Malta Enterprises (refer to note 8).

Plant and equipment movement

Opening balance at 1 July	6,664,798	5,272,202
Additions	235,943	2,693,099
Disposal	-	(1,080,702)
Depreciation	(160,546)	(247,686)
Foreign exchange	218,628	27,885
	6,958,823	6,664,798

Notes to the Consolidated Interim Financial Statements

NOTE 5. GOODWILL

The carrying value of the Group's goodwill at 31 December 2022 was as follows:

	31-Dec-22 A\$	30-Jun-22 A\$
Opening balance at 1 July	3,145,724	7,048,880
- Impairment	(3,145,724)	(3,903,156)
Total Goodwill	-	3,145,724

Impairment MediCaNL Israel 2019 Ltd (MediCaNL)

On 21 April 2021, MGC Pharma completed the 100% acquisition of MediCaNL Israel 2019 Ltd (MediCaNL), an Israeli company operating and providing specialist services to the pharmaceutical sector for development of new medicines. Performance since the acquisition has been lower than expected and the Group's impairment testing determined that the recoverable amount of the CGU was nil as at 31 December 2022 and recorded an impairment expense of \$3,145,724 in the profit or loss.

NOTE 6. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

On 5th August 2022 the Company acquired 40% of the issued capital of ZAM Software Ltd, a private entity that owns a real-time data collection software with proprietary Artificial Intelligence (AI) algorithms.

ZAM Software Ltd contributed A\$nil profit to the Group's consolidated profit from ordinary activities during the half year. ZAM Software Ltd reported an operating profit after tax of A\$nil for the half year ended 31 December 2022.

Notes to the Consolidated Interim Financial Statements

NOTE 7. FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

Convertible notes

Australian dollar denominated facility

In September 2020, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to A\$15,000,000 can be drawn down in exchange for the issue of a number of convertible notes with a face value of A\$1.00 each equal to 110% of the amount of funding received. The facility expired on 8 March 2022 and can no longer be drawn on. The notes drawn under this facility were repayable at face value 12 months from the date of the respective draw down, if not converted or repurchased prior to maturity.

On 1 February 2023, subsequent to the balance date, the Company executed an agreement to extend the maturity date of the A\$2,100,000 convertible notes on issue, which has extended the maturity date of these convertible notes to 1 February 2024 (**2020 Extension Agreement**).

The notes are convertible at the discretion of Mercer at any time prior to maturity, with a conversion price as follows:

- The conversion price will be the lower of A\$0.035 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than A\$0.018.

US dollar denominated facility

In July 2021, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to US\$10,000,000 can be drawn down in exchange for the issue of a number of convertible notes with a face value of US\$1.00 each equal to 110% of the amount of funding received. The facility expires on 18 January 2024. The notes are repayable at face value 18 months from the date of the respective draw down, if not converted or repurchased prior to maturity (**US\$ Con Note Facility**).

Between 19 July 2022 and 23 December 2022, the Company drew down US\$3,100,000 (A\$5,366,006) in funding from the US\$ Con Note Facility, issuing Mercer 3,410,000 US\$1.00 convertible notes. Between 23 December 2022 and the balance date the Company drew a further US\$533,120 (A\$839,161) in funding, and issued Mercer 586,432 US\$1.00 convertible notes.

The notes are US\$ convertible notes are convertible at the discretion of Mercer at any time prior to maturity, with a conversion price as follows:

- The conversion price will be the lower of A\$0.020 or 92% of the lowest daily VWAP of the Company's shares selected by Mercer over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than A\$0.014.

On 1 February 2023, subsequent to the balance date, the Company executed an agreement with Mercer to vary the US\$ Con Note Facility so the convertible notes issued after 23 December 2022 would have a minimum conversion price of A\$0.010, and to seek shareholder approval, before 31 March 2023, to reduce the minimum conversion price of the 3,410,000 US\$1.00 convertible notes issued before 23 December 2022, reduced from A\$0.014 to A\$0.010 (**2022 Variation Agreement**).

Notes to the Consolidated Interim Financial Statements

The convertible notes are determined to be hybrid financial instruments and have been designated as at fair value through profit or loss.

	31-Dec-22 A\$	30-Jun-22 A\$
Financial liabilities at fair value through profit or loss		
Opening balance	2,100,000	4,034,763
Issue of convertible notes	5,366,012	-
Converted to ordinary shares	-	(2,490,701)
Loss on remeasurement of financial liability	117,454	555,938
Closing balance – fair value	7,583,466	2,100,000

The fair value (Level 3) of the hybrid instruments was determined using valuation techniques including use of a Black-Scholes option pricing model, with estimates of projected conversion prices and the following significant inputs to the valuation at 31 December 2022.

	Australian dollar facility	US dollar facility
Valuation date	31 December 2022	31 December 2022
Share price	\$0.01	\$0.01
Exercise price	\$0.03	\$0.03
Expired date	Feb 2024	Feb – Jun 2024
Expected future volatility	70%	70%
Risk free rate	3%	3%
Dividend yield	nil	Nil

NOTE 8. DEFERRED INCOME AND REVENUE

	31-Dec-22 A\$	30-Jun-22 A\$
Current		
Deferred income - Malta grant ¹	(582,989)	(250,860)
Deferred revenues - customer advance	(286,249)	(1,559,501)
Closing balance	(869,238)	(1,810,361)
Non-Current		
Deferred income - Malta grant ¹	(4,292,934)	(3,679,413)
Closing balance	(4,292,934)	(3,679,413)

¹ The Group has received approval for a grant from Malta Enterprises to cover 80% of the construction costs of a production facility, to the value of €3,073,000 (A\$4,925,000). As at 31 December, an amount of A\$4,875,923 had been received from Malta Enterprise. In accordance with AASB 120, the grant will be recognised as income on a systematic basis over the useful life of the building once completed.

Notes to the Consolidated Interim Financial Statements

NOTE 9. CONTRIBUTED EQUITY

	31-Dec-22 NUMBER	30-Jun-22 NUMBER	31-Dec-22 A\$	30-Jun-21 A\$
Ordinary Shares on issue, fully paid	2,865,847,321	2,728,293,852	99,850,547	97,251,478
	2,865,847,321	2,728,293,852	99,850,547	97,251,478

Reconciliation of movement in share capital

	No. of Shares	Issue Price	Amount
Opening balance of 1 July 2022	2,728,293,852		97,251,478
Shares Issued to Mercer St Global Opportunity Fund LLC – 5 August 2022	21,511,545	0.020	430,231
Shares issued to employees and consultants – 3 August 2022	15,000,000	0.020	300,000
Shares issued to acquire 40% of ZAM Software Ltd – 5 August 2022	65,841,924	0.020	1,316,838
Shares issued to employees and consultants – 26 August 2022	20,000,000	0.020	400,000
Shares issued to employees and consultants – 1 November 2022	15,000,000	0.010	150,000
Shares issued on conversion of performance rights – 1 November 2022	200,000	0.010	2,000
Closing balance at 31 December 2022	2,865,847,321		99,850,547

NOTE 10. SHARE BASED PAYMENTS

There were no performance rights and options granted during the period. A summary of those on issue as at 31 December 2022 are summarised below.

Reconciliation of Performance Rights

Opening Balance	Granted as compensation	Exercised	Lapsed	Outstanding at 31 December 2022
66,675,000	-	(200,000)	-	68,475,000

Reconciliation of Options

Opening Balance	Granted as compensation	Exercised	Lapsed	Outstanding at 31 December 2022
94,432,986	-	-	-	94,432,986

Notes to the Consolidated Interim Financial Statements

NOTE 11. LEASES

At the reporting date the Group has two long-term leases for the use of the land for the construction of facilities in Malta – a 65 year lease for a larger production facility and a 5 year lease entered into the ArtemiC production facility now constructed. The Group also has leases for office and lab rental.

Below are the carrying amounts of right-of-use assets recognised for the period:

	31-Dec-22 A\$	30-Jun-22 A\$
Right-of-use assets		
Opening balance	2,133,685	1,869,006
Additions	236,534	422,213
Depreciation	(99,979)	(157,534)
Closing balance	2,270,240	2,133,685

Below are the carrying amounts of lease liabilities for the period:

	31-Dec-22 A\$	30-Jun-22 A\$
Lease liabilities		
Opening balance	2,252,608	1,982,807
Additions	236,534	422,213
Interest	54,418	153,189
Lease payments	(151,820)	(263,785)
Foreign exchange	54,255	(41,816)
Closing balance	2,445,995	2,252,608
Current	213,924	277,689
Non-current	2,232,071	1,974,919
Total lease liability	2,445,995	2,252,608

NOTE 12. COMMITMENTS AND CONTINGENT LIABILITIES

There have been no significant changes to commitments and contingent liabilities as at 31 December 2022.

NOTE 13. ADMINISTRATIVE EXPENSES

The Group incurred higher than usual administrative expenses during the year, some of which were settled by way of share issues in the period.

	31-Dec-22 A\$	31-Dec-22 A\$
Administrative expenses		
Expenses	6,187,663	4,254,845
Share based payments	87,580	603,720
Shares issued to Mercer St Global Opportunity Fund LLC	430,231	-
Shares issued to employees and consultants for services rendered	850,000	-
Total for period	7,555,474	4,858,565

Notes to the Consolidated Interim Financial Statements

NOTE 14. RELATED PARTY TRANSACTIONS

There have been no material changes to related parties since 30 June 2022, with exception of the following:

- During the period, a payment of EUR 52,697 (A\$80k) was made to Graft Polymer Limited (GPO), an entity of which Mr Roby Zomer is a Director, for purchases of ArtemiC Rescue

NOTE 15. EVENTS SUBSEQUENT TO REPORTING DATE

On 1 February 2023 the Company entered into variation agreements to amend the terms of the Convertible Security Facilities dated 8 September 2020 (**A\$15 million Facility**) and 29 July 2022 (**US\$10 million Facility**) with Mercer Street Global Opportunity Fund, LLC (Mercer) (refer note 7).

- With respect to the A\$15 million Facility, the parties agreed to extend the maturity date of 2,100,000 A\$1.00 convertible notes (**2020 Convertible Notes**) from 24 November 2022 to 1 February 2024, and in consideration for Mercer agreeing to extend the maturity date, the Company issued Mercer 50,000,000 options over fully paid shares in MGC, with an exercise price of A\$0.013 per option, and expiry date of 30 June 2025. In addition to agreeing to extend the convertible note maturity date, the parties also agreed to convene a shareholder meeting to seek shareholder approval, before 31 March 2023, to reduce the minimum conversion price of the 2020 Convertible Notes from A\$0.018 to A\$0.010.
- In respect to the US\$10 million Facility, the parties have also agreed to seek shareholder approval at the aforementioned meeting to reduce the minimum conversion price of the convertible notes issued, or to be issued under that agreement, from A\$0.014 to A\$0.010.

On 1st January 2023, Mr Evan Hayes resigned as a director.

On 6th February 2023, The Company drew down an additional US\$600,000 (A\$839,161) as part of the Mercer Street US\$10 Million Facility.

Other than those matters disclosed in the interim financial statements, there have been no significant events occurring after the balance date which may affect either the Group's operations or results of those operations or the group's state of affairs.

NOTE 16. SEGMENT REPORTING

Geographic information on the Group's revenue by location of operations for the period and non-current assets at 31 December is as follows:

	Malta A\$	Israel A\$	Slovenia A\$	Australia A\$	Other A\$	Eliminations A\$	Total A\$
31-Dec-22							
Sales revenue	2,608	183,335	2,285,315	844,370	-	(652,984)	2,662,644
Total assets	8,227,172	144,711	3,245,826	3,400,342	263,821	(38,672)	15,243,200
31-Jun-22							
Sales revenue	-	456,596	3,219,710	2,403,947	-	(1,348,241)	4,732,012
Total assets	8,639,316	572,711	3,507,953	5,602,223	174,663	60,952	18,557,818

Directors' Declaration

The Directors of the Company declare that:

1. the interim financial statements and notes, are in accordance with the *Corporations Act 2001* and:
 - a) comply with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half year ended on that date; and
2. Subject to the matters set out in note 2, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s 303(5) of the Corporations Act.



Brett Mitchell
Executive Chairman
Dated 27 February 2023

**MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES**

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MGC PHARMACEUTICALS LTD**

Conclusion

We have reviewed the half-year financial report of MGC Pharmaceuticals Ltd, which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year then ended, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of MGC Pharmaceuticals Ltd does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the MGC Pharmaceuticals Ltd financial position as at 31 December 2022 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410: *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of MGC Pharmaceuticals Ltd in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material Uncertainty Related to Going Concern

We draw attention to Note 2 in the financial report, which indicates that the group incurred a net loss of \$11,073,361 during the half-year ended 31 December 2022 and, as of that date, the group's current liabilities exceeded its current assets by \$7,074,473. As stated in Note 2, these events or conditions, along with other matters as set forth in Note 2, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Responsibility of the Directors for the Financial Report

The directors of MGC Pharmaceuticals Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Review of the Financial Report

ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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MGC PHARMACEUTICALS LTD
ABN 30 116 800 269
AND ITS CONTROLLED ENTITIES

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MGC PHARMACEUTICALS LTD

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

Hall Chadwick

HALL CHADWICK (NSW)
Level 40, 2 Park Street
Sydney NSW 2000

Drew Townsend

DREW TOWNSEND

Partner

Dated: 27 February 2023