

Cleansing Notice – Convertible Security Agreement

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This cleansing notice (**Cleansing Notice**) is given by MGC Pharmaceuticals Ltd (**Company**) under section 708A(12C)(e) of the *Corporations Act 2001* (Cth) (**Corporations Act**) as amended by ASIC *Corporations (Sale Offers: Securities Issued on Conversion of Tranche 1 Notes) Instrument 2016/82*.

The Company hereby confirms that:

- (a) the convertible notes described below will be issued without disclosure to an investor under Part 6D.2 of the Corporations Act; and
- (b) this Cleansing Notice has been given in accordance with section 708A(12C)(e) of the Corporations Act.

The issue of this Cleansing Notice enables the fully paid ordinary shares in the capital of the Company (**Shares**) issued on the conversion of the convertible notes issued by the Company on the terms described below, to be on-sold to retail investors without further disclosure.

This Cleansing Notice is important and should be read in its entirety.

1. BACKGROUND

1.1 Convertible Securities Agreement

As announced on 29 July 2022, the Company has entered into a convertible securities agreement (**Convertible Securities Agreement**) with Mercer Street Global Opportunity Fund, LLC (**Mercer**), a United States based investment group, to provide the Company with funding of up to a total of US\$10 million.

The first tranche of US\$1.2 million will be provided shortly to the Company upon satisfaction of the closing conditions, in exchange for the issue of 1,320,000 convertible notes (each with a face value of US\$1) (**Tranche 1 Notes**).

Under the Convertible Securities Agreement, the Company may request additional drawdowns of up to a further US\$8.8 million, in exchange for the issue of a further 9,680,000 convertible notes to Mercer (each with a face value of US\$1).

For further information in relation to the Convertible Securities Agreement, please refer to the Company announcement dated 29 July 2022.

A broad summary of the rights, privileges and restrictions attaching to the Tranche 1 Notes is set out in Schedule 1 of this Cleansing Notice. The summary is not exhaustive and does not constitute a definite statement of the rights and liabilities of the Tranche 1 Note holder (**Noteholder**).

2. CONTENTS OF THIS CLEANSING NOTICE

This Cleansing Notice sets out the following:

- (a) in relation to the Tranche 1 Notes:
 - (i) the effect of the issue on the Company;
 - (ii) a summary of the rights and liabilities attaching to the Tranche 1 Notes; and
 - (iii) a summary of the rights and liabilities attaching to the Shares that will be issued on the conversion of the Tranche 1 Notes; and

- (b) any information that:
- (i) has been excluded from continuous disclosure notices in accordance with the ASX Listing Rules; and
 - (ii) is information that investors and their professional advisors would reasonably require for the purpose of making an informed assessment of:
 - (A) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
 - (B) the rights and liabilities attaching to the Shares; and
 - (iii) other information relating to the Company's status as a disclosing entity.

3. THE EFFECT OF THE ISSUE ON THE COMPANY

3.1 Effect of the issue on the Company

The principal effect of the issue of the Tranche 1 Notes on the Company will be:

- (a) an increase of the number of unquoted convertible notes on issue from 2,100,000 to 3,420,000;
- (b) the Company having a liability for the aggregate face value of the Tranche 1 Notes (being US\$1,320,000); and
- (c) if the Tranche 1 Notes are converted at the lowest possible conversion price (being \$0.014), a maximum increase in the number of fully paid ordinary shares in the capital of the Company (**Shares**) on issue from 2,728,293,852 to 2,862,987,730.¹

3.2 Potential effect on capital structure

- (a) As at the date of this Cleansing Notice, the total number of issued Shares is 2,728,293,852.
- (b) The capital structure of the Company will be affected by the conversion of Tranche 1 Notes by the Noteholder.
- (c) Subject to limits on the conversion under the Convertible Securities Agreement, the Tranche 1 Notes can be:
 - (i) converted into Shares (at the applicable conversion price) at any time after their issue and prior to 18 months from the date of issue of the Tranche 1 Notes (the **Maturity Date**); or
 - (ii) if the Investor has not notified the Company in writing by 5.00 pm on the day that is 10 business days prior to the Maturity Date that it will be converting the Tranche 1 Notes (in whole or in part), to the extent not already converted or repurchased prior to the relevant maturity date, the Company is to pay in full to the Noteholder the face value of the remaining Tranche 1 Notes (and any accrued but unpaid interest) within 20 business days of the Maturity Date.
- (d) The effect on the capital structure of the Company upon (1) issue and (2) conversion of the Tranche 1 Notes is as follows:

Upon issue:

Convertible Notes	Number
Convertible notes on issue at the date of this Cleansing Notice	2,100,000
Tranche 1 Notes to be issued under the Convertible Securities Agreement	1,320,000

¹ Calculated based on the USD spot exchange rate of \$0.70. The actual number of Shares to be issued on conversion will be calculated in accordance with the conversion formula for the Tranche 1 Notes, as detailed in Schedule 1.

Total convertible notes on issue following issue of the Tranche 1 Notes under the Convertible Securities Agreement	3,420,000
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Upon conversion:

Shares	Number
Shares issued on the date of this Cleansing Notice	2,728,293,852
Shares issued upon conversion of the Tranche 1 Notes ¹	134,693,878
Total Shares on issue following conversion of all Tranche 1 Notes	2,862,987,730

Note 1: This assumes that the Tranche 1 Notes are converted at the lowest possible Conversion Price (being \$0.014), and USD exchange rate of \$0.70. The actual number of Shares to be issued on conversion will be calculated in accordance with the conversion formula for the Tranche 1 Notes, as detailed in Schedule 1.

Other securities currently on issue:

The Company currently has 94,432,986 options on issue. There will be no resulting change to the number of options on issue upon the issue and conversion of the Tranche 1 Notes.

The Company currently has 68,675,000 performance rights on issue. There will be no resulting change to the number of performance rights on issue upon the issue and conversion of the Tranche 1 Notes.

4. RIGHTS AND LIABILITIES ATTACHING TO SHARES ISSUED ON CONVERSION OF THE TRANCHE 1 NOTES

The Shares issued to the Noteholder on the conversion of the Tranche 1 Notes under the Convertible Securities Agreement will rank equally in all respects with all of the Company's existing Shares.

Under the Convertible Securities Agreement, the Company is required to apply to ASX for quotation of the Shares issued on conversion of any Tranche 1 Notes.

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

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

(a) General meetings

Each shareholder of the Company (**Shareholder**) is entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive all notices, accounts and other documents required to be sent to Shareholders under the Company's constitution (**Constitution**), the Corporations Act or the ASX Listing Rules.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of the Company every holder of fully paid ordinary Shares present in person or by an attorney; representative or proxy has one vote on a show of hands (unless a member has appointed 2 proxies) and one vote per share on a poll.

A person who holds a share which is not fully paid is entitled, on a poll, to a fraction of a vote equal to the proportion which the amount paid bears to the total issue price of the share.

Where there are 2 or more joint holders of a Share and more than one of them is present at a meeting and tenders a vote in respect of the Share, the Company will count only the vote cast by the Shareholder whose name appears first in the Company's Share register.

(c) **Variation of Rights**

Unless otherwise provided by the terms of issue of a class of shares and subject to the Corporations Act, the rights attached to the shares in any class may be varied or cancelled only with the written consent of the holders of at least three-quarters of the issued shares of the affected class, or by special resolution passed at a separate meeting of the holders of the issued shares of the affected class.

(d) **Transfer of Shares**

Subject to the Constitution, the Corporations Act and ASX Listing Rules, Shares are freely transferable.

The Shares may be transferred by a proper transfer effected in accordance with the ASX Settlement Operating Rules, by any other method of transferring or dealing with Shares introduced by ASX and as otherwise permitted by the Corporations Act or by a written instrument of transfer in any usual form or in any other form approved by either the Directors or ASX that is permitted by the Corporations Act.

The Directors may decline to register a transfer of Shares (other than a proper transfer in accordance with the ASX Settlement Operating Rules) where permitted to do so under the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 business days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for the refusal. The Directors must decline to register a transfer of Shares when required by law, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(e) **Dividends**

The Directors may from time to time determine dividends to be distributed to Shareholders according to their rights and interests. The Directors may fix the time for distribution and the methods of distribution. Subject to the terms of issue of shares, the Company may pay a dividend on one class of shares to the exclusion of another class.

Each Share carries the right to participate in the dividend in the same proportion that the amount for the time being paid on the Share (not credited) bears to the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

(f) **Winding-up**

Subject to the rights of holders of shares with special rights in a winding-up and the Corporations Act, if the Company is wound up all monies and property that are to be distributed among Shareholders on a winding-up,

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(g) **Shareholder liability**

As the Shares to be issued on the conversion of the Tranche 1 Notes will be fully paid shares, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(h) **Alteration of constitution**

In accordance with the Corporations Act, the Company's constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

5. COMPLIANCE WITH DISCLOSURE OBLIGATIONS

The Company is a “**disclosing entity**” under the Corporations Act and, as such, is subject to regular reporting and disclosure obligations under both the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise. In particular, the Company is obliged to continuously disclose to the market immediately any information which a reasonable person would expect to have a material effect on the price or the value of the Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a directors’ statement and report, and an audit report or review. Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an ASIC office.

The Company will provide a copy of each of the following documents, free of charge, to any person on request:

- (a) the annual financial report most recently lodged by the Company with ASIC, being the financial report of the Company for the year ended 30 June 2021;
- (b) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX; and
- (c) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report referred to in paragraph (a) and before the lodgement of this Cleansing Notice with ASX.

A list of the continuous disclosure notices given by the Company to ASX after lodgement of the annual financial report referred to in paragraph (a) above and before the lodgement of this Cleansing Notice with ASX is set out in the table below.

Date	Announcement
29 July 2022	US\$10M Financing Agreement signed with US Financier/Investor
28 July 2022	Proposed issue of securities - MXC
28 July 2022	Strategic Acquisition of 40% interest in ZAM Software Ltd
25 July 2022	Amended June Quarterly Reports (amended App. 4C)
25 July 2022	June Quarter Activities and Cash Flow Report
19 July 2022	Appointment of Chief Commercial Officer
14 July 2022	Long COVID Study Results for ArtemiC Support
8 July 2022	Approvals received for South African CimetrA Clinical Trial
6 July 2022	Launch of Medical Data Collection App - ZAM
27 June 2022	CimetrA anti-inflammatory pre-clinical study results
24 June 2022	US Market Update - CimetrA Clinical Trial Progress
16 June 2022	Glioblastoma pre-clinical trial results
6 June 2022	Cognicann Clinical Trial Results
18 May 2022	Response to ASX Aware Query

Date	Announcement
13 May 2022	s708A(5)(e) Cleansing Notice
13 May 2022	Application for quotation of securities - MXC
10 May 2022	Patent Granted for CannEpiL SNEDDS
9 May 2022	Change of Director's Interest Notice x 2
29 April 2022	March 2022 Quarterly Activity and Cash Flow Reports
26 April 2022	Appointment of London based CFO
21 April 2022	Patent Granted for CimetrA
12 April 2022	Change in directors' interests x 6 and cessation of CFO
7 April 2022	s708A(5)(e) Cleansing Notice
7 April 2022	Application for quotation of securities - MXC
7 April 2022	Notification of cessation of securities - MXC
6 April 2022	Notification of cessation of securities - MXC
5 April 2022	Sciensus Rare EU & UK Sales and Distribution Agreement
10 March 2022	Retirement of Joint Company Secretary
1 March 2022	Half Yearly Report and Accounts
22 February 2022	s708A(5)(e) Cleansing Notice
22 February 2022	Application for quotation of securities - MXC
17 February 2022	Results of Meeting
2 February 2022	s708A(5)(e) Cleansing Notice
2 February 2022	Application for quotation of securities - MXC
2 February 2022	Application for quotation of securities - MXC
31 January 2022	Quarterly Activities/Appendix 4C Cash Flow Report
14 January 2022	General Meeting Notice of Meeting
14 January 2022	General Meeting Notice of Access/Proxy Form
12 January 2022	Response to ASX Query
7 January 2022	ArtemiC receives Indian importation and sales approval
21 December 2021	ArtemiC Long COVID Syndrome Clinical Study Commenced
16 December 2021	Notification regarding unquoted securities - MXC
8 December 2021	s708A(5)(e) Cleansing Notice
8 December 2021	Application for quotation of securities - MXC
8 December 2021	Application for quotation of securities - MXC
1 December 2021	s708A(5)(e) Cleansing Notice
1 December 2021	Proposed issue of securities - MXC

Date	Announcement
1 December 2021	UK Capital Raising Completed
30 November 2021	Trading Halt
25 November 2021	Production Completed of A\$1M ArtemiC Order from SPC
25 November 2021	Results of 2021 Annual General Meeting
24 November 2021	Issue of Shares and Tranche 1 Note Maturity Extension
24 November 2021	Proposed issue of securities - MXC
24 November 2021	Appendix 3Y - Change of Director's Interest Notice
24 November 2021	Application for quotation of securities - MXC
24 November 2021	Application for quotation of securities - MXC
23 November 2021	US Supply and Distribution Agreement Update
19 November 2021	AGM Webcast Registration Details
17 November 2021	Notice of upcoming release of shares from voluntary escrow
12 November 2021	Section 323DB Jobkeeper Receipts Notice
12 November 2021	Notification regarding unquoted securities - MXC
3 November 2021	Malta Cimetra Production Facility Update
2 November 2021	Cimetra Dose Finding Study Approval
26 October 2021	Quarterly Activities/Appendix 4C Cash Flow Report

6. INFORMATION EXCLUDED FROM CONTINUOUS DISCLOSURE NOTICES

As at the date of this Cleansing Notice, the Company advises that it has fully complied with its disclosure obligations under the ASX Listing Rules and the Corporations Act, and, in particular, there is no information which the Company has excluded from any of its continuous disclosure notices given in accordance with the ASX Listing Rules and the Corporations Act as at the date of this Cleansing Notice which it would be reasonable for investors and their professional advisors to require for the purpose of making an informed assessment of:

- (a) the assets and liabilities, financial position and performance, profits and losses and prospects of the Company; and
- (b) the rights and liabilities attaching to the Tranche 1 Notes and the Shares.

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Authorised for release by the 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 developing and supplying affordable standardised phytomedicines to patients globally. 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 phytocannabinoid derived medicines for the growing demand in the medical markets in Europe, North America and Australasia. MGC Pharma has a robust product offering targeting two widespread medical conditions – epilepsy and dementia – and has further products in the development pipeline.

Employing its 'Nature to Medicine' strategy, MGC Pharma has partnered with renowned institutions and academia to optimise cultivation and the development of targeted phytocannabinoid derived medicines products prior to production in the Company's EU-GMP Certified manufacturing facility.

MGC Pharma has a number of research collaborations with world renowned academic institutions, and including recent research highlighting the positive impact of using specific phytocannabinoid formulations developed by MGC Pharma in the treatment of glioblastoma, the most aggressive and so far therapeutically resistant primary brain tumour.

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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