

17 February 2020
ASX Code: MXC

MGC Pharma announces \$1m Strategic Placement and \$3m Share Purchase Plan

ASX
RELEASE
ANNOUNCE

MGC Pharmaceuticals Ltd (ASX: MXC, 'MGC Pharma' or 'the Company'), a European based 'Seed to Medicine' bio-pharma company specialising in the development and production of phytocannabinoid-derived medicines, is pleased to announce that it has received a firm commitment from a strategic investor to raise A\$1.0 million by way of a share placement ('Placement') at 3.2 cents per share. The Company will also offer a share purchase plan ('SPP') to raise up to A\$3.0 million from eligible shareholders at 2.7 cents per share, with a 1 for 2 free attaching option exercisable at 4.5 cents. Combined, the Placement and the SPP is intended to raise approximately A\$4.0 million.

- A strategic investor has committed to invest A\$1.0 million by way of a Placement at an issue price of A\$0.032 per share
- A SPP will be offered to eligible existing shareholders to raise A\$3.0 million
- Shares issued under the SPP will be issued at A\$0.027 per share, and include one free attaching option for every two shares subscribed for, exercisable at A\$0.045 on or before 31 August 2021
- Proceeds of the Placement and the SPP will be applied to accelerate production and sales of the Company's cannabinoid-based medicines to existing and new distributors globally, to continue the Company's recent strong sales growth trajectory
- Delivery of 2,000 units of MP100 for order received in January 2020 - import permits from the Australian Office of Drug Control received and expected product is expected to be shipped to Australian distributors in February. This will nearly double the current total of MGC Pharma medicines prescribed to date
- As part of the Bio-Pharma strategy implementation the Company has reduced its production costs focusing on Pharma business during the quarter, with an increase of revenues from the ramp up of production and orders, alongside with steps that has been taken within the management structure to reduce corporate costs, in order to streamline its only Pharma activities.

Placement

MGC Pharma has secured a firm commitment from a strategic investor OT Capital Modiin. OT Capital Modiin is an investment company in commercial and real estate projects, currently expanding into medtech and biopharma (the 'Investor') to raise A\$1.0 million. The investment followed the Investor conducting an extensive due diligence process on the Company and its operations, and is fully supportive of the Company's strategy and operations. The Investor intends to materially support any future capital raisings, including the LSE dual listing.

Under the Placement, the Company will issue 31.25 million new fully paid ordinary shares ("New Shares") at an issue price of A\$0.032 per New Share, being the ASX closing price of our last trading day on 12 February 2020.

New Shares issued under the Placement will be issued under MGC Pharma's ASX Listing Rule 7.1 capacity and is expected to be completed within the coming week. There are no free attaching options included under the Placement.

SPP

The Company is inviting existing eligible shareholders to participate in an SPP to raise up to A\$3.0 million. Shares issued under the SPP will be issued at A\$0.027 per share being a discount of ~15% to the 5-day VWAP as at 12 February 2020. Eligible shareholders will be able to apply for up to A\$30,000 worth of shares with a free attaching option on a one-for-two basis. No brokerage or commissions are payable by shareholders in respect of New Shares applied for under the SPP.

The free attaching Option in respect of SPP shares will be issued under a separate offer to be made under a prospectus ('Option Offer'). The free attaching Options are therefore not being offered under the SPP, and the Option Offer will take place following the dispatch of the SPP documentation. The free attaching Option in respect of SPP shares are to be issued within the Company's ASX Listing Rule 7.1 capacity.

In the event that more than A\$3.0 million is applied for under the SPP, the Board reserves the right to scale-back applications, and/or close or withdraw the SPP offer early in their absolute discretion, or alternatively, accept oversubscriptions in the SPP.

Participation in the SPP is optional and is available solely to those Shareholders with a registered address in Australia or New Zealand as at 5.00pm (AEDT) on 14 February 2020 ('Eligible Shareholders'). Eligible Shareholders will be posted the SPP offer document together with their personalised application form in coming days.

Canaccord Genuity (Australia) Ltd is acting as lead manager to the SPP.

Indicative SPP Timetable

Event	Date
SPP Record Date	5:00pm (EDST), 14 February 2020
Announce the SPP (including the closing date) and Appendix 3B on ASX	Monday 17 February 2020
Cleansing Notice and SPP Offer Document lodged with ASX	Monday 17 February 2020
Opening date for SPP	Wednesday 19 February 2020
Closing date for SPP	5:00pm (EDST), Wednesday 4 March 2020
Announce results of SPP	Friday 6 March 2020
Expected date of issue for SPP shares	Wednesday 11 March 2020

*These dates above are indicative only. The Company may vary the dates and times of the Offer without notice and in compliance with ASX Listing Rules. Accordingly, shareholders are encouraged to submit their Application Forms as early as possible.

Use of Funds

Proceeds of the Placement and the SPP will be applied to fund the immediate production and future production for its cannabinoid based medicines to fulfil current and future sales orders including CannEpil®, CogniCann®, and MP100 in Australia, Europe and Latin America, the ongoing operating expenses of the Company, and general working capital requirements.

Company Positioning and Outlook

In the last 6 months of 2019, the Company achieved some major operational and financial milestones, that were critical in the commercialisation of its EU GMP pharma business:

- Total group revenue in excess of \$2,000,000 (unaudited) for the half year ended 31 December 2019, including non-pharma sales for the period

- Increased sales of cannabinoid-based medicines from <100 prescriptions in August, to >2,250 in early January 2020
- Increased patient numbers from <30 in August 2019 to >800 by early January 2020
- Achieved authorisation to sell MGC Pharma medicines in UK, Ireland and Brazil with Peru currently pending (this adds to sale authorisation approval in place in Australia)
- Following receipt of import approval in Ireland, access to key EU markets under EU Mutual Recognition policy, and first products are anticipated to be distributed in coming months – Poland, Germany and Czech Republic priority markets

Over the course of 2020, the Company’s Board and Management will be focused on driving increased production and sales of the Company’s cannabinoid-based medicines, with the existing infrastructure and systems established in the following key areas:

- Review and reduction of operating and corporate costs implemented in December 2019
- Continuing to deliver monthly increases in prescription numbers, currently >2,250
- Order for 2,000 units of MP100 received in January 2020 - import permits from the Australian Office of Drug Control received and product is expected to be shipped to Australian distributors in February
 - These 2,000 units will nearly double the current total of MGC Pharma medicines prescribed to date
- Increasing monthly revenue growth expected to continue in March and June 2020 quarters based on existing orders received, demand from new territories (Brazil, UK), and increasing volumes from repeat customers
- The Company now estimates to be producing 2,000 prescription medicines per month by June 2020, based on current order growth and expressions of interest from new distributors and territories, and 5,000 prescriptions per month by end 2020
- The Company expects to reach operating cashflow breakeven (including overheads and corporate costs) at 5,000 prescriptions per month production rate, based on its current cost structure and product margins
- The Company plans to increase production capacity of Slovenian facility from 12,000 prescriptions per month to 20,000 prescriptions per month for minimal additional capex spend

Planned LSE Dual Listing

As detailed in the quarterly report to 31 December 2019, the Company has made significantly progress towards achieving dual listing on the LSE, including lodging final documentation during December 2019. The Company remains confident in completing its LSE listing once final procedures with the UK regulatory authorities have been completed. Following the legalisation of medicinal cannabis in November 2018 in the UK, MGC Pharma has positioned itself to be one of the first medicinal cannabis to list in the United Kingdom.

Roby Zomer, Co-founder and Managing Director of MGC Pharma, commented: “As we continue to work towards our planned dual listing in London, the immediate and ongoing support from a strategic investor is a testament to the opportunity that our business offers investors in providing exposure our unique seed to pharmacy strategy.

“Having increased prescription numbers in January 2020 which now sits at more than 2,250, from a number of jurisdictions – most recently Latin America and Ireland - I am confident we will continue to see further momentum and growth in the short term.

“We continue to actively pursue a dual listing on the London Stock Exchange, and I look forward to providing further updates in due course.”

--Ends--

Authorised for issue by the Board, for further information, please contact:

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About MGC Pharma

MGC Pharmaceuticals Ltd (ASX: MXC, OTCQB: MGCLF) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines 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 'Seed 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 recent research conducted in collaboration with the National Institute of Biology and University Medical Centre Ljubljana, highlighted the positive impact of using specific phytocannabinoid formulations 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. In order to meet the demands of becoming a key global supplier the company is constructing a 15,720m² GMP state of the art facility in Malta.

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