

17 February 2020

Dear Shareholder,

### **MGC Pharmaceutical Limited Security Purchase Plan- Offer Document**

On behalf of the board of MGC Pharmaceuticals Limited (ACN 116 800 269) (**MXC** or **the Company**), I am pleased to offer you the opportunity to participate in the Company's capital raising activities and to subscribe for fully paid ordinary shares in the Company (**Shares**) under a Security Purchase Plan (the **SPP** or the **Plan** or the **Offer**). Shares issued under the Plan shall be issued with one free attaching option for every two Shares subscribed for, exercisable at \$0.045 on or before 31 August 2021 (**Options**).

Under the SPP, the Company is offering eligible shareholders (**Shareholders**) the opportunity to purchase parcels between \$1,000 (minimum) and \$30,000 (maximum) worth of Shares at an issue price of \$0.027 per Share (**Issue Price**), irrespective of the size of their shareholding and without incurring brokerage, commissions, or transaction costs.

The maximum amount proposed to be raised under the Offer is approximately \$3,000,000. In the event that more than \$3,000,000 is applied for under the SPP, the Board reserves the right to scale back applications, and/or close or withdraw the SPP early in their absolute discretion, or alternatively, accept oversubscriptions. In the event that applications for less than \$3,000,000 is received, MXC may seek to place the shortfall from the Offer.

The Issue Price represents a ~15% discount to the volume weighted average market price (**VWAP**) of Shares over the last five days on which sales of Shares were recorded on the Australian Securities Exchange (**ASX**) immediately prior to the announcement of the Plan.

Directors<sup>1</sup> eligible to participate in the Offer intend to participate 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 (Record Date)** (subject to the restrictions described in the attached terms and conditions (**Terms and Conditions**)).

Canaccord Genuity (Australia) Ltd is acting as Lead Manager to the SPP and will be paid a fee of 3% of the funds raised under the SPP.

### **Use of Funds**

The funds raised under the SPP will be used to fund the immediate required production to fulfil current and ongoing orders for the Company's cannabinoid-based medicines including CannEpi<sup>®</sup>, CogniCann<sup>®</sup> and MP100 in Australia, Europe and Latin America, the ongoing operating expenses of the Company and general working capital.

---

<sup>1</sup> Mr Roby Zomer, Mr Nativ Segev and Dr Stephen Parker are ineligible directors due to residing overseas

The Company has achieved a number of key milestones in the past 6 months during the commercialisation of its EU GMP pharma business, with the production and sales of its cannabinoid-based medicines, including:

- Increased sales of cannabinoid-based medicines from <100 prescriptions in August, to >2,250 in 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
- 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.

### Option Offer

Shareholders who participate in the Plan will also be eligible for free attaching Options via a separate offer to be made under a prospectus, (**Option Offer**). The Options are therefore not being offered under this Plan and the Option Offer will be undertaken following lodgement of that prospectus. The Options will be issued under the Company's ASX Listing Rule 7.1 placement capacity.

Applications for Shares under the Offer will need to be made in accordance with the enclosed Application Form. The offer of Shares under the Plan is made in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 and therefore does not require a prospectus for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth).

**All applications and corresponding funds must be received by the Offer closing date, of 5.00pm (AEDT) on 4 March 2020.**

### Important Information

The Offer is governed by the enclosed Terms and Conditions. The Board urges you to read these Terms and Conditions carefully and in their entirety before deciding whether to participate in the Offer.

If you are uncertain whether Shares are a suitable investment for you, you should consult your financial or other professional adviser. The Board recommends that you obtain your own financial advice in relation to the Offer and consider price movements of Shares in the Company prior to electing to participate in the Offer.

### Enquiries

If you have any enquiries in relation to your Application Form or the Offer, please call Computershare Investor Services (the Company's Share Registry) on 1300 850 505 or the Company Secretary on +61 8 6382 3390.

Yours faithfully



**Roby Zomer**

**Managing Director**

MGC Pharmaceuticals Limited

## **MGC PHARMACEUTICALS LIMITED SECURITY PURCHASE PLAN - TERMS AND CONDITIONS**

The Offer is made to eligible shareholders on these terms and conditions (**Terms and Conditions**).

### **Shareholders Eligible to Participate**

Participation under the Plan is optional and holders of Shares that are registered with an Australian or New Zealand address as at 5:00pm (AEDT) on 14 February 2020 (**Record Date**) are eligible shareholders (**Eligible Shareholders**) and may participate in the Plan, unless such registered shareholder holds Shares on behalf of another person who resides outside Australia or New Zealand. Due to foreign securities laws, it is not practical for shareholders (or beneficial shareholders) resident in other countries to be offered the opportunity to participate in the Plan.

Offers made under the Plan are non-renounceable (i.e. Eligible Shareholders may not transfer their rights to any Shares offered under the Plan). Eligible Shareholders who wish to take up Shares issued under the Plan agree to be bound by the Company's constitution in respect of Shares issued under the Plan.

An offer may, at the discretion of the directors of the Company (**Directors**), be made under the Plan once a year. The maximum amount which any Eligible Shareholder may subscribe for in any consecutive 12 month period is \$30,000. The Directors may also determine in their discretion the minimum amount for participation, the multiple of Shares to be offered under the Plan and the period the Offer is available to Eligible Shareholders.

### **Share Purchase Plan**

The Plan entitles Eligible Shareholders, irrespective of the size of their shareholding, to purchase up to \$30,000 worth of Shares at an issue price of \$0.027 per Share, subject to approximately \$3,000,000 being raised under the Offer (**Issue Price**). In the event that applications for less than \$3,000,000 is received, MXC may seek to place the shortfall from the Offer. The Company also reserves the right to accept oversubscriptions.

The Plan is not underwritten.

### **Use of Proceeds**

The net proceeds raised under the Plan will be primarily applied towards the immediate production and future production for its cannabinoid based medicines to fulfil current and future sales orders including CannEpiil<sup>®</sup>, CogniCann<sup>®</sup>, and MP100 in Australia, Europe and Latin America, the ongoing operating expenses of the Company, and general working capital requirements.

### **Current Activities**

Details of the Company's current activities are set out in the announcements made by the Company to the ASX and are available from the ASX, or the Company's website at <http://www.mgcpharma.com.au>.

### **How much can you invest?**

Eligible Shareholders may each apply for a maximum of \$30,000 worth of Shares and a minimum of \$1,000 worth of Shares under the Plan.

### **How to accept this Offer**

To apply for Shares under the Plan, please follow the instructions on the enclosed personalised Application Form.

Eligible Shareholders may participate by selecting only one of the following offers to purchase Shares under the Plan:

Offer	Total amount payable	Number of Shares which may be purchased
Offer A	\$30,000	1,111,111
Offer B	\$20,000	740,740
Offer C	\$15,000	555,555
Offer D	\$10,000	370,370
Offer E	\$5,000	185,185
Offer F	\$2,000	74,074
Offer G	\$1,000	37,037

The number of Shares to which you are entitled will be calculated by dividing the subscription amount you have selected by the Issue Price, rounded down.

Once an application has been made it cannot be revoked. All Application Forms and corresponding funds (in accordance with payment options which include payment by cheque, bank draft, money order or making a payment via BPAY) must be received by the **Closing Date of 5:00pm (AEDT) on 4 March 2020 (Closing Date)**.

If the exact amount of money is not tendered with your application, the Company reserves the right to either:

- (a) return your Application Form and/or payment and not allot any Shares to you; or
- (b) allot to you the number of Shares that would have been allotted had you applied for the highest designated amount that is less than the amount of your payment and refund the excess application money to you by cheque as soon as possible, without interest.

### Multiple Holdings

The maximum investment any Eligible Shareholder may apply for will remain \$30,000 even if an Eligible Shareholder receives more than one Offer (whether in respect of a joint holding or because the Eligible Shareholder has more than one holding under a separate account). It is the responsibility of the applicant to ensure that the aggregate of the application price paid for the Shares the subject of the application and any other shares and interests in the class applied for by you under the Plan or any similar arrangement in the 12 months prior to the date of submission does not exceed \$30,000.

### Relationship of Issue Price with Market Price

On the last trading day immediately prior to the announcement date of the Offer (being 12 February 2020), the closing price of the Shares traded on ASX was \$0.032. The market price of Shares in the Company may rise and fall between the date of the Offer and the date that any Shares are issued to you as a result of your application under this Offer.

By making an application under this Offer and applying for Shares under the Plan, each Eligible Shareholder will be acknowledging that although the Issue Price is at a discount, Shares are a speculative investment and the price of Shares on the ASX may change between the date of the Company announcing its intention to make an Offer and the date of issue of Shares under that Offer and that the value of the Shares received under the Plan may rise or fall accordingly.

The Board recommends that you obtain your own financial and taxation advice in relation to the Offer and consider price movements of Shares in the Company prior to making an application under this Offer.

### Additional Information and Important Dates

The offer of Shares under the Plan is made in accordance with ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 and therefore does not require a prospectus for the purposes of Chapter 6D of the *Corporations Act 2001* (Cth) (**Corporations Act**). The Shares will also be issued without the need to pay brokerage costs.

The Offer cannot be transferred and the Directors of the Company reserve the right in their absolute discretion to reject or scale back any application. Shares issued under the Plan will be issued no later than 7 business days after the Closing Date. Application for quotation on the ASX of the new Shares will be made immediately following the issue of those Shares.

The maximum amount proposed to be raised under the Offer is approximately \$3,000,000. The Company, however, reserves absolute discretion regarding the final amount raised under the Offer, subject to compliance with the ASX Listing Rules.

In the event of oversubscription by the Closing Date the Directors may, in their absolute discretion, scale-back all applications. Any scale-back for Shares held by Custodians will be applied at the level of the underlying Beneficiary. Directors may also, in their absolute discretion, decide to increase acceptances in the event of oversubscriptions.

If the Company rejects or scales back an application or purported application, the Company will promptly return to the shareholder the relevant application monies, without interest.

### Foreign offer restrictions

This document may not be released or distributed in any country other than Australia and New Zealand. This document does not constitute an offer to sell, or a solicitation of an offer to buy, securities in any other country. In particular, any securities described in this document have not been, and will not be, registered under the US Securities Act of 1933 (as amended) and may not be offered or sold in the United States except in transactions exempt from, or not subject to, registration under the US Securities Act and applicable US state securities laws.

### New Zealand Shareholders

The Shares offered under the Plan are not being offered or sold to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand and to whom the Offer is being made in reliance on the *Financial Markets Conduct (Incidental Offers) Exemption Notice 2016 (as amended)* (New Zealand).

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the *Financial Markets Conduct Act 2013* (New Zealand). This document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

### 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.**

### No Financial Advice

This document does not provide financial advice and has been prepared without taking account of any person's investment objectives, financial situation or particular needs. You should consider the appropriateness of participating in the Plan having regard to your investment objectives, financial situation or particular needs.

Shareholders should seek independent financial and taxation advice before making any investment decision in relation to these matters.

### **Custodians, trustees and nominees**

If you are an Eligible Shareholder and hold Shares as a custodian (as defined in ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 (refer below) (**Custodian**) or in any more specific ASIC relief granted to the Company in relation to the Plan), you may apply for up to \$30,000 worth of new Shares for each beneficiary for whom you act as custodian provided you complete and submit, together with an Application Form, a certificate (**Custodian Certificate**) with the following information:

- (a) that you held Shares on behalf of:
  - (i) one or more other persons that are not custodians; and/or
  - (ii) another custodian (**Downstream Custodian**) that holds beneficial interests in Shares on behalf of one or more other persons who are resident in Australia or New Zealand, to which those beneficial interests relate,

(each a **Participating Beneficiary**) at the Record Date who have subsequently instructed you, and/or the Downstream Custodian, to apply for Shares under the Plan on their behalf;
- (b) the number of Participating Beneficiaries and their names and addresses;
- (c) the number of Shares that you hold on behalf of each Participating Beneficiary;
- (d) the dollar amount of Shares that each Participating Beneficiary has instructed you, either directly or indirectly through a Downstream Custodian, to apply for on their behalf;
- (e) that the application price for Shares applied under the Offer for each Participating Beneficiary for whom you act in addition to the application price for any other Shares issued to you as custodian (as a result of instruction given to you as Custodian or a Downstream Custodian) for that Participating Beneficiary under any arrangement similar to the Plan in the prior 12 months does not exceed \$30,000;
- (f) that a copy of the written offer document was given to each Participating Beneficiary; and
- (g) where you hold Shares on behalf of a Participating Beneficiary indirectly, through one or more Downstream Custodians, the name and address of each Downstream Custodian.

For the purposes of ASIC Corporations (Share and Interest Purchase Plans) Instrument 2019/547 you are a '**Custodian**' if you provide a custodial or depository service in relation to shares of a body or interests in a registered scheme and you either:

- (a) hold an Australian financial services licence covering the provision of a custodial or depository service;
- (b) are exempt from the requirement to hold an Australian financial services licence covering the provision of a custodial or depository service;
- (c) hold an Australian financial services licence covering the operation of an IDPS or is a responsible entity of an IDPS-like scheme;
- (d) are a trustee of a self-managed superannuation fund or a superannuation master trust; or
- (e) are a registered holder of shares or interests in the class and is noted on the register of members of the body or scheme as holding the shares or interests on account of another person.

If you hold Shares as a trustee or nominee for another person or persons but are not a Custodian as defined above, you cannot participate for beneficiaries in the manner described above. In this case, the rules for multiple single holdings (above) apply.

Custodians should request a Custodian Certificate when making an application on behalf of Participating Beneficiaries. To request a Custodian Certificate or obtain further information on how to apply, you should contact Computershare Investor Services (the Company's Share Registry) at any time from 8.30am to 5.00pm (AWST time) Monday to Friday during the Offer period.

The Company reserves the right to reject any application for Shares to the extent it considers that the application (whether alone or in conjunction with other applications) does not comply with these requirements. The Company reserves the right to reject applications in accordance with these Terms and Conditions.

### **Applications and Notices**

At the discretion of the Directors, the Company will send Eligible Shareholders a letter of offer and acceptance procedures, inviting them to subscribe for Shares under the Plan, and accompanied by these Terms and Conditions of the Plan and an Application Form. Applications will not be accepted after the Closing Date. Over subscriptions to an offer may be refunded without interest.

Notices and statements made by the Company to participants may be given in any manner prescribed by its Constitution.

### **Acknowledgement**

By returning an Application Form with a cheque, bank draft, money order or making a payment via BPAY, you:

- (a) irrevocably and unconditionally agree to the terms and conditions of the Plan and the terms and conditions of the Application Form and agree not to do any act or thing that would be contrary to the spirit, intention or purpose of the Plan;
- (b) warrant that all details and statements in your application are true and complete and not misleading;
- (c) agree that your application will be irrevocable and unconditional (that is, it cannot be withdrawn even if the market price of the Shares is less than the Issue Price);
- (d) warrant that you are an Eligible Shareholder and are eligible to participate in the Plan;
- (e) acknowledge that no interest will be paid on any application monies held pending the issue of Shares under the Plan or subsequently refunded to you for any reason;
- (f) acknowledge that the Company and its officers and agents, are not liable for any consequences of the exercise or non-exercise of its discretions referred to in these terms and conditions;
- (g) acknowledge and agree that if you are acting as a trustee, nominee or Custodian, each beneficial holder on whose behalf you are participating is resident in Australia or New Zealand, and you have not sent these Terms and Conditions, an Offer Document, or any materials relating to the Plan, to any person outside Australia and New Zealand;
- (h) if you are applying on your own behalf (and not as a Custodian), acknowledge and agree that:
  - (i) you are not applying for Shares with an application price of more than \$30,000 under the Plan (including by instructing a Custodian to acquire Shares on your behalf under the Plan);
  - (ii) you wish to subscribe for free attaching Options under and in accordance with the terms of the Options Offer; and
  - (iii) the total of the application price for the following does not exceed \$30,000:

- (A) the Shares the subject of the application;
  - (B) any other Shares issued to you under the Plan or any similar arrangement in the 12 months before the application (excluding Shares applied for but not issued);
  - (C) any other Shares which you have instructed a Custodian to acquire on your behalf under the Plan; and
  - (D) any other Shares issued to a Custodian in the 12 months before the application as a result of an instruction given by you to the Custodian to apply for Shares on your behalf under an arrangement similar to the Plan.
- (i) if you are a Custodian and are applying on behalf of a Participating Beneficiary on whose behalf you hold Shares, acknowledge and agree that:
- (i) you are a Custodian (defined above);
  - (ii) you hold Shares (directly or indirectly) on behalf of one or more Participating Beneficiaries;
  - (iii) you held Shares on behalf of the Participating Beneficiary as at the Record Date who has instructed you to apply for Shares on their behalf under the Plan;
  - (iv) each Participating Beneficiary on whose behalf you are applying for Shares has been given a copy of this document;
  - (v) the application price for the Shares applied for on behalf of the Participating Beneficiary, and any other Shares applied for on their behalf under a similar arrangement in the previous 12 months (excluding shares applied for but not issued), does not exceed \$30,000; and
  - (vi) the information in the Custodian Certificate submitted with your Application Form is true, correct and not misleading;
- (j) agree to be bound by the constitution of the Company (as amended from time to time);
- (k) acknowledge that none of the Company, its advisers or agents, has provided you with any financial product or investment advice or taxation advice in relation to the Plan, or has any obligation to provide such advice; and
- (l) authorise the Company, and its officers and agents, to correct minor or easily rectified errors in, or omissions from, your Application Form and to complete the Application Form by the insertion of any missing minor detail.

### Issue of Shares

Shares to be issued under the Plan will be issued as soon as reasonably practicable after the closing date specified by the Directors of the Company in the relevant offer and in any event within 7 business days following the Closing Date.

Shares issued under the Plan will rank equally in all respects with all other fully paid ordinary shares in the capital of the Company from the date of issue.

Shareholding statements or CHESS notification will be issued in respect of all Shares issued under the Plan. The Company will, promptly after the issue of Shares under the Plan, make application for those Shares to be listed for quotation on the official list of ASX.

**Modification and Termination of the Plan**

The Company may modify or terminate the Plan at any time. The Company will notify ASX of any modification to, or termination of, the Plan. The omission to give notice of any modification to, or termination of, the Plan or the failure of ASX to receive such notice will not invalidate the modification or termination.

Without limiting the above, the Company may issue to any person fewer Shares than the person applied for under the Plan if the issue of Shares applied for would contravene any applicable law or the Listing Rules of ASX.

**Raising Amount and Scale back**

The Company seeks to raise a maximum of \$3,000,000 under the Offer. However, the maximum number of Shares that can be issued in accordance with the ASX Listing Rules is such number which is equal to 30% of the Company's existing issued share capital. The Company reserves absolute discretion regarding the final amount raised under the Plan.

In the event of an oversubscription by the Closing Date the Directors may, in their absolute discretion, scale back all applications, or alternatively, accept oversubscriptions. If the Company rejects or scales back an application or purported application, the Company will promptly return to the shareholder the relevant application monies, without interest.

The Company will only accept oversubscription subject to any limitations imposed by the ASX Listing Rules and the Company's ability to ensure it can offer all subscribers with Options under the Option Offer without breaching the ASX Listing Rules.

**Dispute Resolution**

The Company may, in any manner it thinks fit, settle any difficulties, anomalies or disputes which may arise in connection with or by reason of the operation of the Plan, whether generally or in relation to any participant, application or Shares. The decision of the Company in this respect will be conclusive and binding on all shareholders and other persons to whom that determination relates.

The Company reserves the right to waive strict compliance with any provision of these Terms and Conditions. The powers of the Company under these Terms and Conditions may be exercised by the directors of the Company or any delegate of the directors of the Company.

**Questions and Contact Details**

If you have any questions regarding the Plan or how to deal with this Offer, please contact your stockbroker or professional adviser or MGC Pharmaceuticals Limited Company Secretary, Rachel Kerr on +61 8 6382 3390 or email [info@mgcpharma.com.au](mailto:info@mgcpharma.com.au)