

For personal use only

MGC PHARMACEUTICALS LTD
ACN 116 800 269
NOTICE OF ANNUAL GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 9:00am London Time

DATE: Thursday, 24 November 2022

PLACE: Offices of Memery Crystal, 6th Floor, 165 Fleet Street London EC4A 2DY

The business of the Meeting affects your shareholding and your vote is important.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 4.00pm (AWST) on Tuesday 22 November 2022.

BUSINESS OF THE MEETING

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2022."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

A voting prohibition statement applies to this Resolution. Please see below.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – STEPHEN PARKER

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.2 of the Constitution, Listing Rule 14.4 and for all other purposes, Stephen Parker, a Director, retires by rotation, and being eligible, is re-elected as a Director."

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – BRETT MITCHELL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.2 of the Constitution, and for all other purposes, Brett Mitchell, a Director, retires by rotation, and being eligible, is re-elected as a Director."

5. RESOLUTION 4 – APPROVAL OF 7.1A MANDATE

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue up to that number of Equity Securities equal to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and otherwise on the terms and conditions set out in the Explanatory Statement."

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 1,430,000 Convertible Notes on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES – EMPLOYEES /CONSULTANTS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 20,000,000 Shares on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement applies to this Resolution. Please see below.

8. RESOLUTION 7 – ADOPTION OF EMPLOYEE SECURITIES INCENTIVE PLAN

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of Listing Rule 7.2 (Exception 13(b)) and for all other purposes, approval is given for the Company to adopt an employee incentive scheme titled Employee Securities Incentive Plan and for the issue of a maximum of 285,000,000 securities under that Plan, on the terms and conditions set out in the Explanatory Statement.”

A voting exclusion statement and voting prohibition statement apply to this Resolution. Please see below.

Dated: 17 October 2022

By order of the Board

**David Lim
Company Secretary**

For personal use only

Voting Prohibition Statements

Resolution 1 – Adoption of Remuneration Report	<p>A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:</p> <ul style="list-style-type: none"> (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or (b) a Closely Related Party of such a member. <p>However, a person (the voter) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:</p> <ul style="list-style-type: none"> (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or (b) the voter is the Chair and the appointment of the Chair as proxy: <ul style="list-style-type: none"> (i) does not specify the way the proxy is to vote on this Resolution; and (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
Resolution 7 – Adoption of Employee Securities Incentive Plan	<p>A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:</p> <ul style="list-style-type: none"> (a) the proxy is either: <ul style="list-style-type: none"> (i) a member of the Key Management Personnel; or (ii) a Closely Related Party of such a member; and (b) the appointment does not specify the way the proxy is to vote on this Resolution. <p>However, the above prohibition does not apply if:</p> <ul style="list-style-type: none"> (a) the proxy is the Chair; and (b) the appointment expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Voting Exclusion Statements

In accordance with Listing Rule 14.11, the Company will disregard any votes cast in favour of the Resolution set out below by or on behalf of the following persons:

Resolution 5 – Ratification of prior issue of convertible notes	<p>A person who participated in the issue or is a counterparty to the agreement being approved (namely Mercer Street Global Opportunity Fund, LLC (or their nominee)) or an associate of that person or those persons.</p>
Resolution 6 – Ratification of prior issue of Shares – Employees/Consultants	<p>A person who participated in the issue or is a counterparty to the agreement being approved or an associate of that person or those persons.</p>
Resolution 7 – Adoption of Securities Incentive Plan	<p>A person who is eligible to participate in the employee incentive scheme or an associate of that person or those persons.</p>

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as a proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the Shareholder appoints two proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Depositary Interest holders

Persons Entitled to Vote

The Form of Instruction (accompanying this Notice of Meeting) must be signed by the depositary interest holder or an attorney duly authorised in writing and deposited at the office of the Depositary, Computershare Investor Services PLC, located at The Pavilions, Bridgewater Road, Bristol BS99 6ZY by 9.00 AM (UK Time) on Thursday, 17 November 2022. Any Form of Instruction received after that time will not be valid for the Meeting.

CREST Voting

Holders of Depositary Interests in CREST may transmit voting instructions by utilising the CREST voting service in accordance with the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take appropriate action on their behalf.

In order for instructions made using the CREST voting service to be valid, the appropriate CREST message (a "**CREST Voting Instruction**") must be properly authenticated in accordance with Euroclear's specifications and must contain the information required for such instructions, as described in the CREST Manual (available via www.euroclear.com).

To be effective, the CREST Voting Instruction must be transmitted so as to be received by the Company's agent (3RA50) no later than 9.00 AM (UK Time) on Thursday, 17 November 2022.

For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the CREST Voting Instruction by the CREST applications host) from which the Company's agent is able to retrieve the CREST Voting Instruction by enquiry to CREST in the manner prescribed by CREST. Holders of Depositary Interests in CREST and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the transmission of CREST Voting Instructions. It is the responsibility of the Depositary Interest holder concerned to take (or, if the Depositary Interest holder is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that the CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a CREST Voting Instruction is transmitted by means of the CREST voting service by any particular time. In this connection, Depositary Interest holders and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6382 3390.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2022 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at <https://mgcpharma.eu/asx-investor-centre/>.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

For personal use only

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

3. RESOLUTION 2 – RE-ELECTION OF DIRECTOR – STEPHEN PARKER

3.1 General

Listing Rule 14.4 and clause 14.2 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is the longer. However, where there is more than one managing director, only one is entitled to be exempt from this rotation requirement.

Stephen Parker who has served as a Director since 13 March 2019, and was last re-elected on 29 November 2019, retires by rotation and seeks re-election.

3.2 Qualifications and other material directorships

Dr Parker is a seasoned executive with over thirty years' experience in the pharmaceuticals and biotechnology sectors, as a senior executive in the sector, a strategic consultant, a venture capitalist and a senior corporate financier with Baring's, Warburg's and Apax Partners. Dr Parker is currently Chairman of Sareum Holdings plc and a non-Executive Director of Eternans Limited. Dr Parker has a D.Phil. from Oxford University and an MBA from City University Business School.

3.3 Independence

If re-elected the Board considers Dr Parker will be an independent Director.

3.4 Board recommendation

The Board considers that Dr Parker's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Dr Parker and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – RE-ELECTION OF DIRECTOR – BRETT MITCHELL

4.1 General

Clause 14.2 of the Constitution provide that, other than a managing director, a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is the longer. However, where there is more than one managing director, only one is entitled to be exempt from this rotation requirement.

Brett Mitchell, who has served as a Director since 4 April 2013 and was last re-elected on 4 November 2020, retires by rotation and seeks re-election.

4.2 Qualifications and other material directorships

Mr Mitchell is a corporate finance executive with over 25 years of experience in the venture capital, capital markets, tech and resources industries. He has been involved in the founding, financing and management of both private and

publicly-listed companies, including the second listed medical cannabis company on the ASX – MGC Pharmaceuticals Ltd (MXC). Mr Mitchell is a founder and director of Chieftain Securities Pty Ltd, a Perth based Corporate Advisory and Venture Capital firm and founder and shareholder of Graft Polymer (UK) Ltd.

4.3 Independence

If re-elected the Board does not consider Mr Mitchell will be an independent Director.

4.4 Board recommendation

The Board considers that Mr Mitchell's skills and experience will continue to enhance the Board's ability to perform its role. Accordingly, the Board supports the re-election of Mr Mitchell and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – APPROVAL OF 7.1A MANDATE

5.1 General

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of Equity Securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary securities it had on issue at the start of that period.

However, under Listing Rule 7.1A, an eligible entity may seek shareholder approval by way of a special resolution passed at its annual general meeting to increase this 15% limit by an extra 10% to 25% (**7.1A Mandate**).

An 'eligible entity' means an entity which is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300,000,000 or less. The Company is an eligible entity for these purposes.

As at the date of this Notice, the Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of \$42,759,710 (based on the number of Shares on issue and the closing price of Shares on the ASX on 6 October 2022).

Resolution 4 seeks Shareholder approval by way of special resolution for the Company to have the additional 10% placement capacity provided for in Listing Rule 7.1A to issue Equity Securities without Shareholder approval.

If Resolution 4 is passed, the Company will be able to issue Equity Securities up to the combined 25% limit in Listing Rules 7.1 and 7.1A without any further Shareholder approval.

If Resolution 4 is not passed, the Company will not be able to access the additional 10% capacity to issue Equity Securities without Shareholder approval under Listing Rule 7.1A and will remain subject to the 15% limit on issuing Equity Securities without Shareholder approval set out in Listing Rule 7.1.

5.2 Technical information required by Listing Rule 7.1A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to Resolution 4:

(a) **Period for which the 7.1A Mandate is valid**

The 7.1A Mandate will commence on the date of the Meeting and expire on the first to occur of the following:

- (i) the date that is 12 months after the date of this Meeting;
- (ii) the time and date of the Company's next annual general meeting; and
- (iii) the time and date of approval by Shareholders of any transaction under Listing Rule 11.1.2 (a significant change in the nature or scale of activities) or Listing Rule 11.2 (disposal of the main undertaking).

(b) **Minimum price**

Any Equity Securities issued under the 7.1A Mandate must be in an existing quoted class of Equity Securities and be issued for cash consideration at a minimum price of 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed by the entity and the recipient of the Equity Securities; or
- (ii) if the Equity Securities are not issued within 10 trading days of the date in Section 5.2(b)(i), the date on which the Equity Securities are issued.

(c) **Use of funds raised under the 7.1A Mandate**

The Company intends to use funds raised from issues of Equity Securities under the 7.1A Mandate for:

- (i) the acquisition of new resources, assets and investments (including expenses associated with such an acquisition);
- (ii) research and development in line with the Company's current business;
- (iii) production and manufacturing costs;
- (iv) the development of the Company's current business; and
- (v) general working capital.

(d) **Risk of Economic and Voting Dilution**

Any issue of Equity Securities under the 7.1A Mandate will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 4 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 7.1A Mandate, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated in accordance with the formula outlined in Listing Rule 7.1A.2, on the basis of the closing market price of Shares and the number of Equity Securities on issue or proposed to be issued as at 6 October 2022.

The table also shows the voting dilution impact where the number of Shares on issue (Variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 7.1A Mandate.

Number of Shares on Issue (Variable A in Listing Rule 7.1A.2)		Shares issued – 10% voting dilution	Dilution		
			Issue Price		
			\$0.008	\$0.015	\$0.023
			50% decrease	Issue Price	50% increase
Funds Raised					
Current	2,850,647,321 Shares	285,064,732 Shares	\$2,280,518	\$4,275,971	\$6,556,489
50% increase	4,275,970,982 Shares	427,597,098 Shares	\$3,420,777	\$6,413,956	\$9,834,733
100% increase	5,701,294,642 Shares	570,129,464 Shares	\$4,561,036	\$8,551,942	\$13,112,978

*The number of Shares on issue (Variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

1. There are currently 2,850,647,321 Shares on issue.
2. The issue price set out above is the closing market price of the Shares on the ASX on 6 October 2022 (being \$0.015).
3. The Company issues the maximum possible number of Equity Securities under the 7.1A Mandate.
4. The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in Listing Rule 7.2 or with approval under Listing Rule 7.1.
5. The issue of Equity Securities under the 7.1A Mandate consists only of Shares. It is assumed that no Options are exercised into Shares before the date of issue of the Equity Securities. If the issue of Equity Securities includes quoted Options, it is assumed that those quoted Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
6. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
7. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1 unless otherwise disclosed.
8. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.

9. The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the 7.1A Mandate, based on that Shareholder's holding at the date of the Meeting.

Shareholders should note that there is a risk that:

- (i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and
- (ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(e) **Allocation policy under the 7.1A Mandate**

The recipients of the Equity Securities to be issued under the 7.1A Mandate have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 7.1A Mandate, having regard to the following factors:

- (i) the purpose of the issue;
- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue, share purchase plan, placement or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous approval under Listing Rule 7.1A**

The Company previously obtained approval from its Shareholders pursuant to Listing Rule 7.1A at its annual general meeting held on 24 November 2021 (**Previous Approval**).

During the 12-month period preceding the date of the Meeting, being on and from 24 November 2021, the Company has not issued any Equity Securities pursuant to the Previous Approval.

5.3 Voting Exclusion Statement

As at the date of this Notice, the Company is not proposing to make an issue of Equity Securities under Listing Rule 7.1A. Accordingly, a voting exclusion statement is not included in this Notice.

6. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE OF CONVERTIBLE NOTES

6.1 General

As announced on 29 July 2022, the Company has entered into an agreement (**Convertible Securities Agreement**) with Mercer Street Global Opportunity Fund, LLC (**Mercer**), whereby Mercer has conditionally agreed to provide the Company with up to a total of US\$10 million in funding, via subscriptions for convertible notes in the Company with a face value of US\$1.00 each (**Convertible Notes**).

The first tranche of 1,320,000 Convertible Notes (representing a subscription amount of US\$1.2 million) were issued on 4 August 2022, under the Company's existing Listing Rule 7.1 placement capacity.

The second tranche of 825,000 Convertible Notes (representing a subscription amount of US\$750,000) were issued on 26 August 2022, under the Company's existing Listing Rule 7.1 placement capacity.

The third tranche of 605,000 Convertible Notes (representing a subscription amount of US\$550,000) were issued on 23 September 2022, under the Company's existing Listing Rule 7.1 placement capacity.

The second tranche and the third tranche are together referred to as the **Subsequent Convertible Notes** for the purposes of this Notice.

The Company was granted Shareholder approval at a general meeting of the Company held on 5 October 2022 for:

- (a) the issue of up to 5,500,000 Convertible Notes to Mercer in advance of future funding drawdowns (of up to US\$5.0 million) made by the Company; and
- (b) the ratification of the issue of the first tranche of 1,320,000 Convertible Notes.

The Company is seeking Shareholder ratification for this issue of the Subsequent Convertible Notes pursuant to Resolution 5.

Under the Convertible Securities Agreement, the Company may request additional drawdowns of up to a further US\$7.50 million, in exchange for the issue of a further 8,250,000 Convertible Notes.

As at the date of this Notice, no additional drawdowns have been requested by the Company.

Resolution 5 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of the Subsequent Convertible Notes.

6.2 ASX Listing Rules 7.1 and 7.4

Broadly speaking, and subject to a number of exceptions, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue or agree to issue without the approval of its shareholders over any 12-month period to 15% of the fully paid ordinary securities it had on issue at the start of that 12 month period.

Listing Rule 7.4 allows the shareholders of a listed company to approve an issue of equity securities after it has been made or agreed to be made. If they do, the issue is taken to have been approved under Listing Rule 7.1 and so does not

reduce the company's capacity to issue further equity securities without shareholder approval under that rule.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the prior issue of the Subsequent Convertible Notes.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.3 Technical information required by Listing Rule 14.1A

If Resolution 5 is passed, the Subsequent Convertible Notes will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12-month period following the date of issue of the Subsequent Convertible Notes.

If Resolution 5 is not passed, the Subsequent Convertible Notes will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12-month period following the date of issue of the Subsequent Convertible Notes.

6.4 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution 5:

- (a) 1,430,000 Subsequent Convertible Notes were issued;
- (b) the Subsequent Convertible Notes were issued with a face value of US\$1.00 at a subscription price of \$0.90909 per Subsequent Convertible Note;
- (c) the Subsequent Convertible Notes were issued on the terms and conditions set out in section 2 of Schedule 1;
- (d) the Subsequent Convertible Notes are convertible at a minimum of A\$0.014 per Note, which represents a maximum of 145,918,368 Shares¹ which may be issued on conversion, on the same terms and conditions as the Company's existing Shares ;
- (e) the Subsequent Convertible Notes were issued to Mercer who is not a related party of the Company;
- (f) the funds raised from this issue will be used to fund the execution of its business commercialisation strategy, primarily with Sciensus Rare in the UK and EU, and AMC in the USA, as well as advance regulatory approvals for the Company's proprietary products in order to drive revenue growth,

¹ This assumes that the Subsequent Convertible 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 Subsequent Convertible Notes, as detailed in Schedule 1.

assist in the rollout of the ZAM App and provide funding for the Group's general corporate expenses; and

- (g) the Subsequent Convertible Notes were issued pursuant to the Convertible Securities Agreement, a summary of which is included in section 1 of Schedule 1.

7. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE OF SHARES – EMPLOYEES/CONSULTANTS

7.1 General

On 26 August 2022, the Company issued 20,000,000 Shares under its existing Listing Rule 7.1 placement capacity, to employees/consultants of the Company at a deemed issue price of \$0.019 per Share in lieu of \$380,000 of salary/wages and fees.

7.2 ASX Listing Rules 7.1 and 7.4

A summary of Listing Rule 7.1 is set out in section 5.1 above and a summary of Listing Rule 7.4 is included at section 6.2 above.

The Company wishes to retain as much flexibility as possible to issue additional equity securities in the future without having to obtain Shareholder approval for such issues under Listing Rule 7.1. Accordingly, the Company is seeking Shareholder ratification pursuant to Listing Rule 7.4 for the prior issue of the Shares.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.3 Technical information required by Listing Rule 14.1A

If Resolution 6 is passed, the Shares will be excluded in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively increasing the number of equity securities the Company can issue without Shareholder approval over the 12-month period following the date of issue of the Shares.

If Resolution 6 is not passed, the Shares will be included in calculating the Company's combined 25% limit in Listing Rules 7.1 and 7.1A, effectively decreasing the number of equity securities that the Company can issue without Shareholder approval over the 12-month period following the date of issue of the Shares.

7.4 Technical information required by Listing Rule 7.5

Pursuant to and in accordance with Listing Rule 7.5, the following information is provided in relation to Resolution 6:

- (a) 20,000,000 Shares in aggregate were issued to employees/consultants of the Company;
- (b) 20,000,000 Shares were issued under the Company's existing Listing Rule 7.1 placement capacity;
- (i) in accordance with paragraph 7.4 of ASX Guidance Note 21, the Company confirms that none of the recipients were:

- (A) related parties of the Company, members of the Company's Key Management Personnel, substantial holders of the Company, advisers of the Company or an associate of any of these parties; and
- (B) issued more than 1% of the issued capital of the Company;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued on 26 August 2022;
- (e) the Shares were issued at a nil issue price as consideration for services provided by employees of the Company. The Company has not and will not receive any other consideration for the issue of the Shares;
- (f) the purpose of the issue of the Shares was to provide consideration for services provided by employees/consultants of the Company; and
- (g) the Shares were not issued under an agreement.

8. RESOLUTION 7 – ADOPTION OF EMPLOYEE SECURITIES INCENTIVE PLAN

8.1 General

Resolution 7 seeks Shareholder approval for the adoption of the employee incentive scheme titled "Employee Securities Incentive Plan" (**Plan**) and for the issue of up to a maximum of 285,000,000 securities under the Incentive Plan in accordance with Listing Rule 7.2 (Exception 13(b)).

The objective of the Plan is to attract, motivate and retain key employees and the Company considers that the adoption of the Plan and the future issue of securities under the Plan will provide selected employees with the opportunity to participate in the future growth of the Company.

8.2 Listing Rule 7.1 and Listing Rule 7.2 Exception 13(b)

As summarised in Section 5.1 above, and subject to a number of exceptions set out in Listing Rule 7.2, Listing Rule 7.1 limits the amount of equity securities that a listed company can issue without the approval of its shareholders over any 12 month period to 15% of the fully paid ordinary shares it had on issue at the start of that period.

Listing Rule 7.2 (Exception 13(b)) provides that Listing Rule 7.1 does not apply to an issue of securities under an employee incentive scheme if, within three years before the date of issue of the securities, the holders of the entity's ordinary securities have approved the issue of equity securities under the scheme as exception to Listing Rule 7.1.

Exception 13(b) is only available if and to the extent that the number of equity securities issued under the scheme does not exceed the maximum number set out in the entity's notice of meeting dispatched to shareholders in respect of the meeting at which shareholder approval was obtained pursuant to Listing Rule 7.2 (Exception 13(b)). Exception 13(b) also ceases to be available if there is a material change to the terms of the scheme from those set out in the notice of meeting.

If Resolution 7 is passed, the Company will be able to issue securities under the Plan to eligible participants over a period of 3 years from the date of the Meeting. The issue of any securities to eligible participants under the Plan (up to the maximum number of securities stated in Section 8.3(b) below) will be excluded from the calculation of the number of equity securities that the Company can issue without Shareholder approval under Listing Rule 7.1.

For the avoidance of doubt, the Company must seek Shareholder approval under Listing Rule 10.14 in respect of any future issues of securities under the Plan to a related party or a person whose relationship with the Company or the related party is, in ASX's opinion, such that approval should be obtained.

If Resolution 7 is not passed, the Company will be able to proceed with the issue of securities under the Plan to eligible participants, but any issues of securities will reduce, to that extent, the Company's capacity to issue equity securities without Shareholder approval under Listing Rule 7.1 for the 12-month period following the issue of those securities.

8.3 Technical information required by Listing Rule 7.2 (Exception 13)

Pursuant to and in accordance with Listing Rule 7.2 (Exception 13), the following information is provided in relation to Resolution 7:

- (a) a summary of the key terms and conditions of the Plan is set out in Schedule 2;
- (b) the Company has not issued any securities under the Plan as this is the first time that Shareholder approval is being sought for the adoption of the Incentive Plan;
- (c) The Company is seeking Shareholder approval to adopt the Plan to include the new terms and conditions required by Division 1A of Part 7.12 of the Corporations Act, which replaced the previous relief provided by ASIC Class Order 14/1000 (Employee Incentive Scheme); and
- (d) the maximum number of securities proposed to be issued under the Plan in reliance on Listing Rule 7.2 (Exception 13(b)), is 285,000,000 securities. It is not envisaged that the maximum number of securities for which approval is sought will be issued immediately.

GLOSSARY

\$ means Australian dollars.

7.1A Mandate has the meaning given in Section 5.1.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means MGC Pharmaceuticals Ltd (ACN 116 800 269).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Equity Securities includes a Share, a right to a Share or Option, an Option, a convertible security and any security that ASX decides to classify as an Equity Security.

Explanatory Statement means the explanatory statement accompanying the Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Listing Rules means the Listing Rules of ASX.

Meeting means the meeting convened by the Notice.

Notice means this notice of meeting including the Explanatory Statement and the Proxy Form.

Option means an option to acquire a Share.

Participant means an Eligible Participant who has been granted Securities under the Plan.

Performance Right means a performance right that is convertible into a Share.

Proxy Form means the proxy form accompanying the Notice.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2022.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Variable A means "A" as set out in the formula in Listing Rule 7.1A.2.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – SUMMARY OF CONVERTIBLE NOTES

1. Convertible Securities Agreement

The material terms of the convertible securities agreement between the Company and Mercer are as follows:

- (a) **First Investment Amount:** Subject to all of the relevant 'Closing Conditions' (detailed below) being satisfied or waived, the Investor agrees to advance the Company US\$1,200,00 (less taxes and transaction costs) (**First Investment Amount**).
- (b) **Issue of Convertible Notes:** In consideration of the First Investment Amount the Company will issue Mercer 1,320,000 convertible notes (**Initial Convertible Notes**) with an aggregate face value of US\$1,320,000, within 5 business days of the satisfaction of the applicable Closing Conditions to the First Investment Amount (**First Closing Date**).
- (c) **Subsequent Investment:** At any time following the First Closing Date (and no later than 18 months from the execution date of the Convertible Securities Agreement), the Company may request additional funding from Mercer of up to US\$8,800,000 (less taxes and transaction costs) (**Subsequent Investment Amount**), subject to:
 - (i) the Company providing Mercer with written notice requesting the Subsequent Investment Amount (or part thereof); and
 - (ii) the Investor, in its sole discretion, agreeing to advance the requested funds, the subject of the notice; and
 - (iii) the relevant 'Closing Conditions' (detailed below) being satisfied or waived.

The Company may provide multiple subsequent investment request notices, provided that the aggregate Subsequent Investment Amount paid to the Company under the notices is not greater than US\$8,800,000.

The Company is under no obligation to provide any requests for the Subsequent Investment Amount (or part thereof) and the Investor has no obligation to agree to advance funds in respect of any such requests.

- (d) **Issue of Subsequent Convertible Notes:** In consideration for each tranche of the Subsequent Investment Amount advanced to the Company, the Company will issue Mercer the number of convertible notes (**Subsequent Convertible Notes**) (with a face value of US\$1.00 each) equal to 110% of the relevant Subsequent Investment Amount, within 5 business days of the satisfaction of the applicable Closing Conditions to the relevant Subsequent Investment Amount (**Subsequent Closing Date**).
- (e) **Secured Debt Security:** Repayment of the face value of the Initial Convertible Notes and any Subsequent Convertible Notes is secured by a first ranking general security granted by the Company in favour of Mercer.
- (f) **Reconstructions:** In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the

Convertible Securities will be reconstructed to the extent necessary to comply with the ASX Listing Rules.

(g) **Commencement Fee:** At, or prior to, the First Closing Date, the Company shall grant to the Investor (or its nominee) Shares to the total value of US\$300,000 (being 3% the total amount of funding that may be advanced under the Convertible Securities Agreement) (**Commencement Shares**).

(h) **Satisfaction of Convertible Security:** The face value of each Convertible Security issued is to be satisfied by:

(i) being converted into Shares;

The Investor may (at its absolute discretion) convert the Initial Convertible Notes or any Subsequent Convertible Notes (in a minimum parcel with a face value of at least \$25,000) at any time prior to the date which is 18 months from their date of issue, by giving the Company a conversion notice. The conversion will occur within 5 business days of receipt of the notice.

The number of Shares to which the Investor is entitled upon conversion of the relevant Convertible Securities is determined by the following formula:

$$\text{Number of Shares} = (\text{FV} * \text{ER}) / \text{CP}$$

Where:

- **FV** means the aggregate face value of the Convertible Securities being converted.
- **ER** means the spot rate of exchange as reported by Bloomberg LP on the date immediately prior to the date of issue of a conversion notice by the Noteholder.
- **CP** means the applicable conversion price per Convertible Security. The applicable conversion price is set out below.

(ii) being repaid; or

If the Investor has not notified the Company in writing by the day that is 10 business days prior to the relevant Maturity Date that it will be converting the relevant Convertible Securities (in whole or in part), the Company is to pay in full to the holder of the Convertible Securities, the face value of the Convertible Securities (and any accrued but unpaid interest), within 20 business days of the Maturity Date.

If an event of default is subsisting after the Company has notice, the Company must repay the face value of the outstanding Convertible Securities held by the Investor together with any accrued by unpaid interest.

If there occurs a change of control event or a delisting event, the Investor may require repayment by the Company of some or all of the Convertible Securities.

For personal use only

- (iii) the relevant Convertible Security being repurchased

Provided that the Company is:

- (A) in compliance with its obligations under the Convertible Securities Agreement;
- (B) there is no existing event of default; and
- (C) the Investor has not issued a conversion notice,

the Company may (by written notice to the Investor) elect to repurchase all of the outstanding Convertible Securities on issue at any time, for a 3% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.

Where the Investor receives a written notice from the Company with respect to the repurchase of Convertible Securities, the investor may elect to convert up to 30% of the Convertible Securities, the subject of such notice.

- (i) **Rights of Investor upon an Event of Default:** Upon the occurrence of an event of default, the Investor may in its sole discretion:
 - (i) declare all outstanding obligations by the Company under the Convertible Securities Agreement to be immediately due and payable; or
 - (ii) terminate the Convertible Securities Agreement, in which case any amounts payable under the Convertible Securities Agreement to the Investor, become immediately payable.
- (j) **Termination:** The Convertible Securities Agreement may be terminated:
 - (i) by the Investor if, in respect of First Investment Amount only, a Closing Condition is not satisfied, becomes incapable of being satisfied, nor is it waived, the Investor may terminate the Convertible Securities Agreement;
 - (ii) by the mutual written consent of the parties, at any time;
 - (iii) by the Company only after the Initial Convertible Notes and the Commencement Shares have been issued, provided that the Company has paid the Investor all money due and payable under the Convertible Securities Agreement;
 - (iv) by the Investor, in an event of default; and
 - (v) by the Investor, if, as a consequence of any change of law, regulation or administrative action or policy relating to tax after the execution date, the tax liability of the Investor increases.

Upon termination, any amounts payable under the Convertible Securities Agreement to the Investor or the Company which are unpaid as at the date of termination, become immediately payable.

The provision of First Investment Amount and Subsequent Investment Amount, and any subsequent conversion, are conditional on the following conditions (together, the **Closing Conditions**):

- (k) **shareholding limits:** the issue of the securities will not:
- (i) cause the voting power in the Company of the Investor and its associates to exceed 4.99%, unless the Investor gives its written consent to the Company from time to time, that the Investor's relevant interest may exceed 4.99% but will not exceed 9.99%; and
 - (ii) result in the Investor acquiring a relevant interest in the Shares which causes the voting power in the Company of the Investor and its associates to exceed 19.99%.
- (l) **entitlement to investment:** the Company being entitled under the Convertible Securities Agreement to require the Investor to:
- (i) in respect of the closing of the First Investment Amount and issue of the Initial Convertible Notes (**First Closing**), subscribe for the Commencement Shares and the Initial Convertible Notes and pay the First Investment Amount; and
 - (ii) in respect of the closing of any Subsequent Investment Amounts and issue of any relevant Subsequent Convertible Notes (**Subsequent Closing**), subscribe for the relevant Subsequent Convertible Notes and pay the relevant Subsequent Investment Amount.
- (m) **capacity:** the Company either:
- (i) Closing (**Closing**) or conversion for the purposes of Chapter 7 obtaining shareholder approval to issue the relevant securities the subject of a First Closing or Subsequent of the ASX Listing Rules and for all other purposes; or
 - (ii) having existing placement capacity to issue the relevant securities the subject of the relevant Closing or conversion without any further shareholder approval (including for the purposes of Chapter 7 of the ASX Listing Rules or any other purpose);
- (n) **grant of security:** in respect of the First Closing, the Company having delivered to the Investor a general security deed executed by the Company;
- (o) **conditional on First Closing:** in respect of any Subsequent Closing, the First Closing having completed and the Commencement Shares been issued in accordance with the Convertible Securities Agreement;
- (p) **representations and warranties:** each representation and warranty by the Company in the Convertible Securities Agreement being true and correct;
- (q) **other requirements:** any and all authorisations, in the reasonable opinion of the Investor, necessary at the relevant Closing Date or conversion date, to give effect to the transaction under the Convertible Securities

Agreement, having been obtained by the Company and remaining in full force and effect;

- (r) **Company documents delivered:** the Company delivering to the Investor:
- (i) in respect of a Closing, a copy of the resolutions duly adopted by the board of directors of the Company, approving the Closing; and
 - (ii) copies of such additional documents, certificates, payments, assignments, transfers and other deliveries as the Investor or its legal counsel may reasonably request;
 - (iii) a certificate, executed on behalf of the Company, dated as at the relevant Closing Date or conversion date certifying that:
 - (A) the Company has performed or complied in all material respects with all agreements and covenants required by the Convertible Securities Agreement to be performed or complied with by it at or prior to the relevant Closing Date or conversion date;
 - (B) the representations and warranties of the Company contained in the Convertible Securities Agreement are true and correct in all material respects as of the dates as of which they are made or deemed to be made under the Convertible Securities Agreement; and
 - (C) all Closing Conditions have been satisfied;
- (s) **no disclosure or default:** the Investor is of the opinion, acting reasonably, that:
- (i) any offer for sale by the Investor or its nominee of any of the relevant securities, does not and will not need disclosure under Part 6D.2 of the Corporations Act;
 - (ii) the issue of any securities in respect of the relevant Closing or conversion has not and will not result in the Company being in breach of the ASX Listing Rules or any other law;
 - (iii) no event of default has occurred; and
 - (iv) no event of default would result from the relevant Closing or conversion being effected and the relevant securities being issued;
- (t) **compliance with Convertible Securities Agreement:** the Company has complied in all respects with all agreements and covenants required by the Convertible Securities Agreement as at or prior to the relevant Closing Date or conversion date;
- (u) **quotation:** the ASX has not indicated to the Company that quotation of Shares (issued on conversion) on the ASX will not be granted;

- (v) **Cleansing Notice or prospectus lodged:** in respect of:
- (i) the First Closing:
 - (A) a short form prospectus has been lodged by the Company with ASIC and on the ASX announcements platform under which the Initial Convertible Notes are offered to the Investor and such offer remains open as at the First Closing; and
 - (B) a cleansing prospectus has been lodged by the Company with ASIC and on the ASX announcements platform under which Shares are offered and such offer of Shares remains open as at the First Closing;
 - (ii) each Subsequent Closing, either:
 - (A) a short form prospectus has been lodged by the Company with ASIC and on the ASX announcements platform under which the Subsequent Convertible Notes are offered to the Investor and such offer remains open as at the Subsequent Closing; or
 - (B) a Cleansing Notice is lodged by the Company on the ASX announcements platform in respect of the relevant Subsequent Convertible Notes and any Shares into which the relevant Subsequent Convertible Notes are convertible.
- (w) **Conversion Price:** means in respect of the Initial Convertible Notes, the lower of:
- (i) \$0.02; or
 - (ii) 92% of the lowest daily volume weighted average price (**VWAP**) of the Company's shares (**Shares**) selected by the Investor and specified in a conversion notice for the 10 trading days on which the Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant conversion notice,
- subject to:
- (iii) the Conversion Price being not less than \$0.014; and
 - (iv) any Conversion of the Initial Convertible Notes which occurs within two (2) months of issue of the Initial Convertible Notes having a Conversion Price of \$0.02; and
- in respect of any Subsequent Convertible Notes, the lower of:
- (v) \$0.02; or
 - (vi) 90% of the lowest daily VWAP of the shares selected by the Investor and specified in a Conversion Notice for the 10 Trading Days on which Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant Conversion Notice,

subject to the Conversion Price being not less than \$0.014.

The Convertible Securities Agreement otherwise contains representations, warranties and indemnities standard for an agreement of this nature.

2. Terms and Conditions of the Convertible Notes

The key terms and conditions of the Convertible Notes offered pursuant to the Convertible Note Offer, are set out below. This information should be read in conjunction with other information contained in this Notice including the summary of the Convertible Securities Agreement set out above.

Terms and conditions of Convertible Notes	
Subscription Price	US\$0.90909 per Convertible Note.
Face Value	Each Convertible Note will have a face value of US\$1.00.
Maturity Date	18 months from the date of issue of the Convertible Notes.
Interest Rate	Upon an event of default occurring, the Company must pay interest at a rate of 18% per annum on the amount of the face value of all Convertible Notes issued which have not been converted or repurchased, calculated daily and compounded monthly.
Conversion of Convertible Notes	<p>The Noteholder may (at its absolute discretion) convert the Convertible Notes (in a minimum parcel with a face value of at least US\$25,000) at any time prior to the date which is 18 months from their date of issue, by giving the Company a conversion notice. The conversion will occur within 3 business days of receipt of the notice.</p> <p>The number of Shares to which the Noteholder is entitled upon conversion of the relevant Convertible Notes is determined by the following formula:</p> $\text{Number of Shares} = (\text{FV} * \text{ER}) / \text{CP}$ <p>Where:</p> <ul style="list-style-type: none">• FV means the aggregate face value of the Convertible Notes being converted.• ER means the spot rate of exchange as reported by Bloomberg LP on the date immediately prior to the date of issue of a conversion notice by the Noteholder.• CP means the applicable conversion price per Convertible Note. The applicable conversion price is set out below. <p>Upon conversion of the Convertible Notes:</p> <p>(a) those Convertible Notes are cancelled and may not be reissued; and</p> <p>(b) the face value of the Convertible Notes which have been converted will be deemed satisfied.</p>
Conversion by the Company	The Company has no right to require the Noteholder to convert any Convertible Notes at any time.

Terms and conditions of Convertible Notes	
Conversion Price	<p>in respect of the Initial Convertible Notes, the lower of:</p> <ul style="list-style-type: none"> (a) \$0.02; or (b) 92% of the lowest daily volume weighted average price (VWAP) of the Company's shares (Shares) selected by the Investor and specified in a conversion notice for the 10 trading days on which the Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant conversion notice, <p>subject to:</p> <ul style="list-style-type: none"> (c) the Conversion Price being not less than \$0.014; and (d) any Conversion of the Initial Convertible Notes which occurs within two (2) months of issue of the Initial Convertible Notes having a Conversion Price of \$0.02; and <p>in respect of any Subsequent Convertible Notes, the lower of:</p> <ul style="list-style-type: none"> (e) \$0.02; or (f) 90% of the lowest daily VWAP of the shares selected by the Investor and specified in a Conversion Notice for the 10 Trading Days on which Shares traded in the ordinary course of business on the ASX ending on the date immediately prior to the relevant Conversion Notice, <p>subject to the Conversion Price being not less than \$0.014.</p>
Repurchase	<p>Provided that the Company is:</p> <ul style="list-style-type: none"> (a) in compliance with its obligations under the Convertible Securities Agreement; (b) there is no existing event of default; and (c) the Noteholder has not issued a conversion notice, <p>the Company may (by written notice to the Noteholder) elect to repurchase all of the outstanding Convertible Notes on issue at any time, for a 3% premium to the face value, provided such repurchase is permitted by law and the ASX Listing Rules.</p> <p>Where the Noteholder receives a written notice from the Company with respect to the repurchase of Convertible Notes, the Noteholder may elect to convert up to 30% of the Convertible Notes, the subject of such notice.</p>
Redemption	<p>If the Noteholder has not notified the Company in writing by the day that is 10 business days prior to the Maturity Date that it will be converting the relevant Convertible Notes (in whole or in part), the Company is to pay in full to the holder of the Convertible Notes, the face value of the Convertible Notes (and any accrued but unpaid interest).</p> <p>If an event of default is subsisting after the Company has notice from the Noteholder requiring repayment, the Company must repay the face value of the outstanding Convertible Notes held by the Noteholder together with any</p>

Terms and conditions of Convertible Notes

	<p>accrued by unpaid interest. The Convertible Securities Agreement contains various events which constitute events of default which are standard for agreements of this nature.</p> <p>If there occurs a Change of Control Event or a delisting event, the Noteholder may require repayment by the Company of some or all of the Convertible Notes.</p> <p>In this Notice:</p> <p>Change of Control Event means each of:</p> <p>(a) a takeover bid being made to acquire all of the Company's shares and:</p> <ul style="list-style-type: none"> (i) the offer under the takeover bid is, or becomes, unconditional; and (ii) either: <ul style="list-style-type: none"> (A) the bidder has acquired at any time during the offer period (or after the close of the offer period) a relevant interest in more than 50 per cent of the shares on issue; or (B) the directors of the Company recommend acceptance of the offer under the takeover bid; <p>(b) a court approves a proposed scheme of arrangement which, when implemented, will result in a person having a relevant interest in 100 per cent of the Shares on issue in the Company (where the requisite shareholder approval has also been obtained),</p> <p>but, for the avoidance of doubt, shall exclude certain agreed transactions previously detailed in the Company's ASX announcements.</p> <p>Delisting Event means where the Company's shares are no longer quoted on ASX, the Company's Shares are suspended from trading on ASX for a period of 20 consecutive business days, or in any case, other than as a result (directly or indirectly) of a Change of Control Event.</p>
Ranking on Conversion	Shares issued on conversion of the Convertible Notes will rank equally with existing Shares on issue.
Security Documents	Repayment of the face value of the Convertible Notes is secured by a first ranking general security granted by the Company in favour of the Noteholder.
Reconstruction of Capital	In the event of a consolidation, subdivision or similar reconstruction of the issued capital of the Company, the terms of the Convertible Notes will be reconstructed to the extent necessary to comply with the ASX Listing Rules.
Participation Rights	The Convertible Notes will not carry any entitlement to participate in future issues of securities by the Company prior to any conversion of the Convertible Notes into Shares.

For personal use only

Terms and conditions of Convertible Notes	
No Voting Rights	Except as required by the Corporations Act, the Convertible Notes will not carry a right to vote at meetings of the Company prior to any conversion of the Convertible Notes into Shares.

SCHEDULE 2 – TERMS AND CONDITIONS OF THE COMPANY'S EMPLOYEE INCENTIVE SECURITIES PLAN

A summary of the material terms of the Company's Employee Securities Incentive Plan (**Plan**) is set out below.

Eligible Participant	Eligible Participant means a person that is a 'primary participant' (as that term is defined in Division 1A of Part 7.12 of the Corporations Act) in relation to the Company or an Associated Body Corporate (as defined in the Corporations Act) and has been determined by the Board to be eligible to participate in the Plan from time to time.
Purpose	The purpose of the Plan is to: <ul style="list-style-type: none"> (a) assist in the reward, retention and motivation of Eligible Participants; (b) link the reward of Eligible Participants to Shareholder value creation; and (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of a Share, Option, Performance Right or other convertible security (Securities).
Plan administration	The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion (except to the extent that it prevents the Participant relying on the deferred tax concessions under Subdivision 83A-C of the <i>Income Tax Assessment Act 1997</i> (Cth)). The Board may delegate its powers and discretion.
Eligibility, invitation and application	The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for any (or any combination of) the Securities provided under the Plan on such terms and conditions as the Board decides. <p>On receipt of an invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.</p> <p>If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.</p>
Grant of Securities	The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number and type of Securities, subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.
Rights attaching to Convertible Securities	A Convertible Security represents a right to acquire one or more Plan Shares in accordance with the Plan (for example, an Option or a Performance Right).

For personal use only

	<p>Prior to a Convertible Security being exercised, the holder:</p> <ul style="list-style-type: none"> (a) does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security other than as expressly set out in the Plan; (b) is not entitled to receive notice of, vote at or attend a meeting of the shareholders of the Company; (c) is not entitled to receive any dividends declared by the Company; and (d) is not entitled to participate in any new issue of Shares (see Adjustment of Convertible Securities section below).
<p>Vesting of Convertible Securities</p>	<p>Any vesting conditions which must be satisfied before Convertible Securities can be exercised and converted to Shares will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.</p>
<p>Exercise of Convertible Securities and cashless exercise</p>	<p>To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see next paragraph below), pay the exercise price (if any) to or as directed by the Company, at any time following vesting of the Convertible Security (if subject to vesting conditions) and prior to the expiry date as set out in the invitation or vesting notice.</p> <p>An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.</p> <p>Market Value means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.</p> <p>A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.</p>
<p>Timing of issue of Shares and quotation of Shares on exercise</p>	<p>As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.</p>

<p>Restrictions on dealing with Convertible Securities</p>	<p>A holder may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them unless otherwise determined by the Board. A holder must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.</p> <p>However, in Special Circumstances as defined under the Plan (including in the case of death or total or permanent disability of the Participant) a Participant may deal with Convertible Securities granted to them under the Plan with the consent of the Board.</p>
<p>Listing of Convertible Securities</p>	<p>A Convertible Security granted under the Plan will not be quoted on the ASX or any other recognised exchange. The Board reserves the right in its absolute discretion to apply for quotation of an Option granted under the Plan on the ASX or any other recognised exchange.</p>
<p>Forfeiture of Convertible Securities</p>	<p>Convertible Securities will be forfeited in the following circumstances:</p> <ul style="list-style-type: none"> (a) where a Participant who holds Convertible Securities ceases to be an Eligible Participant (e.g. is no longer employed or their office or engagement is discontinued with the Group), all unvested Convertible Securities will automatically be forfeited by the Participant; (b) where a Participant acts fraudulently or dishonestly, negligently, in contravention of any Group policy or wilfully breaches their duties to the Group; (c) where there is a failure to satisfy the vesting conditions in accordance with the Plan; (d) on the date the Participant becomes insolvent; or (e) on the Expiry Date.
<p>Change of control</p>	<p>If a change of control event occurs, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the holder's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the holder to participate in and/or benefit from any transaction arising from or in connection with the change of control event.</p>
<p>Adjustment of Convertible Securities</p>	<p>If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.</p> <p>If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an issue of as many additional Shares as would have been issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.</p>


	<p>Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.</p>
<p>Plan Shares</p>	<p>The Board may, from time to time, make an invitation to an Eligible Participant to acquire Plan Shares under the Plan. The Board will determine in its sole absolute discretion the acquisition price (if any) for each Plan Share which may be nil. The Plan Shares may be subject to performance hurdles and/or vesting conditions as determined by the Board.</p> <p>Where Plan Shares granted to a Participant are subject to performance hurdles and/or vesting conditions, the Participant's Plan Shares will be subject to certain restrictions until the applicable performance hurdles and/or vesting conditions (if any) have been satisfied, waived by the Board or are deemed to have been satisfied under the Rules.</p>
<p>Rights attaching to Plan Shares</p>	<p>All Shares issued or transferred under the Plan or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (Plan Shares) will rank equally in all respects with the Shares of the same class for the time being on issue except for any rights attaching to the Shares by reference to a record date prior to the date of the allotment or transfer of the Plan Shares. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.</p>
<p>Disposal restrictions on Plan Shares</p>	<p>If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.</p> <p>For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:</p> <ul style="list-style-type: none"> (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.
<p>General Restrictions on Transfer of Plan Shares</p>	<p>If the Company is required but is unable to give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, Plan Shares issued under the Plan (including on exercise of Convertible Securities) may not be traded until 12 months after their issue unless the Company, at its sole discretion, elects to issue a prospectus pursuant to section 708A(11) of the Act.</p> <p>Restrictions are imposed by Applicable Law on dealing in Shares by persons who possess material information likely to affect the value of the Shares and which is not generally available. These laws may restrict the acquisition or disposal of Shares by you during the time the holder has such information.</p>

	Any Plan Shares issued to a holder under the Plan (including upon exercise of Convertible Securities) shall be subject to the terms of the Company's Securities Trading Policy.
Buy-Back	Subject to applicable law, the Company may at any time buy-back Securities in accordance with the terms of the Plan.
Employee Share Trust	The Board may in its sole and absolute discretion use an employee share trust or other mechanism for the purposes of holding Convertible Securities for holders under the Plan and delivering Shares on behalf of holders upon exercise of Convertible Securities.
Maximum number of Securities	The Company will not make an invitation under the Plan which involves monetary consideration if the number of Plan Shares that may be issued, or acquired upon exercise of Convertible Securities offered under an invitation, when aggregated with the number of Shares issued or that may be issued as a result of all invitations under the Plan during the 3 year period ending on the day of the invitation, will exceed 5% of the total number of issued Shares at the date of the invitation (unless the Constitution specifies a different percentage and subject to any limits approved by Shareholders under Listing Rule 7.2 Exception 13(b) – refer to Resolution 7 and Section 15).
Amendment of Plan	<p>Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.</p> <p>No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.</p>
Plan duration	<p>The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.</p> <p>If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.</p>
Income Tax Assessment Act	The Plan is a plan to which Subdivision 83A-C of the <i>Income Tax Assessment Act 1997</i> (Cth) applies (subject to the conditions in that Act) except to the extent an invitation provides otherwise.

MXCRM

MR RETURN SAMPLE
123 SAMPLE STREET
SAMPLE SUBURB
SAMPLETOWN VIC 3030

Need assistance?

 **Phone:**
1300 850 505 (within Australia)
+61 3 9415 4000 (outside Australia)

 **Online:**
www.investorcentre.com/contact



YOUR VOTE IS IMPORTANT

For your proxy appointment to be effective it must be received by **5:00pm (AWST) on Tuesday, 22 November 2022.**

Proxy Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

APPOINTMENT OF PROXY

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

SIGNING INSTRUCTIONS FOR POSTAL FORMS

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

PARTICIPATING IN THE MEETING

Corporate Representative

If a representative of a corporate securityholder or proxy is to participate in the meeting you will need to provide the appropriate "Appointment of Corporate Representative". A form may be obtained from Computershare or online at www.investorcentre.com/au and select "Printable Forms".

Lodge your Proxy Form:

XX

Online:

Lodge your vote online at www.investorvote.com.au using your secure access information or use your mobile device to scan the personalised QR code.

Your secure access information is



Control Number: 999999

PIN: 99999

For Intermediary Online subscribers (custodians) go to www.intermediaryonline.com

By Mail:

Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
Australia

By Fax:

1800 783 447 within Australia or
+61 3 9473 2555 outside Australia



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

You may elect to receive meeting-related documents, or request a particular one, in electronic or physical form and may elect not to receive annual reports. To do so, contact Computershare.

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



IND

Proxy Form

Please mark to indicate your directions

Step 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of MGC Pharmaceuticals Ltd hereby appoint

the Chairman of the Meeting **OR**

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of MGC Pharmaceuticals Ltd to be held at the offices of Memery Crystal, 6th Floor, 165 Fleet Street, London EC4A 2DY on Thursday, 24 November 2022 at 9:00am (London time) and at any adjournment or postponement of that meeting.

Chairman authorised to exercise undirected proxies on remuneration related resolutions: Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman to exercise my/our proxy on Resolutions 1 and 7 (except where I/we have indicated a different voting intention in step 2) even though Resolutions 1 and 7 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

Important Note: If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Resolutions 1 and 7 by marking the appropriate box in step 2.

Step 2 Items of Business

PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
Resolution 1 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Re-election of Director – Stephen Parker	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Re-election of Director – Brett Mitchell	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Approval of 7.1A Mandate	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5 Ratification of prior issue of Convertible Notes	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6 Ratification of prior issue of Shares – Employees/Consultants	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7 Adoption of Employee Securities Incentive Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

Step 3 Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1 Securityholder 2 Securityholder 3 / /
Sole Director & Sole Company Secretary Director Director/Company Secretary Date

Update your communication details (Optional)

Mobile Number Email Address
By providing your email address, you consent to receive future Notice of Meeting & Proxy communications electronically

