mgc pharma

annual report 2022

Corporate Directory

Directors

Brett Mitchell
Executive Chairman

Roby Zomer
Managing Director and CEO

Nativ Segev
Non-Executive Director

Stephen Parker
Senior Independent Director and Chairman of the Corporate Governance Committees

Ross Walker
Non-Executive Director

Evan Hayes
Non-Executive Director

Company Secretary

David Lim
Rachel Kerr

Registered Office and Principal Place of Business

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

Solicitors

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

Auditors

Ernst & Young
EY Building
11 Mounts Bay Road
Perth WA 6000

Securities Exchange Listing

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

Share Registry

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

Website

www.mgcpharma.eu

Contents

Managing Director's Letter
to Shareholders

Dear shareholders,

The past twelve months have seen the Company make significant progress across its operational and commercial endeavours, progressing a number of our lead products through their clinical trial program, and cementing key strategic commercial partnerships globally. It has taken a lot of hard work, innovation, and diligence to achieve these milestones and I am very proud of the MGC team who have worked to make this happen. MGC has built a strong foundation in the global bio-pharma sector from which to further build and grow the Company, and I look forward to the opportunity to expand and address immediate and crucial healthcare demands globally.

We continue to advance the commercialisation path of our proprietary medicines, with cumulative pharmaceuticals sales to 30 June 2022 at $4m, up from $2.7m in the 2021 year.

"Construction of MGC Pharma's production facility in Malta was completed."

Across the multiple streams of MGC's research and development programs, we have seen significant progress in our clinical studies, with positive results from a number of trials and studies announced to the market. These included clinical trial results from a study to assess the effect of our flagship cannabinoid product, CogniCann®, on the behaviour, quality of life and relief of discomfort caused by pain on patients suffering from dementia and Alzheimer's Disease, and further validation of the use of the investigational medicine CimetrA™ to alleviate the inflammatory symptoms of the cytokine storm experienced in people suffering from COVID-19. Over the course of 2019-2022, MGC Pharma conducted pre-clinical In-Vitro trials to assess the effect of proprietary cannabinoid formulations on Glioblastoma, an aggressive brain cancer, with results from

MGC Pharma's proprietary products CimetrA™ and CannEpil® were granted patents

the ongoing study demonstrating a positive cytotoxic effect on the Glioblastoma stem cells. With the promising results seen from a number of products at various stages of the product development pipeline bodes well for the Company's growth potential.

Construction of MGC Pharma's production facility in Malta was completed during the year, with the Company taking possession of the facility in November 2021, and recently commencing the process of applying for GMP (Good Manufacturing Process) certification, which is expected to be achieved this year. Once GMP certified and fully operational, the facility will have the capacity to manufacture over 20,000 units per day in liquid dose form, double the figure originally planned, putting the Company in a strong position to streamline manufacturing and distribution of its products across Europe and further afield, whilst reducing production costs.

Importantly, MGC Pharma's proprietary products CimetrA™ and CannEpil® were granted patents by the Slovenian Intellectual Property Office during the year which provides commercial protection for our unique formulations and manufacturing processes for a period of 20 years. This was a significant achievement for the Company as it provides commercial protection for MGC Pharma's intellectual property which has been derived from its research and development activities and provides potential licensing opportunities for these products in the future.

Corporately, MGC Pharma successfully completed strategic financings during the year to fund the Company's ongoing key clinical trials and product development supported by a mix of institutional and family office investors from the UK and the USA, which comprised both new and existing shareholders including its major shareholder Mercer Street Global Opportunity Fund.

On the commercial and sales side, importantly, MGC cemented key strategic partnerships with distribution and marketing agreements covering the USA, UK and several EU countries which MGC aim to leverage long term sales growth through access to Early Access Programs for a number of MGC's products, including CimetrA™, and CannEpil®, as well as accelerating its clinical trials program. The most important of these were the agreements signed with AMC Holdings for the USA, and Sciensus Rare for UK, Ireland and the EU.

The Company signed a US Sales and Distribution Partnership Agreement with US entity AMC Holdings Inc., for a range of MGC Pharma's proprietary products, which has already resulted in purchase orders for CimetrA™ and ArtemiC™, with the order for CimetrA™ subject to AMC securing FDA IND (Investigational New Drug) approval to allow the importation of the product into the US.

The Company also entered into an EU and UK focused MGC medicine distribution partnership with international pharmaceuticals company, Sciensus Rare, for the exclusive distribution of MGC Pharma's CannEpil® and CogniCann® products in key European territories and the UK. This relationship has enormous near-term potential for MGC with Sciensus Rare's existing distribution network into Early Access Programs, licensed distribution programs throughout the United Kingdom and EU.

Post year-end, the Company acquired a 40% stake in ZAM Software Limited, the owner of an AI data gathering and learning algorithm which has the potential for use in real-time data collection applications across the pharmaceutical and healthcare industries. The App has a number of exciting possibilities, which include allowing users to order existing prescriptions, as well as providing the App user's medical practitioner with a comprehensive set of data on treatment and medical history.

As part of the restructure and orientation of the Company as a UK/EU based operation following our UK listing last year, MGC welcomed Angela-Marie Graham as its new London based Chief Financial Officer, and post-yearend, MGC announced the appointment of Rob Clements as its Chief Commercial Officer. Both based in the UK, these hires are a key part of our strategy to complete the Company's stronger European base including having our corporate headquarters now established in London.

On behalf of the board of MGC Pharma, I would like to thank all of our shareholders and stakeholders for their support during the year, without which our progress would not have been possible. I look forward to sharing the news of the Company's progress as we continue to build on the commercial and operational successes of the previous 12 months.

Yours Sincerely,

R. Zomer

Roby Zomer
CEO & Managing Director

> ....the Company acquired a 40% stake in ZAM Software Limited , the owner of an AI data gathering and learning algorithm which has the potential for use in real-time data collection applications...

Director's Report

The Directors present their report on MGC Pharmaceuticals Ltd ("the Company" or "the Parent") and its controlled entities (collectively, "MGC", "the Group" or "MGC Pharma") for the financial year ended 30 June 2022.

DIRECTORS

The names of Directors in office at any time during or since the end of the year are:

Director	Title	Appointment Date
Brett Mitchell	Executive Chairman	4 April 2013
Roby Zomer	Managing Director & CEO	15 February 2016
Nativ Segev	Non-Executive Director	15 February 2016
Ross Walker	Non-Executive Director	15 February 2016
Stephen Parker	Non-Executive Director	13 March 2019
Evan Hayes	Non-Executive Director	1 September 2020

Directors were in office for the entire year and up to the date of this report unless otherwise indicated.

"…exclusive distribution of MGC Pharma's CannEpil® and CogniCann® products in key European territories and the UK…"

COMPANY SECRETARY

David Lim held the position of Company Secretary for the full financial year.

PRINCIPAL ACTIVITIES

MGC Pharma (ASX/LSE: MXC) is a European based bio-pharma company trading on both the Australian Securities Exchange and the London Stock Exchange, specialising in the development and supply of standardised phytomedicines to patients globally. It has three key clinical projects today, as well as a pipeline of further potential therapies: CimetrA, a Phase 3 symptomatic treatment for early COVID-19, CannEpil, a Phase 2b cannabis-based therapy for drug-resistant Epilepsy, and CogniCann, in a Phase 2 trial for symptomatic relief of Dementia. The Company currently generates revenues from its ArtemiC range of products, and its cannabinoid products primarily distributed within Australia, the UK, and South America.

MGC Pharma is focused on the production of pharmaceutical grade phytomedicine products supported by ongoing research and development activities, as well as the production of Active Pharmaceutical Ingredient (API) of various cannabinoids.

OPERATING RESULTS

The consolidated loss of the Group amounted to $20,767,823 (restated 2021: $15,871,971).

DIVIDENDS PAID OR RECOMMENDED

No dividends have been paid or declared for payment during, or since, the end of the financial year.

Review of Operations

Highlights

RESEARCH & DEVELOPMENT

- Preliminary results from a pre-clinical in-vitro study into **CimetrA™**'s method of action in inhibiting cytokine production indicates that **CimetrA™** moderates the body's release of pro-inflammatory cytokine related to indications.
- Commenced **CimetrA™** Phase IIb Clinical Study to determine the most effective concentrations of the active ingredients for dosage, and further validate the anti-inflammatory and immune modulating effects of the product. Completed **CogniCann®** Phase II Clinical Trial on patients with dementia and Alzheimer's disease during the year, with trial results demonstrating the ability of **CogniCann®** to inhibit the deterioration in the behaviour of patients with dementia.
- Completed Pre-clinical in-vitro Glioblastoma research study, with published final results which demonstrate that MGC Pharma's proprietary formulations were cytotoxic to Glioblastoma tumours and stem cells, reducing the cells' viability and inducing caspase-dependent cell apoptosis (or cell death).
- Commenced Clinical Study into the efficacy of MGC Pharma's **ArtemiC Support®** in improving the functional status and symptomatology in patients suffering with Long COVID. Positive Study results published in July 2022 indicate that **ArtemiC Support®** is effective in reducing Long COVID symptoms.

OPERATIONS

- Construction of Maltese GMP commercial production facility completed, and GMP certification audit process commenced in Q3 2022.
- MGC Pharma delivers Swiss PharmaCan's ~A$1,000,000 order of **ArtemiC™** in November 2021.
- Record year on year sales of pharmaceuticals products in FY22 amounting to ~A$4 million in revenues.

> **“$4 million in revenues.”**

LICENCES, APPROVALS AND DISTRIBUTIONS AGREEMENTS

- US Sales and Distribution Agreement signed with US entity AMC Holding Inc (**AMC**) for a range of MGC Pharma's proprietary products, resulting in a ~A$1.4m (US$750,000) advance payment from AMC, including collaboration on US clinical trials.
- AMC Sales and Distribution Agreement amended in August 2022 to include **ArtemiC™**.
- Strategic partnership agreement entered into with international pharmaceuticals company, Sciensus Rare, for the exclusive distribution of MGC Pharma's **CannEpil®** and **CogniCann®** products in key European territories including Ireland, and the UK.
- Free Trade Certificate Issued for MGC Pharma's **ArtemiC™** allowing marketing of the product in the European Union.
- Slovenian Intellectual Property Office grants Patents for MGC Pharma's **CimetrA™** and **CannEpil®** products, providing commercial protection for the products' unique formulations and manufacturing processes for a period of 20 years.

CORPORATE

- December 2021 ~A$10.3M (£5.5M) equity raising successfully completed, led by UK based institutional investors and a US investment fund.
- MGC Pharma's Head Office relocated to London as part of the Company's corporate restructuring, which includes the appointment of a UK based Chief Financial Officer alongside the Company's Group Financial Controller, and Chief Commercial Officer responsible for driving global sales growth of the business.

> **A$10.3M (£5.5M)**
> equity raising successfully completed.

Research and development / clinical trials

CIMETRA™ PRE-CLINICAL IN-VITRO METHOD OF ACTION STUDY

Preliminary results from a Pre-clinical In-vitro study have indicated that MGC Pharma's proprietary product, **CimetrA™** has a wide-ranging application as an anti-inflammatory treatment, through the modulation of the production of pro-inflammatory cytokines.

The study undertaken by Israeli contract research organisation Science in Action built on previous studies commissioned by MGC Pharma, and examined the mechanism of **CimetrA™**'s anti-inflammatory effect in Human Peripheral Blood Mononuclear Cells (PBMC).

The study has found that **CimetrA™** moderates the body's release of pro-inflammatory cytokines by effecting their gene expression and transcription factors. Specifically, the preliminary results of the study have demonstrated the effective blocking of the mRNA expression of IL-32, the pro-inflammatory cytokine.

Previous clinical trials had indicated that **CimetrA™** is effective in inhibiting a cytokine storm, which is seen as a sudden increase in different pro-inflammatory cytokines, including IL-1, IL-6 and TNF-a, associated with COVID-19, and was able to treat symptoms of both mild and severe cases of the disease.

Following this successful study, MGC Pharma plans to further explore aspects of **CimetrA™**'s profile and begin planning the next phases of its clinical development.

COGNICANN® PHASE II CLINICAL TRIAL

The 18 week, double-blind cross-over Clinical Trial with 22 Australian patients, was undertaken in conjunction with the University of Notre Dame in Western Australia and involved eligible patients commencing a six-week treatment course with **CogniCann®**, before switching (crossing over) to a six-week course of placebo, with a two-week 'washout' period between the two arms. The study's objectives were to assess the safety and efficacy of **CogniCann®**, including the assessment of the behavioural benefits of **CogniCann®** on dementia patients measured using several evaluation tools including a Neuropsychiatric Inventory - Nursing homes (NPI-NH) questionnaire and a Cohen-Mansfield Agitation inventory questionnaire.

The study results demonstrated that there was no difference in the safety profile between the **CogniCann®** and Placebo groups, indicating that **CogniCann®** was safe to use by patients with dementia. Furthermore, the results showed that after 44 days, patients in the Placebo group experienced a deterioration in their condition, based on their NPI-NH score, compared with the stable neuropsychiatric profile of those patients treated with **CogniCann®**, indicating that the early-stage use of **CogniCann®** may be beneficial in the treatment of dementia patients.

Aggressive behaviour is one of the most serious of the disturbances experienced by dementia patients, and is a common cause for psychiatric referral, admission to hospital and drug treatment. During the 44-day study period the treatment group's Cohen-Mansfield Agitation Inventory Aggressive subscale improved by 13%, compared with the Placebo group which improved by 4%. This important finding indicates that **CogniCann®** not only improved the health status of the patients, but also the improved the quality of life of the families and caregivers that are taking care of dementia patients.

GLIOBLASTOMA PRE-CLINICAL IN-VITRO STUDY RESULTS

Final results from the Company's pre-clinical in-vitro Glioblastoma research study, conducted between 2019-2022, demonstrated that MGC Pharma's proprietary formulations were cytotoxic to Glioblastoma tumours and stem cells, reducing the cells' viability and inducing caspase-dependent cell apoptosis (or cell death).

The study was undertaken on biopsy samples taken from 18 patients, and over 5,800 cell tests over the course of the study, to determine the most effective concentrations and ratios of Cannabidiol (**CBD**) and Cannabigerol (**CBG**) in the treatment formulation. The results of the study have demonstrated the efficacy of cannabinoids in treating Glioblastoma, as well as determining the most effective ratio of **CBD**:**CBG** in inhibiting the tumours' viability, setting off the cascade of biological processes leading to the apoptosis (cell death) of the Glioblastoma tumours and stem cells. With Glioblastoma stem cells being the main cause of the disease's progression, and which are highly resistant to standard therapies.

With the results of the research study demonstrating the cannabinoid treatment's viability, MGC Pharma is now planning additional research programs to further demonstrate the formulation's efficacy as a treatment for Glioblastoma.

ARTEMIC SUPPORT® LONG COVID STUDY

During the year MGC Pharma, in conjunction with partners Swiss PharmaCan AG and Glow LifeTech Ltd, commenced a Clinical Study to determine the influence of MGC Pharma's proprietary supplement **ArtemiC Support®** in patients with Long COVID syndrome, a condition associated with an infection of COVID-19.

The **ArtemiC Support®** Long COVID Study which received Ethics Committee approval from Spanish Foundation, IDIAP Gordi Gol, commenced in December 2021, with results of the study released by the Company on 14 July 2022.

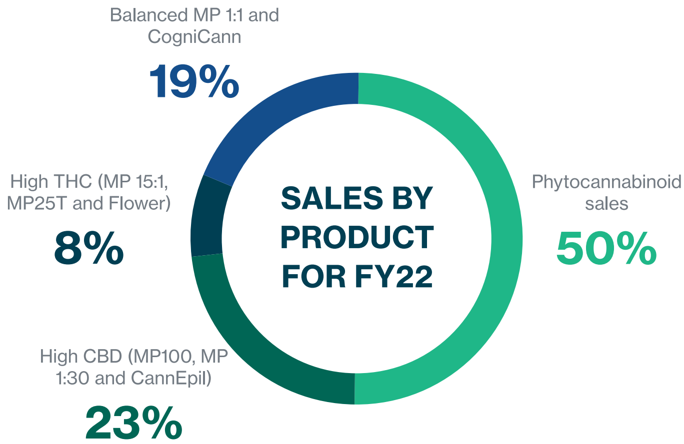
The study, which enrolled 150 patients suffering from Long COVID and administered **ArtemiC Support®**, an Oral Spray, measured their progress using a Post-COVID Functional Scale (PCFS) and a 10-point Likert scale 1, 2, 3 and 6 weeks after treatment initiation. The results of the study demonstrated that **Artemic Support®** has statistically significant efficacy in reducing the severity of a number of Long COVID symptoms.

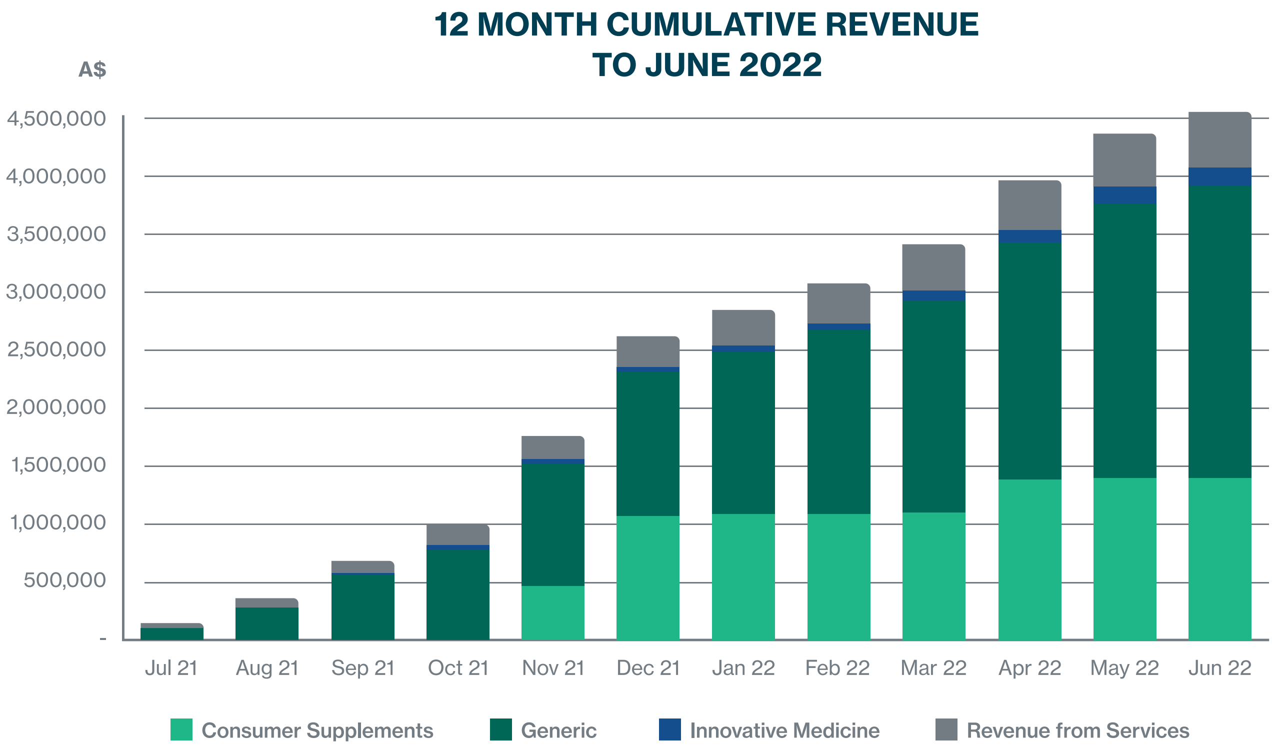
> **"Study results showed Artemic Support® reduces the severity of a number of Long COVID symptoms."**

PHYTOCANNABINOID PRODUCT SALES GROWTH

Throughout FY22, MGC Pharma experienced strong growth in its phytocannabinoid product sales. As at 30 June 2022, the Company had sold a total of 17,920 prescribed units of its standardised affordable cannabinoid medicines across Australia, UK & Brazil, a record sales year for the Company.

Additionally, during the year, MGC Pharma implemented new commercial initiatives which are driving sales growth in the Company's key Australian market. This included entering a Contract Sales Team Agreement with A. Menarini Australia Pty Ltd., the Australian arm of global pharmaceutical company, Menarini Group, who provided eight additional sales personnel to the team, and the launch of a new form factor, MGC THC 20 whole flower.





COMPLETION OF MALTESE GMP PRODUCTION FACILITY

During the financial year MGC Pharma took possession of its newly constructed production facility located in Malta.

The new, fully automated production facility, will create a European manufacturing hub for a number of products, including CimetrA™ and other liquid form dose medicines, putting MGC Pharma in a very strong manufacturing position to significantly reduce production costs, increase per unit profit margins and streamline global distribution through convenient shipping access.

MGC Pharma received a grant from the Maltese Government via Malta Enterprise, which reimbursed the Company up to 80% of the total costs of construction and equipment fitout of the facility, up to a total of $4.7 million (€3 million). The facility, once GMP certified, will have the capacity to produce over 20,000 units in liquid dose form per day, double that originally planned, making it an important part of MGC's manufacturing strategy.

Corporate

PLACEMENT

In December 2021 the Company successfully completed a ~A$10.3M equity placement, which was strongly supported by a mix of institutional and family office investors from the UK and USA, comprising both new and existing shareholders.

Since listing on the London Stock Exchange in February 2021, MGC Pharma has been resolutely focused on developing its clinical pipeline, and to progress towards market authorisation for these products. Primarily, MGC Pharma has been working on achieving Emergency Use Authorisation for **CimetrA™**, its proprietary nanoparticle micellar formulation, which in preclinical and clinical trials has demonstrated that the product is effective as a treatment for symptoms of COVID-19 in both mild and severe cases.

In addition to the activities aimed at bringing **CimetrA™** to market, the Company has also been progressing a number of clinical and pre-clinical studies on a number of products, as outlined in the "Research and development / clinical trials" sections (pages 13-15) as it seeks to develop a range of effective phyto-based medicines, with funding of these activities critical for the Company's strategy to develop its product pipeline.

"...preclinical and clinical trials has demonstrated that CimetrA™ is effective as a treatment for symptoms of COVID-19 in both mild and severe cases."

Events subsequent to year end

Subsequent to the year end the Company announced the following key events:

ZAM SOFTWARE

Aquired a 40% shareholding in ZAM Software Ltd (ZAM), a UK incorporated entity, and the owner a proprietary Artificial Intelligence data gathering software algorithm, with real-time data collection applications for use across the pharmaceutical and health care sectors. MGC Pharma issued ~$1.2M (£700,000) in MGC Pharma shares as consideration for its 40% shareholding in ZAM.

GLOBAL GROWTH

With the Company's production hub centred in the EU, and a key plank of its business strategy to centre the Company in the UK, following its listing on the London Stock Exchange in February 2021, MGC Pharma's accounting and finance function was relocated from Australia to the United Kingdom during the year. As part of this restructure, the Company appointed an experienced UK based CFO, Angela-Marie Graham, a fellow of the ACCA and holds a MSc in Professional Accountancy from the University of London.

EXPERT LEADERSHIP

On 19 July 2022 the Company announced the appointment of Mr Rob Clements as its Chief Commercial Officer, a newly created position which brings together oversight and leadership the Company's Business Development, Marketing and Sales functions. Mr Clements brings with him over 30 years of international experience in the pharmaceuticals sector, having previously held several senior roles in business development, commercial and marketing. Most recently, Mr Clements was Vice President Business Development of the international rare medicines division of Sciensus Rare, an international pharmaceutical services company based in the Netherlands, specialising in the provision of rare disease medicines. An expert in market development for rare and chronic diseases, Mr Clements' appointment will help drive forward the Company's strategy and goal of becoming a leading supplier of plant derived medicines.

FUNDING

On 29 July 2022 the company announced a new convertible securities financing agreement with Mercer Street Global Opportunity Fund, LLC, a fund managed by Mercer Street Capital Partners, LLC, a United States-based institutional fund manager and MGC Pharma's largest shareholder, to provide the Company with a substantial funding facility of up to a total of A$14.6m (US$10m), with an initial tranche of $1.68 (US$1.2m) issued in September 2022.

FINANCE

Up to 28th September 2022 $3.7m (US$2.5m) of this facility has been drawn by the Company. Further drawdowns under the convertible securities financing agreement are at the discretion of the investor.

Outlook

MGC anticipates significant growth in the coming year, both of its sales of existing products, and those in its clinical pipeline. Through its existing relationships and new distribution and access agreements in existing and new geographies, MGC is seeking to increase its sales as well as facilitating awareness and clinical activities supporting the Company's product lines en route to Market Authorisation.

MGC has taken significant steps towards becoming a global biopharma Company with a focus on making phytocannabinoid and other plant-based treatments, available to patient populations in need around the world. Our research and development agenda, coupled with our robust clinical platform, sets us at the forefront of this significant emerging segment of the global pharmaceutical market. MGC intends to ensure our position over the coming years by continually bringing products to markets with full market authorisation and in keeping with global regulations, offering cost effective treatments to patients with underserved indications the world over.

Dividends and distributions

The Board has not declared dividends or made dividend payments in the periods 30 June 2021 and 2022. The Company does not have any dividend or distribution reinvestment plans in operation.

"...significant steps towards becoming a global biopharma Company..."

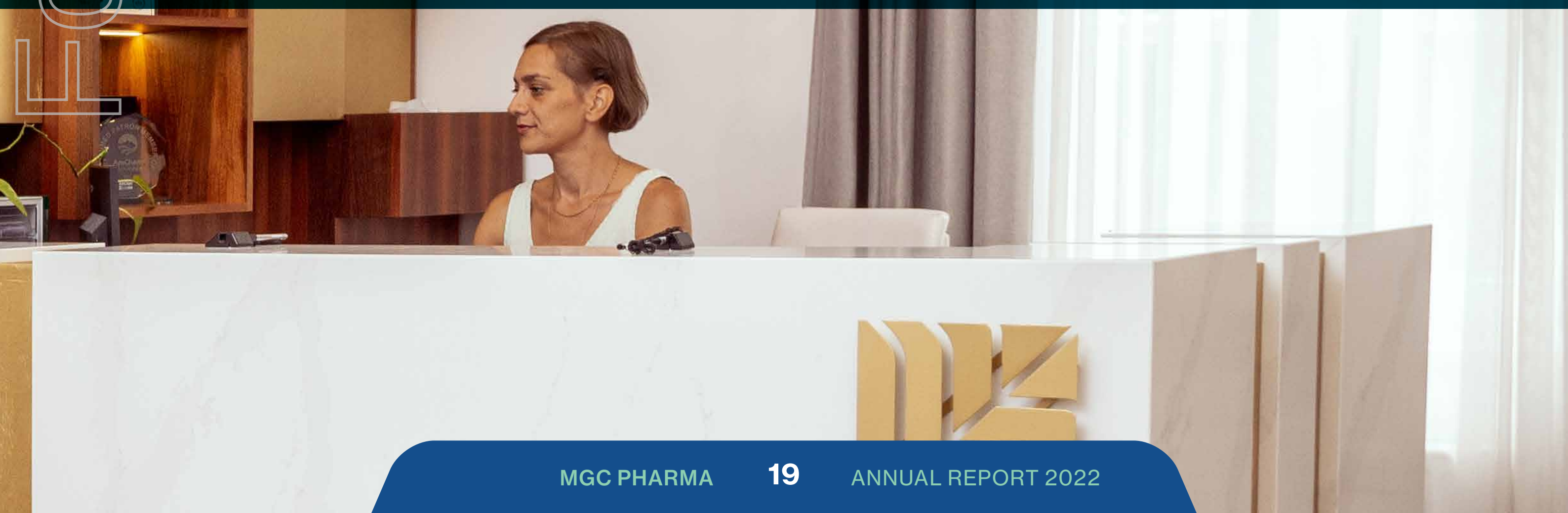
“...MGC intends to ensure our position over the coming years by continually bringing products to markets with full market authorisation...”

31 Aug 2021

US$24 million USA Supply and Clinical Trail Collaboration Agreement signed with US company AMC Holding Inc., for the supply of MGC's proprietary Investigational Medicinal Products, CannEpil®, Cognicann® and CimetrA™.

5 Apr 2022

MGC Pharmaceuticals enters strategic partnership with Sciensus Rare for the distribution of CannEpil® and Cognicann® in the EU and UK, and collaboration on research and development of MGC's product range.



Directors and Secretaries

Information on Directors and Secretaries

Names, special responsibilities, qualifications and experience of current directors and company secretaries:

BRETT MITCHELL

B. Ec - Executive Chairman

Mr Mitchell is a corporate finance executive with over 26 years of experience in the venture capital, equity capital markets, technology and resources sectors. He has been involved in the founding, financing and management of both private and publicly listed companies, and was instrumental in the successful LSE listing for MGC Pharma in February 2021.

Mr Mitchell is a founder and director of Chieftain Securities Pty Ltd, a Perth based Corporate Advisory & Venture Capital firm and founder and shareholder of Graft Polymer (UK) Ltd. Mr Mitchell is also currently Executive Chairman of an Australian unlisted public company, Australian Cannabis Ventures Limited.

Interest in MGC securities held as at date of this report

Mr Brett Mitchell and Mrs Michelle Mitchell <Mitchell Spring Family A/C> (jointly controlled)

22,542,221 Fully Paid Ordinary Shares

18,750,000 Performance Rights

Mr Brett and Mrs Michelle Mitchell <Lefthanders Super Fund A/C> (jointly controlled)

8,418,337 Fully Paid Ordinary Shares

3,650,000 Performance Rights

YCAGAGF Investments Pty Ltd (Mr Mitchell is a Director and holds a 33% shareholding)

1,500,000 unlisted options exercisable at $0.05 expiring 31 August 2023

1,500,000 unlisted options exercisable at $0.06 expiring 31 August 2023

1,500,000 unlisted options exercisable at $0.07 expiring 31 August 2023

Directorships held in other ASX listed entities in the past three years

Red Dirt Metals Ltd (Previously TNT Mines Limited) (27 June 2017 – 1 March 2022)

ROBY ZOMER

Managing Director and CEO

Mr. Zomer was recruited into MGC Pharma by its founders at the inception of the company and has since served in multiple roles within the company, culminating with his current role as MD and CEO. With 11 years of experience in large scale projects in the Biotech and Agrotech sectors, Mr. Zomer has been crucial in moving MGC Pharma from a cannabis concept to a fully functioning biopharma company with global activities.

Interest in MGC securities held as at date of this report

Chitta Lu Limited (an entity controlled by Mr Zomer)

1 Fully Paid Ordinary Share

22,400,000 Performance Rights

HSBC Custody Nominees (Australia) Limited (shares held via custodial account)

33,819,672 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years

Nil.

NATIV SEGEV
Non-Executive Director

Mr Segev founded MGC Pharma in 2014 with a goal to expand into international markets and raise the quality of medicinal phytocannabinoid products, in addition to making them accessible to patients all over the world. Prior to establishing MGC Pharma, Mr. Segev was a leader in the Medical Cannabis industry with a sizeable patient-base.

He has over 11 years of experience in implementation, legislation and lobbying in the global Medical Cannabis industry, combined with over 16 years of experience in diverse executive roles.

Interest in MGC securities held as at date of this report

Nativ Segev

1 Fully Paid Ordinary Share

Brighght Global Limited (an entity controlled by Mr Segev)

5,500,000 Fully Paid Ordinary Shares

1,650,000 Performance Rights

HSBC Custody Nominees (Australia) Limited (shares held via custodial account)

52,500,000 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years

Nil.

DR ROSS WALKER
MBBS (Hons), FRACP, FCSANZ - Non-Executive Director and Chairman of Strategic Advisory Board

Dr Ross Walker is an eminent practicing cardiologist with over 36 years' experience as a clinician. For the past 21 years, he has been focusing on preventative cardiology and is one of Australia's leading preventative health experts.

Dr Walker is considered one of the world's best keynote speakers and life coaches, he is the author of seven best-selling books and a health presenter in the Australian Media.

Interest in MGC securities held as at date of this report

Ross G T Walker Pty Ltd (an entity controlled by Mr Walker)

4,970,370 Fully Paid Ordinary Shares

1,050,000 Performance Rights

Directorships held in other ASX listed entities in the past three years

Nil.

DR STEPHEN PARKER

D.Phil, MBA – Senior Independent Director and Chairman of the Corporate Governance Committees

Dr Stephen Parker is a seasoned executive with over 31 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 Midatech Pharmaceuticals plc and a non-Executive Director of Eternans Limited. Dr Stephen has a D.Phil. from Oxford University and an MBA from City University Business School.

Interest in MGC securities held as at date of this report

Dr Stephen Parker

600,000 Fully Paid Ordinary Shares

1,400,000 Performance Rights

Held through a UK Individual Savings Account (Barclays Bank PLC)

1,993,427 Fully Paid Ordinary Shares

Directorships held in other ASX listed entities in the past three years

Nil.

EVAN HAYES

MSC Biotech, BSC BioChem, NICM Adjunct Fellow, GAICD, MASM – Non-Executive Director

Mr Hayes is a highly experienced Board member and brings over 20+ years commercial and leadership experience within the healthcare and biotechnology sectors. Mr Hayes graduated with a Master of Science 1st Class Honours (Biotechnology) from the National University of Ireland, Galway and prior to this he finished first in his class from the National University of Ireland, Cork with a Bachelor of Science degree (Honours). Mr Hayes' has also won the Daniel O'Carroll Award for Scientific Research.

Mr Hayes is currently the Asia Pacific Managing Director of Factors Group, Canada's largest natural health company. Prior to this Mr Hayes was the Director of Sourcing and Product development at Australia's largest natural health company, Blackmores, leading the Procurement, Technical, New product development, and Strategic sourcing divisions and managed a budget of $250m. Evan has served on multiple boards, worked in Europe the USA and in Australia evidenced by his strong knowledge of both the FDA and the TGA. Mr Hayes is an author of multiple patents including one world Patent.

Interest in MGC securities held as at date of this report

Evan Hayes

295,000 Fully Paid Ordinary Shares

2,000,000 Performance Rights

Directorships held in other ASX listed entities in the past three years

New Zealand Coastal Seafoods Limited (25 Jan 2021 – current)

DAVID LIM
Company Secretary

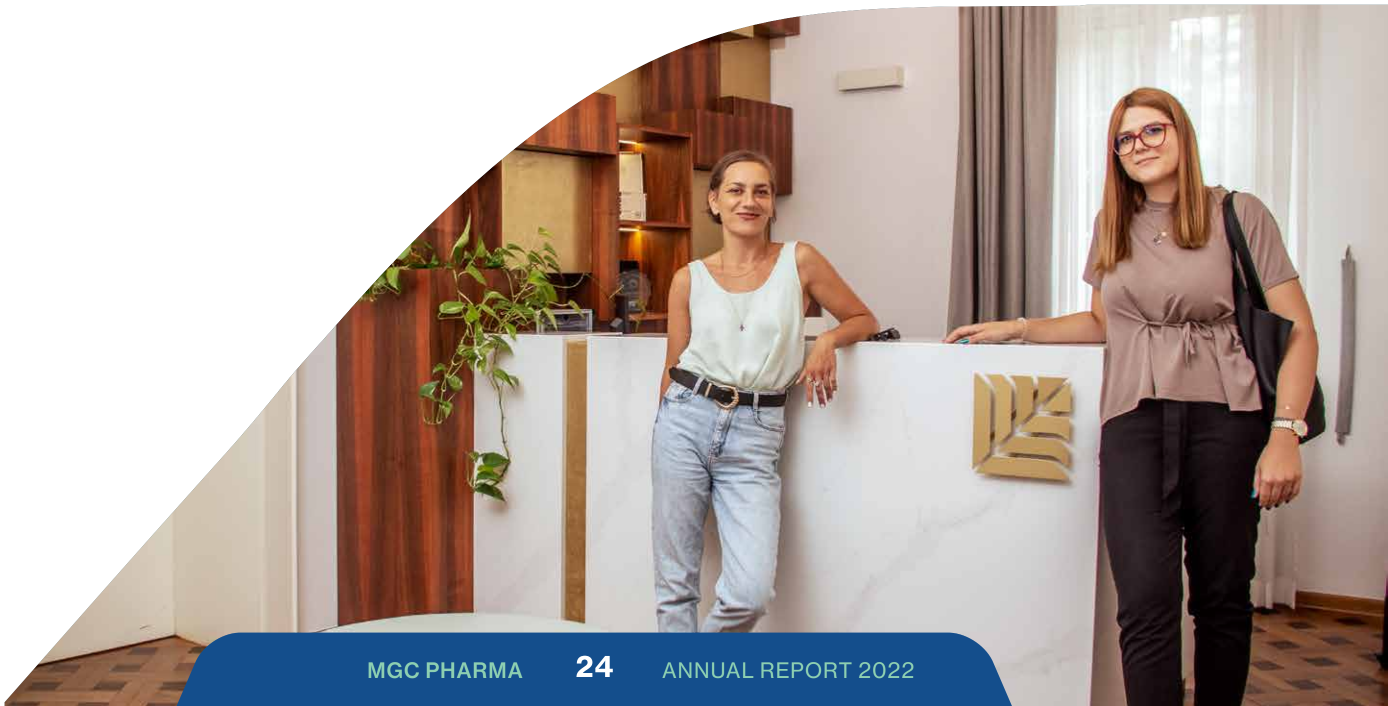
Mr Lim is a finance and corporate governance professional with over 16 years of experience working for ASX Listed companies. He has previously performed the role of Group CFO and Company Secretary at a number of ASX listed businesses in the resources sector.

Mr Lim is a Certified Practicing Accountant and holds a Graduate Diploma of Applied Corporate Governance from, and is an Associate member of, the Governance Institute of Australia.

RACHEL KERR
Company Secretary

Mrs Kerr has over 11 years' experience as a Company Secretary on both private and public companies, managing a number of acquisitions, capital raisings, IPO's, due diligence reviews and the compliance of public companies.

Mrs Kerr ceased being a Company Secretary of MGC on 9 March 2022.



Financial Review

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of MGC Pharmaceuticals Ltd, and for the executives receiving the highest remuneration.

REMUNERATION POLICY

The remuneration policy of MGC Pharmaceuticals Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of MGC Pharmaceuticals Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

- The remuneration policy, setting the terms and conditions for the key management personnel, was developed and approved by the Board.
- All key management personnel receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews key management personnel packages annually by reference to the consolidated group's performance, executive performance and comparable information from industry sectors.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee securities incentive plan.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

The Board policy is to remunerate Non-Executive Directors at market rates for time, commitment, and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually, based on market practice, duties, and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to Non-Executive Directors is subject to approval by shareholders at the Annual General Meeting. Fees for Non-Executive Directors are not linked to the performance of the consolidated group. However, to align directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company and are able to participate in the employee securities incentive plan.

At the 2021 Annual General Meeting, of the votes cast at the meeting, the Company received 20.2% of votes against the non-binding resolution to approve the 2021 remuneration report.

PERFORMANCE-BASED REMUNERATION

The Board deemed it appropriate to ensure both management and the Directors had incentive performance rights issued. These performance rights are considered a combination of service-based criteria and milestones linked to share price growth. The Board considers this appropriate, as it aligns with creating shareholder value and also assists retaining key people which are paid at or below market rates to reduce cash outlay.

COMPANY PERFORMANCE, SHAREHOLDER WEALTH AND DIRECTOR AND EXECUTIVE REMUNERATION

Overview of Company Performance

The table below sets out information about MGC Pharmaceuticals Group earnings and movements in shareholder wealth for the past five years up to and including the current financial year.

	30 JUNE 2022	30 JUNE 2021	30 JUNE 2020	30 JUNE 2019	30 JUNE 2018
Net loss after tax ($) attributable to members of the parent entity	(20,347,439)	(15,871,978)	(19,370,226)	(8,623,856)	(7,089,432)
Share price at year end ($)	0.02	0.037	0.02	0.052	0.066
Basic loss per share (cents)	(0.79)	(0.83)	(1.40)	(0.71)	(0.56)
Dividends paid	-	-	-	-	-

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

All Directors had contracts in place with the Company during the financial year as detailed below.

Material terms of agreements in place during the financial year:

BRETT MITCHELL, EXECUTIVE CHAIRMAN

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - $4,000 per month
- MGC Pharma (UK) Ltd Non-Executive Director agreement commenced 30 June 2016; no termination date or payment on termination;
  - Fees of £910 per month

Addendum to Services Agreement with Sibella Capital Pty Ltd, an entity controlled by Mr Mitchell, valid from 1 March 2021

- MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable;
  - Fees of £14,000 per month paid at agreed exchange rate of 0.54 AUD per GBP.
  - Performance Rights as approved at the General Meeting on 12 August 2021.

ROBY ZOMER, CEO & MANAGING DIRECTOR

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Standard director fee of $4,000 per month
- MGC Pharma (UK) Ltd Non-Executive Director agreement commenced 30 June 2016; no termination date or payment on termination;
  - Fees of £910 per month
- MGC Pharmaceuticals d.o.o (the Group's Slovenian subsidiary) director agreement commenced 1 July 2018; no termination date or payment on termination;
  - Fees of €1,024 per month (excluding taxes)

Addendum to Services Agreement with Chitta Lu Limited, an entity controlled by Mr Zomer, valid from 1 March 2021

- MGC Pharmaceuticals Ltd executive services agreement. This is a 12-month rolling contract with 90 days' notice and no termination fee payable;
  - Fees of £14,500 per month.
  - Provision of a flat in Slovenia for an annual fee of $57,813
  - Performance Rights as approved at the General Meeting on 12 August 2021.

MR NATIV SEGEV, NON-EXECUTIVE DIRECTOR - CURRENT DIRECTOR AGREEMENT

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Standard director fee of $4,000 per month
- MGC Pharmaceuticals d.o.o (the Group's Slovenian subsidiary) director agreement commenced 1 July 2021; no termination date or payment on termination;
  - Fees of €1,024 per month (excluding taxes)

Services Agreement with Brighght Global Limited, an entity controlled by Mr Segev, valid from 1 July 2020 to current

- MGC Pharmaceuticals Ltd services agreement this automatically renews every 12 months unless terminated, 90 days' notice;
  - Fees of $5,000 per month
  - No termination fee payable

DR ROSS WALKER, NON-EXECUTIVE DIRECTOR AND CHAIRMAN OF STRATEGIC ADVISORY BOARD

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month

DR STEPHEN PARKER, SENIOR INDEPENDENT DIRECTOR AND CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEES

- Director Agreement dated 1 July 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month
  - An additional $1,000 per month for acting as the Strategic Independent Director and acting as the Chairman of the Corporate Governance Committees

DR EVAN HAYES, NON-EXECUTIVE DIRECTOR

- Director Agreement dated 1 September 2020, no termination date or payment on termination;
  - Non-Executive Director fees of $4,000 per month

In accordance with clause 14.7 and 14.8 of the Company's constitution, the total aggregate fixed sum per annum to be paid to non-executive Directors, for Director related services, shall not exceed $500,000 and may be varied by ordinary resolution of the shareholders at a general meeting.

DETAILS OF REMUNERATION

Key Management Personnel Remuneration

	CASH						NON-CASH		
	SHORT-TERM BENEFITS			POST-EMPLOYMENT BENEFITS					
DIRECTORS	CASH AND SALARY	PERFOR-MANCE BONUS	OTHER[ii]	SUPER-ANNUATION	TERMINATION BENEFITS	EQUITY	SHARE BASED PAYMENTS[i]	TOTAL	PERFORM-ANCE RELATED %
2022									
Brett Mitchell	378,344	-	-	-	-	-	144,730	523,074	27.67%
Roby Zomer	421,692	-	62,940	-	-	-	144,730	629,362	23.00%
Nativ Segev	129,992	-	-	-	-	-	8,375	138,366	7.20%
Ross Walker	48,000	-	-	-	-	-	8,375	56,375	14.86%
Stephen Parker	67,666	-	-	-	-	-	11,166	78,832	14.16%
Evan Hayes	48,000	-	-	-	-	-	11,166	59,166	18.87%
Total	**1,093,694**	**-**	**62,940**	**-**	**-**	**-**	**328,542**	**1,485,175**	
2021									
Brett Mitchell	267,397	50,000	-	-	-	-	160,308	477,705	44.02%
Roby Zomer	280,556	50,000	(9,620)	-	-	-	160,308	481,244	43.70%
Nativ Segev	107,540	-	(28,462)	-	-	-	27,382	106,460	25.72%
Ross Walker	48,000	-	-	-	-	-	27,382	75,382	36.32%
Stephen Parker	56,557	-	-	-	-	-	28,310	84,867	33.36%
Evan Hayes[iii]	40,000	-	-				28,310	68,310	41.44%
Total	**800,050**	**100,000**	**(38,082)**	**-**	**-**	**-**	**432,000**	**1,293,968**	

All Directors have contracts with the Company.

i. Refer to Share-based and other performance based compensation section below for detail.
ii. "Other" includes expat expenses in Slovenia.
iii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

Option Holdings of Key Management Personnel

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION	OPTIONS EXERCISED	NET OTHER CHANGES	CLOSING BALANCE (VESTED AND EXERCISABLE)
2022					
Brett Mitchell[i]	5,055,554	-	(555,554)	-	4,500,000
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Evan Hayes	-	-	-	-	-
Total	**5,055,554**	**-**	**(555,554)**	**-**	**4,500,000**
2021					
Brett Mitchell	9,500,000[i]	-	-	(4,444,446)[ii]	5,055,554
Roby Zomer	-	-	-	-	-
Nativ Segev	-	-	-	-	-
Ross Walker	-	-	-	-	-
Stephen Parker	-	-	-	-	-
Total	**9,500,000**	**-**	**-**	**(4,444,446)**	**5,055,554**

i. 4,500,000 options of the opening balance are held by YCAGAGF Investments Pty Ltd a company of which Mr Mitchell is a director and 33% shareholder.
ii. 5,000,000 of the 9,500,000 options held by YCAGAGF Investments Pty Ltd, of which Mr Mitchell, is a director expired unexercised on 30 June 2021, 555,554 Listed Options were granted to Trusts controlled by Mr Mitchell as part of a placement undertaken in July 2020.

Performance Rights held by Key Management Personnel

Details of performance rights held directly, indirectly or beneficially by KMP and their related parties are as follows:

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION[i]	PERFORMANCE RIGHTS EXERCISED	NET OTHER CHANGES	CLOSING BALANCE	VESTED UNEXERCISED
2022						
Brett Mitchell	5,000,000	27,400,000	-	(10,000,000)[ii]	22,400,000	2,400,000
Roby Zomer	5,000,000	27,400,000	-	(10,000,000)[ii]	22,400,000	2,400,000
Nativ Segev	-	2,100,000	-	(450,000)[ii]	1,650,000	600,000
Ross Walker	-	2,100,000	(600,000)	(450,000)[ii]	1,050,000	-
Stephen Parker	-	2,600,000	(600,000)	(600,000)[ii]	1,400,000	-
Evan Hayes	-	2,600,000	-	(600,000)[ii]	2,000,000	600,000
Total	**10,000,000**	**64,200,000**	**(1,200,000)**	**(22,100,000)**	**50,900,000**	**6,000,000**
2021						
Brett Mitchell	10,000,000	-	(2,500,000)	(2,500,000)[ii]	5,000,000	-
Roby Zomer	10,000,000	-	(2,500,000)	(2,500,000)[ii]	5,000,000	-
Nativ Segev	-	-	-	-	-	-
Ross Walker	-	-	-	-	-	-
Stephen Parker	-	-	-	-	-	-
Evan Hayes[iii]	-	-	-	-	-	-
Total	**20,000,000**	**-**	**(5,000,000)**	**(5,000,000)**	**10,000,000**	-

i. Refer to "Share-based and other performance-based compensation" section below for details of rights granted and vested during the 30 June 2021 Financial Year, but issued in the current reporting period subsequent to shareholder approval.

ii. Lapsed as vesting conditions not satisfied.

iii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

SHAREHOLDINGS OF KEY MANAGEMENT PERSONNEL

Details of equity instruments (other than options and rights) held directly, indirectly or beneficially by KMP and their parties are as follows:

Shareholdings

DIRECTORS	OPENING BALANCE	GRANTED AS COMPENSATION	CONVERTIBLE SECURITIES EXERCISED	NET OTHER CHANGES	CLOSING BALANCE
2022					
Brett Mitchell	30,405,004	-	555,554	-	30,960,558
Roby Zomer	33,000,001	-	-	819,672[ii]	33,819,673
Nativ Segev	53,000,001	-	-	5,000,000[ii]	58,000,001
Ross Walker	4,370,370	-	600,000	-	4,970,370
Stephen Parker	282,316	-	600,000	1,111,111[ii]	1,993,427
Evan Hayes	-	-	-	295,000[ii]	295,000
Total	**121,057,692**	**-**	**1,755,554**	**7,225,783**	**130,039,029**
2021					
Brett Mitchell	27,905,004	-	2,500,000	-	30,405,004
Roby Zomer	30,500,001	-	2,500,000	-	33,000,001
Nativ Segev	53,000,001	-	-	-	53,000,001
Ross Walker	4,370,370	-	-	-	4,370,370
Stephen Parker	-	-	-	282,316[ii]	282,316
Evan Hayes[iii]	-	-	-	-	-
Total	**115,775,376**	**-**	**5,000,000**	**282,316**	**121,057,692**

i. Net other changes are as a result of rights allotted as part of the Share Purchase Plan issue and other movement due to changes in directors and directors' related entities.
ii. Acquired on market
iii. Mr Evan Hayes was appointed a director of the Company on 1 September 2020.

SHARE-BASED AND OTHER PERFORMANCE-BASED COMPENSATION

Performance rights

On 31 March 2021, the board on the remuneration committee's recommendation, agreed to issue performance rights to the Directors and other management personnel to incentivise and retain its workforce. The performance rights issued to Directors were subject to shareholder approval, which was received on 12 August 2021 (grant date):

CLASS	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining a director as at 1 April 2022	17,100,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining a director as at 1 April 2022	39,900,000	1 Apr 23
C	18 months continued service up to 30 June 2021 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2021	7,200,000	30 Jun 21
		64,200,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties.

During the current financial year the Class A Performance Rights lapsed due to the vesting conditions not being satisfied.

A Monte Carlo valuation was applied to milestones A and B to determine the fair values per right at the grant date, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	12 Aug 21	12 Aug 21
Share price	$0.041	$0.041
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	66%	70%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.038	$0.009

Performance bonuses

No performance bonuses were issued during the current financial year. During the 2021 financial year, the remuneration and nomination committee reviewed the performance of the executive team, and concluded that a cash bonuses were to be issued to those that assisted with the LSE Listing. The executive Directors, namely Mr Roby Zomer and Mr Brett Mitchell, both received an amount of $50,000 during the 2021 financial year.

Options

There were no options over ordinary shares granted to and/or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2022 or 30 June 2021.

Transactions with Director related entities

Directors and officers, or their personally-related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of non-remuneration related transactions including amounts receivable and payable at the end of the year are as follows:

			TRANSACTIONS		BALANCES (OWING TO)/ OWED BY	
RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTIONS	FULL YEAR 30-JUN-22 $	FULL YEAR 30-JUN-21 $	FULL YEAR 30-JUN-22 $	FULL YEAR 30-JUN-21 $
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Corporate services from Chieftain – 1 Jul 20 to 31 Dec 20	-	30,000		-
CHIEFTAIN SECURITIES (WA) PTY LTD (CHIEFTAIN WA)	(ii)	Corporate services from Chieftain – 1 Jul 21 to 30 June 22	60,000	30,000	22,000	-
SPUTNIK ENTERPRISES LTD	(iii)	Corporate Advisory Services	149,201	-	-	-
CHITTA LU LIMITED	(iv)	Charges from CLL to corporate administrative costs	7,115	-	-	-
AUSTRALIA CANNABIS VENTURES LIMITED (ACV)	(v)	(Re-charges) to ACV for corporate administrative costs	(1,078)	(10,000)		-

(i) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities Pty Ltd.
(ii) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities (WA) Pty Ltd.
(iii) Mr Roby Zomer and Mr Brett Mitchell are Directors and each holds a 50% shareholding in Sputnik Enterprises LTD
(iv) Mr Roby Zomer is a Director and 100% shareholder of Chitta Lu Limited
(v) Mr Brett Mitchell is an Executive Chairman and shareholder of Australian Cannabis Ventures Limited.

End of Remuneration Report

Meetings of Directors

The Directors attendances at Board meetings held during the year were:

	BOARD MEETINGS	
	HELD	ATTENDED
Brett Mitchell	7	7
Nativ Segev	7	7
Roby Zomer	7	7
Ross Walker	7	5
Stephen Parker	7	7
Evan Hayes	7	7

In additional to attending board meetings a number of Board Resolutions were passed by Written Resolution

The Company has remuneration, nomination and audit and risk committees in place. The attendances of the Sub-Committee Members for the meetings held during the year were:

	REMUNERATION COMMITTEE		NOMINATION COMMITTEE		AUDIT AND RISK COMMITTEE	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
Brett Mitchell	-	-	-	-	3	3
Ross Walker	-	-	-	-	3	3
Stephen Parker	-	-	-	-	3	3
Evan Hayes	-	-	-	-	3	3

In additional to attending the above sub-committee meetings the appointment of the Company's Chief Financial Officer was approved by Written Resolution.

Corporate Governance

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of MGC Pharmaceuticals Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the ASX Corporate Governance Council, and considers that the Company is in compliance with many of those guidelines which are of importance to the commercial operation of the Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company. The Company's Corporate Governance Policy is available for review on the Company's website www.mgcpharma.eu

Options

At the date of this report the options on issue for MGC Pharmaceuticals Ltd are as follows:

DATE OF EXPIRY	EXERCISE PRICE	NUMBER
31 Aug 2023	$0.05	16,300,000
31 Aug 2023	$0.06	17,500,000
31 Aug 2023	$0.07	17,500,000
31 Mar 2023	$0.026	7,692,308
31 Mar 2023	£0.01475	26,440,678
30 Nov 2024	£0.02	9,000,000
TOTAL		**94,432,986**

Rights

At the date of this report the performance rights on issue for MGC Pharmaceuticals Ltd are as follows:

DESCRIPTION	EXERCISE PRICE	VESTED	NUMBER
Dec 19 Director Rights	nil	no	5,000,000
Apr 21 Employee Class B	nil	no	8,575,000
Apr 21 Employee Class C	nil	yes	8,700,000
Apr 21 Director Class B	nil	no	39,900,000
Apr 21 Director Class C	nil	yes	6,000,000
Dec 21 Employee Class D	nil	no	250,000
Dec 21 Employee Class E	nil	no	250,000
TOTAL			**68,675,000**

Convertible Notes

At the date of this report the convertible notes on issue for MGC Pharmaceuticals Ltd are as follows:

ISSUE DATE	CONVERSION PRICE	FACE VALUE PER SECURITY	MATURITY DATE	NUMBER
20 Nov 2020	$0.018[1]	A$1.00	24 Nov 2022	2,100,000
4 Aug 2022	$0.014[2]	US$1.00	4 Feb 2024	1,320,000
26 Aug 2022	$0.014[2]	US$1.00	26 Aug 2024	825,000
23 Sep 2022	$0.014[2]	US$1.00	23 Sep 2024	605,000
Total				**4,850,000**

1. The conversion price will be the lower of $0.035 or 92% of the lowest daily VWAP of the Company's shares selected by the Noteholder over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than $0.018
2. The conversion price will be the lower of $0.02 or 92% of the lowest daily VWAP of the Company's shares selected by the Noteholder over the 10 trading days on which the Company's shares are traded on the ASX immediately prior to the issue of the conversion notice, subject to the conversion price being no less than $0.014

Indemnifying Officers or Auditor

The Company has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Company has paid premiums to insure all of the Directors of the Company as named above, the company secretary and all executive officers of the Company against any liability incurred as such by a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the notice of the liability and the amount of the premium.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young Australia, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young Australia during or since the financial year.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Non-audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young Australia: R&D rebate application. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001.* The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2022 has been received and can be found on page 37 of the financial report.

This report is made in accordance with a resolution of Directors. These financial statements were authorised for issue in accordance with a resolution by the Directors of the Company on 30 September 2022.

R. Zomer

Roby Zomer
Managing Director

Dated 30 September 2022

Auditor's Independence Declaration

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Building a better working world

Auditor's independence declaration to the directors of MGC Pharmaceuticals Limited

As lead auditor for the audit of the financial report of MGC Pharmaceuticals Limited for the financial year ended 30 June 2022, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of MGC Pharmaceuticals Limited and the entities it controlled during the financial year.

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
30 September 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2022

	NOTE	30-JUN-22 $	30-JUN-21 $
			Restated
Revenue from contracts with customers	*5a)*	4,732,012	2,996,053
Cost of sales	*6a)*	(2,922,120)	(1,768,153)
Gross profit		**1,809,893**	**1,227,900**
Other operating income	*5c)*	9,190	606,745
Administrative expenses	*6b)*	(11,829,361)	(7,785,460)
Other operating expenses	*6c)*	(4,323,682)	(6,017,884)
Fair value movement on financial instruments	*20*	(1,240,814)	(3,819,927)
Impairment expense	*6d)*	(4,983,858)	-
Operating loss		**(20,558,632)**	**(15,788,626)**
Finance costs	*6e)*	(210,142)	(369,135)
Finance income	*5b)*	301	7,632
Other income		650	250,873
Loss before income tax		**(20,767,823)**	**(15,899,256)**
Income tax benefit / (expense)	*7*	-	27,278
Loss for the year		**(20,767,823)**	**(15,871,978)**
Attributable to:			
Members of the parent entity		(20,347,439)	(15,869,978)
Non-controlling interest		(420,384)	(2,000)
		(20,767,823)	**(15,871,978)**
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on the translation of foreign operations		(942,191)	131,416
Other comprehensive income (net of tax) for the year		**(942,191)**	**131,416**
Total comprehensive loss for the year		**(21,710,014)**	**(15,740,562)**
Total comprehensive loss attributable to:			
Members of the parent entity		(21,170,411)	(15,738,244)
Non-controlling interest		(539,603)	(2,318)
		(21,710,014)	**(15,740,562)**
Earnings per share			
Basic loss for the year attributable to ordinary equity holders of the parent	18	(0.79)	(0.83)
Diluted loss for the year attributable to ordinary equity holders of the parent	18	(0.79)	(0.83)
Earnings per share for continuing operations			
Basic loss for the year attributable to ordinary equity holders of the parent	18	(0.79)	(0.83)
Diluted loss for the year attributable to ordinary equity holders of the parent	18	(0.79)	(0.83)

Consolidated Statement of Financial Position

As at 30 June 2022

	NOTE	30-JUN-22 $	30-JUN-21 $
CURRENT ASSETS			
Cash and cash equivalents	*8*	1,886,347	5,433,241
Inventory	*9*	1,837,803	872,444
Trade and other receivables	*10*	1,937,114	2,348,634
Prepayments		796,376	546,576
Disposal group classified as held for sale	*4*	-	280,475
Total Current Assets		**6,457,640**	**9,481,370**
NON-CURRENT ASSETS			
Plant and equipment	*11*	6,664,798	5,272,202
Intangible assets and goodwill	*12*	3,145,724	7,048,880
Financial assets	*20*	155,971	564,186
Right-of-use assets	*14*	2,133,685	1,869,006
Total Non-Current Assets		**12,100,178**	**14,754,274**
TOTAL ASSETS		**18,557,818**	**24,235,644**
CURRENT LIABILITIES			
Trade and other payables	*13a)*	3,519,206	1,796,235
Deferred revenue	*13b)*	1,810,361	-
Liabilities directly associated with disposal group	*4*	-	89,659
Financial liabilities at fair value through profit or loss	*15*	2,100,000	4,034,763
Lease liabilities - current	*14*	277,689	209,433
Total Current Liabilities		**7,707,256**	**6,130,090**
NON-CURRENT LIABILITIES			
Provisions		16,44	-
Deferred revenue	*13c)*	3,679,413	2,506,281
Lease liabilities – non-current	*14*	1,974,918	1,773,374
Total Non-Current Liabilities		**5,670,779**	**4,279,655**
TOTAL LIABILITIES		**13,378,035**	**10,409,745**
NET ASSETS		**5,179,783**	**13,825,899**
EQUITY			
Contributed equity	*16a)*	97,251,478	84,511,983
Share based payment reserve	*16bi)*	7,924,264	7,490,483
Foreign currency translation reserve	*16bii)*	(610,591)	212,381
Consolidation reserve		(382,404)	(382,404)
Accumulated losses		**(98,345,335)**	**(77,997,896)**
Equity attributable to equity holders of the parent		**5,837,412**	**13,834,547**
Non-controlling interest		(657,629)	(8,648)
TOTAL EQUITY		**5,179,783**	**13,825,899**

The accompanying notes form part of these financial statements

Consolidated Statement of Changes in Equity

For the year ended 30 June 2022

	CONTRIBUTED EQUITY $	SHARE BASED PAYMENT RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	CONSOLIDATION RESERVE $	RETAINED EARNINGS $	NON-CONTROLLING INTEREST $	TOTAL $
Balance at 30 June 2020	**60,149,457**	**5,380,904**	**85,284**	**(382,404)**	**(62,127,918)**	**(10,967)**	**3,094,356**
Other comprehensive income	-	-	127,097	-	-	4,319	131,416
Loss after income tax expense	-	-	-	-	(15,869,978)	(2,000)	(15,871,978)
Total comprehensive loss for the year	-	-	127,097	-	(15,869,978)	2,319	(15,740,562)
Shares issued during the year (net of share issue costs)	9,412,411	1,101,977	-	-	-	-	10,514,388
Transfer to issued capital	418,000	(418,000)	-	-	-	-	-
Share based payment	453,113	1,425,602	-	-	-	-	1,878,715
Acquisition of business (MedicaNL)	1,800,000	-	-	-	-	-	1,800,000
Unissued shares (MedicaNL)	4,200,000	-	-	-	-	-	4,200,000
Acquisition of business (MCC)	1,000,000	-	-	-	-	-	1,000,000
Equity issued to extinguish financial liabilities	1,231,698	-	-	-	-	-	1,231,698
Conversion of convertible notes	4,810,641	-	-	-	-	-	4,810,641
Exercise of options	1,036,663	-	-	-	-	-	1,036,663
Balance at 30 June 2021	**84,511,983**	**7,490,483**	**212,381**	**(382,404)**	**(77,997,896)**	**(8,648)**	**13,825,899**
Other comprehensive income	-	-	(822,972)	-		(119,219)	(942,191)
Loss after income tax expense	-	-	-	-	(20,347,439)	(420,384)	(20,767,823)
Total comprehensive loss for the year	**-**	**-**	**(822,972)**	**-**	**(20,347,439)**	**(539,603)**	**(21,710,014)**
Shares issued during the year (net of share issue costs)	9,243,118		-	-	-	-	9,243,118
Exercise of performance rights	406,050	(406,050)	-	-	-	-	-
Acquisition of Czech/ Russia	-	-	-	-	-	(109,378)	(109,378)
Share based payment	90,545	839,831	-	-	-	-	930,376
Equity issued to extinguish financial liabilities	-		-	-	-	-	-
Exercise of options	509,081	-	-	-	-	-	509,081
Conversion of convertible note	2,490,701	-	-	-	-	-	2,490,701
Balance at 30 June 2022	**97,251,478**	**7,924,264**	**(610,591)**	**(382,404)**	**(98,345,335)**	**(657,629)**	**5,179,783**

The accompanying notes form part of these financial statements

Consolidated Statement of Cash Flows

For the year ended 30 June 2022

	NOTE	30-JUN-22 $	30-JUN-21 $
Cash flows from operating activities			
Receipts from customers		6,378,021	2,162,812
Payments to suppliers and employees		(14,269,818)	(10,847,944)
Payments for research expenses		(4,241,927)	(3,839,592)
Research and development rebate /	5c	-	507,248
Government grants		650	7,984
Interest received		301	(7,398)
Interest paid		(25,453)	27,278
Net cash used in operating activities	24	**(12,158,225)**	**(11,989,612)**
Cash flows from investing activities			
Subsidiary disposed; net of cash disposed of		-	(79,687)
Acquisition of business; net of cash acquired (MCC)	12	-	(400,000)
Acquisition of business; net of cash acquired (MedicaNL)	12	-	106,438
Cash acquired through assets Acquisition (MGC Czech)		151,426	-
Government grant received relating to plant and equipment		1,586,467	2,450,747
Payments for investments in unrelated entities		(155,971)	
Loans to third parties	10	-	(546,995)
Proceeds from sale of investments		-	302,823
Purchase of plant and equipment / assets under construction		(2,693,100)	(3,327,105)
Net cash used in investing activities		**(1,111,177)**	**(1,493,779)**
Cash flows from financing activities			
Proceeds from issue of shares and conversion of options		10,703,451	12,759,697
Proceeds from borrowings		-	5,750,000
Payment of lease liabilities		(263,008)	(255,993)
Partial Repayment of Loan by third party		61,424	-
Transaction costs on issue of shares		(764,061)	(1,202,646)
Net cash provided by financing activities		**9,737,806**	**17,051,058**
Net increase / (decrease) in cash and cash equivalents held		**(3,531,597)**	**3,567,667**
Cash and cash equivalents at beginning of year		5,433,241	1,873,373
Foreign exchange movement in cash		(15,297)	(7,799)
Cash and cash equivalents at end of year	8	**1,886,347**	**5,433,241**

The accompanying notes form part of these financial statements

Notes to the Financial Statements

Contents of the Notes to the Financial Statements

1. CORPORATE INFORMATION

The financial statements of MGC Pharmaceuticals Ltd for the year ended 30 June 2022 were authorised for issue in accordance with a resolution of Directors on 30 September 2022. These consolidated financial statements and notes represent those of MGC Pharmaceuticals Ltd (the "Company") and Controlled Entities (the "consolidated group" or "Group"). MGC Pharmaceuticals Ltd is a for-profit company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange ("ASX") and the main segment of the London Stock Exchange ("LSE"). The registered office of the Company is 1202 Hay Street, West Perth WA 6005.

MGC Pharma is a European based bio-pharma company, specialising in the development and supply of standardised phytomedicines to patients globally. It has three key clinical projects today, as well as a pipeline of further potential therapies: CimetrA, a Phase 3 symptomatic treatment for early COVID-19, CannEpil, a Phase 2b cannabis-based therapy for drug-resistant Epilepsy, and CogniCann, in a Phase 2 trial for symptomatic relief of Dementia. The Company currently generates revenues from its ArtemiC range of products, and its cannabinoid products primarily distributed within Australia, the UK, and South America.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of Compliance

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001 as appropriate for 'for-profit' orientated entities.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standard Board ("IASB"). Material accounting policies adopted in the preparation of these financial statements are presented below and they have been consistently applied unless otherwise stated.

Basis of Preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of financial assets and liabilities.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

Financial report prepared on a going concern basis

The financial statements have been prepared on the going concern basis of accounting, which assumes the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

At 30 June 2022, the Group had a cash and cash equivalents balance of $1,886,347 (2021: $5,433,241) and had a net working capital deficit of $1,249,616 (2021: surplus $3,351,280), which included convertible notes with a face value of $2,100,000 repayable on 24 November 2022 if not converted prior to maturity. The Group incurred a loss for the year ended 30 June 2022 of $20,767,823 (2021: $15,871,978) and had net cash outflows from operating and investing activities of $13,158,225 (2021: $11,989,612).

The Group's cashflow forecast for the 12 months ending 30 September 2023 indicates that the Group will require additional capital to refinance existing debt and fund ongoing corporate expenditure and working capital requirements.

At the date of this report, the directors are satisfied there are reasonable grounds to believe that the Group will be able to continue its planned operations, meet its obligations as and when they fall due and thus continue as a going concern, for the following reasons:

- Subsequent to year end, on 29 July 2022 the Group entered into a new convertible securities finance agreement ("the second agreement") with Mercer Street Global Opportunity Fund, LLC ("the investor") to provide the Group with a funding facility of up to a total of US$10,000,000. At the date of this report, convertible note funding of US$2,500,000 has been received under this agreement in three tranches across August and September 2022.

- Any further drawdown of funds under the second agreement is at the investor's discretion, and the Company having sufficient capacity under Chapter 7 of the ASX Listing Rules to issue the convertible notes, or shareholder approval being obtained. The Group is seeking shareholder approval at a General Meeting on 5 October 2022 to issue up to a further US$5,500,000 in convertible notes under the second agreement.

- The Convertible Securities Finance Agreement ("the first agreement") entered into with the investor on 8 September 2020 expired on 8 March 2022. At the date of this report, convertible notes with a face value of US$2,100,000 remain on issue under the first agreement with an extended Maturity Date of 24 November 2022. The investor has the option to convert these convertible notes to ordinary shares on or prior to the Maturity Date or to demand repayment, at their discretion.

- The Group's successful history of equity raisings.

The ability of the Group to continue as a going concern is dependent on:

- The Group being able to issue further convertible notes under the second agreement entered into subsequent to year end, as discussed above, to meet immediate cash flow requirements and settle the existing $2,100,000 convertible notes issued under the first agreement, maturing on 24 November 2022 (for which the conversion price is currently out of the money for the investor to convert), in the event that the investor does not elect to convert or extend the Maturity Date further; and

- The Group being able to secure additional debt and/or equity funding as and when required during the next 12 months to conduct its planned activities and meet its corporate expenditure requirements.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

b) Principles of Consolidation

The consolidated financial statements comprise the financial statements of MGC Pharmaceuticals Ltd and its subsidiaries as at 30 June 2022 ("the Group").

Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);

- Exposure, or rights, to variable returns from its involvement with the investee; and

- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary it, de-recognises the assets (including goodwill) and liabilities of the subsidiary; de-recognises the carrying amount of any non-controlling interests; de-recognises the cumulative translation differences recorded in equity; recognises the fair value of the consideration received; recognises the fair value of any investment retained; recognises any surplus or deficit in profit or loss; and reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities.

The Group applies the acquisition method in accounting for business combinations. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interest (NCI) in the acquiree. Acquisition costs are expensed as incurred.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognised for NCI over the fair value of the identifiable net assets acquired and liabilities assumed.

c) Foreign Currency

Functional and Presentation Currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit and loss and other comprehensive income, except when they are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the statement of profit or loss on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transaction differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

Foreign operations
On consolidation, the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation purposes are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the spot rate of exchange at the reporting date.

d) Trade Receivables and Other Short-Term Debtors
Trade receivables and other short-term debtors are all classified as financial assets held at amortised cost on the basis they are held with the objective of collecting contractual cash flows and the cash flows relate to payments of principal and interest on the principal amount outstanding.

The Group applies the simplified approach in measuring expected credit losses (ECLs) for trade receivables and other short-term debtors, whereby an allowance for impairment is considered across all trade receivables and other short-term debtors, regardless of whether a credit event has occurred, based on the expected losses over the lifetime of the receivable. Therefore, the Group does not track changes in credit risk but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group's exposure to bad debts is not significant and default rates have historically been very low. Trade and other short-term receivables are written off when there is no reasonable expectation of recovery, which may be indicated by the debtor failing to engage in a payment plan or the debtor failing to make timely contractual payments.

e) Other Financial Assets
Other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Other financial assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity had transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part, or all, of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

f) Impairment of Non-Financial Assets
Non-financial assets are tested for impairment when there is an indication that the asset may be impaired (which is assessed at least each reporting date). Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. Fair value less costs of disposal calculations are based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. Value in use calculations are based on a discounted cash flow ("DCF') model, where relevant. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested.

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g) Current and Non-Current Classification
The Group presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- A Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when it is:

- Expected to be settled in normal operating cycle;
- Held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

h) Government Grants
Government grants are recognised when there is a reasonable assurance that the grant will be received and all attached conditions will be compiled with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

i) Goods and Services Tax (GST)
Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset, or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the consolidated statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

j) Leases
Group as Lessee
The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets
The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities
At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price

of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office rental (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

k) Other significant accounting policies

Refer to the relevant notes to the financial statements for other accounting policies, including revenue (note 5), income taxes (note 7), government grants (note 5), cash and cash equivalents (note 8) inventory (note 9), plant and equipment (note 11), share-based payments (note 28) and employee benefits (note 27).

l) Rounding of Amounts

The Company is a kind referred to in Legislative Instrument 2016/191 issued by the Australian Securities and Investment Commission, relating to the “rounding off” of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that class order to the nearest dollar.

New and amended Accounting Standards and Interpretations adopted by the Group

The Group has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective from 1 July 2021, with no material impact to the Group.

The Group has not early adopted any new or amended Accounting Standards or Interpretations issued but not yet effective, the impacts of which are not expected to be material to the Group, as follows:

REFERENCE	DESCRIPTION
AASB 2020-3 *Amendment to AASB 9 – Fees in the ‘10 per cent’ Test for Derecognition of Financial Liabilities*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. Under AASB 9, an existing financial liability that has been modified or exchanged is considered extinguished when the contractual terms of the new liability are substantially different, measured by the “10 per cent” test. That is, when the present value of the cash flows under the new terms, including any fees paid or received, is at least 10 per cent different from the present value of the remaining cash flows of the original financial liability. The amendment to AASB 9 clarifies that fees included in the 10 per cent test are limited to fees paid or received between the borrower and the lender, including amounts paid or received by them on the other’s behalf. When assessing the significance of any difference between the new and old contractual terms, only the changes in contractual cash flows between the lender and borrower are relevant. Consequently, fees incurred on the modification or exchange of a financial liability paid to third parties are excluded from the 10 per cent test.
AASB 2014-10 *Amendments to AASs – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. The amendments to AASB 10 *Consolidated Financial Statements* and AASB 128 *Investments in Associates and Joint Ventures* clarify that a full gain or loss is recognised when a transfer to an associate or joint venture involves a business as defined in AASB 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognised only to the extent of unrelated investors’ interests in the associate or joint venture.

REFERENCE	DESCRIPTION
AASB 2021-5 *Amendments to AASs – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	The application of this Standard is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. The amendment clarify the deferred tax accounting on potential exceptions that may or may not apply. It requires entities to also recognise deferred tax for all temporary differences related to leases, decommissioning, restoration and similar liabilities at the beginning of the earliest comparative period presented.
AASB 2020-3 *Amendments to AASB 3 – Reference to the Conceptual Framework*	The application of this Standard is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. The IASB's assessment of applying the revised definitions of assets and liabilities in the *Conceptual Framework* to business combinations showed that the problem of day 2 gains or losses would be significant only for liabilities that an acquirer accounts for after the acquisition date by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*. The Board updated IFRS 3 in May 2020 for the revised definitions of an asset and a liability and excluded the application of the *Conceptual Framework* to liabilities and contingent liabilities within the scope of IAS 37 or IFRIC 21.
AASB 2020-1 *Amendments to AASs – Classification of Liabilities as Current or Non-current*	The application of this amendment is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. A liability is classified as current if the entity has no right at the end of the reporting period to defer settlement for at least 12 months after the reporting period. The AASB recently issued amendments to AASB 101 *Presentation of Financial Statements* to clarify the requirements for classifying liabilities as current or non-current. Specifically: • The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if a right to defer settlement of a liability exists. • Management intention or expectation does not affect classification of liabilities. • In cases where an instrument with a conversion option is classified as a liability, the transfer of equity instruments would constitute settlement of the liability for the purpose of classifying it as current or non-current.
AASB 2021-2 *Amendments to AASB 7, AASB 101, AASB 134 Interim Financial Reporting and AASB Practice Statement 2 Making Materiality Judgements – Disclosure of Accounting Policies*	The application of this amendment is effective from 1 January 2023 and will be adopted by the Group on 1 July 2023. The amendments to AASB 101 require disclosure of material accounting policy information, instead of significant accounting policies. Unlike 'material', 'significant' was not defined in Australian Accounting Standards. Leveraging the existing definition of material with additional guidance is expected to help preparers make more effective accounting policy disclosures. The guidance illustrates circumstances where an entity is likely to consider accounting policy information to be material. Entity-specific accounting policy information is emphasised as being more useful than generic information or summaries of the requirements of Australian Accounting Standards.
AASB 2020-3 *Amendments to AASB 116 – Property, Plant and Equipment: Proceeds before Intended Use*	The application of this amendment is effective from 1 January 2022 and will be adopted by the Group on 1 July 2022. Under AASB 116 *Property, Plant and Equipment*, net proceeds from selling items produced while constructing an item of property, plant and equipment12 are deducted from the cost of the asset. The IASB's research indicated practical diversity in interpreting this requirement. As a result, AASB 116 was amended to prohibit an entity from deducting from the cost of an item of property, plant and equipment, the proceeds from selling items produced before that asset is available for use. An entity is also required to measure production costs of the sold items by applying AASB 102 *Inventories*. Proceeds from selling any such items, and the cost of those items, are recognised in profit or loss in accordance with applicable standards.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Judgements and estimates which are material to the financial report are found at the following notes:

a) **Share Based Payments** (refer note 28).

b) **Valuation of financial liabilities valued at fair value through profit or loss** (refer note 15).

c) **Leases** (refer note 14).

d) **Research and Development Rebate** (refer note 5c).

e) **Impairment Assessment of Non-Current Assets** (refer note 11).

f) **Expected Credit Losses** (refer note 10).

4. DISPOSAL GROUP HELD FOR SALE AND DISCONTINUED OPERATIONS

During June 2020, MGC Pharma signed an agreement to sell its 100% interest in subsidiary MGC Nutraceuticals to a US OTC publicly traded company, Onassis Holdings Corp. (OTC: "ONSS"). Not all conditions precedent to the transaction, including the buyer raising a minimum of US$2,500,000 through a Regulation A Offering Statement, have been met to date and therefore the completion of the transaction has been delayed. The sale is now expected to be completed in the latter part of 2023. As a result of the delay in the completion of this transaction, the Directors have determined that MGC Nutraceuticals no longer met the definition of a disposal group held for sale at 30 June 2022. Accordingly the results of MGC Nutraceuticals are no longer presented as discontinued operations and the 30 June 2021 income statement comparatives have been restated.

Assets and liabilities of MGC Nutraceuticals d.o.o classified as held for sale:

	30-JUN-22 $	30-JUN-21 $
Non-current assets classified as held for sale		
Cash and cash equivalents	-	79,687
Trade and other debtors	-	200,788
Inventory	-	-
	-	**280,475**
Liabilities directly associated with non-current assets classified held for sale		
Trade and other payables	-	26,269
Deferred revenue	-	63,390
	-	**89,659**
Net assets of disposal group	**-**	**190,816**

5. REVENUE AND OTHER INCOME

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity identifies the contract with the customer, identifies the performance obligations in the contract and determines the transaction price (which takes into account estimates of variable consideration and the time value of money). The consolidated entity then allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered, and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Revenue from sale of pharma products
Revenue from the sale of cannabinoids is recognised when the goods have been delivered, at which point the customer obtains control of the goods. In most cases, sales are B2B with revenue recognised as they are delivered to the pharmacy.

Revenue from consulting services
Revenue from providing clinical research services are recognized over time as the performance obligations are satisfied.

Revenue from sale of non-pharma products
Revenue from the sales of non-pharma products is recorded when the products have been delivered to the consumer, signifying transfer of ownership and the point the customer obtains control of the goods.

Interest revenue
Interest revenue is recognized using the effective interest rate method.

	30-JUN-22 $	30-JUN-21 $
a) Revenue from contracts with customers		**Restated**
Pharma sales	4,026,130	2,726,075
Consulting services (*clinical research fees and clinic consults*)	477,666	236,822
Non-pharma sales	228,216	33,156
	4,732,012	**2,996,053**
b) Finance income		
Interest income calculated using the effective interest rate method	301	7,632
	301	**7,632**
c) Other operating income		
Refund on research and development claim	-	507,248
Government grants received	9,190	99,497
	9,190	**606,745**

Research and development rebates are accounted for as a government grant. Management judgement is required to assess that the rebate meets the recognition criteria and in determining the measurement of the rebate including the assessment of the eligibility and appropriateness of the apportionment of eligible expenses based on research and development activities undertaken by the consolidated entity and taking into consideration relevant legislative requirements.

Further, the Research and Development rebate program in Australia is a self-assessment regime and there is a four-year period from the date of lodgement where the claim may be subject to a review by the Australian Taxation Office or AusIndustry, with any amounts over-claimed being potentially subject to full repayment with interest and penalties.

6. COST OF SALES AND EXPENSES

	30-JUN-22 $	30-JUN-21 $
a) Cost of sales		**Restated**
Cost of goods sold - Pharma	2,466,362	1,482,535
Cost of sales – Consulting services	415,255	115,668
Cost of goods sold – Non-pharma	40,503	169,950
	2,922,120	**1,768,153**
b) Administrative expenses		
Corporate costs	376,799	444,687
Professional and consultancy fees	1,270,081	1,176,081
Directors' fees	1,127,436	871,804
Employee benefit expenses	3,796,318	1,518,407
Employee share based payment expense	643,782	1,647,715
Travel expenses	975,851	310,943
Marketing expenses	1,009,157	565,459
Depreciation	247,689	491,408
Office and administrative expenses	2,382,248	758,957
	11,829,361	**7,785,460**
c) Other operating expenses		
Unrealised foreign exchange	(240,520)	(44,386)
Realised foreign exchange	155,952	74,400
Inventory write-off	166,323	128,210
Laboratory operating expenses	1,524,130	2,263,300
Research expense	2,717,797	3,596,360
	4,323,682	**6,017,884**

	30-JUN-22 $	30-JUN-21 $
d) Impairment expense		**Restated**
Impairment of goodwill (see note 12)	3,903,156	-
Impairment of work-in-progress balance on delayed site (see note 11)	1,080,702	-
	4,983,858	**-**

	30-JUN-22 $	30-JUN-21 $
e) Finance cost		**Restated**
Finance costs	210,142	369,135
	210,142	**369,135**

	NOTE	30-JUN-22 $	30-JUN-21 $
f) Fair value movement on financial instruments			**Restated**
Fair value loss on financial liability – convertible notes	*15*	555,938	3,095,404
Fair value loss on financial asset – investment in unlisted entity	*20*	573,703	-
Fair value (gain)/loss on financial asset – pre-acquisition loan to MGC Pharmaceuticals (sro)	*10*	(533,984)	546,995
Fair value loss on financial asset – loans to third parties	*10*	645,157	62,193
		1,240,814	**3,704,592**

7. INCOME TAX

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements, and are recognised for all taxable temporary differences,

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, the carry-forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

Tax Consolidation

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidated legislation. Each entity in the Group recognises its own current and deferred tax assets and liabilities. Such taxes are measured using the 'stand-alone taxpayer' approach to allocation. The Group notified the Australian Taxation Office that it had formed an income tax consolidated group to apply from 21 October 2005. The tax consolidated group has entered a tax funding agreement whereby each company in the Group contributes to the income tax payable by the Group in proportion to their contributions to the Group's taxable income.

The Group has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

	30-JUN-22 $	30-JUN-21 RESTATED $
a) Major components of income tax expense for the periods presented:		
Current tax	-	(27,278)
Deferred tax	-	-
Income tax expense / (benefit) reported in the Statement of Comprehensive Income	-	(27,278)
b) The prima facie tax on (loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:		
Prima facie tax payable on (loss) from continuing operations and discontinued operations before income tax at 25% (2021: 26%)	(5,191,956)	(4,141,448)
Adjustments due to permanent differences	1,125,513	2,004,491
Deferred tax assets not brought to account	4,066,443	2,136,957
Under/over provision of prior year	-	(27,278)
Income tax expense/(benefit)	-	**(27,278)**
Deferred Tax Assets Not Brought to Account in Australia, the benefits of which will only be realised if the conditions for deductibility set out above are met		
Tax Losses	8,425,862	6,837,338
Temporary Differences	579,706	513,223
Total	**9,005,568**	**7,350,561**

8. CASH AND CASH EQUIVALENTS

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

	30-JUN-22 $	30-JUN-21 $
Cash at bank	1,886,347	5,433,241
	1,886,347	**5,433,241**

9. INVENTORY

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

	30-JUN-22 $	30-JUN-21 $
Finished goods – at lower of cost and net realisable value	819,615	300,834
Raw materials – at cost	1,018,188	571,610
Total	**1,837,803**	**872,444**

10. TRADE AND OTHER RECEIVABLES

Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

	30-JUN-22 $	30-JUN-21 $
Current		
Trade receivables	738,531	890,299
Expected credit loss on trade receivables	-	(49,340)
Other receivables	422,515	818,784
GST/VAT receivable	776,068	688,891
Financial assets at fair value through profit or loss[1]	-	-
	1,937,114	**2,348,634**

Other receivables are non-interest bearing and are generally on terms of 30 days.

	30-JUN-22 $	30-JUN-21 $
[1]**Financial assets at fair value through profit or loss**		
Opening - financial asset at fair value through profit or loss	-	-
Loans acquired in asset acquisition	256,527	-
Loan repayment received	(61,424)	-
Foreign currency translation	(77,885)	
Loans advanced to third parties	527,940	546,995
Net fair value gain/(loss) on financial assets	(111,174)	(546,995)
Acquisition of MGC Pharmaceuticals (sro)	(533,984)	
Closing – financial asset at fair value through profit or loss	-	-

Pre-acquisition loan to MGC Pharmaceuticals (sro)

A loan was advanced to MGC Pharmaceuticals (sro) in the prior period and was classified as a financial asset at fair value through profit or loss, with a fair value determined to be nil at the acquisition date of 31 September 2021 due to the equity risk associated with the loan. During the current period, the Group acquired MGC Pharmaceuticals (sro) and recognised a fair value gain of $533,984 to reverse the loss recorded in the prior year. This is included in the "net fair value gain/(loss) on financial assets" line above. Subsequent to the acquisition, the loan eliminates on consolidation.

11. PLANT AND EQUIPMENT

Plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Plant and equipment 3-5 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

During the year the Group completed construction on a fully functioning GMP certified manufacturing facility in Malta for liquid dose form products and the anti-inflammatory product ArtemiC™. At 30 June 2022 the facility was under commissioning with submissions for a GMP licence to follow. The facility was 80% funded by way of grant from Malta Enterprises (refer to note 13c).

	30-JUN-22 $	30-JUN-21 $
Plant and equipment*		
- gross carrying amount at cost	2,203,496	1,938,890
- accumulated depreciation	(1,353,483)	(1,105,797)
	850,013	**833,093**
Construction in progress		
- gross carrying amount at cost	6,867,601	4,439,109
- accumulated depreciation and impairment	(1,052,816)	-
	5,814,785	**4,439,109**
Total property, plant and equipment	**6,664,798**	**5,272,202**

** Plant and equipment primarily comprises of laboratory fixtures and fittings and equipment.*

	30-JUN-22 $	30-JUN-21 $
Property, plant and equipment movement		
Opening balance at 1 July	5,272,202	2,192,974
Additions	2,693,099	3,538,808
Disposal	-	(68,417)
Impairment	(1,080,702)	-
Depreciation	(247,686)	(340,024)
Foreign currency translation	27,885	(51,139)
	6,664,798	**5,272,202**

Impairment testing

Slovenia

The Group did not identify any indicators of impairment in relation to the Slovenia CGU, primarily the GMP laboratory.

Malta

The Group's plant and equipment balance in Malta consisted of construction in progress, relating to design and engineering work for an additional Malta Facility. The temporary delay in the larger project as disclosed in note 14 was identified as an impairment trigger for the balances associated with that project. The Group remains committed to the development of the additional site but due to the continued delay in commencement of construction, it was considered prudent to provide for the capitalised design and engineering costs of $1,080,702 in full at this time.

12. INTANGIBLE ASSETS AND GOODWILL

	30-JUN-22 $	30-JUN-21 $
Goodwill		
Opening balance at 1 July	**7,048,880**	-
- Goodwill on acquisition of Medicinal Cannabis Clinics	-	1,400,000
- Goodwill on acquisition of MedicaNL	-	5,648,880
- Impairment	(3,903,156)	-
	3,145,724	**7,048,880**

Impairment - Medicinal Cannabis Clinics

On 23 November 2020 MGC Pharma completed the acquisition of the business of an operating telehealth clinic, Medicinal Cannabis Clinics (MCC). Performance since the acquisition has been lower than expected and the Group's impairment testing determined that the recoverable amount of the CGU was nil as at 30 June 2022.

MediCaNL Israel 2019 Ltd (MediCaNL)

Business combination in 2021

On 21 April 2021, MGC Pharma completed the 100% acquisition of MediCaNL Israel 2019 Ltd (MediCaNL), an Israeli company operating and providing specialist services to the pharmaceutical sector for development of new medicines. The acquisition will enable MGC Pharma bring inhouse and speed up its pipeline of clinical trials, which will delivery long term cost savings to the Group. The consideration for the transaction amounted to $6,000,000 in MGC shares calculated using a 10-day VWAP prior to the acquisition date.

The acquisition accounting which had previously been provisionally determined was finalised during the period and the assets recognised as a result of the acquisition are as follows:

	PROVISIONAL FAIR VALUE $
Cash and cash equivalents	106,438
Trade and other receivables	415,781
Trade and other payables	(171,099)
Net assets acquired	351,120
Goodwill	5,648,880
Net identifiable assets acquired	**6,000,000**
Representing;	
Consideration paid - shares	6,000,000

There was no adjustment to the provisional amounts recognised. The goodwill of 5,648,880 comprises the fair value of expected synergies arising from the acquisition and a customer list, which is not separately recognised. Due to the confidentiality requirements of MediCaNL's clients, the customer list is not separable. Therefore it does not meet the criteria for recognition as an intangible asset under AASB 138.

Impairment testing
The goodwill associated with the MediCaNL CGU was tested for impairment on a value-in-use basis using a discounted cash flow model. The key inputs to the impairment test were the expected future revenues of MediCaNL (including both external revenue and internal services provided within the Group, based on transfer pricing at an arms' length rate), a discount rate of 19% and a long-term growth rate of 2%.

As a result of the impairment test, an impairment of $2,503,156 was recognised against the goodwill to reduce it to its recoverable amount of $3,145,724. The circumstances giving rise to the impairment primarily relate to the COVID-19 impact on MediCaNL's revenue since acquisition, and the uncertainty associated with achievement of the Group's future revenue targets.

The impairment test is sensitive to movements in the revenue assumptions and discount rate. If the future external and internal revenues were 10% below the Group's forecast amounts over the five year forecast period, it would result in additional impairment of $931,069. A 1% increase in the discount rate would result in additional impairment of $245,606.

Acquisition of MGC Pharmaceutical sro (Czech Republic) – asset acquisition
During the period, the Group acquired a 54% interest in MGC Pharmaceutical sro (Czech Republic), which in turn held a 100% interest in MGC Pharmaceuticals Ltd (Russia). The acquisition occurred via a share transfer with nil consideration. The acquiree did not meet the definition of a business and therefore the acquisition was accounted for as an asset acquisition. In the previous financial year, loan funds of $546,995 had been advanced to MGC Pharmaceutical sro. The loan was classified as a financial asset at fair value through profit or loss due to the equity risk associated with the loan, with a fair value determined to be nil at 30 June 2022. During the period, a fair value gain of $533,984 was recognised on the loan on the basis of the fair value of the net assets of MGC Pharmaceuticals sro acquired (refer to note 10).

A non-controlling interest of $109,377 was recognised at the acquisition date. The non-controlling interest's share of loss for the period was $410,503 and the non-controlling interest's share of other comprehensive income for the period was $119,219.

13. PAYABLES AND DEFERRED REVENUE

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 60 days of recognition. They are recognised at fair value on initial recognition and subsequently measured at amortised cost, using the effective interest rate method.

Notes to the Financial Statements continued

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the period end in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

	30-JUN-22 $	30-JUN-21 $
a) Current trade and other payables		
Trade payables	(2,523,618)	(1,222,143)
Accruals	(688,128)	(380,770)
Other payables	(307,460)	(193,321)
	(3,519,206)	**(1,796,234)**
b) Deferred revenue - Current		
Deferred revenues – current – customer advance	(1,559,501)	-
Deferred revenue - current - Malta grant*	(250,860)	-
	(1,810,361)	**-**

Deferred revenue represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration at 30 June 2022.

Refer to note 19 for details on management of financial risk.

	30-JUN-22 $	30-JUN-21 $
c) Deferred Revenue – Non-Current		
Deferred Revenue - Malta grant*	(3,679,413)	(2,506,281)
	(3,679,413)	**(2,506,281)**

** During the year ending June 2021, the Group received approval for a grant from Malta Enterprises to cover 80% of the construction costs of a production facility, to the value of €3,073,000 ($4,925,000). As at 30 June 2022, an amount of€2,592,018 $3,930,273 had been received from Malta Enterprise. In accordance with AASB 120, the grant will be recognised as income on a systematic basis over the useful life of the building once completed. Under the conditions of the grant, the Group was to complete construction of the facility within 6 months of 10 December 2020 and, should the Group cease operations in Malta within five years from the start of operations, Malta Enterprise retains the right to take possession of assets funded through the grant. In March 2021 the Group received approval from Malta Enterprise to extend the period for completion of construction to October 2021. Construction was completed in October 2021 and the facility is currently being commissioned (see Note 11).*

14. LEASES

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

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

	30-JUN-22 $	30-JUN-21 $
Right-of-use assets		
Opening balance at 1 July	1,869,006	1,831,377
Additions of right-of-use assets in period	422,213	189,013
Depreciation of right-of-use assets	(157,534)	(151,384)
Closing balance	**2,133,685**	**1,869,006**

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

	30-JUN-22 $	30-JUN-21 $
Lease liabilities		
Opening balance at 1 July	1,982,807	1,899,224
Additions to lease liabilities	422,213	189,013
Interest on lease liabilities	153,189	150,563
Lease payments	(263,785)	(255,993)
Foreign exchange gain/(loss)	(41,816)	-
Closing balance	**2,252,608**	**1,982,807**
Current	277,689	209,433
Non-current	1,974,919	1,773,374
Total lease liability	**2,252,608**	**1,982,807**

The following amounts were recognised in the consolidated statement of profit or loss and comprehensive income for the period:

	30-JUN-22 $	30-JUN-21 $
		Restated
Depreciation on right-of-use asset	157,534	151,384
Interest expense on lease liabilities	153,189	150,563
Expense related to short-term leases	118,738	62,771
Total amounts recognised in profit or loss	**429,461**	**364,718**

The following are amounts recognised in the consolidated statement of cash flows:

	$	$
Total cash outflows for leases	**382,523**	**318,764**

Malta long-term lease agreement
Refer to note 23 for disclosures relating to additional commitments on the Malta leases.

To the extent that the conditions under the lease agreement for the larger site are not met, including the condition requiring commencement of construction on the site within three months of the date of the necessary approvals being received, being 8 August 2019, the lessor may issue a notice of breach, 30 days after which it may elect to begin imposing a penalty of EUR 12,000 per day that the breach persists, or may at its discretion terminate the lease agreement. Due to changing circumstances arising from the COVID-19 pandemic, the Group prioritised construction of a smaller facility in Malta for the production of ArtemiC (for which government grant assistance was received as disclosed in Note 13), and delayed construction of the larger facility. It is anticipated that commencement of this construction will not occur until after GMP certification of the current facility is achieved in late 2022. At 30 June 2022, and to the date of this report, the Group has not received a notice of breach from the lessor.

15. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

In September 2020, the Company entered into a convertible note financing facility with Mercer Street Global Opportunity Fund (Mercer), under which up to $15,000,000 could be drawn down in exchange for the issue of a number of convertible notes with a face value of $1.00 each equal to 110% of the amount of funding received. Upon commencement of the facility, ordinary shares to the value of $225,000 were issued to Mercer as transaction costs. The notes were repayable at face value 12 months from the date of the respective draw down, if not converted or repurchased prior to maturity. The facility expired on 8 March 2022.

During November 2021, the Company executed an extension to the $2,100,000 convertible notes on issue allowing Mercer an additional 12 months to convert the notes into ordinary shares, with a new maturity date of 24 November 2022.

Notes to the Financial Statements continued

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

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

The company made no requests for additional draw downs on the facility during the period. The entire hybrid contract has been designated as at fair value through profit or loss.

	30-JUN-22 $	30-JUN-21 $
Financial liabilities at fair value through profit or loss		**Restated**
Convertible notes		
Opening balance – at 1 July	4,034,763	-
Issue of convertible notes	-	5,750,000
Converted to ordinary shares	(2,490,701)	(4,810,641)
Loss on remeasurement of financial liability	555,938	3,095,404
Closing balance – fair value at 30 June	**2,100,000**	**4,034,763**

The fair value (Level 3) of the hybrid contract was determined using valuation techniques including use of a Black-Scholes option pricing model, with estimates of projected conversion prices and the following significant inputs to the valuation at 30 June 2022:

	TRANCHE 2
Valuation date	30 June 2022
Share price	$0.016
Exercise price	$0.018 to $0.035[1]
Expiry date	24 Nov 2022
Expected future volatility	70%
Risk free rate	2.24%
Dividend yield	0%

[1] *calculated using a weighted average of $0.024*

16. CONTRIBUTED EQUITY AND RESERVES

a) Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

	30-JUN-22 NUMBER	30-JUN-21 NUMBER	30-JUN-22 $	30-JUN-21 $
Ordinary shares on issue, fully paid	2,728,293,852	2,319,502,595	97,251,478	80,311,983
Unissued shares	-	-	-	4,200,000
	2,728,293,852	**2,319,502,595**	**97,251,478**	**84,511,983**

Reconciliation of movement in share capital

	NO. OF SHARES	ISSUE PRICE	AMOUNT
Opening balance at 1 July 2020	**1,575,612,348**		**60,149,457**
Conversion of performance rights – 10 Jul 2020	8,000,000	0.031	248,000
Shares to consultants in lieu of cash – 12 Aug 2020	42,717,523	0.022	939,786
Issue via cleansing prospectus – 12 Aug 2020	50,000	0.020	1,000
Conversion of performance rights – 12 Aug 2020	5,000,000	0.034	170,000
Commencement shares Mercer facility[1] – 15 Sept 2020	9,375,000	0.024	225,000
Conversion of Convertible Notes[1] – 13 Nov 2020	12,817,884	0.021	269,176
Shares to consultants in lieu of cash – 23 Nov 2020	12,010,756	0.022	259,475
Acquisition of MCC[2] – 23 Nov 2020	45,454,545	0.022	1,000,000
Conversion of Convertible Notes[1] – 10 Dec 2020	25,773,196	0.030	773,196
Conversion of Convertible Notes[1] – 21 Dec 2020	51,282,051	0.024	1,230,769
Placement shares on LSE listing – 10 Feb 21	440,677,967	0.0266	11,722,034
Conversion of Convertible Notes[1] – 4 Mar 2021	36,250,000	0.070	2,537,500
Exercise of $0.065 options – 29 Mar 21	9,250,000	0.065	601,250
Exercise of $0.05 options – 15 Apr 21	1,200,000	0.050	60,000
Acquisition of MedicaNL (Tranche 1) – 10 May 21	26,884,731	0.067	1,800,000
Shares to supplier in lieu of cash – 14 Jun 2021	8,804,103	0.03	260,550
Exercise of MXCOE options – various dates	8,342,491	0.045	375,413
Unissued shares (Acquisition of MedicaNL)			4,200,000
Less: costs of issue			(2,310,623)
Closing balance at 30 June 2021	**2,319,502,595**		**84,511,983**
Exercise of $0.045 Options - 08 Jul 2021	55,555	0.0450	2,500
Conversion of performance rights - 08 Jul 2021	400,000	0.0610	24,400
Conversion of Convertible Notes[1]- 08 Jul 2021	14,792,899	0.0380	562,130
Conversion of Convertible Notes[1] - 03 Sep 2021	35,714,285	0.0540	1,928,571
Exercise of $0.045 Options - 09 Sep 2021	11,257,368	0.0450	506,581
Conversion of performance rights - 09 Sep 2021	3,550,000	0.0610	216,550
Acquisition of MediCaNL (Tranche 2) – release of unissued shares - 20 Sep 2021	17,923,153	-	-
Conversion of performance rights - 20 Sep 2021	300,000	0.0610	18,300
Conversion of performance rights (Director) - 07 Oct 2021	600,000	0.0410	24,600
Conversion of performance rights (Director) - 24 Nov 2021	600,000	0.0410	24,600
Conversion of performance rights - 24 Nov 2021	200,000	0.0610	12,200
Acquisition of MediCaNL (Tranche 3) - 24 Nov 2021 – release of unissued shares	17,923,153	-	-
Shares issued for UK/US placement - 06 Dec 2021	275,000,000	0.0371	10,194,370
Consideration for Mercer CN extension - 08 Dec 2021	750,000	0.0420	31,500
Conversion of performance rights - 01 Feb 2022	500,000	0.0610	30,500
Employee bonus - 01 Feb 2022	1,440,117	0.0410	59,045
Acquisition of MediCaNL (Tranche 4) - 22 Feb 2022 – release of unissued shares	17,923,153	-	-
Conversion of performance rights - 07 Apr 2022	900,000	0.0610	54,900
Acquisition of MediCaNL (Tranche 5) - 13 May 2022 – release of unissued shares	8,961,574	-	-
Less: costs of issue			(951,252)
	2,728,293,852		**97,251,478**

1. *In September 2020 the Company entered into a $15,000,000 convertible note facility with Mercer Street Global Opportunity Fund, in exchange for notes with a face value of $1.00 each, being 110% of the funding received. During the current and prior periods there were a number of conversions of notes issued into equity. Refer to note 15 for additional information.*

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At a shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. Ordinary shares have no par value.

Capital risk management
The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group manages its capital by assessing the Group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year. The Group is not subject to any externally imposed capital requirements.

b) Reserves

i. Share Based Payment Reserve

	30-JUN-22 $	30-JUN-21 $
Opening balance at 1 July	**7,490,483**	**5,380,904**
Exercise of performance rights	(406,050)	(418,000)
Equity issued to extinguish financial liabilities	839,831	2,527,579
	7,924,264	**7,490,483**

ii. Foreign currency translation reserve

	30-JUN-22 $	30-JUN-21 $
Opening balance at 1 July	**212,381**	**85,284**
Currency translation differences arising during the year	(822,972)	127,097
	(610,591)	**212,381**

Exchange differences arising on translation of the foreign controlled entities are taken to the foreign currency translation reserve as described above. The reserve is recognised in profit and loss when the net investment is disposed of.

17. DIVIDENDS

No dividends have been paid or provided during the year.

18. EARNINGS PER SHARE

Basic earnings per share
Basic earnings per share is calculated by dividing the net profit or loss after income tax attributable to equity holders of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the post income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

	30-JUN-22	30-JUN-21
Earning per share		**Restated**
Basic loss per share (cents)	(0.79)	(0.83)
Diluted loss per share (cents)	(0.79)	(0.83)

	$	$
Reconciliation of earnings to profit or loss		
(Loss) used in calculating basic and diluted EPS	(20,347,439)	(15,869,978)
Earnings per share for continuing operations		
Basic loss per share (cents)	(0.79)	(0.83)
Diluted loss per share (cents)	(0.79)	(0.83)

	$	$
Reconciliation of earnings to profit or loss		
(Loss) used in calculating basic and diluted EPS	(20,347,439)	(15,869,978)

	NUMBER	NUMBER
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares used in calculating basic and diluted EPS	2,566,210,688	1,906,114,879

At 30 June 2022, the Company had the following convertible securities on issue: 68,675,000 performance rights (2021: 37,550,000), 94,432,986 options (2021: 163,062,069) and 2,100,000 convertible notes (2021: 3,850,000). Given the Group made a loss during the current financial year, these potential shares are considered non-dilutive and therefore not included in the diluted EPS calculation.

19. FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist mainly of cash at bank, payables, receivables and the convertible notes.

The Group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the Group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the Group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Group's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks
The Group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, equity price risk on the convertible notes, as well as foreign currency risk.

Interest rate risk
At reporting date, other than leases and the convertible notes carried at fair value, the Group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The group monitors its interest rate risk through sensitivity analysis, as outlined below.

Notes to the Financial Statements continued

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the Group are summarised in the following tables:

30-JUN-22	FLOATING INTEREST RATE $	1 YEAR OR LESS $	OVER 1 TO 5 YEARS $	OVER 5 YEARS $	NON-INTEREST BEARING $	REMAINING CONTRACTUAL MATURITIES $	WEIGHTED AVERAGE INTEREST RATE %
Financial assets							
Cash and cash equivalents	1,886,347	1,886,347	-		-	1,886,347	0.016%
Trade and other receivables	-	-	-		1,937,114	1,937,114	
	1,886,347	**1,886,347**	**-**	**-**	**1,937,114**	**3,823,461**	
Financial liabilities							
Trade and other payables	-	-	-	-	3,519,206	3,519,206	
Convertible note	-	-	-	-	2,100,000	2,100,000	
Lease liabilities	2,252,608	277,689	807,010	1,167,909	-	2,252,608	
	2,252,608	**277,689**	**807,010**	**1,167,909**	**5,619,206**	**7,871,814**	
30-JUN-21							
Financial assets							
Cash and cash equivalents	5,433,241	5,433,241	-		-	5,433,241	0.14%
Trade and other receivables	-	-	-		1,507,675	1,507,675	
	5,433,241	**5,433,241**	**-**		**1,507,675**	**6,940,916**	
Financial liabilities							
Trade and other payables	-	-	-		1,796,235	1,796,235	
Convertible note	-	-	-		4,034,763	4,034,763	
Lease liabilities	1,982,807	209,433	556,594	1,216,780	-	1,982,807	
	1,982,807	**209,433**	**556,594**	**1,216,780**	**5,830,998**	**7,813,805**	

[1] The initial investment amount for the convertible notes represented a 10% discount to their face value. As the notes are accounted for at fair value through profit or loss, the Group would have exposure to fair value movements arising from changes in market interest rates.

At 30 June 2022, a reasonably possible change in interest rates would not have resulted in a material change to the Group's post-tax loss or net assets for the year.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. The Group monitors forecast cash flows on regular basis to manage its liquidity risk.

Credit risk

Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to trade receivables, deposits with banks and other receivables, the balances of which at 30 June 2022 represent the Group's maximum exposure to credit risk. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the GBP (£), Euro (€), ILS (₪) and CZK (Kč).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidated entity's exposure to foreign currency risk at the reporting date was not material. A reasonably possible change in the value of the Australian dollar against the above currencies at 30 June would not have had a material effect on the Group's post-tax loss or net assets.

20. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The following table presents the Group's financial assets and liabilities measured and recognised at fair value.

30 JUNE 2022 FINANCIAL ASSETS	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Other financial assets (equity investments)	-	-	155,971	155,971
Closing balance at 30 June 2022	**-**	**-**	**155,971**	**155,971**
Financial liabilities				
Other financial liabilities (convertible note)	-	-	2,100,000	2,100,000
Closing balance at 30 June 2022	**-**	**-**	**2,100,000**	**2,100,000**

30 JUNE 2021 FINANCIAL ASSETS	LEVEL 1 $	LEVEL 2 $	LEVEL 3 $	TOTAL $
Other financial assets (equity investments)	-	-	564,186	564,186
Closing balance at 30 June 2021	**-**	**-**	**564,186**	**564,186**
Financial liabilities				
Other financial liabilities (convertible note)	-	-	4,034,763	4,034,763
Closing balance at 30 June 2021	**-**	**-**	**4,034,763**	**4,034,763**

Refer to note 10 for disclosures in relation to the loan accounted for as fair value through profit or loss (level 3).

MOVEMENT OF LEVEL 3 FINANCIAL INSTRUMENTS	30-JUN-22	30-JUN-21
Opening Balance	**564,186**	**559,597**
Fair value loss on financial asset – investment in unlisted entity	(573,703)	-
Addition of financial asset - investment in unlisted entity	155,971	-
Foreign Exchange gain /(loss) on financial asset	9,517	4,589
Closing Balance	**155,971**	**564,186**

a) Valuation techniques used to derive Level 1 fair values
The fair value of financial instruments recognised under Level 1 are measured based on the active market value, determined in this case by the value a third party is willing to pay for the assets.

b) Valuation techniques used to derive Level 3 fair values
The fair value of financial instruments that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. A significant unobservable input to the valuation of the Group's investment in an unlisted entity classified within level 3 of the fair value hierarchy was information obtained from the investee in relation to the value per share of the most recent capital raising conducted by the entity, which was Euro 100/share ($151.63/share). A 10% increase or decrease in the value per share of the unlisted entity would have a corresponding fair value movement on the carrying value of the Group's investment.

Refer to note 15 for additional disclosures on the other financial liability accounted for at fair value through profit or loss.

c) Fair value of other financial instruments
The Group also has a number of financial instruments that are not measured at fair value in the balance sheet. The carrying value of cash, trade receivables and payables is a reasonable approximation of their fair values due to their short-term nature.

21. CONTROLLED ENTITIES

The consolidated financial statements of the Group include:

	COUNTRY OF	PERCENTAGE OWNED (%)*	
PARENT ENTITY:	INCORPORATION	30-JUN-22	30-JUN-21
MGC Pharmaceuticals Ltd	Australia		
Subsidiaries of MGC Pharmaceuticals Ltd:			
MGC Pharma (UK) Limited	UK	100	100
MGC Research (Aus) Pty Ltd	Australia	100	100
Medicinal Cannabis Clinics Pty Ltd	Australia	100	100
Subsidiaries of MGC Pharma (UK) Limited:			
MGC Pharmaceuticals d.o.o	Slovenia	100	100
Panax Pharma s.r.o	Czech Republic	87	87
MGC Nutraceuticals d.o.o	Slovenia	100	100
MGC Pharmaceuticals (sro)	Czech Republic	54	-
MGC Pharma (Malta) Holdings Limited	Malta	100	100
MGC Pharma (Malta) R&D Limited	Malta	100	100
MedicaNL Israel 2019 Ltd	Israel	100	100
Subsidiaries of MGC Pharma (Malta) Holdings Limited			
MGC Pharma (Malta) Property Limited	Malta	100	100
MGC Pharma (Malta) Operations Limited	Malta	100	100
Subsidiaries of MGC Pharmaceuticals (sro)			
MGC Pharmaceuticals Ltd (Russia)	Russia	100	-

** Percentage of voting power in proportion to ownership*

22. SEGMENT REPORTING

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance.

The Group has assessed its operating segments and determined that the Group's operations comprise of two segments. The first being the production and supply of medicinal cannabis products and the second being the production and supply of non-cannabis phytomedicines, on the basis that the Group's CODM reviews financial information in relation to operating results at the Group level.

Geographic information on the Group's revenue by location of operations for the period and non-current assets at 30 June 2022 is as follows:

30 JUNE 2022	MALTA $	ISRAEL $	SLOVENIA $	AUSTRALIA $
Sales revenue	**-**	**456,596**	**3,219,710**	**1,055,706**
Total non-current assets	**5,999,566**	**3,145,724**	**632,892**	**158,223**
30 JUNE 2021				
Sales revenue	**-**	**255,102**	**1,091,578**[1]	**1,653,467**[1]
Total non-current assets	**6,363,232**	**5,654,899**	**847,169**	**1,400,000**

[1] One external customer individually contributed greater than 10 per cent of Group revenue, being $1,202,430 (30 June 2022 three customers contributing: $1,140,513, $686,866 and $487,301 respectively).

23. CONTINGENCIES AND COMMITMENTS

a) Commitments

	30-JUN-22 $	30-JUN-21 $
No later than one year	37,396	175,000
Later than one year and not later than five years	36,767	1,036,446
Total commitments	**74,163**	**1,211,446**

Commitments relate to office leases in Slovenia, which had been signed prior to 30 June 2022 but not yet commenced. The prior commitments to research with universities were terminated during the year when the Company made the decision to focus on its core operations.

Malta long-term leases – construction commitments

Larger site - 65 year lease

Further to the approval of the Company's original planned project in Malta, the Company agreed to invest a minimum of €6,000,000 in improvements to site, plant, machinery and equipment within 3 years from the date of allocation of the site.

On allocation of a site, the Company also entered into a long-term lease with Malta Industrial Parks (refer note 14 for further details). The Emphyteutical lease requires that the allocated site is used solely for industrial purposes and that the erection of proper, solid buildings costing no less than €2,700,000, net of value added tax, was to commence within three months of the date of the necessary approvals being received, being 8 August 2019, but be completed no later than eighteen months from the date all permits by law are issued. It is the intention of management that construction will not commence until the current construction site is completed and has been GMP certified, which it is anticipated will be in late 2022.

Notes to the Financial Statements continued

Employment Agreement Commitments

On 1 January 2021, the Company engaged a Chief Sales Officer, with a large part of the salary package made up of performance equity. 7,692,307 options were issued during the 2022 as part of this agreement. The agreement stipulates the following outstanding commitments as at 30 June 2022;

- 7,692,307 issued within 15 months from the Commencement Date at an exercise price of $0.026 expiring on 31 March 2024 and vesting on the latest to occur of (i) the second anniversary of the Effective Date, or (ii) achievement of a key performance indicator to be further agreed upon by the Parties prior to or on the first anniversary of the commencement date
- 7,692,307 issued within 27 months from the Commencement Date at an exercise price of $0.026 expiring on 31 March 2025 and vesting on the latest to occur of (i) the second anniversary of the Effective Date, or (ii) achievement of a key performance indicator to be further agreed upon by the Parties prior to or on the first anniversary of the commencement date

24. CASH FLOW INFORMATION

	30-JUN-22 $	30-JUN-21 $
Reconciliation of Cash Flow from Operations with Loss after Income Tax		
(Loss) after income tax	(20,767,823)	(15,871,978)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss		
Depreciation and amortisation	141,438	491,408
Loss on financial asset at fair value	-	546,995
Share based payment expense	524,494	1,647,715
Shares issued to extinguish financial liabilities	-	1,456,698
Loss on financial liabilities at fair value	667,111	3,157,597
Impairment of intangible assets	4,983,858	-
Impairment of unlisted investment	573,703	-
Other non-cash operating Items	7,647	-
Other non-trading Income	(9,191)	-
Exchange differences	(240,518)	92,442
Changes in assets and liabilities, net of the effects of purchase of subsidiaries		
Decrease / (increase) in inventory	(965,359)	(470,207)
Decrease / (increase) in trade and other receivables	1,293,101	(2,220,312)
Increase / (decrease) in trade payables and accruals	1,633,314	(819,970)
Cash flow from operations	**(12,158,225)**	**(11,989,612)**

25. AUDITOR'S REMUNERATION

	30-JUN-22 $	30-JUN-21 $
Fees to Ernst & Young (Australia):		
Fees for auditing the statutory financial report of the parent covering the group and auditing the statutory financial reports of any controlled entities	199,925	176,333
Fees for other services		
R&D rebate application	29,075	40,580
Total Auditor's remuneration	**229,000**	**216,913**

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26. PARENT COMPANY DISCLOSURES

The financial information for the parent entity, MGC Pharmaceuticals Ltd, has been prepared on the same basis as the consolidated financial statements.

i) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	30-JUN-22 $	30-JUN-21 $
Current assets	1,427,454	3,404,114
Non-current assets	10,015,355	14,697,179
Total Assets	**11,442,809**	**18,101,293**
Current liabilities	3,517,037	4,275,394
Total Liabilities	**3,517,037**	**4,275,394**
Contributed equity	97,251,478	80,311,983
Share based payment reserve	7,924,264	7,490,483
Accumulated losses	(97,249,970)	(73,976,567)
Total Equity	**7,925,772**	**13,825,899**
Loss for the year	**(26,019,392)**	**(11,540,561)**
Total comprehensive loss for the year	**(26,019,392)**	**(11,540,561)**

ii) Commitments and contingent liabilities of the parent

The parent entity did not have any contingent liabilities or commitments as at 30 June 2022 (30 June 2021: nil) other than as disclosed at note 23.

iii) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

27. RELATED PARTY TRANSACTIONS

a) Key Management Personnel Remuneration

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	30-JUN-22 $	30-JUN-21 $
Short-term employee benefits	1,156,634	861,968
Post-employment benefits	-	-
Long-term benefits	-	-
Share-based payments	328,541	432,000
	1,485,175	**1,293,968**

b) Transactions with Director related entities

Directors and officers, or their personally related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Notes to the Financial Statements continued

Details of non-remuneration related transactions including amounts receivable and payable at the end of the year are as follows

			TRANSACTIONS		BALANCES (OWING TO)/ OWED BY	
			FULL YEAR 30-JUN-22	FULL YEAR 30-JUN-21	FULL YEAR 30-JUN-22	FULL YEAR 30-JUN-21
RELATED PARTY	RELATIONSHIP	NATURE OF TRANSACTIONS	$	$	$	$
CHIEFTAIN SECURITIES PTY LTD (CHIEFTAIN)	(i)	Corporate services from Chieftain – 1 Jul 20 to 31 Dec 20	-	30,000		-
CHIEFTAIN SECURITIES (WA) PTY LTD (CHIEFTAIN WA)	(ii)	Corporate services from Chieftain – 1 Jul 21 to 30 June 22	60,000	30,000	22,000	-
SPUTNIK ENTERPRISES LTD	(iii)	Corporate Advisory Services	149,201	-	-	-
CHITTA LU LIMITED	(iv)	Charges from CLL to corporate administrative costs	7,115	-	-	-
AUSTRALIA CANNABIS VENTURES LIMITED (ACV)	(v)	(Re-charges) to ACV for corporate administrative costs	(1,078)	(10,000)	-	-

(i) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities Pty Ltd.
(ii) Mr Brett Mitchell is a Director and holds a 25% shareholding in Chieftain Securities (WA) Pty Ltd.
(iii) Mr Roby Zomer and Mr Brett Mitchell are Directors and each holds a 50% shareholding in Sputnik Enterprises LTD
(iv) Mr Roby Zomer is a Director and 100% shareholder of Chitta Lu Limited
(v) Mr Brett Mitchell is an Executive Chairman and shareholder of Australian Cannabis Ventures Limited.

c) Other related party transactions

There were no other related party transactions.

28. SHARE BASED PAYMENTS

Share based compensation relating to share options are recognised at fair value.

The fair value of the options is recognised as an employee benefit expense in the statement of profit or loss and other comprehensive income, with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon exercise of share options, the proceeds received net of any directly attributable transaction costs are allocated to share capital.

The fair value for all share options, as detailed below, are determined using a binomial option pricing method that takes into account the exercise price, the term of the option, the probability of exercise, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The inputs used for the valuations are tabled below for each class of security issued.

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The probability of the performance conditions occurring, where applicable are included in determining the fair value of the options.

The assessed fair value at grant date of share based payments granted during the period was determined using a binomial option pricing model that takes into account the exercise price, the price of the underlying share at grant date, the life of the option, the volatility of the underlying share, the risk-free rate and expected dividend payout and any applicable vesting conditions.

Management was required to make assumptions and estimates in order to determine the inputs into the binomial option pricing model.

a) Performance Rights

2022

Directors

On 31 March 2021, the Company agreed to issue performance rights to the Directors and other management personnel, to incentivise and retain its workforce. The performance rights issued to Directors were subject to shareholder approval, which was received subsequent to year-end on 12 August 2021, refer to disclosure made in the 2021 year below. As a result of the Company receiving shareholder approval at the General Meeting of shareholders on 12 August 2021, MGC issued 64,200,000 performance rights to directors of the Company on 9 September 2021.

Employees

On 12 November 2021 the Company's Key Account Manager was issued 500,000 performance rights over fully paid shares over the Company in accordance with the terms of their employment contract. The performance rights were valued and expensed on the contract execution date of 30 April 2021 (Prior Year) and were valued at the share price on that day being $0.06 per performance right.

Material terms of the Performance Rights issued are set out in the following table:

CLASS	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
D	The participant remaining an Eligible Participant of the Company's ESOP until 30 April 2022	250,000	30 Apr 22
E	The participant remaining an Eligible Participant of the Company's ESOP until 30 April 2023	250,000	30 Apr 23
		500,000	

On 1 February 2022 the Company's Head of Quality Unit/QP was issued 1,440,117 fully paid ordinary shares in the Company in accordance with the terms of their employment contract. The employee's contract, in consideration for accepting a below market salary, includes the provision for the grant of an annual bonus of €37,200, at the board's discretion, payable in fully paid ordinary shares. On 16 December 2021 the board approved the grant of the bonus to the employee. The shares issued were expensed on grant using a share value of A$0.041 per share

2021

Directors

On 31 March 2021, the Company agreed to issue performance rights to the Directors and other management personnel, to incentivise and retain its workforce. The performance rights issued to Directors were subject to shareholder approval, which was received on 12 August 2021:

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining a director as at 1 April 2022	17,100,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining a director as at 1 April 2022	39,900,000	1 Apr 23
C	18 months continued service up to 30 June 2022 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2022	7,200,000	30 Jun 21
		64,200,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the Related Parties.

The fair value of the performance rights for milestone C was determined to be $0.041/right. A Monte Carlo valuation was applied to milestones A and B to determine the fair values at the grant date of 12 August 2021, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	12 Aug 21	12 Aug 21
Share price	$0.041	$0.041
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	66%	70%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.038	$0.009

The milestone C performance rights fully vested during the period. The milestone A rights lapsed on 1 April 2022 as the vesting conditions were not met, while the milestone B rights remained unvested.

Employees
On 23 April 2021, the Company agreed to issue its employees with performance rights to assist with both retention and incentivisation. The terms of the performance rights are summarised below:

#	VESTING MILESTONE	PERFORMANCE RIGHTS	MILESTONE DATE
A	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2022, has a 10- trading day VWAP equal to or exceeding $0.0875 and the participant remaining an eligible participant as at 1 April 2022	3,725,000	1 Apr 22
B	If and once the share price of MGC Pharma, at any time prior to or on 1 April 2023, has a 10- trading day VWAP equal to or exceeding $0.105 and the participant remaining an eligible participant as at 1 April 2022	9,275,000	1 Apr 23
C	18 months continued service up to 30 June 2022 or if employment commenced after 1 January 2020, continued employment from the commencement date until 30 June 2022	14,550,000	30 Jun 21
		27,550,000	

The performance conditions were chosen to best align with the Company's strategic goals and objectives to enhance shareholder value. There was no performance condition associated with Milestone C. The grant of the performance rights, including those without performance conditions, is considered by the Company to be a reasonable and appropriate method to provide cost effective remuneration as the non-cash form of this benefit will allow the Company to spend a greater proportion of its cash reserves on its operations than it would if alternative cash forms of remuneration were given to the employees.

The fair value of the performance rights for milestones C was determined to be $0.061/right, based on the Company's share price on the grant date. A Monte Carlo valuation was applied to milestones A and B, with the following inputs and assumptions:

	MILESTONE A	MILESTONE B
Valuation date	23 Apr 21	23 Apr 21
Share price	$0.061	$0.061
Exercise price	Nil	Nil
Expiry date	1 Apr 22	1 Apr 23
Expected future volatility	100%	100%
Risk free rate	0.0355%	0.0388%
Vesting hurdle	$0.0875	$0.105
Dividend yield	nil	nil
Value per right	$0.0301	$0.0365

In addition, a total of 500,000 performance rights have been agreed to be issued to the Australian key account manager, with service conditions over a one- and two-year period. These have not been issued as yet, however have been valued and expensed over the contract execution date of 30 April 2021 and valued as at the share price on that day being $0.06 per right.

Reconciliation of Performance Rights

OPENING BALANCE	GRANTED AS COMPENSATION[i]	EXERCISED	LAPSED	OUTSTANDING AT 30 JUNE	OUTSTANDING AND EXERCISABLE AT 30 JUNE
2022					
37,550,000	64,700,000	(7,050,000)	(26,525,000)	68,875,000	14,950,000
2021					
28,000,000	27,550,000	(13,000,000)	(5,000,000)	37,550,000	14,550,000

i. Refer to "Performance rights" section above for details of rights granted and vested during the period, which Director rights were still subject to shareholder approval at 30 June 2022 and therefore had not yet been issued.

b) Options

2022

On 15 December 2022, the £5.5 million Placement announced on 1 December 2021 MGC Pharma issued 9,000,000 options over fully paid ordinary shares of the Company to the UK based Lead Manager under the terms of the placement agreement.

Inputs to the valuation of the abovementioned options are identified in the table below.

	BROKER OPTIONS
Number options issued	9,000,000
Grant date	15 Dec 21
Spot price	$0.042
Exercise price	£0.02
Expiry date	01 Dec 2024
Expected future volatility	70%
Risk free rate	0.093%
Dividend yield	Nil
Value per option	$0.021

The Lead Manager's options have been valued based on the fair value of the equity instruments issued, as the Company was unable to reliably determine the fair value of the services provided. Total amount included within share issue costs equated to $187,191.

Notes to the Financial Statements continued

2021

As part of the LSE Listing and IPO in February 2021, the Company agreed to issue to its broker 26,440,678 options subject to shareholder approval, which was subsequently received on 31 March 2021.

In addition, on 1 January 2021 the Company agreed to issue 7,692,308 performance options to its chief sales officer. These options shall vest upon the later of 12months continued service or the company achieving global sales in excess of $1million in consecutive months. A 100% probability has been assigned to these options for valuation purposes.

Inputs to the valuation of the abovementioned options are identified in the table below.

	BROKER OPTIONS	EMPLOYEE OPTIONS
Number options issued	26,440,678	7,692,308
Grant date	31 Mar 21	01 Jan 21
Spot price	$0.062	$0.025
Exercise price	£0.01475	$0.026
Expiry date	31 Mar 23	31 Mar 23
Expected future volatility	85%	85%
Risk free rate	0.09%	0.08%
Dividend yield	nil	nil
Value per option	$0.042	$0.012

The broker options have been valued based on the fair value of the equity instruments issued, as the Company was unable to reliably determine the fair value of the services provided.

Table of share-based payment options

			TRANCHE 1	TRANCHE 2	TRANCHE 3
DESCRIPTION	OPENING BALANCE	GRANTED	EXERCISED	LAPSED	OUTSTANDING AND EXERCISABLE AT 30 JUNE 2022
Unlisted options exercisable at £0.01475 expiring 31 Mar 2023	26,440,678	-	-	-	26,440,678
Unlisted options exercisable at $0.026 expiring 31 Mar 2023	7,692,308	-	-	-	76,923,081
Unlisted options exercisable at $0.05 expiring 31 Aug 2023	16,300,000	-	-	-	16,300,000
Unlisted options exercisable at $0.06 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at $0.07 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at £0.02 expiring 1 Dec 2024	-	9,000,000	-	-	9,000,000
TOTAL	**85,432,986**	**9,000,000**	**-**	**-**	**94,432,986**

DESCRIPTION	OPENING BALANCE	GRANTED	EXERCISED	LAPSED	OUTSTANDING AND EXERCISABLE AT 30 JUNE 2021
Unlisted options exercisable at £0.01475 expiring 31 Mar 2023	-	26,440,678	-	-	26,440,678
Unlisted options exercisable at $0.026 expiring 31 Mar 2023	-	7,692,308	-	-	7,692,308[1]
Unlisted options exercisable at $0.05 expiring 31 Aug 2023	17,500,000	-	(1,200,000)	-	16,300,000
Unlisted options exercisable at $0.06 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at $0.07 expiring 31 Aug 2023	17,500,000	-	-	-	17,500,000
Unlisted options exercisable at $0.065 expiring 31 Mar 2021	16,000,000	-	(9,250,000)	(6,750,000)	-
TOTAL	**68,500,000**	**34,132,986**	**(10,450,000)**	**(6,750,000)**	**85,432,986**

Share-based payment expense

For the year ended 30 June 2022, the Group has recognised $652,640 of share-based payment expenses in the statement of profit or loss (30 June 2021: $1,419,602) relating to share-based payments to directors and employees. The Group has also recognised $0 (30 June 2020: 1,101,977) of share-based payment expense in relation to capital raising costs (refer to note 16).

29. EVENTS AFTER THE REPORTING DATE

On 28th July 2022 the Group announced the acquisition of a 40% shareholding in ZAM Software Ltd, a UK incorporated entity and the owner of a proprietary Artificial Intelligence data gathering software for use in the pharmaceutical and health care sectors. MGC Pharma issued $1.2m (£700,000) in MGC Pharma shares as consideration for the 40% ZAM shareholding.

On 10th July 2022 the Group appointed an experienced UK based CFO, Angela-Marie Graham, a fellow of the ACCA and holder of an MSc in Professional Accountancy from the University of London. This was to support the relocation of the accounting and finance function from Australia to the United Kingdom, following the Company's listing on the London Stock Exchange in February 2021.

On 19 July 2022 the Company announced the appointment of Mr Robert Clements as its Chief Commercial Officer, a newly created position that brings together oversight and leadership the Company's Business Development, Marketing and Sales functions. Mr Clements brings with him over 30 years of international experience in the pharmaceuticals sector, having previously held several senior roles in business development, commercial management and marketing. Most recently, Mr Clements was Vice President Business Development of the international rare medicines division of Sciensus Rare, an international pharmaceutical services company based in the Netherlands. An expert in market development for rare and chronic diseases, Mr Clements' appointment will help drive forward the Company's strategy and goal of becoming a leading supplier of plant derived medicines.

On 29 July 2022 the company announced a new convertible securities financing agreement with Mercer Street Global Opportunity Fund, LLC, (a fund managed by Mercer Street Capital Partners LLC, a United States-based institutional fund manager and MGC Pharma's largest shareholder), to provide the Company with a funding facility up to $14.6m (US$10m). Up to 28th September 2022 $3.7m (US$2.5m) of this facility has been drawn by the Company. Further drawdowns under the convertible securities financing agreement are at the discretion of the investor.

On 27 September 2022 the Group was found to have infringed the advertising prohibitions of the Therapeutic Goods Act 1989 and was fined $306,360.

DIRECTORS' DECLARATION

The Directors' of the Company declare that in their opinion:

1. The financial statements and notes, as set out in pages 38 to 75, are in accordance with the *Corporations Act 2001* and:
   a) comply with Accounting Standards and the Corporations Regulations 2001;
   b) are in accordance with International Financial Reporting Standards, as stated in note 2a to the financial statements;
   c) give a true and fair view of the consolidated group's financial position as at 30 June 2022 and its performance for the year ended on that date; and
   d) representations made throughout the Directors report are fair and reasonable.
2. The Directors have been given the declaration required by section 295A of the Corporations Act 2001.
3. The remuneration disclosures contained in the Remuneration Report comply with s300A of the Corporations Act 2001.
4. In the Directors opinion, subject to the matters set out in note 2(b) to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

R. Zomer

Roby Zomer
Managing Director

30 September 2022

Independent Auditor's Report to Members

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Independent auditor's report to the members of MGC Pharmaceuticals Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of MGC Pharmaceuticals Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a) Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2022 and of its consolidated financial performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 2(a) of the financial report, which describes the principal conditions that raise doubt about the Group's ability to continue as a going concern. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. In addition to the matter described in the *Material uncertainty related to going concern section* of our report, we have determined the matter described below to be the key audit matter to be communicated in our report. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matter below, provide the basis for our audit opinion on the accompanying financial report.

Impairment assessment of goodwill

Why significant	How our audit addressed the key audit matter
As disclosed in Note 12 to the financial report, the Group's prior period acquisitions gave rise to goodwill of $5,648,880 associated with the MedicaNL cash generating unit ("CGU") and $1,400,000 associated with the Medicinal Cannabis Clinics ("MCC") CGU. Australian Accounting Standards require CGUs with goodwill allocated to them to be tested for impairment at least annually. The Group performed impairment tests of its MCC and MedicaNL CGUs as at 30 June 2022, resulting in goodwill of $1,400,000 associated with its MCC CGU being fully impaired, and the recognition of an impairment loss of $2,503,156 of the goodwill associated with its MedicaNL CGU. We considered this to be a key audit matter because of the significant judgment and estimates involved in the determination of the recoverable amount of the CGUs, including assumptions relating to future revenues, operating and capital costs, the discount rate used to reflect the risks associated with the forecast cash flows having regard to the current status of the CGUs and the expected growth trajectories.	Our audit procedures included the following: ► Ensured the Group's impairment methodology was in accordance with the requirements of Australian Accounting Standards ► Evaluated the assumptions and methodologies used by the Group, in particular those relating to forecast cash flows, including the inputs used to formulate them. This included assessing, with involvement from our valuation specialists, where appropriate, the discount rates and terminal value growth rates ► Tested the mathematical accuracy of the Group's discounted cash flow impairment models and the resultant impairments of goodwill recognised ► Assessed the impact of a range of sensitivities to the economic assumptions underpinning the Group's impairment assessments ► Assessed the adequacy of the Group's disclosures in the financial report relating to impairment of goodwill.

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Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2022 Annual Report, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial report

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

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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From the matters communicated to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the audit of the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of MGC Pharmaceuticals Limited for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Ernst & Young

Ernst & Young

Timothy G Dachs
Partner
Perth
30 September 2022

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Additional ASX Information

EXCHANGE LISTING

MGC Pharmaceuticals Ltd shares are listed on the Australian Securities Exchange under ASX code MXC. The Company is also listed on the London Stock Exchange via the trading of depositary interests, under code MXC.

SUBSTANTIAL SHAREHOLDERS (HOLDING MORE THAN 5%)

As at 21 September 2022, the Company did not have any substantial shareholders.

CLASS OF SHARES AND VOTING RIGHTS

At 21 September 2022, there were 10,525 holders of 2,850,647,321 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;

b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and

c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

ESCROWED SECURITIES

There are currently no escrowed securities on issue.

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

RANGE OF ORDINARY SHARES AS AT 13 SEPTEMBER 2022

RANGE	TOTAL HOLDERS	SHARES	%
1 - 1,000	150	21,772	0.00
1,001 - 5,000	251	1,082,836	0.04
5,001 - 10,000	1,090	9,017,285	0.32
10,001 - 100,000	6,677	282,661,947	9.92
100,001 and Over	2,354	2,557,863,481	89.72
Total	**10,522**	**2,850,647,321**	**100.00**

The number of shareholders holding less than a marketable parcel is 4,759.

UNLISTED SECURITIES AS AT 21 SEPTEMBER 2022

SECURITIES	NUMBER OF SECURITIES ON ISSUE	NUMBER OF HOLDERS	NAME OF HOLDERS HOLDING MORE THAN 20%	NUMBER HELD
Options exercisable at $0.026 expiring 31/03/2023	7,692,308	1	MS NICOLE ANN GODRESSE	7,692,308
Options exercisable at £0.1475 expiring 31/03/2023	26,440,678	1	JIM NOMINEES LIMITED	26,440,678
Options exercisable at $0.05 expiring 31/08/2023	16,300,000	3	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Options exercisable at $0.06 expiring 31/08/2023	17,500,000	4	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Options exercisable at $0.07 expiring 31/08/2023	17,500,000	4	CG NOMINEES (AUSTRALIA) PTY LTD	14,500,000
Options exercisable at £0.02 expiring 30/11/2024	9,000,000	1	JIM NOMINEES LIMITED	9,000,000
Convertible Notes	4,850,000	1	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	4,850,000
Performance Rights	68,675,000	40	CHITTA LU LIMITED	22,400,000
			MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C> + <LEFTHANDERS SUPER FUND A/C>	18,750,000

TOP 20 SHAREHOLDERS AS AT 21 SEPTEMBER 2022

RANK	NAME	NUMBER OF SHARES	% OF SHARES
1	COMPUTERSHARE CLEARING PTY LTD <CCNL DI A/C>	971,086,166	34.07
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	106,619,805	3.74
3	BIOHEKA LIMITED	92,200,000	3.23
4	MERCER STREET GLOBAL OPPORTUNITY FUND LLC	91,300,000	3.20
5	BNP PARIBAS NOMS PTY LTD <DRP>	54,724,817	1.92
6	CITICORP NOMINEES PTY LIMITED	37,367,729	1.31
7	MR GEORGE BISHAY	36,822,890	1.29
8	BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	33,373,092	1.17
9	CHETCUTI HOLDINGS PTY LTD	33,001,422	1.16
10	IBI TRUST MANAGEMENT <NADYA LISOVODER A/C>	32,605,912	1.14
11	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <MITCHELL SPRING FAMILY A/C>	22,542,221	0.79
12	MR DAVID JOHN CHRISTOPHER LANNEN + MRS KIM LANNEN <DJC & K LANNEN FAMILY A/C>	17,948,643	0.63
13	C Y T INVESTMENT PTY LTD	16,500,000	0.58
14	MERRILL LYNCH (AUSTRALIA) NOMINEES PTY LIMITED	11,633,660	0.41
15	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	8,713,216	0.31
16	MR BRETT MITCHELL + MRS MICHELLE MITCHELL <LEFTHANDERS SUPER FUND A/C>	8,418,337	0.30
17	FADCO INVESTMENTS LIMITED	6,772,613	0.24
18	ANDORYKA HOLDINGS PTY LTD <WAREING SUPERANNUATION A/C>	6,166,666	0.22
19	DR JONATHAN GRUNFELD	6,090,909	0.21
20	SUPERHERO SECURITIES LIMITED <CLIENT A/C>	5,866,822	0.21
Total		**1,599,754,920**	**56.12**

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