

MGC Pharmaceuticals Ltd

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MGC Pharmaceuticals in A\$15 million financing deal to fund revenue growth for key markets

MGC Pharmaceuticals Ltd (ASX:MXC) (OTCMKTS:MGCLF) has entered into a financing agreement valued at up to A\$15 million with US-based strategic investor Mercer Street Global Opportunity Fund LLC to fund its future growth and accelerate production to drive sales in key markets.

The first tranche of A\$2.25 million will be provided shortly upon satisfaction of the closing conditions, which includes lodgement of a prospectus, through the issue of 2,475,000 convertible notes with a face value of A\$1 each to Mercer Street.

Funds will be used to complete preclinical and clinical trials for ArtemiCTM and CannEpiL®, the acquisition of Medicinal Cannabis Clinic and progress to the next phase of the Glioblastoma cancer study.

MGC Pharma also plans to fund cancer treatment research programs in collaboration with RMIT in Australia and to start FDA Pre-Investigational New Drug (IND) registration of ArtemiCTM.

Fast-track commercial activities

Co-founder and managing director Roby Zomer said: "2020 has been an important year for our operational and commercial progress and we have now reached an inflection point in our growth.

"This funding agreement in total is significantly larger than what we envisage being required.

"However, in the near term, it allows us to fast-track commercial activities and multiple preclinical and clinical trials until their completion.

"We are also now able to complete the acquisition of Medicinal Cannabis Clinic which provides us access to large new markets and patients in Australia, currently our largest market and revenue generator."

Mercer Street has played an active role in supporting and investing in cannabis businesses in North America over the past several years and has been an active investor in ASX-listed companies.

Sales of ArtemiC and phytocannabinoid products

MGC Pharma said the financing would commence in September and will be used to:

? Fund production for sales of both ArtemiC and MGC Pharma's unique phytocannabinoid medicine products into new key markets including Brazil and the UK. This will generate revenues, helping the company achieve its target cash flow break-even in the first half of 2021; and

? Complete ongoing clinical trials, including completion of Phase II clinical trial of COVID-19 targeted formulation

Price: 0.021

Market Cap: \$34.46 m

1 Year Share Price Graph



Share Information

Code: MXC

Listing: ASX

52 week High Low
0.042 0.015

Sector: Cannabis

Website: www.mgcpharma.com.au

Company Synopsis:

MGC Pharmaceuticals Ltd (ASX:MXC) is a European based bio-pharma company developing and supplying affordable standardised phytocannabinoid derived medicines.

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ArtemiC, acceleration of CannEpiL Phase IIb clinical trial and continue with Glioblastoma brain cancer research.

First tranche

The company will shortly issue the 2.475 million convertible notes under a prospectus.

MGC Pharma will also issue 9.375 million fully paid ordinary shares in consideration for the provision of the funding (commencement shares).

Any conversion within two months of the issue of the Tranche 1 notes will have a conversion price of A\$0.024.

After this, the conversion price will be the lower of A\$0.02 or 92% of the lowest daily VWAP, 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 not being less than A\$0.018.

The issue of the Tranche 1 notes and commencement shares will be made through the company's existing ASX Listing Rule 7.1 placement capacity.

Subsequent tranches under the facility may be subject to shareholder approval if sufficient placement capacity is not available.

Additional funding

The parties may agree to the provision of additional funding from Mercer of between A\$500,000 and A\$12.75 million within 18 months from the execution of the agreement, subject to the discretion of both parties and the company having sufficient capacity under Chapter 7 of the Listing Rules to issue the convertible notes or shareholder approval being obtained.

The conversion price for additional notes will be the lower of A\$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 A\$0.018.

In consideration for any additional funding, MGC Pharma will issue Mercer the number of convertible notes (with a face value of A\$1.00 each), which is equal to 110% of the amount of the additional funding.

Repayment of the face value of the convertible notes is secured by a first ranking general security deed.

Repurchase

Provided Mercer has not issued a conversion notice and the company is in compliance with the agreement, MGC Pharma may choose to repurchase all of the outstanding convertible notes on issue at any time, for a 3% premium to the face value of the convertible notes, subject to Mercer having the right to convert 30% of the amount sought to be re-purchased into shares in the company.

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