

20 July 2021

Oma Murad
ASX Listing and Compliance
Via: listingcomplianceperth@asx.com.au

Re: ASX Query Letter dated 16 July 2021

Dear Oma,

Please find below, MGC Pharmaceuticals Ltd's (**Company** and **MXC**) responses to the queries contained in the ASX's Query Letter dated 16 July 2021.

1. Please provide the date on which the patent application was lodged.

- The formal Patent Application was lodged with the Slovenian Intellectual Property Office (**SIPO**) on 23 June 2021 as part of the Company's Intellectual Property protection policy for the critical core assets of the Company.
- The Formal Letter of Acceptance (**Acceptance Letter**) notifying the Company of the acceptance of the Patent Application, dated 30 June 2021, was sent by the Slovenian Ministry of Economic Development and Technology (**SMEDT**) to the office of the Company's Slovenian lawyer, who then forwarded the original Acceptance Letter to MXC's UK Subsidiary, being the Patent's applicant entity, as well as sending a copy to Graft Polymer UK's Slovenian office, the co-applicant of the Patent.
- The original Acceptance Letter sent to MXC's UK Subsidiary is still yet to be received at the Company's UK registered office, and we suspect that this is due to COVID-19 related logistics delays in Europe.
- The Company received notification of the receipt of the Acceptance Letter from Graft Polymer's Slovenian office on 7 July 2021. The Company had been waiting for receipt of the original letter to action, but decided to commence the process of drafting the ASX Announcement based on the copy provided by Graft Polymer, in case of extended mail delays.
- Subsequently, a copy of the Acceptance Letter was sent to the Company's patent advisors to verify the information contained in the Acceptance Letter, as well as to seek advice on what information from the Patent Application approval could be disclosed without compromising the Application, following which, the Company commenced drafting of the Announcement.
- The Announcement was drafted with the co-applicant Graft Polymer UK, and it subsequently went through independent technical and legal review before the board was provided a draft

copy of the Announcement on Wednesday 14 July 2021.

- Due to the directors residing between UK, Europe, and Australia, and the time taken to respond to a number of their queries, final approval for release, in line with the Company's Continuous Disclosure Policy, of the Announcement titled "Patent Application for Cannabinoid Drug Delivery System Successfully Submitted to European IP Office" was received late in the day on 15 July 2021, with the Announcement subsequently released on ASX's MAP.

2. Does MXC consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?

Yes, MXC does consider the Information contained in the aforementioned ASX Announcement released to the market on the ASX's MAP to be information that a reasonable person would potentially expect to have a material effect on the price and value of its securities, as it is a process for securing the IP around one of the key potential assets of the business.

3. If the answer to question 2 is "yes", please advise the basis for that view, commenting specifically on why an application for a patent is considered to be material.

Patents confer Intellectual Property Rights protection to the Grantee by offering an exclusive right to prevent third parties, not having the owner's consent, from the acts of making, using, offering for sale, selling, or importing for these purposes the invention. It also confers the right to take legal action against any person exploiting the patented invention without the owner's consent, and the right to claim damages¹. In Slovenia, these rights are granted under the Industrial Property Act (2001) (Act). Under section 4 of the Act, where 2 or more applicants file Applications to acquire protection for the same invention or design in the Republic of Slovenia, the Applicant who has the earliest date of filing or, if priority is claimed, the date of the priority is claimed, the date of priority, has priority over the other applicant.²

Subject to certain conditions, a Patent, if granted, would confer on the Company the rights noted above for a period of twenty (20) years from the date of filing the application.³

As such, the granting of a Patent would potentially give the Company a distinct and strategic commercial advantage, and provide the Company with a potential income stream through the licencing of the product and process, the subject of the Patent.

4. If the answer to question 2 is "no", please explain MXC's purpose for lodging the Announcement on MAP, and why it was lodged as market-sensitive.

Not Applicable

5. Please confirm that MXC is complying with the Listing Rules and, in particular, Listing Rule 3.1.

MXC confirms that it is complying with the ASX's Listing Rules.

6. **Please confirm that MXC's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MXC with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that the responses to the questions above have been authorised and approved in accordance with its published Continuous Disclosure Policy, which provides for Managing Director approval, or at the Managing Director's discretion, approval by the board, of material announcements prior to release.

Your Sincerely,
On behalf of MGC Pharmaceuticals Ltd



David Lim
Company Secretary

References:

1. *Slovenia Industrial Property Act (2001) Article 18*
2. *Slovenia Industrial Property Act (2001) Article 2*
3. *Slovenia Industrial Property Act (2001) Article 22(1)*



16 July 2021

Mr David Lim
Company Secretary
MGC Pharmaceuticals Ltd

By email: cosec@mgcpharma.com.au

Dear Mr Lim

MGC Pharmaceuticals Ltd ('MXC'): Query Letter

ASX refers to the following:

- A. MXC's announcement titled "Patent Application for Cannabinoid Drug Delivery System Successfully Submitted to European IP Office" lodged on the ASX Market Announcements Platform ('MAP') on 15 July 2021 (the 'Announcement'), disclosing that MXC received "*formal notification of the acceptance of its Patent Application for the Self-nanoemulsifying drug delivery system of Cannabinoids-Ionic Complex Concentrate by the Slovenian Intellectual Property Office, the priority date for the Patent is 30 June 2021*" ('Information').

ASX observes that MXC lodged the Announcement as market-sensitive when submitted to ASX Online.

- B. Listing Rule 3.1, which requires a listed entity to immediately give ASX any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities.
- C. Section 7.10 of Guidance Note 8, which outlines ASX's view on "ramping" announcements and provides (relevantly):

"Ramping announcements come in many forms, including:

- the release of a "business update" or something similar, which will typically be worded in an exuberant fashion but which on closer examination contains little in the way of substance that has not already been disclosed to the market;" ...*
- "an announcement that has no substance but seeks to ride on the back of strong market sentiment in a particular sector;" ...*

"Whenever ASX detects what it suspects to be a ramping announcement, it will give careful consideration to suspending the entity's securities from trading and issuing a query letter to the entity asking the entity:

- if it marked the announcement as market sensitive when it was lodged on MAP, to identify what information in the announcement the entity considered was market sensitive and why;*
- if it marked the announcement as not being market sensitive when it was lodged on MAP, to explain its purpose in lodging the announcement on MAP, given its evident view that the information was not market sensitive and therefore not required to be disclosed under Listing Rule 3.1; ..."*

Request for information

Having regard to the above, ASX asks MXC to respond separately to each of the following questions and requests for information:

1. Please provide the date on which the patent application was lodged.

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2. Does MXC consider the Information to be information that a reasonable person would expect to have a material effect on the price or value of its securities?
 3. If the answer to question 2 is “yes”, please advise the basis for that view, commenting specifically on why an application for a patent is considered to be material.
 4. If the answer to question 2 is “no”, please explain MXC’s purpose for lodging the Announcement on MAP, and why it was lodged as market-sensitive.
 5. Please confirm that MXC is complying with the Listing Rules and, in particular, Listing Rule 3.1.
 6. Please confirm that MXC’s responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of MXC with delegated authority from the board to respond to ASX on disclosure matters.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **12:00 PM AWST Wednesday, 21 July 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MXC’s obligation is to disclose the information ‘immediately’. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require MXC to request a trading halt immediately.

Your response should be sent to me by e-mail at **ListingsCompliancePerth@asx.com.au**. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in MXC’s securities under Listing Rule 17.1. If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Suspension

If you are unable to respond to this letter by the time specified above, ASX will likely suspend trading in MXC’s securities under Listing Rule 17.3.

Listing Rules 3.1 and 3.1A

In responding to this letter, you should have regard to MXC's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that MXC's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Release of correspondence between ASX and entity

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

Questions

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

Oma Murad
Listings Compliance (Perth)