

15 October 2021

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

Re: ASX Query Letter dated 12 October 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 12 October 2021.

1. Did Mr Hayes comply with the Trading Policy and seek clearance to deal in MXC's securities before entering into the Transaction?

Yes, Mr Hayes did seek clearance to trade in line with the Trading Policy. On 16 September 2021 Mr Hayes sent an email to MGC's Chair (cc'd Company Secretary) seeking clearance to trade in the shares of MXC. This email confirms that Mr Hayes had also spoken to the Chair on the day before the email was sent, being the 15th of September, regarding his request to trade in MXC shares.

2. If the answer to question 1 is "yes", did MXC grant approval (written or otherwise) to Mr Hayes to carry out the Transaction that appears to have taken place while MXC was in possession of price-sensitive information? If so, on what basis did it do so? If not, why not?

In response to Mr Hayes' request for clearance to trade in the shares of MXC, MXC's Chair advised Mr Hayes that his request to trade in MXC shares was approved on the basis that the trades were executed outside of a "blackout" period, and that he was not in possession of price sensitive information.

Due to the nature of the transaction the detailed in the Market Release on 30 September 2021 titled "First Order received under US Supply Agreement", being a Condition Precedent of the first US Supply Agreement signed, that the Company announced on 27th of August 2021, the decision by executive management to designate the 30 September Announcement as price sensitive was only made on the day that the Announcement was lodged.

Notwithstanding the above, the Appendix 3Y lodged for Mr Hayes on 4 October 2021, incorrectly stated the "date of change" for the share acquisitions as 28-30 September 2021, when in fact the

total acquisition of MGC shares by Mr Hayes occurred after the aforementioned Announcement was released to the market at 10:54am on 30 September 2021. The actual timing of Mr Hayes' executed trades was confirmed through my review of trade confirmations that Mr Hayes received from his broker.

3. If the answer to question 1 is "no", what disciplinary or remedial action is the Board of MXC proposing to take in relation to the apparent breaches of the Trading Policy?

Whilst the answer to question 1 is yes, after reviewing the above transactions it has become apparent that more detailed instructions are required to be given to Key Management Personnel in respect of the authorisation to trade, including among other things, the time frame over which buy or sell orders can be left open subsequent to an authorisation to trade being granted.

4. 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 Listing Rules, and in particular, Listing Rule 3.1.

5. 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 approval by available directors for material announcements prior to release.

Your Sincerely,
On behalf of MGC Pharmaceuticals Ltd

David Lim
 Company Secretary



12 October 2021

Reference: ODIN40847

Mr David Lim
Company Secretary
MGC Pharmaceuticals Ltd

By email: cosec@mgcpharma.com.au

Dear Mr Lim

MGC Pharmaceuticals Limited ('MXC'): Query Letter

ASX refers to the following:

- A. MXC's announcement titled "MGC PHARMA EXECUTES US\$25m US SUPPLY AGREEMENT", released on the ASX Market Announcements Platform ('MAP') on 27 August 2021, which disclosed that MXC had signed a supply and distribution agreement with AMC Holdings Inc ('AMC'), whereby \$3 million was receivable in year 1 and a further \$21 million was receivable in years 2 and 3.
- B. MXC's announcement titled "FIRST ORDER RECEIVED UNDER US SUPPLY AGREEMENT", released on MAP on 29 September 2021, which disclosed (relevantly) that AMC had placed an initial order for 1,000 units of MXC's CimetrA™ product, pursuant to the agreement announced on 27 August 2021. ASX's records indicate that MXC marked this announcement as price-sensitive when submitted to ASX Online (the 'Announcement').
- C. MXC's announcement titled "Change of Director's Interest Notice – Appendix 3Y", released on MAP on 4 October 2021, which disclosed that MXC director Evan Hayes purchased 295,000 MXC securities between 28 and 30 September 2021 (the 'Transaction').
- D. MXC's securities trading policy (the 'Trading Policy'), available on its website,¹ which states (relevantly):
 - i. on page 37: *"All Insiders wishing to deal in the Company's securities must request and receive clearance to deal, a clearance application template request letter is included in the PDMR Trading Pack, which forms part of this Policy (a "Request"). PDMRs should submit a Request on behalf of their respective Associates."*
 - ii. on page 38 (emphasis original): *"It should be noted that, while Insiders may deal in the Company's securities in the limited circumstances outlined above, **they must not deal at any time if they are in possession of Inside Information.**"*
- E. 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.
- F. The definition of "aware" in Chapter 19 of the Listing Rules, which states that:

"an entity becomes aware of information if, and as soon as, an officer of the entity (or, in the case of a trust, an officer of the responsible entity) has, or ought reasonably to have, come into possession of the information in the course of the performance of their duties as an officer of that entity" and section 4.4

¹ <https://mgcpharma.com.au/wp-content/uploads/2021/02/2021-MGC-Pharma-Corporate-Governance-Plan-4th-Edition-Compliant-FINAL.pdf>

in Guidance Note 8 Continuous Disclosure: Listing Rules 3.1 – 3.1B “When does an entity become aware of information.”

Request for information

As the above matters indicate that:

- Mr Hayes traded MXC securities in the day prior to MXC releasing the Announcement; and
- MXC considered the information to be price-sensitive, that is, information to which Listing Rule 3.1 applied,

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

1. Did Mr Hayes comply with the Trading Policy and seek clearance to deal in MXC’s securities before entering into the Transaction?
2. If the answer to question 1 is “yes”, did MXC grant approval (written or otherwise) to Mr Hayes to carry out the Transaction that appears to have taken place while MXC was in possession of price-sensitive information? If so, on what basis did it do so? If not, why not?
3. If the answer to question 1 is “no”, what disciplinary or remedial action is the Board of MXC proposing to take in relation to the apparent breaches of the Trading Policy?
4. Please confirm that MXC is complying with the Listing Rules and, in particular, Listing Rule 3.1.
5. 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 **12:30 PM AWST Friday 15 October 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

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- 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)