



## **Corporate Governance Policies**

### **Securities Trading Policy**

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# 1. Securities Trading Policy

Securities of the Company are listed on ASX.

This policy outlines:

- (a) when Key Management Personnel (**KMP**), other Employees and consultants (together, "Relevant Persons") may deal in Company Securities;
- (b) when Relevant Persons may deal in listed securities of another entity (because they may obtain Inside Information about another entity's securities while performing their duties for the Group); and
- (c) procedures to reduce the risk of insider trading.

This Securities Trading Policy has been prepared to address the requirements of the ASX Listing Rules which require the Company to provide a framework to Relevant Persons when Dealing in Securities of the Company. The Securities Trading Policy has been prepared taking into consideration the following:

- (a) the size, nature and stage of the development of the Company's resource projects (see below for further details);
- (b) obligations under the Corporations Act not to Deal in Company Securities whilst in possession of Inside Information;
- (c) rights of shareholders under the Constitution of the Company to freely trade their shares; and
- (d) contractual and statutory rights embedded in the Securities.

As noted above, the Company's Securities Trading Policy has been prepared to be consistent with the stage of development of the Company. As the Company is in the exploration phase, key Inside Information is likely to be comprised of results from feasibility studies, exploration and corporate activities. Accordingly, the Closed Periods are based around the release of this information, rather than the release of financial reports. This aspect of the Company's Securities Trading Policy may change should the stage of development of the Company change in the future.

All Relevant Persons are required to complete the Form of Acknowledgment in Schedule 5 of this Policy once they have read this Policy and return it to the Company Secretary.

## 1.2 BREACH OF POLICY

A breach of this Policy by a Relevant Person is serious and may lead to disciplinary action, including dismissal in serious cases. It may also be a breach of the law.

Insider trading is a serious matter which is a criminal offence. It is punishable by substantial fines or imprisonment or both.

Insider trading may also attract civil penalties. A court may impose substantial pecuniary penalties for insider trading and order payment of compensation to persons who suffer loss or damage because of insider trading.

### **1.3 WHEN A RELEVANT PERSON MAY DEAL**

Subject to the requirements of this Policy (including Closed Periods), a Relevant Person may deal in Company Securities or Securities of a Transaction Entity if he or she does not have information that he or she knows, or ought reasonably to know, is Inside Information in relation to Company Securities or the Securities of a Transaction Entity.

### **1.4 WHEN A RELEVANT PERSON MAY NOT DEAL**

Subject to clauses 1.5 and 1.6 of this Policy, a Relevant Person may not deal or procure another person to Deal in Company Securities:

- (a) If he or she has not obtained approval from the Approving Officer under clause 1.7 of this Policy;
- (b) if he or she has information that he or she knows, or ought reasonably to know, is Inside Information in relation to Company Securities;
- (c) during a Closed Period;
- (d) if he or she has information that he or she knows, or ought reasonably to know, has not been announced to the market under ASX Listing Rule 3.1A in relation to Company Securities;
- (e) if he or she is involved in speculative dealing; and/or
- (f) he or she is hedging the risk of any fluctuation in value of any unvested entitlement to Company Securities.

A Relevant Person may not Deal or procure another person to Deal in the Securities of a Transaction Entity if he or she has information that he or she knows, or ought reasonably to know, is Inside Information in relation to the Securities of a Transaction Entity.

Relevant Persons are prohibited at all times from Dealing in financial products issued or created over or in respect of the Company's Securities.

Relevant Persons are prohibited at all times from entering into margin lending or similar arrangements in respect to Company Securities they hold or in which they have a Relevant Interest.

### **1.5 EXCLUDED TRADING**

This Policy does not prohibit Dealing in the Company Securities during a Closed Period as outlined in Schedule 2.

### **1.6 EXCEPTIONAL CIRCUMSTANCES**

The Approving Officer may give clearance during a Closed Period for a Relevant Person to sell (but not buy) Company Securities in Exceptional Circumstances.

The Approving Officer may not give clearance under the exception in the paragraph above if there is a matter about which there is Inside Information in relation to Company Securities (whether or not the Relevant Person knows about the matter) when the Relevant Person requests clearance or proposes to Deal in Company Securities.

The Relevant Person seeking clearance to Deal in Securities must outline in writing to the Approving Officer the circumstances of their severe financial hardship or as to why their

circumstances are otherwise exceptional and that the proposed Dealing in the Securities is the only reasonable course of action available.

The Approving Officer will decide if circumstances are exceptional.

A list of matters that may constitute Exceptional Circumstances is contained in Schedule 3.

## **1.7 CLEARANCE FROM THE APPROVING OFFICER**

At least two Business Days prior to when a Relevant Person intends to Deal in Securities, the Relevant Person must first inform the Approving Officer (and at the same time the Company Secretary), by submitting a completed Securities Trading Request Form (see Schedule 6). If the Relevant Person is not able to fax or email a scanned copy of the Securities Trading Request Form, then the Relevant Person may send an email with the same information in it to the Approving Officer.

The Approving Officer must approve or reject the Securities Trading Request as soon as practicable (generally within two Business Days). The Relevant Person must not Deal in Company Securities until it has received the clearance from the Approving Officer.

Subject to clause 1.6, the Approving Officer may not give clearance if:

- (a) there is a matter about which there is, or may be, Inside Information in relation to Company Securities (whether or not the Relevant Person knows about the matter) when the Relevant Person requests clearance or proposes to deal in Company Securities;
- (b) the Securities Trading Request Form is lodged during a Closed Period;
- (c) the Proposed Dealing is during a Closed Period; and
- (d) the Approving Officer has any other reason to believe that the proposed Dealing breaches this policy.

In making a determination under (a) above about the existence of Inside Information, the Approving Officer should exercise caution and refuse the clearance if there is any possibility that Inside Information may exist.

Irrespective of any clearances given under this Policy, the Relevant Person is not to Deal in Company Securities while in possession of Inside Information.

The Approving Officer must:

- (a) keep a written record of:
  - (i) any information received from a Relevant Person in connection with this policy; and
  - (ii) any clearance given under this Policy, including the duration for which the clearance applies; and
- (b) send a copy of the written record to the Company Secretary for keeping.

The Company Secretary must keep a file of any written record referred to in this paragraph.

For the purposes of this policy, written requests and clearances may include facsimiles and emails and are valid for a period the earlier of:

- (a) 5 Business Days;
- (b) the Business Day before the Company enters a Closed Period; and
- (c) the time that the Relevant Person comes into possession of inside Information.

## **1.8 DEALINGS IN WHICH A RELEVANT PERSON HAS A RELEVANT INTEREST**

A Relevant Person must prohibit any Dealing in the Company Securities in which the Relevant Person has a Relevant Interest while the Relevant Person is in possession of Inside Information.

## **1.9 COMMUNICATING INSIDE INFORMATION**

If a Relevant Person has information that he or she knows, or ought reasonably to know, is Inside Information in relation to Company Securities or the Securities of a Transaction Entity, the Employee must not directly or indirectly communicate that information to another person if he or she knows, or ought reasonably to know, that the other person would or would be likely to:

- (a) Deal in Company Securities or the Securities of a Transaction Entity; or
- (b) procure another person to Deal in Company Securities or the Securities of a Transaction Entity.

Unless otherwise authorised, a Relevant Person must not inform colleagues (except the Approving Officer) about Inside Information or its details.

## **1.10 NOTIFICATION OF TRADES IN COMPANY SECURITIES**

Relevant Persons must notify the Company Secretary of any Dealings in Company Securities within two Business Days of such Deal occurring. Initial, ongoing and final notifications will be required which must include the details set out in Schedule 4 to this Securities Trading Policy.

## **1.11 SPECULATIVE DEALING**

A Relevant Person must not deal in Company Securities on considerations of a short term nature.

## **1.12 DISTRIBUTION OF POLICY**

This policy must be distributed to all Relevant Persons.

## **1.13 ASSISTANCE AND ADDITIONAL INFORMATION**

Employees who are unsure about any information they may have in their possession, and whether they can use that information for Dealing in Company Securities, should contact the Authorised Officer.

## **1.14 APPROVED AND ADOPTED**

This Policy was approved and adopted by the Board on 20 July 2012 and will be reviewed annually.

## Defined Terms

In this Policy:

**Approving Officer** means:

- (a) for a Relevant Person who is not a Director, the Managing Director;
- (b) for a Director (except the chairman of the board), the chairman of the board; and
- (c) for the chairman of the board, any other two Directors.

**ASX** means ASX Limited (ABN 98 008 624 691) and where the context permits, the Australian Securities Exchange operated by ASX Limited.

**Business Day** means any day of the week other than a Saturday, Sunday or public holiday in Perth, Western Australia.

**Closed Period** means

There is an overriding prohibition on dealing in the Company securities when a person is in possession of Inside Information.

In addition, key management personnel are at all times prohibited from dealing in MGC Pharmaceuticals Ltd securities for:

- each period of one week before and one business day after each date upon which MGC Pharmaceuticals Ltd gives to the ASX its quarterly, half yearly or annual report.
- two weeks before lodgement and during the period that a disclosure document including a prospectus is open for applications except to the extent that a director or employee is applying for securities pursuant to that disclosure document. (Closed Periods).

Prohibited Period means (i) any Closed Period; or (ii) additional periods which are imposed by the Company when senior management becomes aware of a matter that is considered to be price sensitive (or which the Chairman or the Managing Director deem to be price sensitive).

The Board may seek information from key management personnel about their level of ownership of MGC Pharmaceuticals Ltd securities and about any encumbrances granted or margin loans taken out in respect of those securities. The Board may also require them to keep the company secretary informed of changes to information provided.

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

**Company Securities** includes all Securities in the Company or a Group member whether or not listed or traded on the ASX or other financial market in Australia (including financial products issued or created over or in respect of the Company's Securities).

**Consultant** means any consultant of the Company.

**Corporations Act** means the Corporations Act 2001.

**Deal** includes acquiring, disposing of, subscribing for, and Dealing has a corresponding meaning. A decision to join, or subscribe for shares under, any dividend reinvestment plan is not dealing in Company Securities.

**Director** means a director of the Company.

**Employee** means any employee of the Company.

**Generally available information** is information that is:

- (a) is readily observable;
- (b) has been made known in a manner likely to bring it to the attention of persons who commonly invest in securities of the relevant type and a reasonable period for that information to be disseminated has elapsed since it was made known; or
- (c) consists of deductions, conclusions or inferences made or drawn from information falling under paragraphs (a) or (b).

**Group** means the Company and each of its controlled entities.

**Inside Information** means information that is not generally available and that if it were generally available and if it were generally available, a reasonable person would expect it to have a Material Effect on the price or value of the Company's Securities. Inside Information generally includes, but is not limited to:

- (a) material exploration results;
- (b) resource estimates or deposit targets;
- (c) results of technical studies (including, but not limited to, scoping, pre-feasibility and feasibility studies);
- (d) sales and production figures;
- (e) profit and production forecasts;
- (f) material borrowings or material changes to terms of existing borrowings;
- (g) material changes to liquidity and material cashflow information;
- (h) significant changes in operations;
- (i) significant litigation;
- (j) impending mergers, joint ventures, acquisitions, restructures, takeovers;
- (k) major asset purchases or sales; and
- (l) material new products and technology.

**Insider Trading** in relation to this Policy means if a person has information about securities and the person knows, or ought reasonably to know, that the information is Inside Information, the person is prohibited from:

- (a) Dealing in the securities;
- (b) procuring another person to Deal in the securities; or
- (c) giving the information to another person who the person knows, or ought reasonably to know, is likely to:
  - (i) Deal in the securities; or
  - (ii) procure someone else to Deal in the securities.

**KMP** means those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including:

- (a) any Director (whether executive or otherwise) of the Company;
- (b) the Managing Director;
- (c) the Chief Financial Officer;
- (d) the Company Secretary of the Company;
- (e) a Vice President;
- (f) country managers; and
- (g) a business unit manager.

For the purposes of this Policy, information is taken to be **Material** or will have a **Material Effect** if the information would, or would be likely to, influence persons who commonly acquire securities in deciding whether or not to acquire or dispose of the Company Securities.

**Policy** means this securities trading policy of the Company.

**Relevant Interest** a person has a Relevant Interest in securities if they:

- (a) are the holder of the securities; or
- (b) have power to exercise, or control the exercise of, a right to vote attached to the securities; or
- (c) have power to dispose of, or control the exercise of a power to dispose of, the securities.

**Relevant Person** means any KMP, employee or consultant of the Company.

**Security** includes shares, debentures, rights, options, employee options, prescribed interests and warrants and **Securities** has a corresponding meaning.

**Transaction Entity** means an entity which the Company has business dealings with which is listed on the ASX or any other financial market in Australia.

## Schedule 1 - Exclusions from the Securities Trading Policy

Dealing excluded from the operation of the Policy includes:

- (a) transfers of Company Securities already held into a superannuation fund or other saving scheme in which the Relevant Person is a beneficiary;
- (b) transfers of Company Securities where there is no change in beneficial ownership;
- (c) an investment in, or trading in units of, a fund or other scheme (other than a scheme only investing in Company Securities) where the assets of the fund or other scheme are invested at the discretion of a third party;
- (d) where a Relevant Person is a trustee, trading in Company Securities by that trust provided the Relevant Person is not a beneficiary of the trust and any decision to trade during a Closed Period is taken by the other trustees or by the investment managers independently of the Relevant Person;
- (e) undertakings to accept, or acceptance of, a takeover offer;
- (f) trading under an offer or invitation made to all or most of the security holders, such as, a rights issue, a security purchase plan, a dividend or distribution reinvestment plan and an equal access buy-back, where the plan that determines the timing and structure of the offer has been approved by the board. This includes decisions relating to whether or not to take up the entitlements;
- (g) the exercise (but not the sale of Company Securities following exercise) of an option or a right under an employee incentive scheme, or the conversion of a convertible security, where the final date for the exercise of the option or right, or the conversion of the Security, falls during a Closed Period;
- (h) trading under a non-discretionary trading plan for which prior written clearance has been provided in accordance with procedures set out in the Policy and where:
  - (i) the Relevant Person did not enter into the plan or amend the plan during a Closed Period;
  - (ii) the trading plan does not permit the Relevant Person to exercise any influence or discretion over how, when, or whether to trade; and
  - (iii) the entity's trading policy does not allow for the cancellation of a trading plan during a prohibited period other than in exceptional circumstances.
- (i) The issue or grant of Company Securities by the Company to a Relevant Person where shareholder approval for the issue of the Company Securities has been obtained and if Inside Information exists, both the Company and the Relevant Person are fully aware of the Inside Information.

## **Schedule 2 - Exceptional Circumstances**

For the purposes of this Policy, Exceptional Circumstances include:

- (a) Severe financial hardship whereby the Relevant Person has a pressing financial commitment that cannot be satisfied otherwise than by selling the relevant Company Securities.

For example, a tax liability of a Relevant Person would not normally constitute severe financial hardship unless the person has no other means of satisfying the liability. A tax liability relating to Company Securities received under an employee incentive scheme would also not normally constitute severe financial hardship or otherwise be considered an Exceptional Circumstance.

- (b) The Relevant Person is required by a court order, or there are court enforceable undertakings, for example, in a bona fide family settlement, to transfer or sell the Company Securities or there is some other overriding legal or regulatory requirement for him or her to do so.
- (c) An unforeseen circumstance that is considered by the Board to be consistent with the objectives of this Policy.

## **Schedule 3 - Notification requirements**

### **Initial disclosure**

- (a) The Relevant Person will provide the following information as at the date of appointment.
  - (i) details of all Company Securities registered in the Relevant Person's name. These details include the number and class of the Company Securities;
  - (ii) details of all Company Securities not registered in the Relevant Person's name but in which the Relevant Person has a Relevant Interest. These details include the number and class of the Company Securities, the name of the registered holder and the circumstances giving rise to the Relevant Interest; and
  - (iii) details of all contracts (other than contracts to which the Company is a party) to which the Relevant Person is a party or under which the Relevant Person is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the number and class of shares, debentures or interests, the name of the registered holder if the shares, debentures or interests have been issued and the nature of the Relevant Person's interest under contract.
- (b) The Relevant Person will provide the required information as soon as reasonably possible after the date of appointment and in any event not later than two business days after the date of appointment.

### **Ongoing disclosure**

- (a) The Relevant Person will provide the following information.
  - (i) details of changes in Company Securities registered in the Relevant Person's name other than changes occurring as a result of corporate actions by the Company. These details include the date of the change, the number and class

of the Company Securities held before and after the change, and the nature of the change, for example on-market transfer. The Relevant Person will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the Company Securities the subject of the change;

- (ii) details of changes in Company Securities not registered in the Relevant Person's name but in which the Relevant Person has a Relevant Interest. These details shall include the date of the change, the number and class of the Company Securities held before and after the change, the name of the registered holder before and after the change, and the circumstances giving rise to the Relevant Interest. The Relevant Person will also provide details of the consideration payable in connection with the change, or if a market consideration is not payable, the value of the Company Securities the subject of the change; and
  - (iii) details of all changes to contracts (other than contracts to which the Company is a party) to which the KMP is a party or under which the Relevant Person is entitled to a benefit, and that confer a right to call for or deliver shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the date of the change, the number and class of the shares, debentures or interests to which the interest relates before and after the change, the name of the registered holder of the shares, debentures or interests have been issued, and the nature of the Relevant Person's interests under the contract.
- (b) The Relevant Person will provide the required information as soon as reasonably possible after the date of the change and in any event no later than two Business Days after the date of the change.

#### **Final disclosure**

- (a) The Relevant Person will provide the following information as at the date of ceasing to be a Relevant Person:
- (i) details of all Company Securities registered in the Relevant Person's name. These details include the number and class of the securities;
  - (ii) details of all securities not registered in the Relevant Person's name but in which the Relevant Person has a Relevant Interest. These details include the number and class of the securities, the name of the registered holder and the circumstances giving rise to the Relevant Interest; and
  - (iii) details of all contracts (other than contracts to which the Company is a party) to which the Relevant Person is a party or under which the Relevant Person is entitled to a benefit, and that confer a right to call for or delivery shares in, debentures of, or interests in a managed investment scheme made available by, the Company or a related body corporate. These details include the number and class of the shares, debentures or interests, the name of the registered holder if the shares debentures or interests have been issued and the nature of the interest under the contract.
- (b) The Relevant Person will provide the required information as soon as reasonably possible after the date of ceasing to be a Relevant Person and in any event no later than two Business Days after the date of ceasing to be a Relevant Person.

**Schedule 4 – Form of Acknowledgment by Relevant Persons**

I have read and understood the document titled "Securities Trading Policy" of MGC Pharmaceuticals Ltd (the **Securities Trading Policy**).

I agree to be bound by, and to comply with, the Securities Trading Policy.

I acknowledge and agree that the Securities Trading Policy forms part of the terms of my appointment as an employee/director/consultant of MGC Pharmaceuticals Ltd.

Signature: .....

Name: .....

Date: .....

To be returned to the Company Secretary on completion.

## Schedule 5 - Securities Trading Request Form

In accordance with the Securities Trading Policy of MGC Pharmaceuticals Ltd, before dealing in any Company Securities you are required to obtain clearance.

Please forward this request to The Approving Officer by fax no. + 61 8 9389 2099 or by email to the Company Secretary at [rachelk@ver.com.au](mailto:rachelk@ver.com.au).

Name: \_\_\_\_\_

Position: \_\_\_\_\_

Location: \_\_\_\_\_

Telephone: \_\_\_\_\_

Facsimile: \_\_\_\_\_

I request permission to trade the following Company Securities which are proposed to be held by myself personally and/or other parties with whom I have an interest as follows:

Registered Name of Security Holder	Type of Security	Number of Securities	Buy/Sell

I confirm that:

- a. it is not a Closed Period;
- b. I am not in possession of Inside Information;
- c. I will not deal in the above Company Securities until I am notified that clearance is approved;
- d. I am not involved in speculative dealing;
- e. I am not hedging the risk of any fluctuation in value of any unvested entitled to Company Securities; and
- d. I may be refused permission to deal without explanation.

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

This form is valid for a period of 5 Business Days from the date of approval. After this time, clearance will lapse and a further request will need to be completed. This form will be returned to you with the period of validation completed if approval has been granted.

\_\_\_\_\_  
*For completion by the Approving Officer:*

Approval for the above dealing has been *cleared for a period of 5 Business Days / refused* (Approving Officer to delete one).

Signed: \_\_\_\_\_ Date: \_\_\_\_\_

Name of Approving Officer: \_\_\_\_\_