

**PALLA PHARMA LIMITED**  
**ACN 107 872 453**



PALLA PHARMA

**SECURITY TRADING POLICY**



# SECURITY TRADING POLICY

## 1. OVERVIEW OF THE POLICY

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Palla Pharma Limited (the “Company”) is to be listed on the Australian Securities Exchange (“ASX”). Directors and employees of the Company are encouraged to be shareholders of the Company. Trading of the Company’s securities is governed by, amongst other things, the Corporations Act 2001 (“Corporations Act”) and the ASX Listing Rules.

The provisions regulating the trading of securities on the ASX are intended to ensure that the stock market is kept fully informed of relevant information for all listed companies in order that all investors are able to make informed investment decisions when acquiring or disposing of shares.

It is illegal for a person to trade securities, or arrange for another person to trade securities when they possess non-public price sensitive information. This is known as “inside information” and is illegal under the Corporations Act.

It is therefore important that Director and employee shareholders exercise due care in the timing of any dealings in the Company’s securities, and ensure that at all times they comply with the law in connection with trading in the Company securities.

For the purpose of this policy, Securities means and includes shares in Palla Pharma Limited and other securities defined in Section 92 of the Corporations Act.

## 2. OBJECTIVES AND PURPOSES

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### 2.1 Purposes

This document sets out the Company policy on dealings in the Company’s shares by the Directors and employees. The purpose of this policy is:

- (a) to assist Directors and employees to avoid conduct known as “insider trading”;
- (b) to protect the Company against potentially damaging adverse inferences being drawn that its senior Officers and personnel may have engaged in unlawful activity, or acted for their personal benefit using information not available to the public;
- (c) to enable the Company to comply with its obligations under securities legislation and ASX Listing Rules.

## 3. INSIDER TRADING

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### 3.1 What is “Insider Trading”?

The Corporations Act contains three distinct, but related, offences of insider trading. The offences prevent a person in possession of “inside information” from the following actions:

- (a) trading in the relevant securities;
- (b) procuring another person to trade in the relevant securities; or



- (c) communicating the inside information to another person who is likely to trade in the securities or procure someone else to trade.

### **3.2 What is “Inside Information”?**

Inside information is regarded as being information:

- (a) that a person possesses which is not generally available and which the person knows or reasonably ought to know is not generally available; and
- (b) if generally available, a reasonable person would expect that the information might have a material effect on the price or value of the shares.

Inside information could relate to actions of the Company or external parties. Internal actions of the Company include:

- (c) proposed mergers, acquisitions, sales or reconstructions;
- (d) significant disputes or litigation;
- (e) liquidity and cash flow information;
- (f) potential changes in the asset values or valuations;
- (g) profit and yield forecasts;
- (h) proposed buy back of the Company's shares;
- (i) proposed capital raisings/share issues;
- (j) proposed dividend announcements;
- (k) recruitment or resignation of key personnel;
- (l) anticipated or actual results from preclinical or clinical trials;
- (m) registration of the Company's product by a government agency authorising sale of the Company's products to commence;
- (n) significant agreements with other companies; and or
- (o) significant new developments, including but not limited to new products and or new technology.

Actions by external parties include:

- (p) proposed acquisitions or disposals of the Company's securities;
- (q) changes to the competitive environment in which the Company operates;
- (r) takeovers.

The prohibitions do not simply relate to shares, but relate to all other forms of securities, including options, debentures, and units. The prohibitions apply directly to employees and Directors of the Company.



### **3.3 Penalties**

Criminal penalties for breaches of the prohibitions on insider trading are severe and include substantial fines or imprisonment for up to five years. Civil liability also attaches to breaches of the relevant provisions.

## **4. COMPANY POLICY – DESIGNATED PERSONS**

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### **4.1 Designated Persons**

This Policy applies to the following persons:

- (a) Directors and Company Secretary;
- (b) direct reports to the Chief Executive Officer or Managing Director;
- (c) any other person who is notified that they are subject to this policy by the Chief Executive Officer, Managing Director or the Company Secretary; and
- (d) in relation to any person above any of the following “Connected Persons”:
  - (i) their spouse;
  - (ii) any of their children (including step-children) less than 18 years old;
  - (iii) their nominee, including an investment manager managing funds on their behalf (subject to paragraph 3.5 below);
  - (iv) a trust of which they, any member of their family, or any family controlled company, are the trustee or beneficiary;
  - (v) a person in partnership with them or any of their Connected Persons mentioned above (acting in his or her capacity as such); and
  - (vi) a company which they or their family control.

These persons in paragraphs (a) to (d) are referred to in this policy as “Designated Persons”.

### **4.2 General Rules**

Designated Persons must not deal in the securities of the Company when they are in possession of price sensitive information relating to the Company which has not been made public.

Designated Persons will not be given clearance to deal in securities of the Company under this policy where price sensitive, non-public information exists in relation to a matter, even though they may not be aware of it.

Designated Persons must not engage in “Tipping” (see below) others with respect to the Company’s securities at any time.

### **4.3 Derivatives**

Designated Persons must not trade in the Company’s derivatives.



#### **4.4 Short-term trading**

Designated Persons must not, acquire or dispose of securities in Palla Pharma with the view to disposing or acquiring the same securities within the same six-month period.

#### **4.4 Margin Loans and Security Arrangements**

Designated Persons may only enter into a margin loan or other security arrangement in respect of the Company's securities with the prior written approval of the Chair (in his absolute discretion).

Any approval by the Chair may be subject to the condition that the Company be permitted to disclose to the ASX the existence of the margin loan or security arrangement, and where the Company considers appropriate, any relevant terms such as the trigger points or right of the financier to sell unilaterally.

#### **4.5 Unvested Securities and Short Selling**

The Company prohibits Designated Persons from entering into transactions:

- (a) in associated products which operate to limit the economic risk of security holdings in the Company over unvested entitlements; or
- (b) which would amount to "short selling" of securities in Palla Pharma, whereby the person effects the sale of a Palla Pharma security that they either do not own or have borrowed.

#### **4.6 Appropriate Timing**

The only appropriate time for a Designated Person to deal in the securities of the Company is when there is no price sensitive information which has not been made public, whether or not the Designated Person is aware of that information.

In addition to this general rule, Designated Persons are not permitted to deal in the securities of the Company:

- (a) during the period from 1 January until the preliminary announcement of the Company's annual financial results;
- (b) during the period from 30 June until the preliminary announcement of the Company's half-year financial results;
- (c) during other periods as advised by the Company Secretary, for example, when the Company is embarking on a significant transaction or a significant development that has not yet been announced to the market,

These periods in paragraphs (a) to (c) are referred to in this policy as a "Prohibited Period".

#### **4.7 Exceptions to General Rule**

This policy does not apply in the following circumstances:

- (a) dealing in a managed securities portfolio where the Designated Person is not in a position to influence a choice of the portfolio;
- (b) dealing under a dividend reinvestment plan where the Designated Person has given a standing instruction to reinvest dividends;
- (c) conversion of options to shares on exercise of options granted under the



Palla Pharma Employee Share Option Plan and or Chief Executive Officer Share Option Plan. Prohibition does apply to the sale of securities under a respective Share Option scheme.

A trade that falls within these exceptions may still breach insider trading laws if it is undertaken or procured by someone in possession of inside information at that time.

#### **4.8 Confidentiality Agreements with External Advisers**

It is possible that, as a result of acting for or advising the Company, external advisers to the Company may have access to price sensitive information affecting the securities of the Company.

Whilst these external advisers are not covered by this policy, it is the Company's policy to require such external advisers to enter into confidentiality agreements covering such price sensitive information.

#### **4.9 Trading Approvals**

Before any Designated Person deals in securities of the Company (at any time), they must first obtain approval from the Company Secretary (the Company Secretary must obtain approval from the Chair of the Company). If the Chair wishes to buy, sell or exercise rights in relation to the Company's securities, the Chair must obtain the proper approval from the Chair of the Audit and Risk Committee or the Company Secretary before doing so.

This obligation operates at all times.

Designated Persons must not deal in securities of the Company (including shares issued as a consequence of the exercise of options) until approval has been given by the Company Secretary, evidenced in writing. The request for approval must be in writing and include a statement that the Designated Person is not in possession of any material non-public information. If approval is given, the Designated Person may ordinarily trade within five business days after receiving the approval. The Designated Person will be notified if the clearance position changes within those five business days. A further application will need to be made if no dealing takes place within the five business days and the Designated Person still wishes to deal.

Designated Persons who have been told that they cannot deal must not communicate this fact to others.

#### **4.10 Trading in Exceptional Circumstances**

Designated Persons may in exceptional circumstances apply to the Company Secretary, on behalf of the Chair, for approval to trade during a Prohibited Period, as defined in clause 4.6, provided that the Designated Person is not in possession of inside information. The Company Secretary may grant the Designated Person written permission to deal in securities during the Prohibited Period.

The following factors are to be considered by the Chair in determining whether the Designated Person is granted permission to trade during a Prohibited Period:

- (a) whether the Designated Person is in severe financial hardship;
- (b) where a Designated Person is required by a court order or a court enforceable undertaking or some other overriding legal or regulatory requirement to transfer, or accept a transfer of, securities; and



- (c) whether the Designation Persons circumstances are otherwise exceptional, and the proposed dealing is the only reasonable course of action.

If approval is granted by the Company Secretary, on behalf of the Chair, the Designated Person must complete the dealing within five days of receiving such approval.

#### **4.11 Notification of Dealings**

Each of the Directors is required to notify the Company Secretary within two business days after any change in their interests in securities of the Company, or the interests of any of their Connected Persons listed above.

This enables the Company to notify the ASX of the change in the Director's or Connected Person's interests, which must occur within 5 business days of the change.

All other Designated Persons are required to notify the Company Secretary of any dealing in securities of the Company within five business days of effecting such a dealing.

#### **4.12 Policy – Other Employees**

Employees of the Company must at all times abide by the rules and regulations governing the trading in the Company securities including, without limitation, the Corporations Act, the ASX Listing Rules and this policy.

Securities in the Company should not be traded by an employee (including those “Connected Persons” of the employee as defined above) if that trading constitutes insider trading (see above).

Employees with inside information must not at any time procure another person to apply for, acquire, or dispose of, or enter into an agreement to acquire, or dispose of, the securities of the Company.

At certain times of the year, the Company will advise its employees that they may not trade in the Company's shares. An embargo may apply, for example, when the Company is embarking on a significant transaction or a significant development that has not yet been announced to the market.

From time to time employees may gain inside information of the shares of another company as a result of their involvement with the Company. The insider trading provisions apply equally to that information.

#### **4.13 Tipping**

Directors or employees with inside information must not at any time, directly or indirectly, communicate any insider information or cause the information to be communicated if the Director or employee knows or ought to reasonably to know that the other person would be likely to apply for, acquire or dispose or enter into an agreement to acquire or dispose of the relevant shares or procure another person to acquire or dispose of the shares (“Tipping”).

### **5. COMPLIANCE WITH SHARE TRADING POLICY**

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Directors and employees should be aware that they might be charged with criminal offences under the rules and regulations associated with the prevention of insider trading. Accordingly, it is the responsibility of each Director and employee to ensure that they abide by the law.



Failure to comply with this policy is considered grounds for termination of employment. Any Director or employee who is unsure whether they can deal in the Company's securities should contact the Company Secretary before dealing in any Securities.

## **6. ACCESS TO THE POLICY**

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This policy will be available for viewing by any person on the Company's website or a copy will be sent upon request.

## **7. MAINTENANCE OF POLICY**

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The Company's Board of Directors approved this policy on 4 June 2020.

The Board will review this Policy as often as the Board determines appropriate and make any changes it determines necessary or desirable.