21 August 2018

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CannPal Animal Therapeutics Ltd

Health Technology

BUY

CP1 A$0.17 **TARGET PRICE A$0.47**

CannPal Animal Therapeutics Ltd develops cannabis based pharmaceutical products for companion animals. The Company aims to develop and commercialise medical cannabis to provide veterinarians with clinically validated and standardised therapeutics to treat animals.

Company Data

Number of shares	93.1M
Market Capitalisation	$15.8M
Free float (%)	57.3647
12-month high/low	$0.29/$0.16
Average Daily Turnover ($m)	0.0035
% S&P/ASX200	N/A
DDM Ranking	N/A
% All Ordinaries	0.001
GICS Industry Group	Health Technology

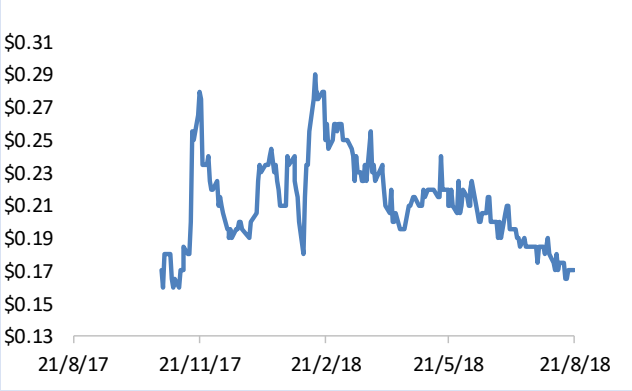
Source: FactSet, EverBlu Capital

Earnings Summary (AUD)

Year end June	2017A	2018F	2019F	2020F	2021F	2022F
Revenue ($M)	0.0	0.0	2.0	10.0	18.0	26.0
EBITDA ($M)	-1.7	-2.1	-1.5	1.4	4.4	7.3
Reported NPAT ($M)	-1.7	-2.1	-1.5	1.4	4.2	5.1
Adjusted NPAT ($M)	-1.7	-2.1	-1.5	1.4	4.2	5.1
Reported EPS (¢)	-2.7	-2.0	-1.4	1.3	3.9	4.7
Adjusted EPS (¢ - FD)	-2.7	-2.0	-1.4	1.3	3.9	4.7
Adjusted EPS growth (%)	N/A	N/A	N/A	-193%	196%	21%
Adjusted P/E (x)	N/A	N/A -	12.3	13.1	4.4	3.7
Dividend (¢/sh)	-	-	-	0.8	2.4	2.8
Gross yield (%)	-	-	-	6.5	19.3	23.3
Net yield (%)	-	-	-	4.6	13.5	16.3
ROIC (%)	-216.5	-45.6	-43.0	30.0	0.0	0.0

Source: EverBlu Capital
EverBlu Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, EverBlu Capital

CPAT-01: a drug at the forefront of a significant market opportunity worth more than US $1B p.a.

Company Overview

CannPal Animal Therapeutics Limited (CP1) is a pet pharmaceutical company that has identified an opportunity to benefit from the rapidly growing medical cannabis sector, by developing standardised and dosage controlled, regulatory approved pharmaceuticals, derived from the cannabis plant.

CP1 is established to research, develop and commercialise regulatory approved, cannabinoid-derived therapeutics, for the global animal health markets, with an initial focus on cats and dogs, in the United States, Europe, Australia and other emerging global markets.

Strategy Overview

CP1's core strategy is to commercialise pharmaceutical products developed for companion animals to treat various conditions, using compounds derived from the medical cannabis plant, that have been pre-validated in clinical human studies.

CP1 will seek regulatory approval of its developed pharmaceutical products following the success of clinical research and development activities to prove the safety and efficacy of its drug candidates. In addition, CP1 seeks to generate revenue through the sale of nutraceutical products, to treat conditions in pets shown to be responsive to that active ingredient.

Cash Position

Under the Prospectus, CP1 sought to raise a minimum of $4m and a maximum of $6m by the issue of 30m Shares under the Public Offer at a price of $0.20 per share. CP1 was listed on 25 October 2017, achieving a capital raise of $6m. For the quarter ending 30 June 2018, CP1 had a cash balance of $5.11m with operating cash outflows totalling $357,000. Estimated cash outflows for the next quarter are estimated to be $538,000.

Valuation

Because CP1 is yet to complete dose determination and dose confirmation studies, we do not expect the Company to make any significant profit until 2020.

Hence, we must use forecast earnings for FY21 for our valuation.

We have assumed CP1 to capture approximately 0.25% of both nutraceutical and pharmaceutical markets in FY19 and forecast to grow by 1% every year. In addition, we have assumed CP1's gross profit margin to be 50%, and this is forecast to grow by 5% each year.

For FY21, the market PE multiple is assumed to be 16.1 times earnings. Suggesting that CP1 should trade at a 25% discount to the market multiple in FY20 gives us a valuation of A$0.47/sh (16.1 times 75% times 3.9c equals A$0.47).

We are initiating coverage on CP1 with a 12-month price target of A$0.47/sh and a BUY recommendation. The price target is also underpinned by our DDM valuation which uses a cost of equity of 6.12%.

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Contents

COMPANY OVERVIEW 3
BACKGROUND ON ANIMAL HEALTH CANNABIS 4
DRUG DEVELOPMENT PROCESS 5
PRODUCTS 6
RESEARCH & DEVELOPMENT 7
INDUSTRY OVERVIEW 8
CLINICAL TRIALS 10
MILESTONES 11
PERFORMANCE MILESTONES 13
STRATEGIC PARTNERSHIPS 14
CP1's COMPETITIVE ADVANTAGE 15
COMPETITORS 16
FINANCIALS 19
CAPITAL POSITION 20
VALUATION 20
BOARD AND MANAGEMENT 21
KEY RISKS 23
APPENDIX 24

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COMPANY OVERVIEW

CP1 is an Australian-based, animal health company incorporated in June 2016 with the purpose of researching, developing and commercialising regulatory approved cannabinoid-derived medicines for the global animal health markets. By leveraging the benefits of a rapidly growing medicinal cannabis market, CP1's standardised and dosage-controlled medicine aims to support the health and wellbeing of companion animals without the associated side effects.

Furthermore, CP1 has also been investigating the ability to use compounds derived from the hemp plant to develop a nutraceutical range of products that can be made available for use in companion animals without a prescription.

CP1 is positioned as the only ASX listed pure Animal Health Company and has the ability to deliver such medicines by having secured all domestic and international permits to import clinical trial material. The company has a lead pharmaceutical drug candidate de-risked through human clinical trials and collaborations with major veterinary research organisations and strategic partners in the field.

Business Model

- Establish unmet needs in Animal Health, where current treatments are inferior due to cost or side effects;
- Identify potential drug candidates for those needs, where Cannabinoids have shown efficacy and safety tolerances in humans and rodent models;
- Clinically validate the drug candidate in target species with university partners and GMP/GLP approved Clinical Research Organisations;
- Develop successful drug candidates into novel medicines with innovative and bio-available delivery systems with proprietary Intellectual Property; and
- Align CP1 with strategic commercialisation partners via an out-licence model for marketing the product after successful phase I and phase II trials.

Main Objectives

- Continue its clinical research with its veterinary research partners into the use and effectiveness of the Company's drug candidates, beginning with its Lead Drug Candidate CPAT-01, a pain control in companion animals;
- Build relationships with strategic animal health leaders in North America, Europe and Australasia to bring regulatory approved pharmaceutical products to veterinarians in those markets;
- Continue its research and investigations into the use and benefits of hemp-based nutraceuticals to develop a nutraceutical range of products to market through veterinarian and specialist retail channels; and
- Through above efforts, grow shareholder value through research success and ultimately revenue generation from products developed by CP1.

Overview of 2017 Achievements

- Identified a lead-drug candidate being developed as a pain control in dogs, CPAT-01 (Lead Drug Candidate);
- Engaged with strategic partners and service providers for access to data and pre-clinical research into the efficacy of certain compounds in completed human trials and rodent studies to de-risk their therapeutic pipeline;
- Completed pre-clinical research activities for its lead drug candidate by utilising the relationships and data available;
- Finished designing their first clinical pharmacokinetic and safety study for its lead drug candidate and commenced acquiring the necessary permits to undertake the study; and
- Applied for and been granted a sponsor fee waiver by the United States Food and Drug Administration (FDA) under the minor use/minor species provision of the US Animal Drug User Fee Act (ADUFA); and
- Was granted a controlled substances import licence with he Office of Drug Control.

Key Milestones Projected for 2018

- Commence recruitment for Phase I Dosing Studies in dogs for CPAT-01; and
- Commence Phase 1b Pilot Study for CPAT-01.

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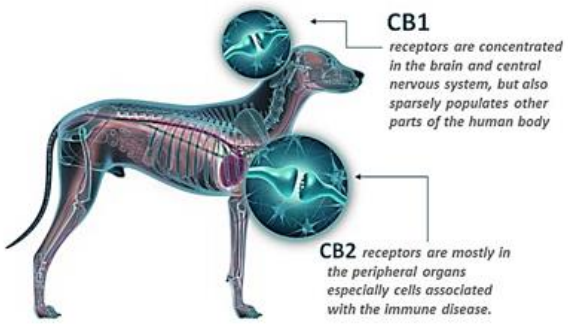
BACKGROUND ON ANIMAL HEALTH CANNABIS

General Overview

In one of the most comprehensive studies of recent research on the health effects of Cannabis, by the National Academies of Sciences, Engineering and Medicine, it was shown that there is substantial evidence to support that human patients who were treated with cannabis or cannabinoids were more likely to experience a significant reduction in pain symptoms. Of the cannabinoids, tetrahydrocannabinol (THC) is the main psychoactive compound, and most known, with others such as cannabinol and cannabidiol (CBD) which are non-psychoactive. As acceptance of the use of medicinal cannabis for human use has grown, an opportunity to consider its uses in animals has also arisen.

Research has outlined the effects cannabis can have across all mammalian species, in particular, the interaction cannabinoids have with the 'Endocannabinoid System' in the human body. This system is made up of natural cannabinoid receptors which are spread throughout the entire mammalian body, including cats, dogs and horses, and affects many pathological conditions – cardiovascular, neurodegenerative, reproductive, gastrointestinal, liver, lunch skeletal, psychiatric and cancer diseases.

Figure 1 Cannabinoid receptors in male dog



Source: Cannpal Animal Therapeutics Ltd Prospectus Page 38

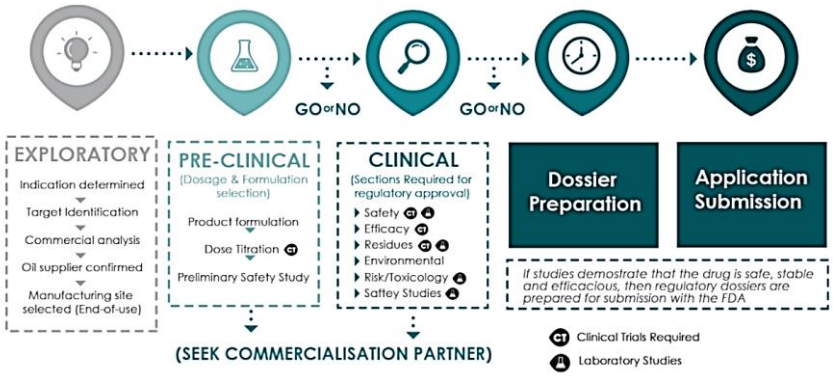
Cannabis Biotech - An Insight into Animal Pharmaceuticals:

The animal pharmaceutical industry is notable for the following reasons:

- Lack of innovation in animal health pharmaceuticals;
- Cannabinoids act as a new therapeutic platform;
- CP1 positioned to be a global leader in cannabis derived pharmaceuticals;
- Having CP1's product approved as medicines (instead of operating under cannabis frameworks) allows the Company to sell with premium price positioning;
- FDA/EMA approval broadens distribution;
    - THC based products are unable to be exported for sale across a state or federal border, unless approved as medicines
    - Once CPAT-01 is approved as a veterinary medicine, it is rescheduled and can freely trade across borders into regions where the drug is approved
- Approval allows for veterinarians to sell the product (cannabis can only be bought at dispensaries currently); and
- As veterinarians are losing income of pharmaceuticals to generics being sold online, approval of CPAT-01 would allow veterinarian's to generate revenue and act as a "sales" force for the product.

DRUG DEVELOPMENT PROCESS

Figure 2 Development Pipeline of Lead Drug Candidate



Source: Cannpal Animal Therapeutics Ltd Prospectus Page 46

Exploratory Phase

CP1 has strict controls in place to ensure each candidate goes through a validation process including market size, assessment, IP strategy and veterinary surveys.

Pre-Clinical Phase

CP1 has engaged research organisations to carry out research and development activities to assist in pre-validating its lead drug candidate based on research into clinical human studies on the safety and efficacy of cannabis.

Clinical

Clinical trials are required for regulatory dossier preparation, performed under a strict GMP and GLP environment under the guidance of the FDA (Food and Drug Administration) and with approval from the DEA (Drug Enforcement Agency), to provide data on:

- The safety profile of the drug, which assesses the side effects associated with dosages that may include 1x, 3x, 5x and possibly 10x the estimated dose range;
- Efficacy studies to demonstrate early proof of concept results along with pivotal trials which can include up to 250 patients in the chosen target species and in some instances more;
- Residue and environmental reports on the external factors associated with the active constituents; and
- Toxicology studies to identify the maximum tolerated dose and its effects in the chosen species.

Marketing Approval

Under successful completion of required studies outlined above, the results of the studies are submitted to the relevant regulatory authorities requesting approval to lawfully market the product. Although a product is approved for sale, the regulatory authorities may impose other restrictions on the use of the product such as:

- Warnings or precautions that should be included on the label;
- Requirement for further testing and surveillance programs to monitor the product after commercialisation including distribution restrictions and request CP1 to implement a risk management program; and
- Requiring record keeping and documentation that may limit the products distribution potential.

Post-Marketing Approval

Pharmaceutical manufacturers with products that have been approved by regulatory authorities, particularly in the United States pursuant to the FDA, are subject to ongoing regulatory scrutiny which may involve, but is not limited to, record keeping, monitoring and surveillance, periodic reporting and further clinical trials to report on the long-term safety of the drug product. If the relevant approvals are received for a drug candidate, then CP1 can move to commercialisation.

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PRODUCTS

Animal Pharma

CP1 is primarily focused on the development of their lead drug candidate CPAT-01D, while developing a strong pipeline of other animal pharmaceutical and nutraceutical products. CPAT-01D will be used as an alternative to existing pain medication for dogs with less side effects. It has been developed using active ingredients from the cannabis plant, to target symptoms of pain. CP1 will be extending its existing product range to target pain in cats CPAT-01C, with a pharmacokinetic and safety study planned for 2H CY2018 and will leverage knowledge gained from the CPAT-01D studies

Nutraceutical Opportunity

While CP1 is pharmaceutical focused, the Company is also researching the therapeutic potential of cannabinoids that have been derived from the less regulated hemp plant, through nutraceutical product development. DermaCann is the Company's lead nutraceutical product being developed as part of CP1's strategy to provide potential early revenues through alternative regulatory pathways for animal health, using cannabinoids derived from the hemp plant. DermaCann is being developed as a compliant novel oral formulation to target canine skin health, expected to be ready for commercialization in 2019.

In addition, CP1 has entered into a research agreement with CSIRO, as part of the national science organisation's CSIRO Kick-Start Initiative for eligible Australian small to medium enterprises.

CSIRO is Australia's national science agency and one of the largest and most diverse research agencies in the world. The CSIRO Kick-Start program offers eligible businesses access to dollar-matched funding vouchers of between AUD$10,000-$50,000 to undertake the following research activities with CSIRO:

- Research into a new idea with commercial potential;
- Development of a novel or improved product or process; or
- The testing of a novel product or material developed by the business.

Under the initiative, CSIRO and CP1 will undertake research into the use of food production technologies to enhance the delivery of CP1's cannabis-derived therapeutic formulations in animals.

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RESEARCH & DEVELOPMENT

Optimising Clinical Research

CP1 has appointed Invetus and Eurofins as its veterinary research partners for the conduct of clinical research on animal health and the use of medical cannabis for the promotion of animal health in Australia.

Invetus Limited, Australasia's largest veterinary research organization, will be carrying out the clinical phases of the Companies studies and dogs, and Eurofins will be completing early pre-clinical and live phase research in cats.

The collaboration agreements will ensure the completion of in-vivo (research undertaken on living organisms) clinical trials for its Lead Drug Candidates.

Optimising Bio-analytical Services

The Company has entered into a research services agreement with the University of Queensland's TetraQ Research Infrastructure Centre to provide bio-analytical services for the clinical trials. The research services agreement outlines the terms in which TetraQ will develop and validate a bioanalytical method for simultaneous quantitation of cannabidiol (CBD) and tetrahydrocannabinol (THC) concentrations in dog plasma. TetraQ will subsequently analyse over 850 dog plasma samples in three study phases for CBD and THC concentrations, as part of CP1's pharmacokinetic and safety studies. This has been partially completed with additional results anticipated in H2 CY18.

Optimising Food Production Technologies

Under the recently announced research collaboration, CSIRO and CP1 will undertake initial research into formulation work that will look to improve the efficacy of its therapeutic products, and ultimately, expand the company's commercial potential. CP1 intends to further develop new and existing delivery systems to create proprietary formulations of their therapeutic products, which CP1 management believes could provide a significant competitive advantage.

Strengthening the Intellectual Property (IP) Portfolio

CP1 has lodged a new provisional patent application with the Australian Patent Office. Under the patent application covers specified dosages and ratios of cannabinoids, containing levels of THC that are safe for use in dogs. CP1 has identified a range of blood plasma concentrations that have shown desirable safety profiles, giving an indication of a potential therapeutic window to be used in future studies.

Figure 3 Development Pipeline of Lead Drug Candidate

Source: Cannpal Animal Therapeutics Ltd

INDUSTRY OVERVIEW

Global Animal Health Industry

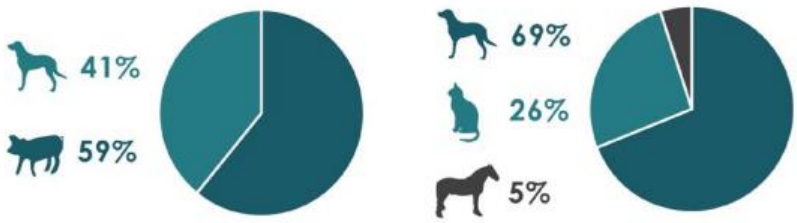
The Australian Veterinary Association estimates that as of 2016, there was a population of 4.8 million pet dogs and 3.9 million pet cats living in Australian households, and the International Federation of Animal Health Europe (IFAH-Europe) estimates that as of 2014 there were 72 million cats and 63 million dogs across Europe, with 75 million pet owing-homes. The US has the largest concentration of pets in the world, with an estimated 94.2 million cats and 89.7 million dogs.

Companionship is often cited as the main reason for owning a pet and preventative care of animals, in particular domestic pets, remains the dominant factor driving sales of animal health products in these western markets. The worldwide animal health sector of which the global companion animal sector comprises 41%, was valued at US$30 billion as at 2015 and continues to grow. Of this market, the Americas accounts for 46%, followed by Europe with an estimated 31%, together accounting for approximately 77% of the total market.

Industry Composition - animal health market

The global companion animal health industry is segmented into species, namely companion animals or food producing animals. Food producing animals have gained a greater importance as a result of the demand for animal protein, particularly in emerging markets such as India and Asia. However, the demand for companion animals is growing as a result of rising global incomes and pet ownership. As of 2014, 59% of the total market was held by food producing animals, followed by companion animals with 41%. Companion animals are dominated by three major species, including dogs, cats and horses. Of the three species, dogs hold a maximum share of 69%, followed by cats with 26%.

Figure 4 Industry Composition by Species (2014)



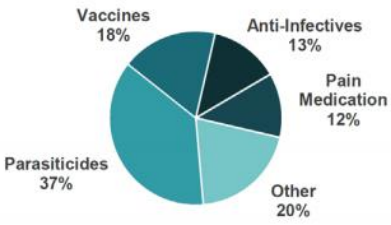
Source: Cannpal Animal Therapeutics Ltd Prospectus Page 33

The global animal health market, exclusive of services and pet food, can be segmented into three specific categories:

- Pharmaceuticals;
- Biologics; and
- Medicinal feed activities.

The increased use of vaccines and drugs to keep food producing animals healthy has added to the size of the global health market, in particular, pharmaceuticals. The pharmaceuticals segment held a concentrated share of 62% as of 2014, followed by biologics which held 26%. The remaining 12% was held by medicinal feed activities. Of these markets, the pharmaceutical sector is of the most relevance to CP1, and in particular, for use in companion animals. This market consists of a number of key segments, with parasiticides (Flea and Tick medications) dominating the sector, with a global value of US$9 billion. Although the companion animal market is the smaller of the pharmaceuticals markets, in 2015 in the United States alone, this market was valued at over US$7b annually. Pain management, which is the Company's initial market, represents a large share of this sector.

Figure 5 US Sales of Pet Medications by Type (2014)



Source: Cannpal Animal Therapeutics Ltd Prospectus Page 34

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Therefore, CP1 considers that the animal health market represents a viable and valuable target market for the introduction of cannabis-derived pharmaceutical and nutraceutical products, the like of which are the subject of the Company's research.

Nutraceutical Opportunity

In recent years marijuana has increasingly gained public awareness for its medicinal purposes in many countries around the world. This has subsequently led to several jurisdictions either decriminalising cannabis or legalising it for medical purposes, with some countries moving towards full legalisation. In respect to medical cannabis there are two factors positioning Australia as a global leader in medical cannabis – strict regulations and government-led research labs.

Regulatory Landscape

While Cannabis is still a prohibited substance for animal health in most jurisdictions, there is a clear framework guided by The Single Convention on Narcotic Drugs of 1961 to allow CP1 to complete its clinical research to achieve regulatory approvals for a pharmaceutical drug derived from cannabis, with a number of clear precedents. Once CP1 has regulatory approval of a pharmaceutical drug product, it is up to the relevant regulatory authorities in each jurisdiction to reschedule the pharmaceutical to allow for lawful marketing and sale of the newly approved drug. The results of the clinical development process and subsequent regulatory approval in any given jurisdiction, if successful, changes a company's drug products from a cannabis product to an approved prescription medicine.

United States

In the United States, cannabis remains a Schedule 1 drug under the Controlled Substances Act (US) because of its high abuse potential and a lack of currently accepted medical use in treatment. The US FDA's Center for Veterinary Medicine is the regulatory body that reviews data and information submitted by drug sponsors in support of a new animal drug application. The Drug Enforcement Agency is responsible for scheduling controlled substances, pursuant to the Controlled Substances Act, in due time following FDA approval of new drugs. To date, the FDA has not approved a new drug application for a drug product containing or derived from botanical cannabis and has not found any such product to be safe and effective for any indication.

European Union & UK

EU Member States classify drugs and precursors according to the three UN Conventions of 1961, 1971 and 1988 for controlling and supervising their legitimate scientific or medical use while taking into account the particular risks to public or individual health. The European Medicines Agency (EMA) is responsible for the scientific evaluation of centralised marketing authorisation applications, including new veterinary medicine products.

France, Germany, the United Kingdom and Italy account for over 50% of the European animal health market and as such, these jurisdictions would be a priority for the Company, which has partnered with European based veterinary research organisations to liaise with regulators on its behalf.

Australia

The Australian Pesticides and Veterinary Medicines Authority (APVMA) is the regulatory authority that governs the animal health industry in Australia and follows the Therapeutic Goods Administration's (TGA) Scheduling when assessing the restrictions of a drug product. Approval of any drug candidate containing cannabis will need to be approved by the APVMA prior to being able to be distributed in Australia.

TGA has recently implemented measures to restrict the amount of CBD allowed in hemp products in Australia to 50mgs per kilo of oil, for human consumption and non-human consumption, requiring animal health products to contain no more than 50mgs of CBD per kilo of hemp oil. These levels could be considered below therapeutic value and would impact on the ability to deliver a beneficial nutraceutical product in Australia. Approval of any drug candidate containing cannabis will need to be approved by the Australian Pesticides and Veterinary Medicines Authority prior to being able to be distributed in Australia.

Finally, although research is conducted in Australia, CP1's focus is FDA/EMA approvals with a global outlook.

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CLINICAL TRIALS

CP1 has recently completed phase 1A of the Pharmacokinetic and Safety study for CPAT-01, the lead pharmaceutical in development as a pain control for dogs, in which all end points were met. The start date was March 31st 2018 and the animal phase finished on the 13th of April 2018, with the laboratory phase concluding on 1st May 2018. The formulations used in the study were well tolerated, with no adverse events reported, and significant absorption of the actives observed in the drug plasma concentration analysis.

Phase 1A Overview

- Use of proprietary oral cannabinoid formulations containing both THC and CBD;
- Pharmacokinetic and Safety Study;
- Included 11 dogs (8 treated/3 control);
- Male Beagles (varied age/weight); and
- Endpoints: No adverse events, Determination of dose proportionality, Indications of expected Tmax, Cmax, AUC and Half-Life and Visual Observations.

Results:

- Excellent safety profiles seen at the initial target dose;
- No adverse events were observed at the dosages administered;
- All observational endpoints were met; and
- CPAT-01 showed significant absorption in its current formulation.

Phase 1B Overview

Results of Phase 1A has allowed CP1 to move forward with preparation for Phase 1B of the study, with 48 dogs enrolled. The Phase 1B endpoints are to assess additional pharmacokinetic and safety parameters which includes tolerability at 5x the estimated dose, and early dose ranging confirmation.

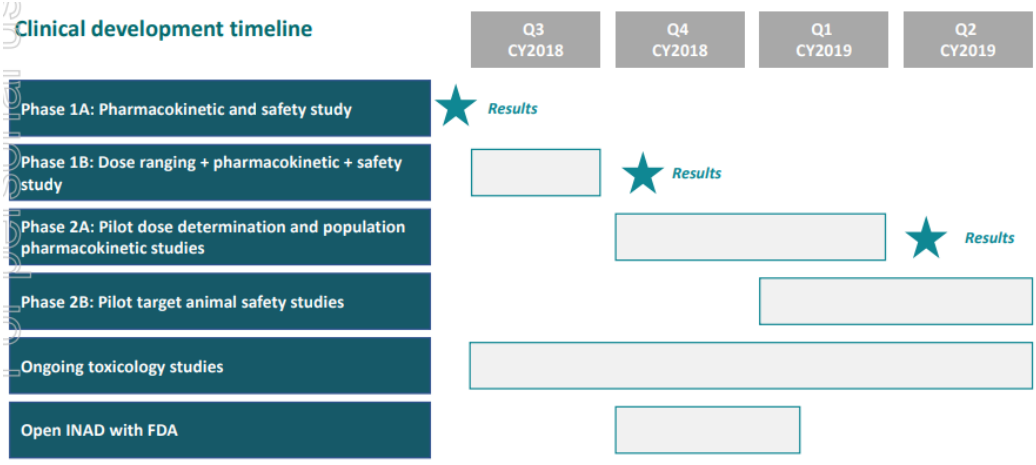
CP1 is in the process of finalising the protocol for this study (having received ethics approvals on 2nd August 2018). With the necessary clinical trial material ready, the study is expected to commence in Q3 2018.

The safety profile observed in the Phase 1A study has also given management confidence to expand the development plan of CPAT-01 in cats, with ongoing conversations with research partners to commence Pharmacokinetic studies in 2H 2018.

CP1 will also be completing pathway-focused gene expression analysis as part of this study, using laboratory-verified PCR (Polymerase Chain Reaction) assays to identify potential underlying mechanisms of action for treating pain and inflammation in dogs.

CP1's current product development plan for CPAT-01D (CPAT-01 for dogs) could see CP1 commencing its Phase 3 Pivotal Efficacy and Pivotal TAS Studies in Q1 2019. This would allow CP1 to commence dossier preparation for regulatory approvals in major markets as early as Q1 2020, however this assumes the research isn't delayed.

Figure 6 Clinical Development Timeline



Source: CP1 Investor Presentation June 2018

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MILESTONES

8 August 2018 – Entered MOU with The University of Melbourne

CP1 has entered into a Memorandum of Understanding with The University of Melbourne to broaden the Company's research pipeline. Under the terms of MOU, CP1 and the University will work on terms to establish a cooperative relationship in the field of veterinary science to complete a pilot study to determine the efficacy of cannabidiol (CBD) treatment for epilepsy in dogs in 2019.

2 August 2018 – Receives Ethics Approvals for Phase 1B Study in Dogs

The ethics approval is for Phase 1B of this study, which will involve 48 dogs and is set to commence this month in August. Phase 1B endpoints are to assess additional pharmacokinetic and safety parameters and assess tolerability at 5x the estimated dose.

4 July 2018 – CP1 enters into Research Agreement with Eurofins

The research services agreement outlines the terms in which Eurofins will design and facilitate pilot studies in cats at their research facility in NSW. Eurofins will prepare and submit ethics applications for study clearance and will be responsible for fulfilling associated ethics reporting requirements and carrying out the animal's phase of the research.

28 June 2018 – Research Collaboration with CSIRO

CP1 has entered int a research agreement with CSIRO as part of the national science organisation's CSIRO Kick-Start initiative. Under the initiative, CP1 will receive dollar-matched funding to contribute towards an eligible collaborative research project with CSIRO researchers. Together, the companies will undertake research into the use of food production technologies to enhance the delivery of therapeutic formulations in animals.

18 June 2018 – Completed Phase 1A of CPAT-01 Studies

CP1 has completed Phase 1A of the study for CPAT-01 in which all endpoints were met. The start date was March 31st 2018 and the animal phase finished on the 13th of April 2018, with the laboratory phase concluding on 1st May 2018. The formulations used in the study were well tolerated, with no adverse events reported, and significant absorption of the actives observed in the drug plasma concentration analysis.

29 May 2018 – Entered Manufacturing Agreement with Jaychem Industries

Under the agreement, New Zealand based Jaychem will provide contract manufacturing services to enable CP1 to deliver its first non-prescription nutraceutical product, DermaCann. Jaychem is a privately owned GMP manufacturer.

27 March 2018 – Imported Cannabis Oils for Clinical Trial

CP1 has imported its first medical cannabis oil formulations, having recently received export permits from Health Canada. The oils will be used in the clinical phase of research for their lead drug candidate CPAT-01.

27 February 2018 – Appointed Animal Toxicology Expert Dr Jeffrey Sherman

Dr Sherman will provide assistance and advise the preparation of the toxicological components of CP1's product dossiers and manage and conduct subject to future research agreements, toxicological studies for the Company through third-party research organisations.

18 December 2017 – Granted SME Status by European Medicines Agency

CP1 was granted SME status in collaboration with European regulatory research partner, Klifovet AG, one of Europe's largest veterinary research organisations. The SME status will allow CP1 to benefit from administrative and financial assistance for the development of its drug products.

7 December 2017 – Received Import Consent from APVMA

CP1 is the first Australian Company to receive an Import Consent for cannabis from the Australian Pesticides and Veterinary Medicines Authority (APVMA). The Consent is for 5 individual medical cannabis oils containing different ratios and dilutions of Cannabidiol and Tetrahydrocannabinol.

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22 November 2017 – Granted Licence to Import from the Office of Drug Control (ODC)

The licence allows CP1 to apply to import proprietary cannabis formulations for research on the company's lead drug candidate with a compressive pharmacokinetic and safety study to commence in Q1 CY18.

10 November 2017 – Appointed Dr Margaret Curtis as Head of Clinical Development and R&D

Dr Curtis has over 20 years' experience in the animal health sector, leading clinical research teams worldwide. She has directed research and regulatory projects resulting in first in class and best in class approvals of veterinary drugs for animals. Dr Curtis, an ex-Elanco Director, will now head the Clinical Development and R&D division.

1 November 2017 – Granted Permit to Possess and Supply Cannabis by NSW State Department of Health

The authorisation has been issued under the provisions of the Drug Misuse and Trafficking Act 1985 and allows CP1 to apply for APVMA and ODC permits to import cannabis for the commencement of clinical trials planned for Q1 CY2018. CP1 has been working closely with Invetus Ltd, to facilitate the importation of cannabis for scientific research in companion animals.

30 October 2017 – Entered Research Agreement with the University of Queensland

The University of Queensland's TetraQ Research Infrastructure Centre will provide bio-analytical services for CP1's pharmacokinetic and safety studies. TetraQ will develop and validate a method for quantification of cannabidiol and tetrahydrocannabinol concentration in dog plasma samples.

25 October 2017 – Received Ethics Approval

CP1 has received ethics approval for the commencement of a large clinical study for the Company's lead drug candidate, CPAT-01, expected to begin Q1 2018 in Australia. The approval is for phases 1 and 2 of CP1's first clinical trial involving dogs. The trial is a comprehensive three-phase pharmacokinetic and safety study involving over 48 dogs that will assess the safety profile of tetrahydrocannabinol (THC), cannabidiol (CBD) and the Company's proprietary cannabinoid formulation at different dosages.

25 October 2017 – Commenced Trading on the ASX

CP1 has successfully listed on the ASX, closing its Initial Public Offering early and oversubscribed on Friday 22 September, raising the maximum subscription of $6 million. CP1 also has a market capitalisation of $18.5 million based on the $0.20 per share offer price.

20 March 2017 – Granted Fee Waiver by the FDA

CP1 has received a sponsor fee waiver for a cannabinoid-derived treatment by the FDA's Centre for Veterinary Medicine. Under the minor use/minor species provision of the Animal Drug User Fee Act of 2003, CP1 applied for the fee waiver for its treatment of the symptomatic relief of Osteosarcoma pain.

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PERFORMANCE MILESTONES

According to CP1's Prospectus, the Performance Milestone shall be satisfied if, before the Milestone Date:

I. 625,000 Class A Performance Rights shall convert into an equal number of ordinary shares upon the Company receiving conditional approval to commence trading on the Australian Securities Exchange and the completion of a capital raise at least $4,000,000;
II. 625,000 Class B Performance Rights shall convert into an equal number of ordinary shares upon the Company entering into a commercial licensing agreement for the commercialization of any of its products;
III. 625,000 Class C Performance Rights shall convert into an equal number of ordinary shares upon the Company achieving revenue from sales or licensing of its products of $1,000,000 or more within 36 months of successfully listing on the ASX; and
IV. 625,000 Class D Performance Rights shall convert into an equal number of ordinary shares upon the Company acquiring regulatory approval from the U.S. Food & Drug Administration, including approval under the Minor Use/Minor Species Animal Health Act of 2004 (US) (or equivalent) for any of the Company's products.

Milestone (I) was achieved on 25th October 2017; CP1 closed its IPO early and oversubscribed, raising $6 million. The firm's market capitalisation of $18.5 million was based on the issue price of $0.20. This achievement will fund clinical trials for CP1's lead drug candidate and to explore opportunities in the CBD and hemp derived nutraceutical sector.

Milestone (II) was granted during the third quarter of FY18. The milestone was granted during the period as it was assessed by management as more than likely to be met.

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STRATEGIC PARTNERSHIPS

Invetus Proprietary Limited (Inventus)

CP1 has entered into master research agreements with Invetus to facilitate the Company's development plans in Australia. Invetus is the largest Australasian veterinary contract research organisation (CRO) with sites throughout Australia and New Zealand. They target development of products and techniques to improve the health, welfare and productivity of animals by engaging in a comprehensive range of veterinary research services to generate high quality information to support the development process.

Klifovet

CP1 has entered into a master services agreement to prepare the development plans in Australia, the US and Europe for the Company's Lead Drug Candidate targeting pain in companion animals. Klifovet, one of Europe's largest veterinary contract research and development organization (VCRO) was founded in 1997 based in Germany.

Zelda Therapeutics Limited (ASX: ZLD)

CP1 has entered into a research partnership with an ASX listed human cannabis pharmaceutical entity to share results of respective research in March 2017. This has allowed CP1 access to generate revenues from the human sector from licensing of the Company's animal research for use of human drug development. Through Zelda's exclusive access to human patient data, the Company has been able to further its knowledge of medical cannabis as an active pharmaceutical ingredient, particularly in formulation design and product development, to progress straight into animal health research.

Aphria Inc

CP1 has entered a supply non-binding MOU with a subsidiary of Aphria Inc, Pure Natural Wellness Inc, a Canadian listed medicinal cannabis grower. Under the MOU, the parties have agreed the framework pursuant to which they would enter into a binding supply arrangement for the supply of consistent quality controlled and standardised cannabis oils for the Company's clinical trials. Although the MOU is non-binding, the parties specifically acknowledged that they may commence supply arrangements under the MOU prior to entry into any formal binding agreement with access to oils for the research phase of the development of CPAT-01 with the first oils expected to be shipped in Q1 2018.

University of Queensland/ University of Victoria

CP1 has entered into research collaborations with the University of Victoria and University of Queensland to explore the Company's lead drug candidate to act as an appetite stimulant in companion animals, other potential drug candidates and to provide bioanalytical services for CP1 research.

Eurofins Animal Health Pty Ltd

CP1 has entered into a research services agreement with veterinary research organisation, Eurofins Animal Health Pty Ltd (Eurofins). Eurofins is a world leader in food, environment and pharmaceutical products testing and in agroscience and veterinary research services. The agreement outlines the terms in which Eurofins will be managing and conducting preclinical and clinical studies to GCP standards for the company. CP1 plans to commence a pilot study of cannabinoid safety and pharmacokinetics in cats in 2H 2018 with the protocol now in development.

CSIRO

CP1 has entered into a research agreement with CSIRO, as part of the national science organisation's CSIRO Kick-Start Initiative for eligible Australian SMEs (small to medium enterprises). Under the initiative, CSIRO and CP1 will undertake initial research into formulation work. CP1 intents to further develop new and existing delivery systems to create proprietary formulations of the firm's therapeutic products. CSIRO Kick-Start was launched in April 2017, providing innovative Australian start-ups and SMEs with funding support and access to CSIRO's research expertise and facilities.

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CP1's COMPETITIVE ADVANTAGE

Experienced Leadership Team

The team behind CP1 has extensive commercialisation experience in the animal health industry with knowledgeable R&D team in place with proven track record of gaining regulatory approval for more than 50 veterinary medicines. CP1's board and management is made up of renowned leaders from the animal health industry, major pharma and large MNCs including Unilever, Johnson & Johnson and Elanco.

First to Market Advantage

CP1's senior leadership saw a significant unmet market opportunity within the animal health sector, with pain management being the primary initial focus. As the only ASX listed pure Animal Health Company, researching the benefits of Medical Cannabis for Companion Animals, CP1's lead product is at the forefront of a fast growing and significant market opportunity worth more than US $1B per annum.

Based in Australia

Backed by a supportive regulatory environment for research, CP1 has access to significant tax incentives and benefits from a 43% tax rebate to minimise the cost of clinical trials. In addition, CP1 carves the way of an established regulatory pathway with an FDA fee waiver and import permits by the APVMA, ODC and NSW State Government.

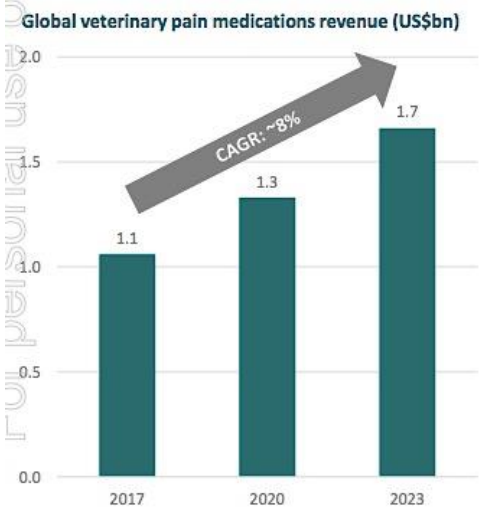
Leverage CSIRO delivery systems

CP1's research collaboration with CSIRO will allow the Company to further develop new and existing delivery systems to create proprietary formulations of therapeutic products, which CP1's management believes will provide a significant competitive advantage. The two will undertake research into the use of food production technologies to enhance the delivery of cannabis-derived therapeutic formulations in animals.

Moreover, the firm looks to target favourable market dynamics:

- **Existing products have inferior characteristics:** nonsteroidal anti-inflammatory drugs (NSAIDs), which dominate the market, have onerous label warnings, significant side effects and high levels of toxicities;
- **Limited production innovation to date**: the average age of animal health product portfolios is approximately 15 years with no more lifecycle strategies for current treatments; and
- **Strong market demand for novel treatment**: There is currently no pain medication approved for chronic use in pet cats in the US and a strong demand from veterinarians for improved products for treating chronic pain in dogs and cat.

Figure 7 Clinical Development Timeline



CP1's lead drug candidate addresses a clear unmet need of providing approved pain medication for companion animals:

- CPAT-01 has synergistic benefits due to its unique mode of action that is desirable for pain treatment;
- Oral liquid solutions are ideal to allow for dose titration and owner compliance;
- There are limited pain medications approved for companion animals, that are suitable for long term;
- NSAIDs which dominate the pet pain market are widely known for negative side effect profiles; and
- Significant and valuable opportunity: ideally positioned to gain market traction in a target indication with favourable market dynamics.

Source: CP1 Non-Deal Roadshow Presentation June 2018

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Finally, CP1 is developing a nutraceuticals range using compounds from the less regulated hemp plant. Nutraceuticals present consistent product quality with it being GMP/GLP approved and are also not required to follow the same clinical trial pathway as pharmaceuticals. Its partnership with Jaychem Industries will establish a relationship with a high quality Good Manufacturing Process (GMP) manufacturer to produce their lead nutraceutical product, Dermacann which is expected to be ready for commercialization in 2019.

Figure 8 Market Positioning

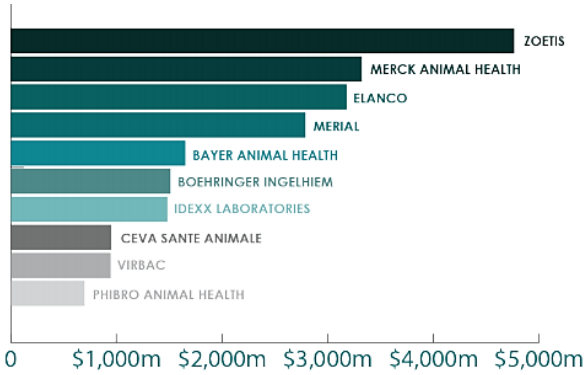
Key comparisons	CannPal CPAT-01	Zoetis Rymadil	Aratana Galliprant	Boehringer Ingelheim Metacam
Anti Inflammatory	✓	✓	✓	✓
Additional modes of action	✓			
Oral liquid solution	✓			✓
Suited to longer term use	✓			
Minimal side effects	✓		✓	
First-to-market advantage[1]	✓		✓	

Source: CP1 Non-Deal Roadshow Presentation June 2018

COMPETITORS

As of 2015, there were 25 companies in the animal health industry, each with over $100m of revenue per annum, with the top 5 companies accounting for approximately 50% of the market.

Figure 9 Top 10 Global Animal Health Companies (In US$'000s)



Zoetis, a spin off from Pfizer established in 2015, recorded US$4.7b in revenue in 2015 and held a market shares at that time of approximately 20% *(Source: Future Market Insights/Animal Pharm: Top 20 Market Leaders) 2015)*

Source: Cannpal Animal Therapeutics Ltd Prospectus Page 36

While there are a significant number of other small to medium enterprises in animal health, only a small number are focusing on niche therapeutic areas or specific drug delivery platforms. Deal flow in the animal health industry between both market leaders and small research and development companies is rapidly growing, with over 50 registered deals through 2016 to 2017. CP1 considers that the industry represents an attractive value proposition for the firm, with its focus in utilising medical cannabis, which remains a particularly new area in the animal health market. Subsequently, CP1 considers that the animal health industry represents a growing and lucrative market for companies capable of delivering innovative products that are beneficial to the health of their pets, without some or all of the side effects associated with current treatments.

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Domestic competitors:

Anatara Lifesciences Ltd (ANR)

Anatara Lifesciences is an Australian company that is primarily focused on developing non-antibiotic oral solutions for gastrointestinal diseases in animals and humans. Their leading product, Detach, will address global concerns surrounding the overuse of antibiotics in animals and their feed that is contributing to the rise of so-called "super bugs" that make infectious diseases harder to treat. The team working at the company have a strong track record in biological science as well as building and growing international biotech companies.

Global competitors:

Zoetis

Zoetis is the global leading animal health company that specialises in discovering, developing and producing medicinal products and vaccines. These products are used to prevent, treat and cure diseases present in livestock and companion animals. It is also a producer of diagnostic products, biodevices, genetic tests and other services.

Merck Animal Health

Amongst one of the global leaders is Merck Animal Health, a company that researches, develops, produces and markets veterinary medicines for veterinarians, producers of livestock and domestic pet owners. The company supplies products and services ranging from vaccinations, anti-infective and antiparasitic drugs, reproductive hormones to delivery solutions, technologies to improve performance and value-adding programs such including pet recovery services.

Elanco

Elanco is a company with a vision to enhance animal health and enrich lives. It is focused on its commitment to provide support for individuals who raise and care for both livestock and companion animals through a wide range of animal health products safe for consumers, animals and the environment through innovation and a shared vision to enrich the life of people worldwide. Elanco strives to empower its customers to address these global challenges and advance a vision of food and companionship enriching life.

Boehringer Ingelheim

Guided by its belief that no animal should suffer from a preventable disease, Boehringer Ingelheim is focused on researching, developing, manufacturing and marketing new medications of high therapeutic value for human and veterinary medicine. Boehringer Ingelheim strives to provide preventable animal healthcare, develop products to protect animals against disease and pain, and develop innovative therapies to help better manage chronic diseases by limiting pain and slowing down the progression of disease. In January 2017, the company acquired a multinational animal health company Merial.

Bayer Animal Health

Bayer Animal Health is a global leader in animal health that supports the health of animals, as well as farmers, veterinarians and pet owners through our offering innovative therapies and solutions. The company has secured a leadership position in researching and developing products for animal health and pest control since 1919, and are constantly working to develop new, better products and improved forms of administration.

Aratana Therapeutics

Aratana Therapeutics, Inc., a pet therapeutics company, focuses on the licensing, development, and commercialization of therapeutics for dogs and cats in the United States and Belgium. Its product portfolio includes multiple therapeutics and therapeutic candidates in development consisting of small molecule pharmaceuticals and biologics. It has a collaboration agreement with Elanco Animal Health to develop, manufacture and commercialize Grapiprant products.

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Kindred Biosciences

Kindred Biosciences, Inc., a biopharmaceutical company, focuses on the development of therapies for pets. The company's product pipeline includes small molecules and biologics for a range of indications in dogs, cats, and horses. Its lead product candidates comprise Zimeta, a dipyrone injection for the control of pyrexia (fever) in horses; and Miratаz, a mirtazapine transdermal ointment for the management of weight loss in cats.

Zomedica Pharmaceuticals

Zomedica Pharmaceuticals Corp. is a veterinary diagnostic and pharmaceutical company creating products for companion animals (canine, feline and equine) by focusing on the unmet needs of clinical veterinarians. Zomedica's product portfolio will include novel diagnostics and innovative therapeutics that emphasize patient health and practice health.

Creso Pharma

A Swiss-domiciled company seeking to sell products into Slovakia and The Czech Republic with a focus on the food supplements market for humans and animals. The Company's strategy is to leverage science and research to develop, register and commercialize new cannabis and hemp-derived therapeutic products based on solid scientific data.

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FINANCIALS

Profit and loss A$m	2017a	2018e	2019e	2020e	2021e	2022e
Sales revenue	0.0	-	2.0	10.0	18.0	26.0
Operating costs	(1.7)	(2.1)	(3.5)	(8.6)	(13.6)	(18.7)
EBITDA	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.4**	**7.3**
D&A	-	-	-	-	-	-
EBIT	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.4**	**7.3**
Net interest	-	-	-	-	-	-
PBT	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.4**	**7.3**
Tax	-	-	-	-	(0.1)	(2.2)
NPAT before minorities	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.2**	**5.1**
Minority interests	-	-	-	-	-	-
Reported NPAT	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.2**	**5.1**
Non-recurring items	-	-	-	-	-	-
Underlying NPAT	**(1.7)**	**(2.1)**	**(1.5)**	**1.4**	**4.2**	**5.1**
EPS diluted (c)	**(1.6)**	**(2.0)**	**(1.4)**	**1.3**	**3.9**	**4.7**

Financial metrics	2017a	2018e	2019e	2020e	2021e	2022e
Sales growth %	N/A	N/A	N/A	400.0	80.0	44.4
EPS growth %	N/A	N/A	N/A	-1.9	2.0	0.2
EBITDA margin %	N/A	N/A	-76.7	14.3	24.3	28.1
EBIT margin %	N/A	N/A	-76.7	14.3	24.3	28.1
Gearing (ND/ND&E) %	0.0	0.0	0.0	0.0	0.0	0.0
Interest cover (EBIT/Net int)	0	0.0	0.0	0.0	0.0	0.0
Average ROE %	-69.6	-25.2	-18.2	17.0	50.3	60.6
Average ROA %	-216.5	-45.6	-43.0	30.0	61.7	74.6
W'td ave shares (m)	93.1	93.1	93.1	93.1	93.1	93.1
W'td average shares diluted (m)	107.5	107.5	107.5	107.5	107.5	107.5

Cashflow A$m	2017a	2018e	2019e	2020e	2021e	2021e
EBITDA	(1.7)	(2.1)	(1.5)	1.4	4.4	7.3
Change in WC	(0.6)	-	(0.0)	(1.3)	(1.3)	(1.3)
Tax paid	-	-	-	-	(0.1)	(2.2)
Other	1.6	-	-	-	-	-
Net interest	0.0	-	-	-	-	-
Operating cashflow	**(0.8)**	**(2.1)**	**(1.5)**	**0.2**	**3.0**	**3.9**
Purchase of PP&E	-	-	-	-	-	-
Other	-	-	-	-	-	-
Investing cashflow	**-**	**-**	**-**	**-**	**-**	**-**
Debt proceeds	-	-	-	-	-	-
Equity proceeds	1.5	6.0	-	-	-	-
Dividends paid	-	-	-	(0.9)	(2.5)	(3.1)
Financing cashflow	**1.5**	**6.0**	**-**	**(0.9)**	**(2.5)**	**(3.1)**
Net cashflow	**0.8**	**3.9**	**(1.5)**	**(0.7)**	**0.4**	**0.8**

Sales and earnings multiples	2017a	2018e	2019e	2020e	2021e	2022e
P/E x	N/A	N/A	(12.3)	13.1	4.4	3.7
EV/EBITDA x	N/A	-23.4	-32.4	34.7	11.4	6.8
EV/EBIT x	N/A	-23.4	-32.4	34.7	11.4	6.8
EV/sales x	N/A	-	24.9	5.0	2.8	1.9
Dividend yield %	0.0	0.0	0.0	0.0	4.6	13.5

DDM valuation	A$m	A$/share
6.12% cost of equity, 3.0% terminal growth		
Enterprise value	49.7	
Net cash (debt)	0.8	
Equity value	50.5	0.47

Shares on issue	m
Ordinary shares	93.1
Performance shares	1.9
Options	12.5
Fully diluted	**107.5**

Balance sheet A$m	2017a	2018e	2019e	2020e	2021e	2021e
Cash	0.8	4.6	3.1	2.4	2.8	3.6
Receivables	0.0	0.0	0.3	1.3	2.3	3.3
PP&E	-	-	-	-	-	-
Intangibles	-	-	-	-	-	-
Deferred tax	-	-	-	-	-	-
Inventory	-	-	0.2	1.1	2.0	2.9
Total current assets	**0.8**	**4.7**	**3.6**	**4.8**	**7.1**	**9.8**
Other	-	-	-	-	-	-
Total assets	**0.8**	**4.7**	**3.6**	**4.8**	**7.1**	**9.8**
Accounts payable	-	-	0.4	1.1	1.7	2.3
Debt	-	-	-	-	-	-
Provisions	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities	**0.0**	**0.0**	**0.4**	**1.1**	**1.7**	**2.3**
Other	0.0	0.0	0.0	0.0	0.0	0.0
Total liabilities	**0.0**	**0.0**	**0.5**	**1.1**	**1.7**	**2.4**
Member's equity	2.4	8.4	8.4	8.4	8.4	8.4
Retained Earnings/(losses)	(1.7)	(3.8)	(5.3)	(4.8)	(3.1)	(1.0)
Total equity	**0.7**	**4.6**	**3.1**	**3.7**	**5.3**	**7.4**

Substantial shareholders	m erest	(%)
THE TRUST COMPANY LTD	17.211	16.0%
GEMELLI NOMINEES PTY LTD	8.683	8.1%
PEPAANNE PTY LTD	7.667	7.1%
MS TANIA MAREE VIDOVIC	6.884	6.4%
MR LAYTON PATRICK MILLS	6.884	6.4%
MS ANGELA MAREE BECROFT	1.721	1.6%
MS KATE ELOISE TOFT	1.721	1.6%
MR JOHN ANDREW RODGERS	1.452	1.4%
JOYRESS PTY LTD	1.398	1.3%
AJAVA HOLDINGS PTY LTD	1.344	1.3%
Total Top 10 Shareholders	**54.965**	**51%**

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CAPITAL POSITION

Under the Prospectus, CP1 sought to raise a minimum of $4m and a maximum of $6m by the issue of 30m Shares under the Public Offer at a price of $0.20 per share. CP1 was listed on 25 October 2017, achieving a capital raise of $6m.

For the quarter ending 30 June 2018, CP1 had a cash balance of $5.11m with operating cash outflows totalling $357,000. Estimated cash outflows for the next quarter are estimated to be $538,000.

CP1 Founder, Layton Mills, stated: *"CannPal is very pleased with the progress we have made this quarter. Completing the first phase of CPAT-01's PK and safety study was a major milestone for us and was bookended by very important research and manufacturing agreements. We were also delighted to be recognised and supported by CSIRO, which is further validation that we are well on the path towards producing clinically-validated, efficacious and high quality cannabis-derived therapeutics, for veterinarians and pet owners, which we hope will establish CannPal as a global leader in a $31 billion market."*

VALUATION

Because CP1 is yet to complete dose determination and dose confirmation studies, we do not expect the Company to make any significant profit until 2020.

Hence, we must use forecast earnings for FY21 for our valuation.

We have assumed CP1 to capture approximately 0.25% of both nutraceutical and pharmaceutical markets in FY19 and forecasted to grow by 1% every year. In addition, we have assumed CP1's gross profit margin to be 50%, and this is forecasted to grow by 5% each year.

For FY21, the market PE multiple is assumed to be 16.1 times earnings. Suggesting that CP1 should trade at a 25% discount to the market multiple in FY20 gives us a valuation of A$0.47/sh (16.1 times 75% times 3.9c equals A$0.47).

We are initiating coverage on CP1 with a 12-month price target of A$0.47/sh and a BUY recommendation. The price target is also underpinned by our DDM valuation which uses a cost of equity of 6.12%.

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BOARD AND MANAGEMENT

Board of Directors

Geoff Starr –Chairman

Geoff has extensive experience in the pet food industry bringing 35 years of executive experience, 15 years of which were at MC/CEO level, running Unilever and MAR's Group's pet food business in both Asia and Europe with over 20 brands in their portfolio, including the Royal Canin, Whiskas, Advance and Pedigree brands. He was former Chairman and Board member of the Australian Food and Grocery Council, Director of Foodbank Australia, and director of Australian Park where he also served as a member of the Research and Development Committee. He was also an Industry Adviser to the Australian Government for the Food and Beverage Industry and is now a Director of Food Innovation Limited.

Layton Mills – Founding/Managing Director

Layton Mills is the co-founder and Managing Director of CP1 and holds an advanced diploma in business management and marketing. Layton has spent nine years in the fast-moving consumer goods industry and has successfully launched a number of consumer goods into the Australian market, achieving national distribution. Prior to founding CP1, Layton was overseeing the brand portfolio of Advanced Brokerage Australia, a leading FMCG broker, with product ranges in Australia's leading grocery retailers, garnering Layton significant industry experience with market leading retailers, liaising with pet food, dairy and other category buyers. Layton has gained international business experience having been involved in business activities across Europe, Asia and North America. Layton has not previously served as a director of any other ASX listed companies.

Robert Clifford – Non-Executive Director

Rob has over 20 years of experience in brand implementation and business strategy and planning. His senior leadership roles have been in large multinational private and public corporations in Australia, China and Ireland. For over 25 years Rob has been at the forefront of Australia and New Zealand's hospitality industry, leading Australia's largest boutique catering brand: EPICURE. page 23 Rob is currently the President of the Irish Australian Chamber of Commerce – a national business organisation that facilitates trade and information exchange for a diverse membership base across Australia. Rob has not previously been a director of any other ASX listed companies.

Max Johnston – Non-Executive Director

Max has over 45 years of experience holding board positions across ASX listed companies such as Medical Developments Ltd, Probiotec Ltd, Enero Group Ltd and Polynovo Ltd. Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited and former Vice Chairman of the Australian Food and Grocery Council. Along with this, he has senior executive experience in market leading corporate companies such Unilever, United Distillers and Johnson & Johnson Pacific where he acted as Managing Director for a number of years.

Dr Kate Adams – Non-Executive Officer

Dr Kate Adams is an entrepreneur and Veterinarian with an interest in innovation, science and fast growing emerging biotechnology companies. Kate is an owner at Bondi Veterinary Hospital as well as CEO and Founder of Australian tech startup, Thankly. Kate holds tertiary qualifications in Science, Veterinary Medicine & Surgery, Marketing, Public Administration and is currently completing a Masters of Data Analytics. Kate has held senior leadership and advisory roles for the federal Attorney General's portfolio along with private company experience as the Director of Science, Technology and Intellectual Property at a corporate advisory firm. Kate has been practicing as a veterinarian for 10 years, having completed her Veterinary qualifications at Murdoch University.

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Management and R&D Team

Dr Margaret Curtis – Head of Research and Development

Dr Curtis is a qualified veterinarian with 17 years' of director experience with market leading animal health Company, Elanco. She has contributed to the development of animal health products for Elanco globally and her work has led to the approval of over 20 drugs in over 100 countries. Margaret has a strong track record for leading global teams across Australia, USA, Europe, Asia and Latin America.

Dr Jeffrey Sherman – Lead Toxicology

Jeffrey Sherman is a board certified senior Toxicologist with in depth knowledge of VICH GLP and GCP. Dr Sherman is also a Diplomat of the American Board of Toxicology with extensive experience in risk assessment, FDA regulations and veterinary medicines with local, state, federal and international jurisdiction legislative experience.

Kevin Willard – Senior Formulations Chemist

Kevin has expertise in formulation development, processing (clinical trial manufacture and technical transfer) and GMP Quality. He has specialised in CMC (Chemistry, Manufacturing and Controls) technical writing and 34 years of experience working with market leading Elanco Animal Health and Eli Lilly

Baden Bowen – Chief Financial Officer

Baden is a Chartered Accountant with more than 30 years of experience in administration and financial management within the accounting profession and commerce. His areas of specialty include company secretarial, financial accounting and management reporting for publicly and privately held Companies.

Dr Rayson Tan – Chief Scientific Officer

Dr Tan is a passionate and experienced veterinarian and scientist who currently serves as the regulatory and research ethics executive for one of Australia's most prominent medical research institutes with a focus on biomedical and veterinary science.

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KEY RISKS

Risk associated with clinical trials

Although the Company has undertaken rigorous pre-clinical works and development planning, the results of clinical trials are inherently uncertain. Clinical trials can result in unfavourable outcomes, or be suspended at any time for various reasons such as as serious adverse reactions or other safety issues for the primary targets, manufacturing errors and delays in the receipt of regulatory approvals for the trials.

Clinical trials take time

The process of clinical trials can take years before a drug capable of satisfying regulatory approvals in any market can be obtained. During the process of clinical trials, other risks can arise such as competitors announcing new drugs within the same sphere as the Company's drug candidates or a changing regulatory environment around the drug-candidate, which could lead to new challenges such as a lowering of barriers to entry for new competitors or the requirement for the Company to meet new regulatory hurdles.

Differentials in regulations and changes to regulations

The regulations around the world relating to medical cannabis and cannabis based products, are diverse and have been subject to change in various jurisdictions over recent years. In order to be able to sell its products in any jurisdiction, the Company is required to ensure that it complies with the legal requirements in that jurisdiction.

Use of controlled substances

The Company's proposed pharmaceutical products are to contain active ingredients that are controlled substances (cannabis) and their regulatory approval may generate public controversy. Although the process for the research, trials and development of any drug candidate for approval requires stringent evidence of the benefits and safety of the drug candidate, political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Company's products.

Supply risks

In order to complete its clinical research and ensuring consistency of results, the Company needs access to a consistent and high quality of medical cannabis oil. An inability to access oils with the required consistency or quality could mean that its trial results are compromised or delayed.

Competition from companies with greater resources

The animal health industry is dominated by 10 major companies, with the top five accounting for approximately 50% of the animal health market. Industry leaders have significant resources and could enter the market with competing cannabinoid based products which could significantly restrict the Company's ability to generate returns. Increased competition could have significant adverse effects on the Company's ability to generate a financial return.

Intellectual property risk

The Company is operating in the pharmaceutical and therapeutic industry, where formulations and brands are important to a commercialisation strategy. There are significant costs involved to ensure this intellectual property doesn't infringe on a competing company's IP and there are other significant risks that could have adverse effects on the Company moving forward, in relation to any infringements or intellectual protection.

Risks associated with adverse publicity

The Company is developing new therapeutic treatments for animals, using compounds from regulated botanicals (cannabis). Some of the compounds being investigated have been known for unwanted psychoactive effects, and this could lead to adverse publicity that could significantly impact the Company's ability to distribute its products.

Uncertainty of future profitability

The success of the Company's operations relies on the ability to achieve clinical trial success and generate products that are capable of being sold or licensed to generate revenue and profits for the Company. The Company's profitability will be impacted by the success of its research and clinical trials, and its ability to execute a successful commercialisation strategy of any products developed as a result of its various research activities.

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APPENDIX

The Opportunity in Pain

- The total global companion animal market for NSAID's, a preferred treatment option for pain, was worth over US $1.4 billion in 2015;
- Pets are living longer and over 60% of dogs aged between 7 and 11 years will experience arthritis;
- There are no pain drugs approved for chronic use in cats in the US;
- According to The Veterinary Cancer Society, cancer is the leading cause of death in 47% of dogs and 32% of cats with pain the most common side effect requiring palliative care;
- NSAID's dominate the market despite label warnings, side effect and toxicities; and
- R&D in animal health is slowing and market leaders have maturing portfolios. Consolidation is the growth strategy for major players looking for competitive advantage by adding new therapeutics to their portfolios.

Summary of the Drug Approval Process

The drug sponsor collects information about the safety and effectiveness of a new animal drug. The sponsor may need to conduct studies to get this information. For any studies that are performed, the sponsor analyzes the results.

Based on the collected information, including any study results, the sponsor decides if there is enough proof that the drug is safe and effective to meet the requirements for approval.

The sponsor submits a New Animal Drug Application (NADA) to CVM. The NADA includes all the information about the drug and the proposed label.

A team of CVM personnel, including veterinarians, animal scientists, biostatisticians, chemists, microbiologists, pharmacologists, and toxicologists, reviews the NADA. If the center's team agrees with the sponsor's conclusion that the drug is safe and effective if it is used according to the proposed label, CVM approves the NADA and the drug sponsor can legally sell the drug.

CVM – Center for Veterinary Medicine
ONADE – Office of New Animal Drug Evaluation
INAD – Investigational New Animal Drug
ADUFA – Animal Drug User Fee Act
NADA – New Animal Drug Application

Source: FDA Website

Licenses
An ODC licence allows you to legally cultivate and/or produce cannabis for medicinal or associated research purposes.

All licences will have conditions that require that any cannabis cultivated or produced is done in accordance with a permit. Once you have a licence, you can apply for a permit, which outlines the amounts and types of cannabis you can cultivate or produce.

A licence combined with a permit allows you to obtain cannabis material (such as equipment, seeds and nursery stock) and covers associated cultivation and production purposes.

Permits

A licence does not allow for the cultivation or production of cannabis unless accompanied by an associated permit, which will outline:

- the types of cannabis plants that can be cultivated;
- the quantities that can be produced;
- the timeframes in which authorised activities can occur; and
- the next party in the supply chain (specific manufacturer or researcher).

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Figure 10 Cannabis Licences provided to private and ASX-listed companies

16 April 2018

The following table is updated regularly to reflect the number of cannabis related licences that have been granted under the *Narcotic Drugs Act 1967* since November 2016.

Licence type	Number of licences granted
Medicinal Cannabis Licence (cultivation and production)	16
Cannabis Research Licence (cultivation and production)	10
Manufacture Licence	9

Licence holders generally remain anonymous. The Office of Drug Control will not disclose details of individual licence holders, such as names and jurisdictions, unless approved to do so or unless the licensee makes a public statement announcing their participation.

Note that the location of licensed premises are not disclosed even where a licence holder makes a statement about their licence. We also do not identify to state level, as this information may be able to be used to identify a licence holder.

Source: Office of Drug Control Website

Regulatory Pathway

Although cannabis is a prohibited substance for animal health in most jurisdictions, there is a clear framework (guided by the Single Convention on Narcotic Drugs of 1961) to allow CP1 to complete it clinical research to achieve regulatory approvals for a pharmaceutical drug derived from cannabis, with a clear number of precedents as shown below:

Figure 11 Comparable Products

Comparable approved products

Chemically synthesised cannabis medicine already available by legal prescription include:

- *Marinol* (appetite stimulant) FDA approved in 1985
- *Cesamet* (nausea) / *Nabilone* (pain) FDA approved in 1985

Naturally-derived include:

- *Sativex* (MS spasticity) is approved in over 28 countries and marketed in 16, showing a clear regulatory pathway for Cannabinoid derived drugs containing THC

Source: CP1 Non-Deal Roadshow Presentation June 2018

The Single Convention on Narcotic Drugs of 1961

The Single Convention on Narcotic Drugs of 1961 (Convention) is an international treaty to prohibit the production and supply of specific drugs except under licence for specific purposes, such as medical treatment, and is used as the basis for the standardisation of national drug-control laws. However, since the Convention is not self-executing, parties are required to pass laws to carry out its provisions. Some of these adopted frameworks include, but are not limited to:

- The Controlled Substances Act (US): the United States statute establishing federal U.S. drug policy under which the manufacture, importation, possession, use and distribution of certain substances is regulated;
- The Misuse of Drugs Act 1971 (UK): an Act of the Parliament of the United Kingdom that represents action in line with commitments under the Convention; and
- The Standard for the Uniform Scheduling of Medicines and Poisons (SUSMP): SUSMP is an Australian legislative framework produced by the Therapeutic Goods Administration (TGA) to classify drugs and poisons into different schedules as outlined in the Single Convention on Narcotic Drugs. Each State and Territory in Australia has its own particular controlled drugs Act and will apply to the Company depending on which State the research and development activities take place.

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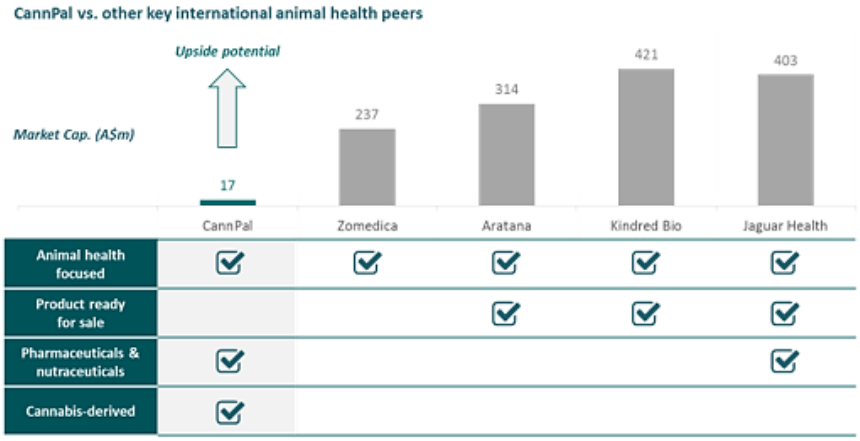
Capital Structure

Share Price (as at 10/08/2018)	$0.175
Equity	
Fully Paid Ordinary Shares	43,134,595
Undiluted Shares	43,134,595
FPO Escrowed until 25/10/2019	49,990,405
Unlisted options expire 24/03/2022	7,250,000
Unlisted options expire 10/07/2020	1,500,000
Unlisted options expire 26/09/2020	1,500,000
Unlisted options expire 01/06/2020	2,000,000
Unlisted options expire 09/11/2022	250,000
Performance rights escrowed until 25/10/2019	1,875,000
Diluted Shares	107,500,000
Undiluted Market Capitalisation	$ 7,548,554
Fully diluted Market Capitalisation	$ 18,812,500

Comparable Peers

Figure 12 Comparable Products



Source: CP1 Non-Deal Roadshow Presentation June 2018

21 August 2018

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EverBlu Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (25) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the EverBlu team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or EverBlu Capital policies.

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EverBlu Capital declares that it received financial compensation from CannPal Animal Therapeutics Limited for the preparation of this report. Investors should consider this report as a single factor in making their investment decision and should consider the information provided in light of their own personal circumstances and needs.

The author Russell Wright made contact with CannPal Animal Therapeutics Limited for the preparation of this report for the verification of facts.

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Buy	42.2%	(	4.2% of stocks with recommendations are EverBlu clients)
Speculative Buy	1.1%	(	100.0% of stocks with recommendations are EverBlu clients)
Hold	27.7%	(	0.0% of stocks with recommendations are EverBlu clients)
Underperform	29.0%	(	0.0% of stocks with recommendations are EverBlu clients)