29th October 2020 | CannPal Animal Therapeutics Limited | ASX: CP1
ASX ANNOUNCEMENT

CannPal 4C Quarterly Cash Flow Report for September 2020 Quarter

29th October 2020: Animal health company **CannPal Animal Therapeutics Limited (ASX:CP1)** ("CannPal" or "the Company") is pleased to update the market on its progress in the September 2020 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

The Company had a cash balance of $1.96m with operating outflows totalling $682k for the quarter, with $531k related to the costs associated with the research and development of the Company's lead pharmaceutical and nutraceutical products.

During the quarter, the Company received an R&D Rebate of $686k from the Australian Taxation Office under the Federal Government's Research and Development (R&D) Tax Incentive scheme, for R&D expenditure during FY20.

There were no related party payments for the period other than director fees in the ordinary course of business of $39k.

CPAT-01

During the quarter the Company received the Final Study Report for its Phase 2B Pilot Target Animal Safety Study (TAS) for CPAT-01, the Company's lead drug candidate in development for pain and inflammation in dogs. Finalisation of the Phase 2B TAS study did not identify major safety concerns with use of CPAT-01 in adult Beagle dogs when administered twice daily for 90 days at 1, 3, and 5 times the upper dose currently being considered. Drug associated observations in the study were mild, short-lived and for the most part seen only in the 3x and 5x dose groups.

The Company has also received its Final Bioanalytical Sample Analysis Report on the Quantitation of Cannabidiol (CBD) and (-) Δ9-Tetrahydrocannabinol (THC) Concentrations in Dog Plasma Samples from the Phase 2A Pilot Dose Determination Study to investigate the efficacy and clinical safety of varying CPAT-01 doses in client owned dogs diagnosed with osteoarthritis. Test results confirmed proportionate absorption of the drug with the increasing dose used in the study.

Biomarker and gene expression analyses have commenced on additional plasma samples, and quality assurance and quality control (QA/QC) appraisals of the critical clinical and safety databases for the Phase 2A study are in the final stages of completion. QA/QCed data from this study are being provided to Clindata, a globally recognised provider of statistical analyses for clinical studies, to evaluate the data for indicators of the safety, efficacy and mode of action of CPAT-01 when used for treating pain and inflammation in dogs with osteoarthritis. The results of the clinical, safety and biomarker evaluations are expected in Q4.

Communications with the Office of New Animal Drug Evaluation (ONADE) within the Food and Drug Administration, Centre for Veterinary Medicine (FDA-CVM) are ongoing and The Company expects to hold its pre-submission conference (PSC) with the regulatory agency once all study reports have been finalised.

Nutraceuticals

During the quarter, CannPal was delighted to announce the completion of its randomized, double-blind, placebo controlled clinical trial for DermaCann®, the Company's lead nutraceutical product in development for healthy skin and immune function in dogs.

DermaCann® was confirmed to substantially reduce CADESI-4 scoring in dogs with Atopic Dermatitis by an average of 51% after 56 days of treatment, compared to the placebo group which reported a slight increase. CADESI-4 (Canine Atopic Dermatitis Extent and Severity Index) is a gold standard method used to grade skin lesions in clinical trials to assess the impact of treatments for dogs with Atopic Dermatitis.

CannPal will use the positive results from this trial as supportive efficacy data for the registration and commercialisation of DermaCann® in multiple markets as a nutraceutical for healthy skin and immune function for dogs.

During the quarter the Company commenced the application process for the registration of DermaCann® as a herbal supplement with the South African Department of Agriculture, Forestry and Fisheries, and entered into an agreement to commence manufacturing activities in the United States for the commercialisation of DermaCann® in the U.S in early 2021.

The global canine skin and dermatitis market is worth over US$1b globally, and the launch of DermaCann® will provide the veterinary market with a unique CBD-derived and clinically validated product to be used as a beneficial therapy in a canine atopic dermatitis management regimen.

Pilot Launch of Joint Health Supplement

During the Quarter, the Company successfully commenced a small-scale commercial trial for a new Joint Health Supplement produced using MicroMAX® technology, under a new direct to consumer brand on the Amazon platform in the U.S.

MicroMAX® is a patented encapsulation technology platform designed to encapsulate microscopic droplets of oil in a special food grade material, to protect bioactive ingredients from oxidation, and help deliver them to the gastrointestinal (GI) tract for better absorption.

In January 2020, CannPal was granted the global exclusive rights to commercialise patented MicroMAX® microencapsulation technology by the commonwealth scientific and Industrial research organisation (CSIRO) for use in the field of Animal Therapeutics **[ASX Announcement: Jan 6, 2020].**

The Joint Health supplement contains a proprietary hemp-derived oil formulation which was part of an *in-vitro* canine inflammation research model to evaluate the anti-inflammatory effects of various CannPal formulations. Data from the research model confirmed the formulation significantly (p-value <0.0001) reduced the expression of pro-inflammatory biomarkers when compared to control.

Amazon provides the Company with direct access to U.S consumers to market test the product, without a material impact on CannPal's resources, via the FBA (Fulfillment by Amazon) distribution platform. Amazon is one of the leading distribution channels for pet supplements in the United States.

The Company does not intend for revenues to be material during the initial pilot evaluation of the product, while it continues to place focus and resources on its lead pharmaceutical and nutraceutical products.

CannPal Managing Director, Layton Mills

The Company has made continuous progress through-out the 1st quarter of the new financial year, despite the continuing challenges faced by all Companies as a result of Coronavirus in 2020. We remain well capitalised, having received another healthy R&D rebate for expenditure made in FY20, and expect to continue with the same focus and momentum for the remainder of the financial year.

About CannPal Animal Therapeutics

CannPal Animal Therapeutics Limited (ASX: CP1) is an animal health Company with a mission to provide pet owners and veterinarians with access to high quality, evidence based, plant derived therapeutic products to promote better health and well-being for animals.

Presently, the Company is focused on the development of pharmaceutical and nutraceutical products for dogs, for commercialisation in various markets around the world, using compounds derived from the hemp and cannabis plant.

To learn more please visit: www.cannpal.com

This announcement has been approved and authorised to be given to ASX by Mr Geoff Starr, the Chairman Animal Therapeutics Limited.

ENDS

For further information, please contact:

CannPal Animal Therapeutics
Layton Mills
Managing Director
M: 0431 302 667
E: Layton@cannpal.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
CannPal Animal Therapeutics Limited	
ABN	**Quarter ended ("current quarter")**
88 612 791 518	30 September 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	6	6
1.2	Payments for		
	(a) research and development	(531)	(531)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(30)	(30)
	(f) administration and corporate costs	(121)	(121)
1.3	Dividends received (see note 3)		
1.4	Interest received	2	2
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	686	686
1.8	Other – ATO cash boost	37	37
1.9	**Net cash from / (used in) operating activities**	**49**	**49**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(d) investments		
	(e) intellectual property		
	(f) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**		

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**		

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,915	1,915
4.2	Net cash from / (used in) operating activities (item 1.9 above)	49	49
4.3	Net cash from / (used in) investing activities (item 2.6 above)		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (3 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)		
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of period**	**1,964**	**1,964**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	1,964	1,915
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**1,964**	**1,915**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	39
6.2	Aggregate amount of payments to related parties and their associates included in item 2	

The payment in 6.1 above was for normal directors' fees in the ordinary course of business.

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	**Total financing facilities**		

7.5	**Unused financing facilities available at quarter end**	

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (Item 1.9)	49
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,964
8.3	Unused finance facilities available at quarter end (Item 7.5)	
8.4	Total available funding (Item 8.2 + Item 8.3)	1,964
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	The Company has sufficient cash reserves to continue operations and meet its business objectives.

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 29 October 2020

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.