

29th Jan 2019 | CannPal Animal Therapeutics Limited ACN: 612 791 518 | ASX:CP1

CannPal 4C Quarterly Cash Flow Report for December 2018 Quarter

Highlights for the quarter ending 31 December 2018

- Successfully completed the live segment of Phase 1B Study for CPAT-01, in development for pain and inflammation control in dogs;
- Commenced protocol development for the Phase 2A study for CPAT-01;
- Received first import of CBD in New Zealand for DermaCann and advanced formulation development ahead of canine skin study;
- Commenced protocol development for DermaCann skin study;
- Advanced the Company's research collaboration with CSIRO to evaluate food production technologies using CannPal's oil formulations; and
- Received R&D Tax refund of \$297,299.

29th January 2019: Animal health company **CannPal Animal Therapeutics Limited (ASX:CP1)** ("CannPal" or "the Company") is pleased to update the market on its progress in the December 2018 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period ending 31 December 2018.

The Company had a cash balance of \$4.55 million with operating cash outflows totaling \$510,000 for the quarter, primarily related to the costs associated with the research and development of the Company's lead pharmaceutical and nutraceutical drug candidates along with administration, staff and corporate costs. An increase in corporate costs for the December quarter can be largely attributed to legal costs and fees associated with the management of the Company's R&D tax refund, in which CannPal received a total refund of \$297,299.

CPAT-01

During the quarter, the Company successfully completed the live segment of Phase 1B, a GLP (good laboratory practices) dose ranging, pharmacokinetic and safety study for CPAT-01, CannPal's lead drug candidate in development for pain and inflammation control in dogs;

Over 48 Beagle and Foxhounds were recruited for the second phase of the study across various weights and ages, taking the total number of dogs assessed by CannPal to 59. No adverse events were reported in dogs across all treatment groups.

The data generated in Phase 1 (A&B) is being used to draft the study design for the Phase 2A, a pilot clinical study that will determine an effective dose in client-owned animals with osteoarthritis. Recruitment for this study is expected to commence in H1 2019.



In previous communications the Company indicated an intention to start the Phase 2A study in Q4 2018, however results from Phase 1A, lead to changes in the study design for Phase 1B. These revisions meant that completion of the live segment for Phase 1B was not until the end of 2018. Since data from Phase 1B is needed for Phase 2A, this study is now expected to commence late in H12019. The Company remains fully funded to complete its Phase 2 pilot studies for CPAT-01.

Nutraceuticals

DermaCann

During the December quarter CannPals manufacturing partner, JayChem Industries Ltd ('JayChem') received a permit from the New Zealand Ministry of Health (MOH) to import cannabidiol, allowing CannPal to successfully import its first shipment of cGMP (current good manufacturing practices) grade cannabidiol into New Zealand for the DermaCann developmental work.

DermaCann is CannPal's lead nutraceutical product being developed as a CBD (cannabidiol) derived oral skin supplement for dogs.

JayChem successfully completed lab formulation work for DermaCann in the December quarter and will be manufacturing a batch to commence a canine skin study to evaluate DermaCann's effect on skin health in H1 2019. CannPal has commenced drafting the protocol for the study and will be seeking ethics approval in the coming weeks. This batch also marks the beginning of DermaCann's formulation stability program.

The Company intends to use the safety data generated from the CPAT-01 developmental work along with the results of the upcoming skin study to prepare a dossier to seek complementary animal health product approval (CAHP) with the APVMA (Australian Pesticides and Veterinary Medicines Australia) to allow for the legal sale of DermaCann through Australian veterinarians.

CAHP is a regulatory pathway in Australia generally suited towards nutraceutical, herbal or marine derived animal health products. CAHP's are eligible for evaluation for registration with reduced data submissions, compared with the data requirements for pharmaceutical or immunobiological products.

DermaCann is a part of CannPals's strategy to leverage alternative regulatory pathways to provide pet owners with better access to evidence-based nutraceutical products using compounds derived from the cannabis plant. Work on nutraceutical or complementary animal medicine pathways can be leveraged across the Company's entire portfolio and enables earlier potential revenues.

CSIRO Research Collaboration

The Company is also pleased to announce that during the quarter CSIRO successfully completed the first stage of the organisation's research collaboration with CannPal.



CannPal and CSIRO are undertaking research into the use of food production technologies to enhance the delivery of hemp and cannabis-derived therapeutic formulations in animals, with CannPal having received a \$50,000 grant from CSIRO to contribute to the project.

The objective of this milestone was to evaluate the feasibility of CSIRO's food producing technologies to develop CannPal's oil formulations into a powdered format, with the first phase being successful.

Figure A



Figure B



Figure A) CannPal proprietary oil formulations; D) Oil formulations converted into powdered formats using CSIRO food production technologies.

Powdered formulations using this type of technology could allow the Company more flexibility in the development of different delivery systems for animals across its nutraceutical pipeline. CannPal is actively exploring opportunities to leverage this innovative technology across the Company's current portfolio.

CSIRO is Australia's national science agency and one of the largest and most diverse research agencies in the world. They work with a broad range of industries to develop new products and processes, including in the healthcare sector.

Corporate:

CannPal remains well capitalised with \$4.4M cash at bank as at 31 December 2018, providing the runway required to reach the milestones that the Company has previously communicated to the market, including CannPal's Phase 2 Pilot studies for CPAT-01.

The Company's diligent budget management has allowed CannPal the flexibility to continue to build its value proposition across its portfolio to place the Company in a position to commence exploring commercialisation opportunities for its pharmaceutical and nutraceutical products in the 2019 calendar year.

CannPal's Chairman, Mr Geoff Starr:

"I'm extremely happy with the progress that CannPal has made in the December quarter, and particularly the Company's progress with our nutraceutical program, while maintaining focus on our lead pharmaceutical. Our strategy has been to remain focused and diligent in the development of compliant animal health products and that work is beginning to pay off as we're getting closer towards getting CannPal in a position to explore commercialization opportunities in 2019. I'm looking forward to the team continuing with the same momentum throughout the new-year."

CannPal's Founder and Managing Director, Layton Mills:

"I am very excited about the progress that we're making across our entire portfolio. Our work so far continues to build confidence that CannPal will be able to develop and commercialise compliant and evidence-based products for companion animals in the areas of pain and osteoarthritis, as well as skin and joint health. I'm looking forward to commencing our Phase 2 pilot studies for CPAT-01 and the potential to explore commercialisation opportunities for our nutraceutical products in 2019".

About CannPal Animal Therapeutics

CannPal Animal Therapeutics Limited (ASX: CP1) is a pharmaceutical-focused animal health Company researching the benefits of medical cannabis for companion animals.

CannPal is researching and developing medicines derived from cannabinoids to provide veterinarians with clinically validated and standardised therapeutics to treat animals in a safe and ethical way.

CannPal has identified a significant opportunity to benefit from the rapidly growing medical cannabis and health markets by developing innovative therapeutics derived from the cannabis plant. The Company is working closely with regulatory authorities and veterinary research organisations conducting clinical trials to commercialise therapeutic products that will meet regulatory approval and support the health and well-being of companion animals.

To learn more please visit: www.cannpal.com

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

CannPal Animal Therapeutics Limited

ABN

88 612 791 518

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) research and development	(285)	(530)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(25)	(52)
(f) administration and corporate costs	(200)	(325)
1.3 Dividends received (see note 3)		
1.4 Interest received	48	53
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	297	297
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(165)	(557)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) 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 shares		
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options		
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 quarter/year to date	4,722	5,114
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(165)	(557)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		
4.4 Net cash from / (used in) financing activities (item 3.10 above)		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	4,557	4,557

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	807	722
5.2	Call deposits	3,750	4,000
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)	4,557	4,722

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	42
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	738
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	25
9.6 Administration and corporate costs	180
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	943

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity		
10.2 Place of incorporation or registration		
10.3 Consideration for acquisition or disposal		
10.4 Total net assets		
10.5 Nature of business		

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.



Sign here:

Company Secretary

Date: 29 January 2019

Print name: Baden Maxwell Bowen

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.