24th April 2019 | CannPal Animal Therapeutics Limited ACN: 612 791 518 | ASX:CP1

CannPal 4C Quarterly Cash Flow Report for March 2019 Quarter

Highlights for the quarter ending 31 March 2019

- Completed further testing on inflammatory cytokines, neuro-transmitters and gut metabolites in blood samples taken from Phase 1 studies for CPAT-01;
- Received ODC (Office of Drug Control) permits to import clinical trial material for CPAT-01 Phase 2A osteoarthritis study, with veterinary clinic recruitment underway;
- Commenced protocol design for CPAT-01 Phase 2B Target Animal Safety (TAS) study;
- Commenced recruitment of veterinary dermatology clinics to evaluate the safety and efficacy of DermaCann in dogs with atopic dermatitis and/or allergic dermatitis;
- Successfully completed initial technology evaluation of CSIRO-patented micro-encapsulation technology, confirming applicability across CannPal's oil formulations.

24th April 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 March 2019 quarter and attaches its Appendix 4C Quarterly Cash Flow report and market update for the period ending 31 March 2019.

Corporate Update

The Company had a cash balance of $4.09 million with operating cash outflows totalling $464,000 for the quarter, with $299,000 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.

CannPal remains well capitalised, providing the runway required to reach key milestones previously communicated to the market, including CannPal's Phase 2A and B pilot studies for CPAT-01, and completing the development of DermaCann.

CSIRO Research Collaboration

During the quarter the company successfully completed its initial technology evaluation of CSIRO's micro-encapsulation technology. CannPal and CSIRO are undertaking research into the use of CSIRO-patented technologies to enhance the delivery of hemp and cannabis derived compounds in animal health.

The Company has identified that CSIRO's micro-encapsulation technology has applicability across CannPal's proprietary oil formulations. Micro-encapsulation allows ingredients and oil formulations to be spray dried into a stable powder with high loading of active components and long shelf life at 25°C.

The technology performed well in the final evaluation at CSIRO's food innovation centre in Werribee, and CannPal is working with CSIRO to scale up the micro-encapsulation process to explore commercial opportunities that may be available for applications in animal health.

During the quarter CannPal engaged Australian, HACCP and GMP accredited pet food manufacturer Next Generation Pet Foods, to provide support for the development of additional product formats incorporating CannPal's micro-encapsulated oil formulations.

CPAT-01 Update

During the quarter, the Company successfully completed further testing for inflammatory cytokines, neuro-transmitters and gut metabolites in blood samples taken from Phase 1 studies for CPAT-01, the Company's lead candidate in development for pain and inflammatory control in dogs.

Significant differences ($p<0.05$) accounting for time, pre-treatment values and group x time interaction were observed in biomarkers known to be associated with modulation of anti-inflammatory processes in treatment groups compared to placebo.

The results will be presented alongside the pharmacokinetic, safety and gene expression data generated through Phase 1, to file the Company's Investigational New Animal Drug (INAD) application with FDA/CVM (Food and Drug Administration/Centre for Veterinary Medicine), which is in the final stages of preparation.

The Company is also pleased to announce it received its ethics approval and import permits from the Office of Drug Control (ODC), allowing the Company to import its clinical trial material for the commencement of the Phase 2A pilot study for CPAT-01.

The clinical trial is a randomized, double-blind, placebo-controlled study in dogs with osteoarthritis, with an estimated 60 dogs expected to participate in the trial. The Company is in the final stages of protocol development and has commenced recruiting veterinary clinics to enroll dogs for the 6 week study.

The Company is also pleased to announce it has commenced the protocol development for CannPal's Phase 2B pilot Target Animal Safety (TAS), which remains on track for commencement in 2H 2019.

CPAT-01 Cats

The Company would like to inform the market that it will be temporarily pausing its planned pharmacokinetic feline study during 2019.

With a number of active clinical trials underway, the Company will focus resources on the continued development of CPAT-01 in dogs, the development of DermaCann and the exploration of commercial opportunities that may be available as a result of the Company's technology evaluation with CSIRO.

CannPal received ethics approvals in Q4 2018 to commence a comprehensive pharmacokinetic and safety study in cats across two different research sites in Australia, and intends to re-visit start dates for the study later in 2019.

Nutraceuticals

DermaCann

During the Quarter CannPal also received ethics approval to evaluate the safety and efficacy of DermaCann in dogs with atopic dermatitis and/or allergic dermatitis. The Company is in the final stages of protocol development for the randomised, double-blind,

placebo-controlled study, and has commenced recruiting veterinary dermatology clinics to enroll approximately 30 dogs for the 6 week trial.

The Company intends to submit an application for Complimentary Animal Health Product approval (CAHP) with the Australian Pesticides and Veterinary Medicines Authority (APVMA) at the completion of the study. A CAHP approval would allow veterinarians the ability to legally prescribe DermaCann to pet owners in Australia.

There are no prescription animal medicines legally available for sale in the Asia-Pacific market containing cannabidiol (CBD), and the Company believes there's a significant market opportunity for an evidence-based, compliant and regulatory approved product for dogs containing CBD with first-to-market advantage.

CannPal's Chairman, Mr Geoff Starr:

"I'm very happy with Management's continued momentum across the Company's core dog programs, as we continue to manage resources, while completing robust research that we hope will set CannPal apart from our peers. We will continue to focus on progressing work that brings us closer to the commercialisation of our first animal health products."

CannPal's Founder and Managing Director, Layton Mills:

"We've made strong progress this quarter and remain fully funded to reach key milestones previously communicated to the market, including CannPal's Phase 2A and B pilot studies for CPAT-01, and completing the development of DermaCann. Our vision is to be a global leader in the development of compliant and evidence based cannabinoid-derived therapeutics for companion animals, and our work continues to evidence our ability to reach that goal."

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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+Rule 4.7B

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	**Quarter ended ("current quarter")**
88 612 791 518	31 March 2019

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development	(299)	(829)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(27)	(79)
	(f) administration and corporate costs	(141)	(466)
1.3	Dividends received (see note 3)		
1.4	Interest received	3	56
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		297
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(464)**	**(1,021)**

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 (9 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	4,557	5,114
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(464)	(1,021)
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 (9 months) $A'000**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**4,093**	**4,093**

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	343	807
5.2	Call deposits	3,750	3,750
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)**	**4,093**	**4,557**

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

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

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**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	858
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	28
9.6	Administration and corporate costs	227
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	1,113

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: Date: 24 April 2019

Company Secretary

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.