



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

CannPal 4C Quarterly Cash Flow Report for March 2020 Quarter

29th April 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 March 2020 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

The Company had a cash balance of \$2.42m with operating outflows totalling \$594k for the quarter, with \$489k related to the costs associated with the research and development of the Company's lead pharmaceutical and nutraceutical drug candidates.

In response to COVID-19, CannPal has adapted its research programs to minimise the impact of coronavirus across its program of works, allowing the Company capacity to complete the milestones it has previously communicated to the market.

CPAT-01

The Company continued to make progress across all key milestones for CPAT-01, the Company's lead drug candidate in development for the control of pain and inflammation associated with osteoarthritis, and is pleased to announce the successful completion of the live phase of its Phase 2B Target Animal Safety Study (TAS) in Canada.

The TAS study was a 3-month clinical trial evaluating high dose ranges of CPAT-01 to confirm a broad safety profile for the drug candidate, which was hypothesised from the Company's earlier pharmacokinetic and safety studies completed in 2019.

20 Dogs were dosed twice daily in groups with either 0, 1, 2.5 or 5 times the planned treatment dose for a period of 90 days, to determine an appropriate margin of safety for the drug. Outcomes from initial TAS studies are expected to provide good indications of the outcome from a pivotal six-month study. Results are expected in June 2020.

Recruitment for the Phase 2A pilot dose determination study continued during the quarter, reaching more than 80% of planned enrolment. So far, 71 dogs have been screened for the Phase 2A pilot study in osteoarthritic dogs, and 46 dogs have either completed or currently remain on treatment.

However, recent substantial slowing in enrolment due to the impact of COVID-19, and the social distancing measures implemented by the State and Federal governments in Australia, has led CannPal to the decision to complete the study after the 46th dog finishes treatment.

This remains one of the largest randomised, double-blind, placebo-controlled trials in osteoarthritic dogs, using both THC and CBD, firmly establishing CannPal as a leader in the cannabinoid-derived animal health industry. Results from this study are expected to be available by Q3 2020.

The data generated will provide key insights into the effects of CPAT-01 for the symptoms associated with osteoarthritis, which will be used to determine next steps for the ongoing pilot and pivotal research programs.

CannPal has continued with its regulatory preparations for an upcoming pre-submission conference (PSC) with the Food and Drug Administration, Centre for Veterinary Medicine (FDA-CVM).

The PSC will be an opportunity for CannPal to start sharing data for the ongoing development of CPAT-01 with the regulatory agency. The PSC was intended to take place in the USA in Q2 2020 but will now be held virtually due to the restrictions placed on international travel.

Nutraceuticals

Recruitment for the DermaCann® pilot field study has also been impacted by the challenges associated with COVID-19.

While recruitment had continued during the period, with 13 dogs either completed or currently remaining on treatment (up from 5 in Q4 2019), the social distancing measures implemented by the State and Federal governments in Australia have made it particularly challenging for this trial.

Due to the interactions required between the specialist dermatologists, contract research organisation (CRO), pets and their owners, there has been a substantial slowing in enrolment which has led CannPal to the decision to finalise the study after the 13th dog completes treatment.

CannPal will proceed with testing for anti-inflammatory and inflammatory biomarkers using the blood samples taken from the currently enrolled dogs to support its commercialisation strategy. These research activities will be completed in laboratories that are capable of continuing work during this period and are expected to commence in early H2 2020.

CannPal will proceed with its planned Target Animal Safety study for DermaCann®, which is also now expected to commence in H2 2020.

The Company is well capitalised to complete the remaining research activities for the program.

Pilot Launch of Joint Health Supplement

During the quarter, 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.

MicroMAX® is CSIRO's 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.

CannPal is pleased to announce that it has progressed its pilot launch for a new Joint Health Supplement containing the formulation that was central to the 18-month evaluation of MicroMAX®, under a new direct to consumer brand, max by CannPal.

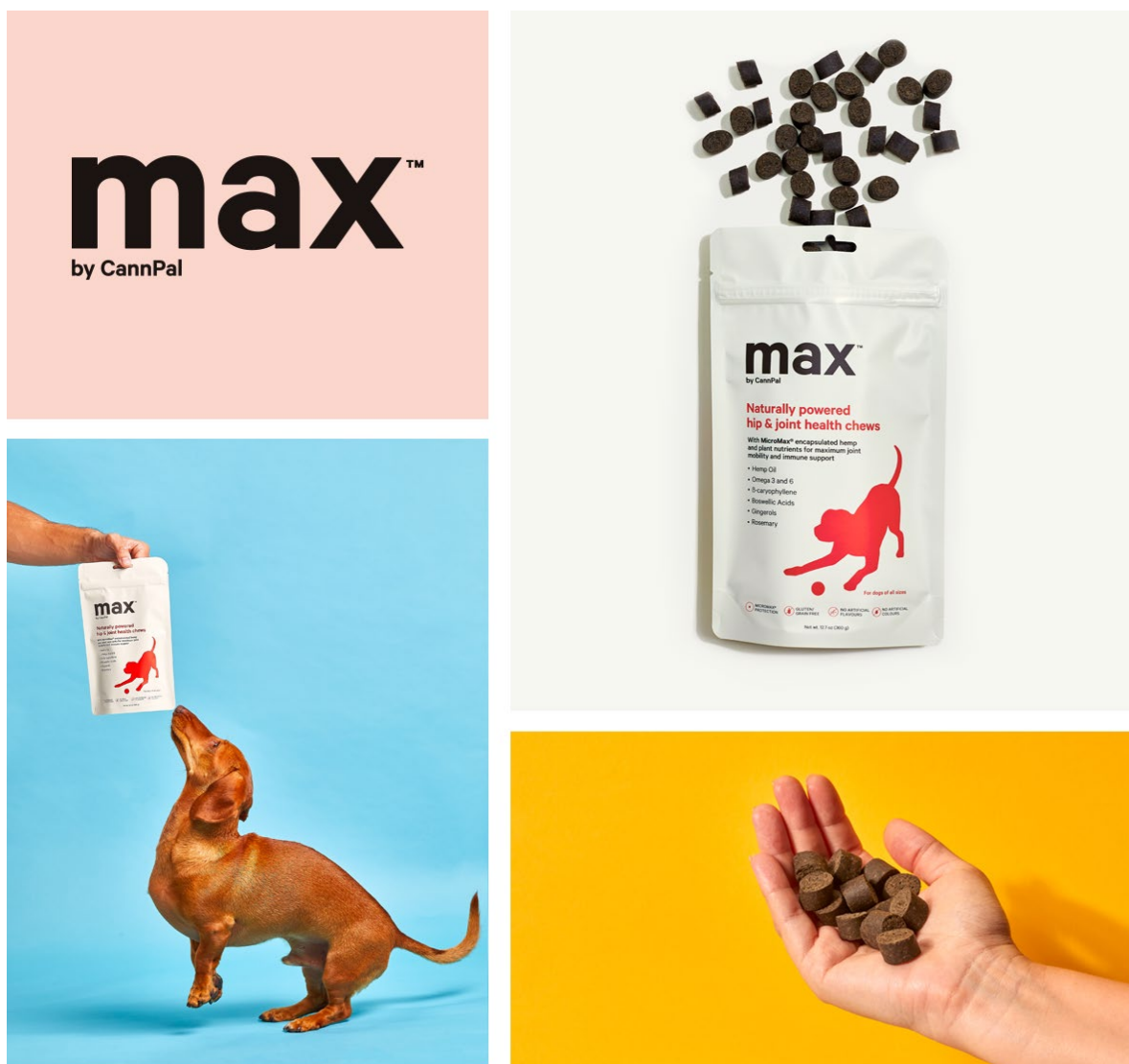
The supplement contains a proprietary hemp-derived oil formulation which was part of an *in-vitro* canine inflammation research model to evaluate the anti-inflammatory effects of various CannPal formulations. Data from the research model confirmed the formulation significantly (p-value <0.0001) reduced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

CannPal has now entered into a manufacturing agreement with leading Australian pet food Company, Next Generation Pet Foods, to produce a pilot batch of the product for market evaluation in the United States, using the Amazon platform.

Amazon provides the Company with a cost-effective platform to access consumers in the United States to market test the product, via the FBA (Fulfillment by Amazon) distribution channel. Amazon is one of the leading distribution channels for pet supplements in the United States.

The product contains natural anti-inflammatory compounds from hemp and other plants that act to support the endocannabinoid and immune system in the dog. The recognised safety profile of the ingredients allows the Company capacity to commercialise the product without the approvals that would be required for a veterinary prescription product.

A presentation on the new Joint health supplement is attached after the 4C Cash Flow Report and more information can be found on the max by CannPal website at <http://www.maxbycannpal.com>



CannPal is also pleased to share that CSIRO has published a case study on the development of CannPal's new Joint Health Supplement on the CSIRO website, which can be viewed using the following link:

<https://www.csiro.au/en/Do-business/Solutions-for-SMEs/Our-track-record-working-with-SMEs/Kick-Start/CannPal-Animal-Therapeutics>

The Company does not intend for revenues to be material during the initial pilot evaluation, while it continues to place focus on the completion of its Phase 2B study for CPAT-01 and the completion of the DermaCann® program which both remain CannPal's present focus.

CannPal Managing Director, Layton Mills

“Despite the challenges associated with COVID-19, CannPal made positive progress with the CPAT-01 research program and has implemented changes to the DermaCann® development plan that will allow the Company capacity to complete the program with minimal impact on time and budget.

While it is a challenging environment at present, the Company remains capitalized to reach our major milestones, and remains committed to maximising shareholder capital, while placing added focus on activities that can provide CannPal with near term commercial outcomes”.

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

88 612 791 518

Quarter ended ("current quarter")

31 March 2020

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	(489)	(1,078)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(29)	(81)
(f) administration and corporate costs	(76)	(362)
1.3 Dividends received (see note 3)		
1.4 Interest received	10	52
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	589	589
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	5	(880)
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 (9 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	2,420	3,305
4.2	Net cash from / (used in) operating activities (item 1.9 above)	5	(880)
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 (9 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	2,425	2,425

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	2,425	2,420
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)	2,425	2,420

**6. Payments to related parties of the entity and their
associates**

6.1 Aggregate amount of payments to related parties and their
associates included in item 1

6.2 Aggregate amount of payments to related parties and their
associates included in item 2

**Current quarter
\$A'000**

42

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.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000

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)

5

8.2 Cash and cash equivalents at quarter end (Item 4.6)

2,425

8.3 Unused finance facilities available at quarter end (Item 7.5)

8.4 Total available funding (Item 8.2 + Item 8.3)

2,425

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 April 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.

maxTM

by CannPal

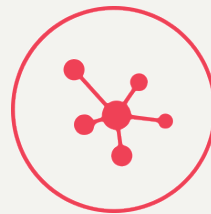
More than just a chew.





Naturally powered

Powerful phytonutrients like hemp, terpenes and gingerols, clinically researched to support joint and immune health



Improved by science

Enhancing our powerful plant extracts with MicroMAX[®] encapsulation technology, for maximum benefit



Made with love

Our chews are born from our mission to create the most innovative, natural health remedies your pets will love

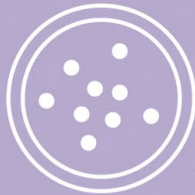


Our chews work smarter with MicroMAX[®] protection

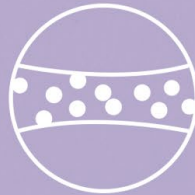
To ensure your dog gets the best, we coat our powerful plant-extracts with patented MicroMAX[®] encapsulation - an innovative technology developed by the CSIRO, that helps shield our chews from light, air and the acids in the stomach, giving your four-legged friend the ultimate healthiest boost with every chew



High quality,
plant-derived
extracts



A natural food
grade micro-
encapsulation
coating



Protecting our
chews from light,
air and the acids in
the dogs stomach



So more goodness
reaches the right
part of your dog's
digestive tract



Powerful, natural ingredients.

Hemp oil

An abundant source of phytonutrients, and a natural source of Omega 3 and 6 fatty acids that can enhance synovial cell survival in your dog's joints.

β -caryophyllene

A powerful dietary cannabinoid that can influence CB2 cannabinoid receptors, to help target inflammation and promote optimal joint health.

Gingerols

Ginger derived gingerols are powerful anti-inflammatories researched for symptoms associated with osteoarthritis, supporting healthy joints and mobility.

Boswellic acids

A frankincense resin extract, Boswellic Acids can help promote healthy joint function while providing immune support.

Rosemary

A natural antioxidant that keeps the natural oils from our plant extracts as stable for as long as possible.

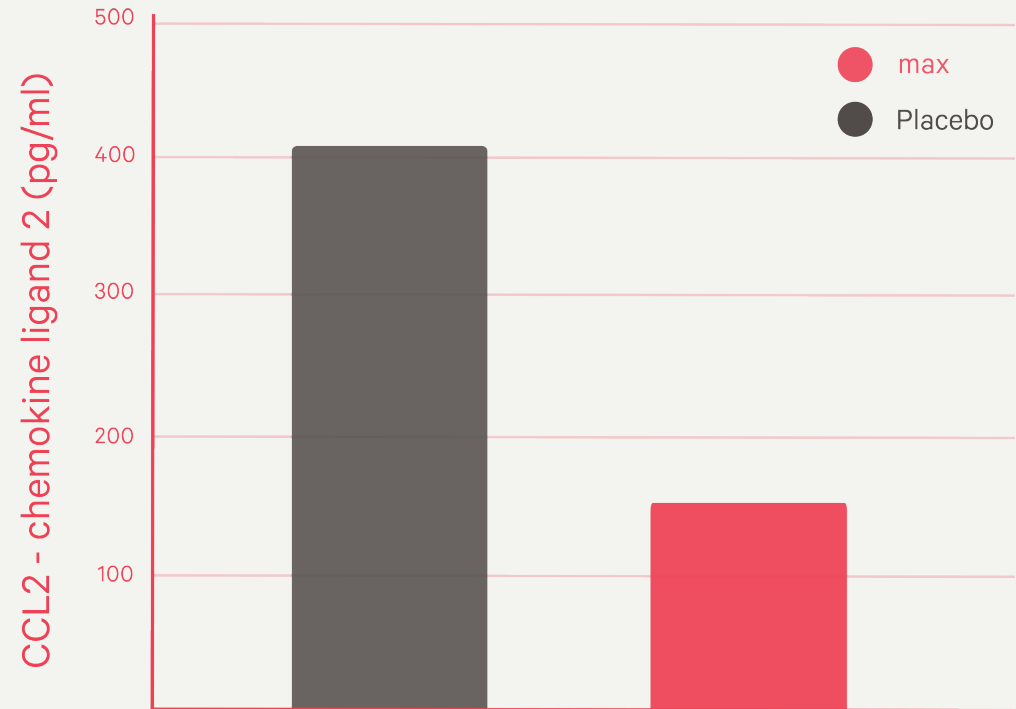


Backed by science.

It's tough seeing your best buddy suffer from poor hip and joint health. Which is why our chews are formulated with powerful plant-extracts, clinically researched to support joint function and promote a healthy immune response in dogs.

The plant oils in our chews have been shown to significantly reduce biomarkers* in dog cells associated with inflammation, when compared to placebo, after only 24 hours of exposure.

Meaning – science aside – your four legged friend will get the ultimate boost with every chew.



*Reduction of CCL2 in dog fibroblast cells after 24 hours of treatment with max compared to placebo

Powered by nature, improved by science, made with love.



Real meat chews with no grain, gluten, GMO's or artificial preservatives.



Powerful plant extracts to help boost your dogs immune system.



Scientifically shown to reduce inflammatory markers for better hip and joint support.



Our chews work smarter with MicroMAX[®] encapsulation for maximum effect.



More than just a chew, a promise.

At CannPal, we swear by one thing and one thing alone - we will stop at nothing when it comes to giving your four-legged friend the finest, most natural health supplements around.

Our belief in the power of mother nature runs deep and we won't stop in our pursuit of discovering and creating the most innovative plant-derived health remedies you and your pets will enjoy; remedies powered by nature, improved by science and made with love.



available at
amazon

