30th July 2020 | CannPal Animal Therapeutics Limited | ASX: CP1
ASX ANNOUNCEMENT

CannPal 4C Quarterly Cash Flow Report for June 2020 Quarter

30th July 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 June 2020 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period.

The Company had a cash balance of $1.91m with operating outflows totalling $509k for the quarter, with $456k related to the costs associated with the research and development of the Company's lead pharmaceutical and nutraceutical drug candidates.

There were no related party payments for the period other than the director fees in the ordinary course of business ($42k).

The Company has commenced preparations for the registration of R&D activities for FY20 under the R&D Tax Incentive Scheme for expenditure related to research and development activities undertaken during the previous financial year (expenditure estimated at $1.6m).

The R&D Tax Incentive Scheme is an Australian Government program under which companies receive cash refunds for 43.5% of eligible expenditure on research and development, which would provide CannPal with an estimated $690k in H2 2020.

The Company remains well capitalised as it looks to advance the commercialisation efforts for the Company's lead R&D programs.

CPAT-01 Phase 2 Pilot Studies

The Company is in the concluding stages of the Phase 2A and 2B pilot studies for CPAT-01, the Company's lead drug candidate in development for pain and inflammation in dogs with osteoarthritis.

The Company has successfully completed its Phase 2B Pilot Target Animal Safety Study (TAS), a 3-month clinical trial evaluating high dose ranges of CPAT-01 to confirm a broad safety profile for the drug candidate. Healthy dogs were dosed in groups with 0, 1, 3 or 5 times the planned dose for treatment to determine an appropriate margin of safety for the drug.

Outcomes from this initial 3-month pilot TAS study will provide a very good indication of the expected outcome from the pivotal six-month study.

CannPal expects the final report to be delivered in Q3 2020.

The Company has also completed the live phase of its Pilot Phase 2A Dose Determination Study to investigate the efficacy of varying CPAT-01 doses in dogs diagnosed with osteoarthritis.

The data generated from this study will provide key insights into the effects of CPAT-01 for pain and inflammation associated with osteoarthritis, which will be used to determine next steps for the pilot clinical plan to ensure a robust pivotal research program for CPAT-01.

CannPal now has now been designated an Office of New Animal Drug Evaluation (ONADE) project manager to assist in its regulatory communications with the Food and Drug Administration, Centre

for Veterinary Medicine (FDA-CVM), and expects to hold its pre-submission conference (PSC) with the regulatory agency once the Company has received its final reports for its Phase 2 Pilot studies.

The PSC will be an opportunity for CannPal to share data for the development of CPAT-01 with a broad team of experts working within the CVM's ONADE group to get guidance on the preparation for the Company's pivotal programs for CPAT-01.

DermaCann® Substantially Reduces Atopic Dermatitis in Dogs

The Company completed its clinical safety and efficacy study for DermaCann® during the quarter, in development as an oral nutraceutical for healthy skin and immune function in dogs.

Dosing for the safety and efficacy study commenced in Q4 2019 with 30 dogs expected to participate in the trial, however due to the social distancing measures implemented by the Australian Government in response to COVID-19, CannPal made the decision to finalise the study with 13 dogs having successfully completed treatment.

Post the quarter, the Company released results from the study and was delighted to announce that DermaCann® treatment substantially reduced the symptoms of Atopic Dermatitis in dogs **[ASX Announcement: July 21, 2020].**

The Company will use the data generated from this trial to support its registration of DermaCann® in multiple markets as an approved veterinary nutraceutical for healthy skin and immune support for dogs with dermatological skin conditions. CannPal intends on commencing its submission for the registration of DermaCann® with the APVMA (Australian Pesticides and Veterinary Medicines Authority) in 2H 2020.

CannPal has also advanced discussions with various animal health partners to progress the commercialisation of DermaCann® in markets that may not require product registration due to the relaxing of regulations for hemp-derived CBD.

The Company anticipates the commercialisation of DermaCann® to commence as early as 2H 2020.

Pilot Launch of Joint Health Supplement

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].**

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.

The Company is pleased to confirm that post the quarter, CannPal successfully commenced its small scale commercial trial for a new Joint Health Supplement produced using the MicroMAX® technology, under a new direct to consumer brand on 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 supplement contains a natural anti-inflammatory formulation derived from hemp and other plants that act to support the endocannabinoid system to promote better joint health for dogs.

The proprietary hemp-derived formulation was confirmed to significantly (p-value <0.0001) reduce the expression of pro-inflammatory biomarkers when compared to control in an *in-vitro* canine inflammation model **[ASX Announcement: Jan 6, 2020].**

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.

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

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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 June 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers		
1.2	Payments for		
	(a) research and development	(456)	(1,534)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(29)	(110)
	(f) administration and corporate costs	(82)	(444)
1.3	Dividends received (see note 3)		
1.4	Interest received	8	60
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	50	639
1.8	Other (provide details if material)		
1.9	**Net cash from / (used in) operating activities**	**(509)**	**(1,389)**

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 (12 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	2,425	3,305
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(509)	(1,389)
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 (12 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**	**1,916**	**1,916**

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	1,916	2,425
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)**	**1,916**	**2,425**

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	42
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)	(509)
8.2	Cash and cash equivalents at quarter end (Item 4.6)	1,916
8.3	Unused finance facilities available at quarter end (Item 7.5)	
8.4	Total available funding (Item 8.2 + Item 8.3)	1,916
8.5	**Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**	3.7

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: 30 July 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.