

30th October 2019 | CannPal Animal Therapeutics Limited ACN: 612 791 518 | ASX:CP1

CannPal 4C Quarterly Cash Flow Report for September 2019 Quarter

Highlights for the quarter ending 30 September 2019

- Nearing 50% of recruitment target for CPAT-01 Phase 2A pilot dose determination study, with 27 dogs undergoing treatment as at September 30;
- Successfully imported clinical trial material to commence upcoming study for DermaCann in a population of dogs with atopic dermatitis dermatitis;
- Completed 6 month stability program for DermaCann, confirming the stability of the formulation across various geographical locations.

30th October 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 September 2019 quarter and attaches its Appendix 4C Quarterly Cash Flow report and market update for the period ending 30 September 2019.

Corporate

The Company had a cash balance of \$2.78m with operating outflows totalling \$519,000 for the quarter, with \$370,000 related to the costs associated with the research and development of the Company's lead pharmaceutical and nutraceutical drug candidates.

The Company lodged its R&D Registration for FY19 during the quarter and is expecting a cash refund of \$507,860 under the R&D Tax Incentive Scheme for expenditure related to activities undertaken in Australia during the previous financial year (\$1,167,494). 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.

CannPal continues to remain well capitalized for FY20, providing the runway required to reach key milestones previously communicated to the market.

CPAT-01

The Company is pleased to provide an update on the Phase 2A pilot dose determination study for CPAT-01. Over 27 dogs are currently on treatment in the study, nearing 50% of the Company's recruitment target for the trial.

This is an 8 week randomised, double-blind, placebo-controlled study in dogs diagnosed with osteoarthritis, with 60 dogs expected to participate in the trial.

Recruitment remains open and if your dog displays signs of osteoarthritis such as limping, slowness getting up and reluctance to walk up or down stairs, then they might be eligible to participate in the study.

You can visit the study page via the link below to learn more about the trial and find a participating veterinary clinic near you.

<http://osteoarthritis2019.invetus.com/>



Nutraceuticals

Clinical trial material was successfully imported during the quarter and is ready for dispatch to dermatology clinics participating in the upcoming safety and efficacy study for DermaCann, an oral liquid nutraceutical in development for skin health in dogs. Suitable dogs for enrollment in the study have been identified and dosing is expected to commence in Q4 2019.

The study is a randomised, double-blind, placebo-controlled clinical trial in client owned animals with symptoms associated with atopic dermatitis. 30 dogs are expected to participate in the trial with the animal phase expected to be completed in H1 2020.

During the quarter, the Company successfully submitted an application for pre-application assistance (PAA) with the APVMA (Australian Pesticides and Veterinary Medicines Authority), to discuss the proposed approval pathway for DermaCann in Australia.

Post the quarter, A PAA meeting was held and early directions from the APVMA have indicated that the Company's proposed data package for Complimentary Animal Health Product approval (CAHP) may be suitable for review as an authorised Veterinary Medicine, a more robust approval classification. CannPal intends to submit a data package for market authorisation at the completion of the upcoming trial.

A market authorisation for DermaCann would allow veterinarians the ability to prescribe the product as an orally consumed animal remedy to pet owners in Australia.

The Company is also pleased to announce that it made significant manufacturing progress during the quarter, having successfully completed its 6 month stability program for DermaCann. Stability results in temperatures as high as 45 degrees Celsius at 75% relative humidity indicate market acceptance across various geographical regions.

The Company expects DermaCann to be market ready in H1 2020, and will commence a review to explore additional commercialisation opportunities that may be accessible in other geographies upon completion of the upcoming safety and efficacy study.

CannPal's Founder and Managing Director, Layton Mills:

"It has been another strong quarter for CannPal and we continue to remain funded to reach key milestones previously communicated to the market. We're nearing the halfway mark for the CPAT-01 Phase 2A pilot study, and expect to commence the dosing for our DermaCann study in Q4 2019. These are both globally significant clinical trials and we look forward to updating the market as we progress through each of these important studies."

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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For further information, please contact:

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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")

30 September 2019

| 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 | | |
| 1.2 Payments for | | |
| (a) research and development | (370) | (370) |
| (b) product manufacturing and operating costs | | |
| (c) advertising and marketing | | |
| (d) leased assets | | |
| (e) staff costs | (25) | (25) |
| (f) administration and corporate costs | (132) | (132) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 8 | 8 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (519) | (519) |

| | | |
|--|--|--|
| 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 (3 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 | 3,305 | 3,305 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (519) | (519) |
| 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 (3 months) \$A'000 |
|--------------------------------------|--|----------------------------|---------------------------------------|
| 4.5 | Effect of movement in exchange rates on cash held | | |
| 4.6 | Cash and cash equivalents at end of quarter | 2,786 | 2,786 |

| 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 | 786 | 555 |
| 5.2 | Call deposits | 2,000 | 2,750 |
| 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) | 2,786 | 3,305 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 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

**Current quarter
\$A'000**

42

7. Payments to related entities of the entity and their associates

- 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

**Current quarter
\$A'000**

| 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. | | |

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| 9. Estimated cash outflows for next quarter | \$A'000 |
|--|------------|
| 9.1 Research and development | 508 |
| 9.2 Product manufacturing and operating costs | |
| 9.3 Advertising and marketing | |
| 9.4 Leased assets | |
| 9.5 Staff costs | 27 |
| 9.6 Administration and corporate costs | 147 |
| 9.7 Other (provide details if material) | |
| 9.8 Total estimated cash outflows | 682 |

| 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: 30 October 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.