

23 April 2018 | CannPal Animal Therapeutics Limited ACN: 612 791 518 | ASX:CP1

CannPal 4C Quarterly Cash Flow Report

Highlights for the quarter ending 31 March 2018

- Secured all domestic and international permits to import clinical trial material
- Commenced Phase 1 of the Company's pharmacokinetic and safety studies for CannPal's lead pharmaceutical drug candidate, CPAT-01, targeting pain in dogs
- Bolstered research team with the appointment of toxicology expert, Dr Jeffrey Sherman, and senior formulation chemist, Kevin Willard
- Commenced formulation development of DermaCann, CannPal's lead nutraceutical product targeting canine skin health

Animal health company **CannPal Animal Therapeutics Limited (ASX:CP1)** ("CannPal" or "the Company") is pleased to release its Appendix 4C Quarterly Cash Flow report for the period ended 31 March 2018. The Company is also delighted to announce the achievement of key regulatory and operational milestones in the quarter.

The Company had a cash balance of \$5.47m with operating cash outflows totalling \$206,000 for the quarter, primarily related to the costs associated with the Research and Development of the Company's lead nutraceutical and pharmaceutical drug candidates, along with administration, staff and corporate costs.

Forecast expenditure for the coming quarter is estimated to increase to \$581,000, primarily related to ongoing Research and Development activities for the Company's lead pharmaceutical and nutraceutical products.

Regulatory Progress

During the quarter, CannPal secured its final domestic and international permits to allow for the import of the clinical trial material to be used in the Company's pharmacokinetic and pilot safety studies.

After receiving export permits from Health Canada, CannPal imported its first medical cannabis oil formulations [ASX Announcement: March 27, 2018]. These formulations are being used in the clinical phase of research for the Company's lead drug candidate CPAT-01, a cannabis-derived medicine for the companion animal pain market, estimated to be worth over US\$1.4 billion globally.

The clinical trial material was provided by Aphria Inc (TSE:APH) ("Aphria"), the first Canadian licensed producer to receive current Good Manufacturing Practice (cGMP) accreditation by internationally-renowned firm SGS, to the USFDA standards for Active Pharmaceutical Ingredients.



Commencement of Clinical Trials

CannPal finalised the research protocol and commenced phase 1 of the Company's pharmacokinetic and safety study program in Q1 CY18 as previously anticipated. The first phase of the study included 11 enrolled dogs receiving proprietary oral cannabinoid formulations containing both THC (Tetrahydrocannabinol) and CBD (Cannabidiol).

CannPal anticipates blood analysis from phase 1 to be completed in Q2 CY18, with phase 2 of the study set to commence shortly after.

Expanded Research Team

CannPal bolstered its research team with the appointment of toxicology expert, Dr Jeffrey Sherman. Dr Sherman is providing assistance and advising the preparation of the toxicological components of CannPal's product dossiers, and, subject to agreement, will manage and conduct toxicological studies for the Company through third-party research organisations.

Dr Sherman is a diplomat of the American Board of Toxicology with extensive experience as a lead toxicologist for animal health drug development teams, having provided expertly executed leadership in toxicology, risk assessment, FDA regulations and veterinary medicine for market leading animal health Companies.

The Company is also delighted to announce it has appointed senior formulation chemist Kevin Willard, during the quarter, to assist CannPal in the development of proprietary formulations for the Company's therapeutic products.

Kevin has expertise in formulation development, processing (clinical trial manufacture and technical transfer), GMP Quality, and Chemistry, Manufacturing and Controls (CMC) technical writing, having worked with market leading Elanco Animal Health and Eli Lilly and Co. for 34 years.

Kevin and Dr Sherman make invaluable additions to CannPals growing Research and Development team, bringing significant experience in animal health drug development, further building on the breadth of expertise in the Company.

Looking ahead

The Company is pleased to announce that post the quarter, the 1st phase of the Company's pharmacokinetic and safety study was successfully completed with all of the observational endpoints being met. This milestone study is the first in a well-designed drug development program for CPAT01.

CannPal will update the market with results of the study in Q2 CY18 and will commence phase 2 after receipt of the blood analysis.

The Company has also commenced early formulation development for DermaCann, the Company's lead nutraceutical product targeting canine skin health.

CannPal's management team advanced its business development strategy in the quarter by continuing discussions with new potential research partners and contract manufacturing organisations, to assist in ongoing Research and Development activities for both CPAT01 and DermaCann, and will continue to update the market on the Company's progress.



CannPal's Founder and Managing Director Layton Mills "We are very pleased with the progress we have made this quarter. The achievements of these milestones are allowing the Company to significantly progress both its pharmaceutical and nutraceutical research program with the ultimate goal of creating efficacious and approved therapeutics using medical cannabis for companion animals."

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 March 2018

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	(139)	(366)
(b) product manufacturing and operating costs		
(c) leased assets		
(d) staff costs	(27)	(82)
(e) administration and corporate costs	(72)	(649)
1.3 Dividends received (see note 3)		
1.4 Interest received	32	45
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		129
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(206)	(923)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		
(d) intellectual property		
(e) 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) 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		5,640
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		5,640

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	5,677	754
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(206)	(923)
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)		5,640

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	5,471	5,471

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	1,471	1,677
5.2	Call deposits	4,000	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)	5,471	5,677

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

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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

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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.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	462
9.2 Product manufacturing and operating costs	
9.3 Leased assets	
9.4 Staff costs	27
9.5 Administration and corporate costs	92
9.6 Other (provide details if material)	
9.7 Total estimated cash outflows	581

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: 23 April 2018

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.