

22nd Oct 2018 | CannPal Animal Therapeutics Limited ACN: 612 791 518 | ASX:CP1

CannPal Animal Therapeutics 4C Quarterly Cash Flow Report for September Quarter

Highlights for the quarter ended 30 September 2018

- Entered into a research services agreement with leading feline veterinary research organization
- Entered into a Memorandum of Understanding with the University of Melbourne for veterinary research into cannabidiol as a treatment for epilepsy in dogs
- Received ethics approvals to advance the development of lead drug candidate CPAT-01D, a pain treatment for dogs
- Expanded the CPAT-01 development programme to include cats (CPAT-01C)
- Commenced Phase 1B of the Pharmacokinetic and Safety study for CPAT-01D
- Advanced development of lead nutraceutical, DermaCann

22nd Oct 2018: 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 quarter and attaches its Appendix 4C Quarterly Cash Flow report for the period ended 30 September 2018.

The Company had a cash balance of \$4.72 million in line with our budget forecasts and sufficient to continue with our previously advised Research and Development activities in the coming months. The Company had operating cash outflows totaling \$392k for the quarter, primarily consisting of \$245k in Research and Development costs, along with administration, staff and corporate costs.

Additional increase in administration and corporate costs during the reporting period related to the commencement of the Company's website redevelopment and other Investor Communication initiatives undertaken in the quarter.

CPAT-01

CannPal continued to make large strides in the development of its lead drug candidate during the September quarter.

After receiving ethics approval in early August, CannPal commenced Phase 1B of the Pharmacokinetic and Safety study for CPAT-01D, a cannabis-derived pain control for dogs.

The study is being completed to Good Laboratory Practice (GLP) as a first step in generating pivotal data for regulatory submissions which builds on the data already generated in Phase 1A. The study will also provide an indication of dose ranges to be used in future efficacy studies and the Company is using advanced gene expression studies to help better understand cannabinoids mechanism of action in dogs. The animal phase of the study is



expected to be completed in the current quarter.

In late September, CannPal was granted its second Food and Drug Administration ('FDA') Sponsor Fee Waiver for CPAT-01 issued under the FDA's Animal Drug User Fee Act of 2003 ('ADUFA').

The waiver replaces the current USD \$75,150 FY18 ADUFA sponsor fee which is to be paid to the FDA annually and can be renewed each US fiscal year. The waiver could save the Company upwards of US\$250,000. CannPal may also be eligible for reductions in other fees such as a drug application fee which can cost in excess of US\$300,000.

CannPal plans to take the results from the Phase 1A and 1B studies to file an Investigational New Animal Drug (INAD) application with the FDA prior to the end of the Australian 2018/2019 fiscal year, at which point the Sponsor fee would be required to be paid.

Nutraceuticals

As part of CannPal's commitment to quality and driving shareholder value, it has been researching less-regulated cannabis-derived compounds which may offer early revenue generation potential due to lower regulatory barriers. The lead nutraceutical for this strategic plan is DermaCann, which is being developed as a product for canine skin health.

During the June quarter, CannPal entered into a manufacturing agreement with New Zealand-based veterinary contract manufacturing organisation JayChem Industries Ltd, to commence formulation development for DermaCann. The Company intends to submit a product dossier for nutraceutical approval in 2019 and is continuously monitoring the market for global regulatory changes that could allow early market entry for DermaCann to provide pet owners with a GMP produced, cannabinoid derived nutraceutical for Companion animals.

The Company has also been progressing its research and development activities with the CSIRO, following the Company's research agreement with the organization in 2Q 2018. CannPal and CSIRO are undertaking research into the use of food production technologies to enhance the delivery of hemp and other cannabis-derived therapeutic formulations in animals.

CannPal hopes that this research can eventuate in additional opportunities to generate early revenue potential to increase shareholder value.

Business Development

During the quarter, CannPal continued to place a large focus on strengthening its research capabilities, entering into new agreements with the University of Melbourne ('the University') and a feline veterinary research organization.

The Company entered into a research services agreement with a leading feline veterinary research organisation in early July with the aim of testing its lead drug candidate, CPAT-01, on cats [ASX Announcement: July 4, 2018].



Under the agreement, the organization will design and facilitate pilot studies for treating cats at its research facility in NSW, Australia. The Company has submitted an animal ethics committee application for study clearance to allow the organization to carry out the animal phase of the research.

The following month, CannPal entered into a Memorandum of Understanding ('MOU') with the University of Melbourne to broaden the Company's research pipeline.

Through the MOU, CannPal and the University of Melbourne will establish a cooperative relationship to complete a pilot study that will determine the efficacy of a cannabidiol (CBD) based treatment for epilepsy in dogs [ASX Announcement: August 8, 2018]. This study is scheduled for completion in 2019.

CannPal's Founder and Managing Director Layton Mills:

"This has been another important quarter for CannPal with some significant milestones. Our additional research agreements are further validation of the high-quality research we are undertaking in our mission to develop cannabis-derived treatments for companion animals. In addition, the rapid progression of our clinical studies and development of our nutraceutical pipeline underscore our commitment to delivering value to our shareholders."

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")

30 September 2018

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	(245)	(245)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		
(e) staff costs	(27)	(27)
(f) administration and corporate costs	(125)	(125)
1.3 Dividends received (see note 3)		
1.4 Interest received	5	5
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	(392)	(392)
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	5,114	5,114
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(392)	(392)
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	4,722	4,722

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	722	722
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)	4,722	4,722

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 <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.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	616
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	
9.5 Staff costs	32
9.6 Administration and corporate costs	128
9.7 Other (provide details if material)	
9.8 Total estimated cash outflows	776

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: 22 October 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.