PROSPECTUS

CANNPAL ANIMAL THERAPEUTICS LIMITED
ACN: 612 791 518

For an offer of 30,000,000 Shares at an issue price of $0.20 per Share to raise $6,000,000 (before costs).

IMPORTANT INFORMATION

This is an important document that should be read in its entirety. If you do not understand it you should consult your professional advisers without delay. **The Shares offered by this Prospectus should be considered highly speculative.**

Lead Manager: Merchant Corporate Advisory Pty Ltd

Merchant GROUP

(Authorised Rep Number: 001252806)

CannPal® Animal Therapeutics

Corporate Directory

Directors

Geoff Starr
(Non-Executive Chairman)

Layton Mills
(Managing Director)

Max Johnston
(Non-Executive Director)

Robert Clifford
(Non-Executive Director)

Dr Kate Adams
(Non-Executive Director)

Registered Office

Level 3
45a Bay Street
DOUBLE BAY NSW 2028

Telephone: +61 2 6108 3622

Email: info@cannpal.com
Website: www.cannpal.com

Company Secretary

Baden Bowen

*Share Registry**

Computershare Investor Services Pty Limited
Level 11
172 St Georges Terrace
PERTH WA 6000

Proposed ASX Code

CP1

Investigating Accountant

BDO Corporate Finance (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Lead Manager

Merchant Corporate Advisory Pty Ltd
CFO One, Suite 312
Level 1
55 Plaza Parade
MAROOCHYDORE QLD 4558

Patent Attorney

Griffith Hack
Level 19
109 St Georges Terrace
PERTH WA 6000

Solicitors

Steinepreis Paganin
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Auditor

BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

*This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

Table of Contents

1. *IMPORTANT NOTICES*

1. Important Notices

This Prospectus is dated 28 August 2017 and was lodged with the ASIC on that date. Neither the ASIC, ASX or any of their officers take any responsibility for the contents of this Prospectus or the merits of the investment to which this Prospectus relates.

No Shares may be issued on the basis of this Prospectus later than 13 months after the date of this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus, which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

It is important that you read this Prospectus in its entirety and seek professional advice where necessary. The Shares, the subject of this Prospectus should be considered highly speculative.

1.1 Exposure Period

This Prospectus will be circulated during the Exposure Period. The purpose of the Exposure Period is to enable this Prospectus to be examined by market participants prior to the raising of funds. You should be aware that this examination may result in the identification of deficiencies in this Prospectus and, in those circumstances, any application that has been received may need to be dealt with in accordance with Section 724 of the Corporations Act. Applications for Shares under this Prospectus will not be processed by the Company until after the expiry of the Exposure Period. No preference will be conferred on applications lodged prior to the expiry of the Exposure Period.

1.2 Website – Electric Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.cannpal.com. If you are accessing the electronic version of this Prospectus for the purpose of making an investment in the Company, you must be an Australian resident and must only access this Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. You may obtain a hard copy of this Prospectus free of charge by contacting the Company.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

1.3 Website

Other than as otherwise stated in this prospectus, no document or information included on our website is incorporated by reference into this Prospectus.

1.4 Photographs and diagrams

Photographs used in this Prospectus which do not have descriptions are for illustration only and should not be interpreted to mean that any person shown endorses the Prospectus or its contents or that the assets shown in them are owned by the Company. Diagrams used in this prospectus are illustrative only and may not be drawn to scale.

1.5 Forward looking Statement

This Prospectus contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this Prospectus, are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the Company's management.

The Company cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this prospectus will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

We have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this prospectus, except where required by law.

These forward looking statements are subject to various risk factors that could cause our actual results to differ materially from the results expressed or anticipated in these statements. These risk factors are set out in section 8 of this Prospectus.

2. *KEY OFFER INFORMATION*

2. Key Offer Information

2.1 Key Dates - ***Indicative Timetable**

Lodgement of Prospectus with the ASIC	28 August 2017
Priority Offer Record Date	4 September 2017
Opening Date of General Offer and Priority Offer	5 September 2017
Closing Date under Priority Offer	29 September 2017
Closing Date for General Offer	6 October 2017
Issue of Shares	13 October 2017
Despatch of holding statements	16 October 2017
Expected date for quotation on ASX	19 October 2017

**The above dates are indicative only and may change without notice. The Company reserves the right to extend the Closing Date or close the Offer early without notice.*

2.2 Key Offer Information

Offer Price of Shares	$0.20
Minimum Shares to be issued under the Offer	30,000,000
Maximum Shares to be issued under the Offer	30,000,000
Maximum number of Shares on issue following the Offer	92,500,000
Maximum Proceeds of the Offer (before costs)	$6,000,000
Market capitalisation based on Offer price	$18,500,000

2.3 What if you have enquiries?

If you are in any doubt as to how to deal with any of the matters raised in this Prospectus, you should consult with your broker, or legal, financial or other professional adviser without delay. Should you have any questions about the Offers or how to accept the Offers, please call the Company Secretary, Baden Bowen, on 0402 339 443.

3. *LETTER FROM THE CHAIRMAN*

3. Letter from the Chairman

Dear Investors,

It is with great pleasure that I invite you to become a shareholder of CannPal Animal Therapeutics Limited ("CannPal").

CannPal is a pet pharmaceutical company that was founded to research, develop and commercialise, regulatory approved therapeutics for the companion animal health industry, using the compounds derived from the cannabis plants. We are committed to learning how cannabis can influence the therapeutic functions in cats and dogs, in the hopes that we can provide veterinarians with clinically validated and standardised therapeutics to treat companion animals in a safe and ethical way.

*CannPal has a strong pipeline of identified drug candidates for future research and development activities, and the Company has been granted an official sponsor fee waiver by the United States FDA under the minor use/minor species provision of the Animal Drug User Fee Act (ADUFA), for CannPal's lead drug candidate, targeting osteosarcoma pain in dogs, CPAT-01 (**Lead Drug Candidate**), with studies anticipated to commence Q1 2018.*

Furthermore, CannPal has also been investigating and researching the ability to use cannabidiol derived from the hemp plant with the aim of developing a nutraceutical range of products that can be made available for use in companion animals without a prescription.

The Company's objective is to continue our research and development activities for our pharmaceutical and nutraceutical products, working closely with regulatory authorities and research partners, to carry out robust studies in preparation of regulatory approval and future commercialisation based on the success of our research.

We will continue to further develop our prescription and non-prescription pipelines, to provide veterinarians with an innovative and exciting new treatment platform, derived from the cannabis plant.

The Board looks forward to your participation in the Company's Initial Public Offering.

Yours sincerely

Geoff Starr
Non-Executive Chairman

4. *INVESTMENT OVERVIEW*

4. Investment Overview

This section is a summary only and is not intended to provide full information for investors intending to apply for Shares offered pursuant to this Prospectus. This Prospectus should be read and considered in its entirety.

4.1 The Company

CannPal Animal Therapeutics Limited (**CannPal** or the **Company**), is a pharmaceutical focused, animal health company incorporated in June 2016 to research, develop and commercialise regulatory approved, cannabinoid-derived therapeutics, for the global animal health markets, with an initial focus on cats and dogs, in the United States, Europe, Australia and other emerging global markets.

The Company identified a new opportunity to benefit from the rapidly growing medicinal cannabis market, by developing standardised and dosage controlled pharmaceuticals derived from whole plant cannabis extracts, using active ingredients that have been pre-validated in human studies, to support the health and wellbeing of companion animals. Companion animals typically comprise dogs, cats, birds, horses and other domestic animals. However, CannPal's primary focus, at least initially, will be on pharmaceuticals and nutraceuticals targeted at dogs and cats.

The Company is positioned to move from the pre-clinical phase of its research to the clinical trial phase following completion of the Offer.

4.2 Animal Therapeutics and medicinal cannabis

Medicinal cannabis refers to the use of products containing cannabis that have medical or therapeutic benefit. Specifically, using the compounds in cannabis, referred to as 'cannabinoids'. Cannabinoids include psycho-active compounds, such as tetrahydrocannabinol (**THC**) and other non psycho-active compounds, such as cannabidiol (**CBD**).

CannPal has already commenced research and development activities, with recognised research organisations, into the use of cannabinoids, both THC and CBD, in the treatment of various conditions in its target animals.

Specifically, since its incorporation, CannPal has:

(a) identified a lead-drug candidate indicated for the relief of osteosarcoma pain in dogs, CPAT-01 (**Lead Drug Candidate**);

(b) engaged with strategic partners and service providers for access to data and pre-clinical research into the efficacy of certain compounds in completed human trials and rodent studies to de-risk the Company's therapeutic pipeline;

(c) completed pre-clinical research activities for its lead drug candidate by utilising the relationships and data available as a result of (b) above;

(d) finished designing the Company's first clinical pharmacokinetic and safety study for its lead drug candidate and commenced acquiring the necessary permits to undertake the study;

(e) applied for and been granted a sponsor fee waiver by the United States Food and Drug Administration (**FDA**) under the minor use/minor species provision of

the US *Animal Drug User Fee Act* (**ADUFA**), allowing the Company to engage with the regulatory authorities in the United States in preparation for the development of its Lead Drug Candidate;

(f) implemented an intellectual property protection regime through the appointment of qualified advisers, having filed various patents relating to its work to date (refer to Section 9); and

(g) completed a gap Analysis and development plan, including time horizon and budget, to allow the Company to progress straight into in-vivo clinical trials post completion of the Offer and listing on ASX.

Further information on the work done to date by the Company, and its relationships and agreements executed to date is outlined in Section 7 of this Prospectus.

Although cannabis remains a controlled narcotic in many jurisdictions, CannPal does not propose to be involved as a supplier in the handling or distribution of cannabis or cannabis oils. Instead, as an animal health company, CannPal is focused on the research into and use of these products in the development of standardised and dosage controlled pharmaceutical products that will benefit the health of companion animals.

Therefore, regulatory approvals in the US, Australia and Europe, where the bulk of CannPal's research is being undertaken, revolve around the approvals required to provide its research partners with access to necessary volumes of appropriate cannabis oils to enable the research to take place on its behalf.

The Company hopes to complete a number of successful studies in dogs and cats, with the aim of producing dossiers that are expected by regulatory authorities, to prove the safety and efficacy of its drug candidates for the regulatory approval of animal medicines and subsequent sale of those medicines through veterinary channels.

CannPal has also been investigating and researching the ability to use cannabidiol (CBD) derived from the hemp plant, which does not face the same regulatory burdens for use as products containing the psycho-active THC compound, with the aim of developing a nutraceutical range of products that can be made available for use in animals from specialty retail stores and veterinary channels without a prescription. Where successful in this research, and assuming regulatory conditions remain approximately the same, CannPal's hope is to be able to bring beneficial nutraceutical products to market while the research into its pharmaceutical drug candidates is ongoing.

4.3 Business Model and Objectives

CannPal's business model aims to provide veterinarians with a new portfolio of therapeutic products, both pharmaceutical and nutraceutical, proven to be safe and efficacious for a number of indications, using compounds from the medical cannabis and hemp plants by:

(a) completing the Offer and listing on ASX;

(b) progressing through its clinical research phase, through its existing veterinary research partners, to better understand the pharmacokinetics and pharmacodynamics of cannabis in dogs and cats for the development of regulatory approved pharmaceutical products, commencing with its Lead Drug Candidate;

(c) in the shorter term, developing nutraceutical products for over the counter sale for companion animals, using compounds derived from the industrial hemp plants;

(d) further developing the Company's therapeutic pipeline in the hopes to seek regulatory approval for other drug candidates for use in companion animals in the United States, Europe, Australia and other emerging markets based on the success of the Company's clinical research; and

(e) deriving revenues from the sale and licencing of pharmaceutical and nutraceutical products resulting from the Company's clinical research and development activities.

CannPal believes that there is potential for significant value to be created by establishing a successful, pharmaceutical focused, animal health company, developing standardised and dosage controlled cannabis-derived medicines for companion animals, specifically for cats and dogs.

The Company's main objectives on completion of the Offer therefore are to:

(a) continue its clinical research with its veterinary research partners into the use and effectiveness of the Company's drug candidates, beginning with its Lead Drug Candidate, to treat osteosarcoma pain in companion animals;

(b) build relationships with strategic animal health leaders in the United States, Europe and Australia to bring regulatory approved pharmaceutical products to veterinarians in those markets;

(c) continue its research and investigations into the use and benefits of hemp based nutraceuticals to develop a nutraceutical range of products to market through veterinarian and specialist retail channels; and

(d) through these efforts, grow Shareholder value, through research success and ultimately revenue generation from products developed by CannPal.

4.4 Key Investment Highlights

(a) Companion animal market growth – companion animals, including dogs and cats are popular throughout the world. As the growth in the popularity of these animals and pets increases around the world, the global animal drug market, estimated to be worth approximately US$29 billion in 2017, also continues to grow.

(b) Lower threshold for regulatory approvals – the regulatory approvals required for the development of animal health products are less onerous than for drugs developed for human-use, which means the process for development and approval of new medicines and pharmaceuticals can be less complicated, potentially saving significant time and cost in finalising regulatory approval of the Company's drug candidates. In addition, the Company has based its research on drug compounds that have already shown safety and efficacy in human studies, therefore enabling the Company to accelerate into clinical trials, with a pharmacokinetic and safety study planned in dogs for Q1 2018.

(c) Strategic alliance - CannPal has entered into a strategic alliance with ASX-listed Zelda Therapeutics Ltd (**Zelda**). Zelda is focusing on clinical research relating to cannabis-based medicines for human use. The partnership will advance the Company's competitive position and improve efficiency in clinical development plans, through access to Zelda's current and ongoing

research activities, while also allowing the Company the opportunity to potentially generate future revenues through licencing its animal research for human use. A summary of the terms of this arrangement are set out in Section 12.1 below.

(d) CannPal has already entered into a number of important research and supply contracts - prior to this Prospectus, CannPal has already entered into the following contracts and arrangements (in addition to its Zelda agreement):

- Master research agreement with Australasia's largest veterinary contract research organisation, Invetus Pty Ltd (**Invetus**), for the completion of in-vivo (research undertaken on living organisms) clinical trials for its Lead Drug Candidate;
- Master research agreement with Klifovet, a German based full service contract research and development organisation, for a complete development plan and gap analysis to assist in the facilitation of the clinical development for the Company's lead drug candidates for regulatory approval in the United States and Europe;
- Collaboration agreement with Invetus for the joint collaboration on an application for relevant import permits to import controlled drugs into Australia for the purpose of these clinical trials; and
- Non-binding memorandum of understanding with Canadian-listed licenced cannabis producer Aphria Inc. (o/a Aphria) (**Aphria**) through its wholly owned subsidiary Pure Natural Wellness Inc., agreeing in principle to the terms pursuant to which Aphria will provide the Company with access to standardised cannabis oils for use in the clinical trials being undertaken by CannPal through its clinical research partners; and
- Collaborative research agreement with Victoria University (Melbourne, Australia) for collaborative research to explore the benefits of cannabinoids for appetite stimulation in companion animals.

Summaries of the key terms of these contracts is set out in Section 12.4 and 12.5 below.

(e) Seed raising completed - the Company has already raised approximately $1.5 million through seed raisings to sophisticated investors. These funds have enabled the Company to finalise pre-clinicial research activities for the Company's Lead Drug Candidate, engage with its various research and supply partners and frame its clinical research activities prior to the date of this Prospectus.

(f) Experienced Board - CannPal has a highly credentialed board together with a well credentialed advisory board. The board consists of senior executives with experience in management with market leading companies including Unilever, Jurox, MARS Global (Pet care) and Johnson & Johnson. Details of the background and profiles of the Board are set out in Section 4.15. Details of the advisory board members are set out in Section 11.2.

(g) Receipt of US fee waiver - the Company has been granted a fee waiver by the US Food and Drug Administration. The waiver allows the Company to open an 'Investigational New Animal Drug Application' for its Lead Drug Candidate, without paying the sponsor fee, estimated at over $100,000 per

year, along with access to marketing exclusivity, early conditional approval and grant funding, meaning the Company faces significant savings and increased opportunities for developing and benefitting from its Lead Drug Candidate.

(h) Nutraceutical products – in addition to its pharmaceutical range of products, the Company has already commenced investigations into products using the less-regulated CBD compound, which has the potential to generate revenue for the Company, through the development of non-pharmaceutical products capable of being sold without a prescription through veterinarians and pet stores, in a shorter time frame than would be expected for its pharmaceutical based products.

4.5 Key Risks

The business, assets and operations of the Company are subject to certain risk factors that have the potential to influence the operating and financial performance of the Company in the future. These risks can impact on the value of an investment in the Securities of the Company.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

Set out below are specific risks that the Company is exposed to. Further risks associated with an investment in the Company are outlined in Section 8 below.

(a) Results of clinical trials are unknown

Although the Company has undertaken rigorous pre-clinical works and development planning, the results of clinical trials are inherently uncertain. Clinical trials can result in unfavourable outcomes, or be suspended or terminated at any time for various reasons outside of the Company's control including:

- serious adverse reactions or other safety issues for the primary targets;
- insufficient efficacy that is below what is needed for regulatory approval;
- difficulty in obtaining materials needed for the clinical trial;
- difficulty in securing patients to participate in the trials;
- manufacturing errors;
- delays in the receipt of regulatory approvals for the trials; and
- unfavourable results from the trials.

The pre-clinical works and development planning are intended to mitigate and minimise as many of these factors as possible, however some of those factors, such as the results, supply issues and any manufacturing or trials errors cannot be mitigated prior to commencing the trials.

(b) *Clinical trials take time*

The process of clinical trials can take years before a drug capable of satisfying regulatory approvals in any market can be obtained. During the process of clinical trials, other risks can arise such as:

- competitors announcing new drugs within the same sphere as the Company's drug candidates;
- the regulatory environment around the drug-candidate changing, which could lead to new challenges such as a lowering of barriers to entry for new competitors or the requirement for the Company to meet new regulatory hurdles; and
- costs unforeseen at the commencement of the clinical trials arising.

(c) *No existing revenues*

Although the Company's objective is to derive revenue from the sale or licensing of its products developed as a result of its clinical research activities, as at the date of this Prospectus, the Company has no existing revenue streams, and is focussed solely on conducting ongoing research both in the pharmaceutical and nutraceutical space.

Whether the Company is ultimately successful in generating revenues, the time it may take to generate those revenues and the quantum of any such revenues is as at the date of this Prospectus unknown and cannot be reasonably forecast.

(d) *Differentials in regulations and changes to regulations*

As set out in this Prospectus, the regulations around the world relating to medical cannabis and cannabis based products, are diverse and have been subject to change in various jurisdictions over recent years.

In order to be able to sell its products in any jurisdiction, the Company is required to ensure that it complies with the legal requirements in that jurisdiction. This could mean that the Company incurs additional costs and expenses to launch a product, either pharmaceutical or nutraceutical, in a market with higher regulations. Initially, the Company is targeting launching products in the United States, Australia and Europe, because of the size of the pet market in those areas and because it has undertaken significant work to understand the regulatory framework in those countries.

Any changes to the regulatory frameworks in those jurisdictions could cause the Company to face additional costs or hurdles in finalising trials and bringing products to market, see the Company's viable market for any developed products change or cause the Company to need to revisit its business plan to ensure that its objectives can still be achieved.

To date the US FDA has never approved a drug candidate containing cannabis compounds, although there are four existing NADAs that have been lodged with the US FDA as at the date of this Prospectus. Refer to Section 7.2 for a summary of the US approval process.

(e) *Use of controlled substances*

The Company's proposed pharmaceutical products are to contain active ingredients that are controlled substances (cannabis) and their regulatory approval may generate public controversy. Although the process for the research, trials and development of any drug candidate for approval requires stringent evidence of the benefits and safety of the drug candidate, political and social pressures and adverse publicity could lead to delays in approval of, and increased expenses for, the Company's products. These pressures could also limit or restrict the introduction and marketing of drug candidates in certain markets, which could have an effect on the business and profitability of the Company.

In addition, the Company's clinical trials, to be undertaken by its research partners, will require access to controlled substances in the form of cannabis oils. The Company will be responsible for ensuring that it obtains all relevant permits and approvals to enable the shipping and transportation of those cannabis oils to its research partners for the purpose of its research. Part of obtaining those permits and approvals involves ensuring that its research partners have the appropriate processes in place for handling and storing controlled substances. Any delay in meeting those requirements, or subsequent breach could lead to the Company losing its permits or cause delays in obtaining permits, which would delay the clinical trials and subsequent results.

(f) *Supply risks*

In order to complete its clinical research and ensuring consistency of results, the Company needs access to a consistent and high quality of medical cannabis oil. An inability to access oils with the required consistency or quality could mean that its trial results are compromised or delayed.

The Company has entered into a non-binding memorandum of understanding with one of the world's few licensed cannabis oil suppliers, Aphria, framing the terms on which Aphria would provide cannabis oils for the Company's clinical research purposes. Although the MOU enables the parties to transact on the basis of the MOU without entering into a formal binding agreement, Aphria could withdraw its supply at any time. If the Company is unable to negotiate a formal binding supply agreement with Aphria, it could be forced into a position where it needs to identify another oil supplier or re-commence its clinical trials on the basis of a different formulation of cannabis oil from a different supplier.

(g) *Competition from companies with greater resources*

The animal health industry is dominated by 10 major companies, with the top five accounting for approximately 50% of the animal health market. Industry leaders have significant resources and could enter the market with competing cannabinoid based products which could significantly restrict the Company's ability to generate returns.

There is also the risk of new small to medium companies entering the market due to the attractiveness of the industry's growth. Increased competition could have significant adverse effects on the Company's ability to generate a financial return.

Furthermore, as technology improves, there is the potential for diagnostics to further enhance current medicines, along with new animal health therapies

such as stem cells and monoclonal antibodies to add significant competition to the Company's product technology.

(h) Risks associated with strategic partners

The Company has aligned itself with a number of strategic partners which include but are not limited to research organisations, education organisations, manufacturers, oil supply partners and distributors. While the Company expects to continue strategic partnership development, it's not guaranteed that these partnerships will yield a positive commercial outcome and each partnership could be terminated for a number of reasons, including, but not limited to:

Relationship Breakdown

Any relationship could deteriorate and cause adverse effects on the Company's business operations.

Acquisitions

Merger and acquisition activities involving the Company's strategic partners could significantly impact the Company via increased cost for services, release of confidential information to termination of service agreements

Regulatory changes

Regulatory changes in any country that a strategic partner is operating could significantly impact the Company's business activities.

Any of the above could significantly impact the Company by delaying scheduled business activities, which can increase cost of goods and have a negative material outcome on the company's stock price.

(i) Intellectual property risk

The Company will, in part, rely heavily on its intellectual property strategies to ensure commercial viability moving forward.

Patents, trade secrets and trademarks, are all tools that are used to cement a company's strategic position in a competitive market, by protecting proprietary information such as brands, formulations, ideas and concepts. The Company is operating in the pharmaceutical and therapeutic industry, where formulations and brands are important to a commercialisation strategy.

There are significant costs involved to ensure this intellectual property doesn't infringe on a competing company's IP and there are other significant risks that could have adverse effects on the Company moving forward, in relation to any infringements or intellectual protection.

Furthermore, there is no guarantee that these methods for proprietary protection will stop other companies from infringing on the intellectual property and the costs to defend this in a court of law both nationally and internationally can be expensive.

(j) Risks associated with adverse publicity

The Company is developing new therapeutic treatments for animals, using

compounds from regulated botanicals (cannabis). Some of the compounds being investigated have been known for unwanted psychoactive effects, and this could lead to adverse publicity that could significantly impact the Company's ability to distribute its products.

The nature of the Company's business also increases regulatory scrutiny which could impact the operations of the Company, including:

- delays in clinical trial approvals by the animal ethics committees;
- delays in dossier preparation and regulatory communications with authorities such as the Food and Drug Administration;
- negative consumer perception of the products in development;
- possible adverse publicity through animal health and welfare organisations; and
- veterinarian scrutiny, which significantly impacts the Company's ability to promote positive messages.

(k) *Liquidity risk*

In accordance with the escrow requirements in Chapter 9 of the ASX Listing Rules, at completion of the Offer a proportion of the Shares on issue will not be able to be traded due to ASX mandated escrow agreements.

While any Shares are restricted from being traded, there will potentially be reduced liquidity in the trading of the Company Shares until such time as applicable escrow periods end. Furthermore, the market price for Shares may fall or be made more volatile because of the relatively low volume of trading in the Company's securities. When trading volume is low, significant price movement can be caused by trading in a relatively small number of shares. If illiquidity arises, there is a real risk that Shareholders will be unable to realise their investment in the Company.

(l) *Risks associated with management*

The Company will endeavour to reach its business objectives set out in section 7 of this prospectus and implement an effective strategy to generate revenue to offer future upside for shareholders. However there is a significant risk that management may be unable to achieve these goals due to a number of reasons. These risks can include, but are not limited to:

Management breakdown

Relationships breakdown can occur with a difference of opinion between executives which can significantly impact the Company's decision making process.

Budget management

The cost to develop and market an animal health drug or OTC therapy is significant and there may be unforeseen costs that have not been allowed for in the budget. Furthermore, poor budgetary management can lead to a situation where the Company's ability to execute its strategy is negatively impacted.

Loss of key personnel

The Company is engaged with a number of consultants, advisors and management that have the skills required to successfully generate revenue and execute its strategy. There is a risk that key personnel may leave the Company and this could negatively impact the performance of the Company. This could also require the company to incur expenses to identify and attract suitable replacements.

Adverse publicity

While the Company puts in key measures to ensure its personnel are of good standing to manage and operate a publicly listed Company, there is no guarantee that past, present or future activities of any key personnel will have adverse effects on the publicity of the Company which could negatively impact its future operations.

(m) *Uncertainty of future profitability*

The success of the Company's operations relies on the ability to achieve clinical trial success and generate products that are capable of being sold or licensed to generate revenue and profits for the Company.

The Company's profitability will be impacted by the success of its research and clinical trials, and its ability to execute a successful commercialisation strategy of any products developed as a result of its various research activities, both in the pharmaceutical and nutraceutical markets. Accordingly, the ability to generate any future profits, or the extent of those profits is uncertain and cannot be predicted.

4.6 The Offer

The Company invites applications for 30,000,000 Shares at an issue price of $0.20 per Share to raise $6,000,000. The key information relating to the Offer and references to further details are set out below. The Offer comprises a Priority Offer to shareholders of Zelda Therapeutics Limited and a General Offer. Details on the Offer are set out in Section 5 below.

4.7 Purpose of the Offer

The purpose of the Offer is to facilitate an application by the Company for admission of the Company to the official list of ASX and position the Company to seek to achieve the objectives set out in section 7 of this prospectus.

4.8 Use of Funds

The Company intends to apply funds raised from the Offer, together with existing cash reserves, over the first two years following admission of the Company to the official list of ASX as follows:

Funds Available	Subscription ($6,000,000)	Percentage of Funds (%)
Source of Funds		
Existing cash reserves	$560,000	8.5%
Funds raised from Offer	$6,000,000	91.5%
Total	**$6,560,000**	**100%**

2 Year Allocation of Funds		
Expenses of the Offer[1]	$535,415	8.16%
Research and development[2]	$3,000,000	45.73%
Patent registration and intellectual property strategy	$250,000	3.81%
Administration costs[3]	$1,075,153	16.39%
Unallocated working capital	$1,699,432	25.9%
Total	**$6,560,000**	**100%**

Notes:

1. *Refer to Section 13.9 for a summary of the expenses of the Offer.*
2. *Research and development expenses relate to the costs of undertaking clinical research studies on the Company's lead drug candidate, and payments owing to their clinical research partners and suppliers for access to research facilities and the oils, permits and other approvals for conducting this research. In addition, it will also include ongoing research into the nutraceutical products in line with the business development outlined in Section 7.5.*
3. *Administration costs include salaries and wages and payments to Board and Advisory Board members, rents and other costs associated with managing the Company.*

The above table is a statement of current intentions as of the date of this Prospectus. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way funds are applied on this basis.

It should be noted that the Company may not be self-funding through its own operational cash flow over the short to medium term referred to above. Accordingly, the Company may require additional capital beyond this point, which will likely involve the use of additional debt or equity funding. Actual expenditure may differ significantly from the above estimates due to a change in market conditions, the development of new opportunities and other factors (including the risk factors outlined in this Prospectus).

The Directors are satisfied that, after completion of the Offer, the Company will have sufficient working capital to carry out its objectives as described in this Prospectus.

4.9 Capital Structure

	Subscription ($6,000,000)	
Shares, Options, Performance Rights	**Number of shares (Post capital raise)**	**%**
Shares		
Shares currently on issue	62,500,000	67.5%
Shares to be issued under Offer	30,000,000	32.5%
Total	**92,500,000**	**100%**
Options		
Options on issue to Zelda Therapeutics[1]	7,250,000	59.18%
Options on issue to Advisors[2]	1,500,000	12.24%
Options to be issued to Merchant[3]	1,500,000	12.24%

Options to be issued to directors[4]	2,000,000	16.33%
Total	**12,250,000**	**100%**
Performance Rights		
Performance Rights on issue[5]	2,500,000	100%
Total	**2,500,000**	**100%**

Notes:

1. *These options are exercisable at $0.20 on or before five years from the date of issue and otherwise on the terms set out in Section 13.3.*
2. *These options are exercisable at $0.25 on or before three years from the date of issue and otherwise on the terms set out in Section 13.3.*
3. *These options are issuable to Merchant pursuant to their fee for services provided under their mandate and are exercisable at $0.25 on or before three years from the date of issue and otherwise on the terms set out in Section 13.3.*
4. *These options are exercisable at $0.25 on or before three years from the date of issue and otherwise on the terms set out in Section 13.3.*
5. *These performance rights have been issued to Layton Mills pursuant to his executive services agreement. Refer to Section 13.4 for a summary of the terms of these performance rights.*

4.10 Existing Shareholders

CannPal has a total of 35 existing Shareholders, who are largely unrelated seed investors in the Company. The Company has raised $1,500,112 in seed funds prior to the date of this Prospectus in two separate seed finance rounds:

(1) 20,000,000 shares were issued at a price of $0.025 to raise $500,000 in July 2016; and

(2) 12,625,000 shares were issued at a price of $0.08 to raise $1,010,000 in March/April 2017.

Those Shareholders holding 5% or more of the Shares on issue both as at the date of this Prospectus and on completion of the Offer are set out in the respective tables below:

As at the date of this Prospectus

SHAREHOLDERS	SHARES	PERCENTAGE
Merchant Opportunities Fund	17,211,704	**27.54%**
Gemelli Nominees Pty Ltd	8,683,382	**13.89%**
Pepanne Pty Ltd	7,667,737	**12.27%**
Layton Patrick Mills ATF DJS Family Trust	6,884,682	**11.02%**
Tania Maree Vidovic ATF Star V Family Trust	6,884,682	**11.02%**

On completion of the Offer (assuming no existing substantial holder subscribes and receives additional Shares pursuant to the Offer)

SHAREHOLDERS	SHARES	PERCENTAGE
Merchant Opportunities Fund	17,211,704	**18.9%**
Gemelli Nominees Pty Ltd	8,683,382	**9.3%**
Pepanne Pty Ltd	7,667,737	**8.2%**
Layton Patrick Mills ATF DJS Family Trust	6,884,682	**7.4%**
Tania Maree Vidovic ATF Star V Family Trust	6,884,682	**7.4%**

4.11 Restricted Securities

Subject to the Company being admitted to the Official List, certain Shares, Options and Performance Rights on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation.

During the period in which these securities are prohibited from being transferred, trading in Shares may be less liquid which may impact on the ability of a Shareholder to dispose of his or her Shares in a timely manner.

The Company will announce to the ASX full details (quantity and duration) of the securities required to be held in escrow prior to the Shares commencing trading on ASX.

4.12 Financial Information

The Company was incorporated in June 2016 and has no material operating history and limited historical financial performance.

As a result, the Company is not in a position to disclose any key financial ratios other than its balance sheet which is included in the Investigating Accountant's Report set out in section 10 of this Prospectus.

4.13 Taxation

The acquisition and disposal of Shares will have tax consequences, which will differ depending on the individual financial affairs of each investor. All potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Shares from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Shares under this Prospectus.

4.14 Dividend policy

It is anticipated that significant expenditure will be incurred in the evaluation and development of the Company's proposed business model and objectives described in section 7 of this Prospectus. The business activities, including exhaustive and expensive clinical trials, is expected to last for a minimum of two years following the date of this prospectus. As a result, the Company does not expect to declare any dividends during that period.

Any future determination as to the payment of dividends by the Company will be at the discretion of the Directors and will depend on the availability of distributable earnings and operating results and financial condition of the Company, future capital requirements and general business and other factors considered relevant by the Directors. No assurance in relation to the payment of dividends or franking credits attaching to dividends can be given by the Company.

4.15 Directors and Key Personnel

GEOFF STARR – Non Executive Chairman

Geoff brings 35 years of executive experience to the Company, 15 years of which were at Managing Director or CEO level, gained all around the world, but especially in Asia, Europe and Australia/NZ.

These positions included at Unilever and MARS Group, where Geoff had a very distinguished career running their pet food business in both Asia and Europe with over 20 brands in their portfolio, including the Royal Canin, Whiskas, Advance and Pedigree brands.

Most recently, Geoff returned to Australia where he oversaw the turnaround of the George Weston Foods company.

Geoff is also a past Chairman and Board member of the Australian Food and Grocery Council, Director of Foodbank Australia, and director of Australian Pork where he also serves as a member of the Research and Development Committee. Geoff was an Industry Adviser to the Australian Government for the Food and Beverage Industry and is now a Director of Food Innovation Ltd. Geoff is not currently a director of any other ASX listed companies.

LAYTON MILLS – *Founder and Managing Director*

Layton Mills is the co-founder and Managing Director of CannPal and holds an advanced diploma in business management and marketing. Layton has spent nine years in the fast moving consumer goods industry and has successfully launched a number of consumer goods into the Australian market, achieving national distribution.

Prior to founding CannPal, Layton was overseeing the brand portfolio of Advanced Brokerage Australia, a leading FMCG broker, with product ranges in Australia's leading grocery retailers, garnering Layton significant industry experience with market leading retailers, liaising with pet food, dairy and other category buyers.

Layton has gained international business experience having been involved in business activities across Europe, Asia and North America. Layton has not previously served as a director of any other ASX listed companies.

ROBERT CLIFFORD – *Non Executive Director*

Rob has over 20 years of experience in brand implementation and business strategy and planning. His senior leadership roles have been in large multinational private and public corporations in Australia, China and Ireland. For over 25 years Rob has been at the forefront of Australia and New Zealand's hospitality industry, leading Australia's largest boutique catering brand: EPICURE.

Rob is currently the President of the Irish Australian Chamber of Commerce – a national business organisation that facilitates trade and information exchange for a diverse membership base across Australia. Rob has not previously been a director of any other ASX listed companies.

***MAX JOHNSTON** - Non Executive Director*

Max has over 45 years of experience holding board positions across ASX listed companies such as Medical Developments Ltd, Probiotec Ltd, Enero Group Ltd and Polynovo Ltd.

Max has also held several prominent industry roles, including as a past President of ACCORD Australasia Limited and former Vice Chairman of the Australian Food and Grocery Council. Along with this, he has senior executive experience in market leading corporate companies such Unilever, United Distillers and Johnson & Johnson Pacific where he acted as Managing Director for a number of years.

***DR KATE ADAMS -** Non-Executive Director*

Dr Kate Adams is an entrepreneur and Veterinarian with an interest in innovation, science and fast growing emerging biotechnology companies. Kate is an owner at Bondi Veterinary Hospital as well as CEO and Founder of Australian tech startup, Thankly. Kate holds tertiary qualifications in Science, Veterinary Medicine & Surgery, Marketing, Public Administration and is currently completing a Masters of Data Analytics.

Kate has held senior leadership and advisory roles for the federal Attorney-General's portfolio along with private company experience as the Director of Science, Technology and Intellectual Property at a corporate advisory firm.

Kate has been practicing as a veterinarian for 10 years, having completed her Veterinary qualifications at Murdoch University. Kate has not previously served as a director of any other ASX listed companies.

4.16 Advisory Board

In addition to the Directors, the Company has also engaged a panel of experts in the veterinary, commercialisation and regulatory fields both within Australia and the United States to form an Advisory Board.

Each member of the Advisory Board receives a payment of $1,000 per month under their engagement for their services provided to the Company. In addition certain Advisory Board members have been engaged as consultants to the Company and will be paid separately for those consulting services.

A profile on each of the members of the Advisory Board is set out in Section 11.2.

4.17 Corporate Governance

To the extent applicable, in light of the Company's size and nature, the Company has adopted The Corporate Governance Principles and Recommendations (3rd Edition) as published by ASX Corporate Governance Council (**Recommendations**).

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined in Section 11.3 of this Prospectus and the Company's compliance and departures from the Recommendations are set out in Section 11.4 of

this Prospectus. In addition, the Company's full Corporate Governance Plan is available from the Company's website www.cannpal.com.

4.18 Disclosure of Interests

For each of the Directors, the proposed annual remuneration for the financial year following the Company being admitted to the Official List together with the relevant interest of each of the Directors in the securities of the Company as at the date of this Prospectus is set out in the table below.

	Remuneration (p.a)	Shares	Performance Rights	Options
Directors				
Layton Mills[1]	$190,000	6,884,682	2,500,000	Nil
Geoff Starr	$60,000	Nil	Nil	500,000
Max Johnstone	$36,000	Nil	Nil	500,000
Robert Clifford[2]	$36,000	430,293	Nil	500,000
Dr Kate Adams	$36,000	Nil	Nil	500,000
TOTAL	**$358,000**	**7,314,975**	**2,500,000**	**2,000,000**

Notes:

1. Layton Mills is acting as Managing Director and remuneration is in the form of an employment contract. Mr Mills does not receive any directors fees while holding an executive position.
2. Robert Clifford controls these share through his family trust, Clifford Clan Super Fund A/C.

4.19 Agreements with Directors or Related Parties

The Company's policy in respect of related party arrangements is:

(a) a Director with a material personal interest in a matter is required to give notice to the other Directors before such a matter is considered by the Board; and

(b) for the Board to consider such a matter, the Director who has a material personal interest is not present while the matter is being considered at the meeting and does not vote on the matter.

4.20 Agreements with Directors or Related Parties

The Company has entered into non-executive letters of appointment with Robert Clifford, Max Johnston, Dr Kate Adams and Geoff Starr, (Non-Executive Agreements or Non-Executive Agreement as the context requires) pursuant to which, each of the above mentioned parties are appointed as non-executive directors of the Company and from then on in accordance with the Company's Constitution relating to retirement by rotation and re-election of directors.

Executive Services Agreement – Layton Mills

The Company has entered into an executive services agreement with Layton Mills, pursuant to which he has been appointed as the Managing Director of the Company (**Executive Service Agreement**). The material terms of the Executive Service Agreement are as follows:

(a) (**Term**): The engagement continues until validly terminated;

(b) (**Remuneration**): The remuneration payable is $190,000 per annum, accruing daily and payable in equal monthly instalments in arrears;

(c) (**Performance Based Bonus**): In addition to his salary, the Company agrees to pay a performance based bonus of 2,500,000 performance rights, based on key performance indicators set by the Company from time to time;

(d) (**Expenses**): The Company will reimburse Mr Mills for all reasonable expenses incurred in the performance of his duties in connection with the Company.

The Executive Services Agreement otherwise contain restraint of trade, termination and general clauses considered standard for agreements of this nature.

Non-executive Agreements

Max Johnston, Robert Clifford and Dr Kate Adams, will each be remunerated $36,000 per annum (exclusive of GST where applicable). Geoff Starr will be remunerated $60,000 per annum (exclusive of GST where applicable). This is the total cost to the Company with superannuation not included in remunerations.

Each director is also entitled to additional payments for devoting special attention to business outside the scope or ordinary duties and is entitled to reasonable expenses properly incurred whilst undertaking their respective duties and are also eligible to participate in the company's ESOP plan. All of the Directors aside from the Managing Director, are considered to be independent Directors of the Company.

4.21 Deeds of indemnity, insurance and access

The Company has entered into a deed of indemnity, insurance and access with each of its Directors and will enter such deeds with each of the Proposed Directors. Under these deeds, the Company agrees to indemnify each officer to the extent permitted by the Corporations Act against any liability arising as a result of the officer acting as an officer of the Company. The Company is also required to maintain insurance policies for the benefit of the relevant officer and must also allow the officers to inspect Board papers in certain circumstances.

5. *DETAILS OF THE OFFER*

5. Details of the Offer

5.1 The Offer

Pursuant to this Prospectus, the Company invites applications for 30,000,000 Shares at an issue price of $0.20 per Share to raise $6,000,000. The Offer under this Prospectus comprises the Priority Offer and the General Offer.

The Shares offered under this Prospectus will rank equally with the existing Shares on issue. Refer to Section 13.2 for information on the rights and liabilities attaching to Shares.

5.2 Priority Offer

Of the Shares being offered under this Prospectus, 5,000,000 Shares will be offered in priority to eligible shareholders of Zelda Therapeutics Limited. To be eligible to participate in the Priority Offer, an applicant must:

(a) be a resident in Australia or New Zealand;

(b) be recorded as holding a minimum of 25,000 shares in Zelda as at the Priority Offer Record Date,

(**Eligible Zelda Shareholders**).

Allocation of Shares to the Eligible Zelda Shareholders will be subject to the allocation policy set out in Section 5.5 below. Eligible Zelda Shareholders are encouraged to submit their Application Forms as soon as possible after the Opening Date and in any event before the Priority Offer Closing Date (29 September 2017).

Eligible Zelda Shareholders will need to follow the instructions on the Application Form applicable to them to participate in the Priority Offer and submit the Application Form prior to the Priority Offer Closing Date at the address outlined below.

The Priority Offer closes 7 days before the General Offer closes. This allows the Company to accept applications under the General Offer for Shares not applied for (or applications not accepted by the Company) under the Priority Offer.

To the extent that subscriptions from the Eligible Zelda Shareholders exceed 5,000,000 Shares, the excess applications will be considered as applications under the General Offer.

5.3 General offer

The General Offer will be for:

(a) 25,000,000 Shares; and

(b) any Shares offered under the Priority Offer that are not subscribed for or issued to Eligible Zelda Shareholders by the Priority Offer Closing Date.

Therefore, if the Priority Offer is fully subscribed, 25,000,000 Shares will be offered under the General Offer. However, if no Shares are subscribed for or issued under the Priority Offer at the Priority Offer Closing Date, then 30,000,000 Shares will be available for subscription under the General Offer.

5.4 Minimum Subscription

The minimum subscription for the Offer is $6,000,000.

If the minimum subscription to the Public Offer of $6,000,000 has not been raised within four months after the date of this Prospectus, the Company will not issue any Securities and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

5.5 Allocation Policy

The Company retains an absolute discretion to allocate Securities under the Offer and reserves the right, in its absolute discretion, to allot to an Applicant a lesser number of Securities than the number for which the Applicant applies or to reject an Application Form. If the number of Securities allotted is fewer than the number applied for, surplus application money will be refunded without interest as soon as practicable.

No Applicant under the Offer has any assurance of being allocated all or any Securities applied for. The allocation of Securities by Directors will be influenced by the following factors:

(a) the number of Securities applied for;

(b) the overall level of demand for the Offer;

(c) the desire for spread of investors, including institutional investors; and

(d) the desire for an informed and active market for trading Securities following completion of the Offer.

In relation to the Priority Offer only, in addition to the policy outlined above, the Company also intends to consider valid Applications under the Priority Offer in order of date received.

The Company will not be liable to any person not allocated Securities or not allocated the full amount applied for.

5.6 Taxation

The acquisition and disposal of Securities will have tax consequences, which will differ depending on the individual financial affairs of each investor.

It is not possible to provide a comprehensive summary of the possible taxation positions of all potential applicants. As such, all potential investors in the Company are urged to obtain independent financial advice about the consequences of acquiring Securities from a taxation viewpoint and generally.

To the maximum extent permitted by law, the Company, its officers and each of their respective advisors accept no liability and responsibility with respect to the taxation consequences of subscribing for Securities under this Prospectus.

No brokerage, commission or duty is payable by Applicants on the acquisition of Securities under the Offer.

5.7 Applications

If you wish to apply for Shares under the General Offer or the Priority Offer, you must complete the Application Form attached to or accompanying this Prospectus (filling in any additional information relevant to the Priority Offer if applicable)or a printed copy of the Application Form attached to the electronic version of this Prospectus.

By completing an Application Form, each Applicant under the Offer will be taken to have declared that all details and statements made by you are complete and accurate and that you have personally received the Application Form together with a complete and unaltered copy of the Prospectus.

Applications for Shares must be for a minimum of 10,000 Shares and thereafter in multiples of 2,500 Shares and payment for the Shares must be made in full at the issue price of $0.20 per Share.

Completed Application Forms and accompanying cheques, made payable to "CannPal Animal Therapeutics Limited – Share Issue Account" and crossed "Not Negotiable", must be mailed or delivered to the address set out on the Application Form by no later than 5:00pm (WST) on the Closing Date in relation to the General Offer, or 5:00pm (WST) on the Priority Offer Closing Date in relation to the Priority Offer.

The Company reserves the right to close the Offers early.

If you require assistance in completing an Application Form, please contact the Share Registry.

5.8 ASX listing

Application for Official Quotation by ASX of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus.

If the Shares are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of issue of this Prospectus, or such period as varied by the ASIC, the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Securities now offered for subscription.

Subject to the Company being admitted to the Official List, certain Shares and Options on issue prior to the Offer will be classified by ASX as restricted securities and will be required to be held in escrow for up to 24 months from the date of Official Quotation. The Board does not expect that any Securities issued under the Offer will be subject to escrow under the ASX Listing Rules.

The Company will announce to the ASX full details (quantity and duration) of the Shares and Options required to be held in escrow prior to the Securities commencing trading on ASX.

5.9 Issue of Securities

Subject to the ASX granting conditional approval for the Company to be admitted to the Official List, issue of Shares offered by this Prospectus will take place as soon as practicable after the Closing Date.

Pending the issue of the Shares or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

5.10 Applicants outside Australia

This Prospectus does not, and is not intended to, constitute an offer in any place or jurisdiction, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any of these restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

No action has been taken to register or qualify the Shares or otherwise permit a public offering of the Shares the subject of this Prospectus in any jurisdiction outside Australia. Applicants who are resident in countries other than Australia should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

If you are outside Australia it is your responsibility to obtain all necessary approvals for the issue of the Shares pursuant to this Prospectus. The return of a completed Application Form will be taken by the Company to constitute a representation and warranty by you that all relevant approvals have been obtained.

5.11 Not underwritten

The Offer is not underwritten.

5.12 Lead Manager

Merchant Corporate Advisory Pty Ltd (ACN 617 902 646) (Authorised Representative Number: 001252806) has been appointed as lead manager to the Offer. The terms of the mandate are summarised in Section 12.10.

5.13 Commissions Payable

The Company reserves the right to pay a commission of up to 6% (Exclusive of GST) of amounts successfully subscribed through any other licensed securities dealers or Australian financial services licensee in respect of any valid applications lodged and accepted by the Company and bearing the stamp of the licensed securities dealer or Australian financial services licensee. Payments will be subject to the receipt of a proper tax invoice from the licensed securities dealer or Australian financial services licensee.

6. *INDUSTRY OVERVIEW*

6. Industry Overview

6.1 Introduction

CannPal is a pharmaceutical focused animal health Company that has identified an opportunity to benefit from the rapidly growing medical cannabis sector, by developing standardised and dosage controlled, regulatory approved pharmaceuticals, derived from the cannabis plant.

The markets therefore relevant to the Company's business are both the animal health industry and the growing industry around medical cannabis.

CannPal does not intend to be a grower or supplier of medical cannabis and will rely on its ability to secure supply of appropriate quantities of medical cannabis oils for both research and, subject to research success, commercialisation of any products.

6.2 Animal Health Industry

Global market overview

The Australian Veterinary Association estimates that as of 2016, there was a population of 4.8 million pet dogs and 3.9 million pet cats living in Australian households, and the International Federation of Animal Health Europe (IFAH-Europe) estimates that as of 2014 there were 72 million cats and 63 million dogs across Europe, with 75 million pet owing-homes.

The US has the largest concentration of pets in the world, with an estimated 94.2 million cats and 89.7 million dogs *(Source: The 2017-2018 APPA National Pet Owners Survey)* and it is estimated that Latin America has the highest pet ownership percentage per household, with 66% of households in Argentina and 58% of households in Brazil owning a companion animal.

Companionship is often cited as the main reason for owning a pet and preventative care of animals, in particular domestic pets, remains the dominant factor driving sales of animal health products in these western markets.

The worldwide animal health sector of which the global companion animal sector comprises 41%, was valued at US$23.9 billion as at 2015 and continues to grow *(Source: Koncept Analytics: Global Animal Health Market Report: 2015 Edition).*

Of this market, the Americas accounts for 46%, followed by Europe with an estimated 31%, together accounting for approximately 77% of the total market.

Industry Composition – animal health market

The global companion animal health industry is segmented between species, namely companion animals or food producing animals.

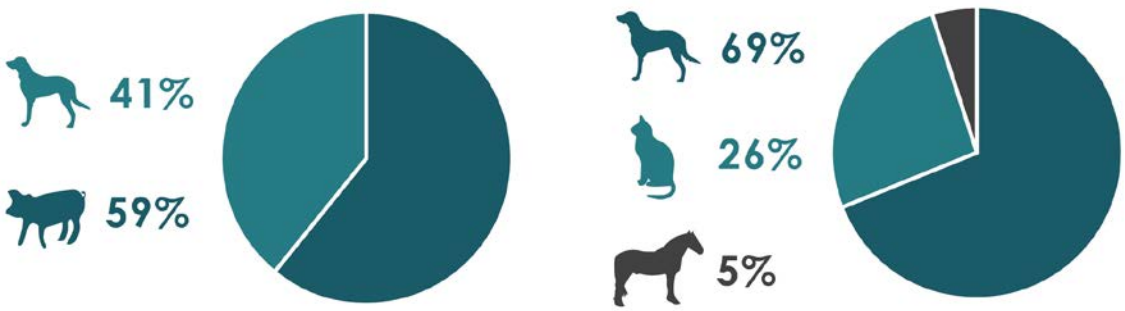
- **food producing animals**, referring to livestock like cattle, pigs, poultry, fish; and
- **companion animals or pets,** referring to cats, dogs, horses, birds and other domesticated animals.

Food producing animals have gained a greater importance as a result of the demand for animal protein, particularly in emerging markets such as India and Asia. However the demand for companion animals is growing as a result of rising global incomes and pet ownership.

As of 2014, 59% of the total market was held by food producing animals, followed by companion animals with 41%.

Companion animals are dominated by three major species, including dogs, cats and horses. Of the three species, dogs held a maximum share of 69%, followed by cats with 26%. Horses and other companion animals consisted of only 5% as of 2014 (*(Source: Koncept Analytics, Global Animal Health Market Report: 2015 Edition)*.

Industry Composition by Species (2014)



The global animal health market, exclusive of services and pet food, can be segmented into three specific categories.

- pharmaceuticals;
- biologics; and
- medicinal feed activities

The increased use of vaccines and drugs to keep food producing animals healthy has added to the size of the global health market, in particular the pharmaceuticals. The pharmaceuticals segment held a concentrated share of 62% as of 2014, followed by biologics which held 26%. The remaining 12% was held by medicinal feed activities.

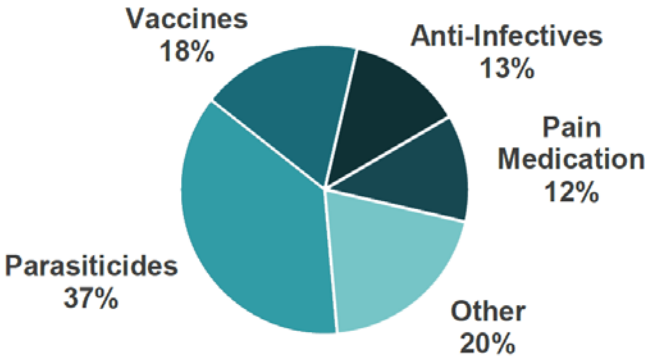
Of these markets, the pharmaceutical sector is of the most relevance to the Company, and in particular, for use in companion animals.

This market consists of a number of key segments, with parasiticides (Flea and Tick medications) dominating the sector, with a global value of US$9 billion. The most common segments in the global companion animal drugs market include:

- parasiticides 36.7% with an estimated global value of US$9 billion;
- heartworm products 19.9% with an estimated global value of US$5 billion;
- vaccines 15% with an estimated global value of US$3.76 billion;
- antibiotics 14.8% with an estiated global value of US$3.7 billion;
- anti-Inflammatory 5.4% with an estimated global value of US$1.38 billion;
- nutritional products 5.3% with an estimated global value of US$1.35 billion;
- skincare products 1.7% with an estimated global value of US$427 million; and
- Behavioural products 1.4% with an estimated global value of US$376 million.

Although the companion animal market is the smaller of the pharmaceuticals markets, in 2015 in the United States alone, this market was valued at over US$7b annually *(Source: Freedonia Focus Reports: Pet Medications: United States).* Pain management, which is the Company's initial market, represents a large share of this sector.

US Sales of Pet Medications by Type, 2014



Therefore, the Company considers that the animal health market represents a viable and valuable target market for the introduction of cannabis-derived pharmaceutical and nutraceutical products, the like of which are the subject of the Company's research.

Finally, the pharmaceutical market for companion animals/pets that the Company is focusing its research on, can be broken down into treatments for:

- inflammation/arthritis;
- skin disease;
- behaviour disorders (separation anxiety, aggression);
- gastro-intestinal disorders; and
- others (Including diabetes and epilepsy).

The Company's Lead Drug Candidate is initially targeted at addressing the pain/chronic pain market, while the Company considers that there is opportunity in developing nutraceutical products targeting skin care, joint health and gastro-intestinal issues, at least initially.

Market Trends

The growth in the animal health industry is considered to be driven by a number of growing trends including, but not limited to:

- increasing value and adoption of pets by humans;
- a developing awareness of pet health by owners;
- increasing urbanisation levels and growing affluence; and
- pets are living longer, increasing demand for new medicines.

Other trends that are influencing the changes and growth in the global animal health market include, but are not limited to:

(a) Humanisation of pets

There's a growing trend towards the humanisation of cats and dogs as humans look for companionship in pets and develop stronger relationships with their pets. This trend is driving expenditure in the industry, with the total pet care market in the US growing from $60.28b in 2015 to $66.75b in 2016 alone *(Source: American Pet Productions Association)*.

(b) Increased lifespan

Due to the rising expenditure on animal health and improved living conditions for these animals, the life expectancy for pets is growing. This is further driven by improvements in technology with diagnostics making it easier for clinicians to identify and treat conditions early. This trend has an off target effect in age related diseases, such as arthritis and obesity.

(c) Natural products

There is an increasing trend towards preference for naturally derived food products and medicines, which is mirroring the human pharmaceutical and nutraceutical industries. According to a GlaxoSmithKline analysis, as at 2016, over 69% of all sales in the US are attributed to natural pet food *(Source: GsK 'Pet Trends Shaping the World' 2016)*.

(d) Antimicrobial Resistance

Antimicrobial resistance is a growing concern not just for humans but also for animals and animal health. Sixty percent of the bacteria in humans is shared with animals, highlighting the need for improvements in animal health. This presents an opportunity to develop natural antimicrobial alternatives, that can offset the overuse of antibiotics.

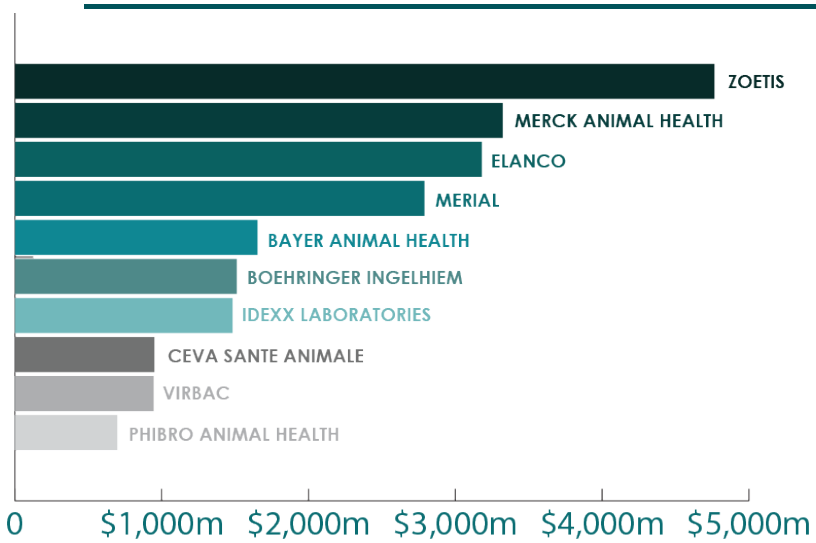
(e) Rising obesity in animals

An increasing tendency to overfeed pets has resulted in an increased rate of obesity in pets which has been negatively impacting the health of those pets, making them more susceptible to disease. The Association of Pet Obesity Prevention, in the US has estimated that 52.6% of dogs and 57.5% of cats in the United States are overweight or obese *(Source: Future market Insights)*.

Competition landscape

As of 2015, there were over 25 companies in the animal health industry with more than $100m of revenue per annum, with the top 5 companies accounting for approximately 50% of the market *(Source: Animal Pharm; Top 20 Market Leaders 2015).*

Top 10 Global Animal Health Companies (In US$'000's)



Zoetis, a spin off from Pfizer established in 2015, recorded US$4.7b in revenue in 2015 and held a market shares at that time of approximately 20% *(Source: Future Market Insights/Animal Pharm: Top 20 Market Leaders) 2015)*

While there are a significant number of other small to medium enterprises in animal health, only a small number are focusing on niche therapeutic areas or specific drug delivery platforms and due to the segmentation of treatment platforms, it is reasonably considered that there is still significant opportunity in the industry for a company such as CannPal.

Deal flow in the animal health industry between both market leaders and small research and development companies is rapidly growing, with over 50 registered deals through 2016 to 2017.

CannPal considers that the industry represents a good value proposition for the Company, in particular because of its focus on utilising medical cannabis, which remains a new frontier in the animal health market.

Summary

Given the above, the Company considers that the animal health industry represents a growing and lucrative market for companies capable of delivering innovative products that are beneficial to the health of their pets, without some or all of the side effects associated with current treatments. Through its research and development of both pharmaceutical and nutraceutical products, the Company hopes to become an important part of this growing industry.

6.3 Medicinal Cannabis

Background on cannabis

Cannabis is a type of flowering plant that has long been used for both medical and recreational purposes. Medicinal cannabis refers to the use of products containing cannabinoids, the compounds derived from the cannabis plant that have medical or therapeutic benefit. The two main components of cannabis (cannabinoids) identified for therapeutic applications are the psychoactive tetrahydrocannabinol, otherwise known as **THC**, and the non-psychoactive cannabidiol (**CBD**). As medical research has increased into the effectiveness and therapeutic benefits of cannabis, global momentum relating to the acceptance of cannabis has grown, and various countries have passed legislation making the medicinal use of cannabis more available, although it is still relatively controlled.

In one of the most comprehensive studies of recent research on the health effects of Cannabis, by the National Academies of Sciences, Engineering and Medicine, it was shown that there is substantial evidence to support that human patients who were treated with cannabis or cannabinoids were more likely to experience a significant reduction in pain symptoms.

Increasing research is being undertaken on the potential for medical cannabis to treat various conditions in humans, and there is a growing number of publicly listed companies around the world active in the medical cannabis industry, either in the growing or medical research fields.

As acceptance of the use of medicinal cannabis for human use has grown, an opportunity to consider its uses in animals has also arisen.

Why medical cannabis for pets?

Much of the available research on cannabis relates to human use but its effects can be expected across all mammalian species, including cats and dogs, because of a recently discovered network of receptors and corresponding molecules throughout mammals called the 'Endocannabinoid System'.

The Endocannabinoid System is the name for a series of receptors spread throughout the entire mammalian body, including cats, dogs and horses, that controls some of the most vital life functions, including the immune system, memory, appetite, sleep pattern, mood and pain sensation.

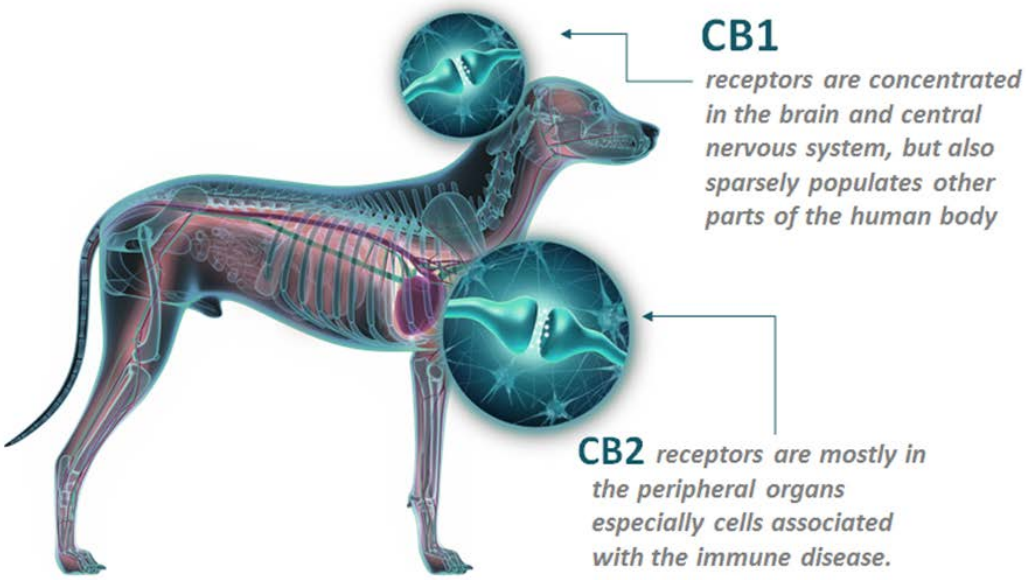
The mammalian body produces its own endogenous cannabinoids which are molecules that interact directly with these receptors, exhibiting a number of different therapeutic effects.

Research to date indicates it is possible to directly target these receptors using specific exogenous cannabinoids found in the cannabis plant such as THC or CBD, to influence a number of physiological functions and restore the body's homeostasis by balancing out any cannabinoid deficiencies in the body.

The two primary receptors discovered to date in the Endocannabinoid system located in the mammalian body are the "cannabinoid receptor type 1" (CB^1) and the "cannabinoid receptor type 2" (CB^2) . CB^1 is more prevalent in the brain and is affected primarily by THC, the cannabinoid best known for its psycho-active qualities.

CB^2 is located throughout the body and its peripheral organs, and is influenced by both THC and CBD in different ways, to promote a number of different physiological functions, depending on which are targeted.

The illustration below shows the location of CB^1 and CB^2 receptors in a male dog.



Therefore, the Company considers that building from the research that has been conducted to date on the positive effects of medical cannabis in humans, there is opportunity for CannPal to expand that research, based on this primary concept of the Endocannabinoid System, into the development of medicines for prescription (THC based) and nutraceutical (CBD based) products to assist in the treatment of various ailments in pets.

What is the regulatory landscape?

There are a number of jurisdictions around the world that have passed legislation that impacts the medical cannabis industry, in particular to the growing, selling and the use of medical cannabis-based products. As the research into the medicinal benefits grows, it is expected that more jurisdictions will continue to identify regulatory pathways for legalising or de-criminalising medical cannabis in the future.

For animal use or animal treatment, cannabis is a prohibited substance as classified under Schedule 1 of *The Single Convention on Narcotic Drugs of 1961*, which has been adopted into legislation in most of the Company's target regions.

It is presently illegal for veterinary practitioners to prescribe or promote cannabis to animals in most jurisdictions. However, the Company's development plan is to research, develop and commercialise pharmaceutical products for regulatory approval, that contain cannabinoids as active pharmaceutical ingredients (API's) in the various products the Company is researching, not the prescription of cannabis itself and, once approved, would be rescheduled to allow for the lawful sale and distribution by approved veterinary practitioners as a regulated medicine.

While cannabis is a prohibited substance for the purpose of animal use, the Company is able to legally access and research medical cannabis under particular international regulatory frameworks derived under *The Single Convention on Narcotic Drugs 1961*.

The Single Convention on Narcotic Drugs of 1961

The Single Convention on Narcotic Drugs of 1961 (**Convention**) is an international treaty to prohibit the production and supply of specific drugs except under licence for specific purposes, such as medical treatment, and is used as the basis for the standardisation of national drug-control laws. However since the Convention is not self-executing, parties are required to pass laws to carry out its provisions.

Some of these adopted frameworks include, but are not limited to:

- ***The Controlled Substances Act (US)***

  The Controlled Substances Act year (US) is the United States statute establishing federal U.S. drug policy under which the manufacture, importation, possession, use and distribution of certain substances is regulated.

- ***The Misuse of Drugs Act 1971 (UK)***

  The Misuse of Drugs Act 1971 is an Act of the Parliament of the United Kingdom that represents action in line with commitments under the Convention.

- ***The Standard for the Uniform Scheduling of Medicines and Poisons (SUSMP)***

  SUSMP is an Australian legislative framework produced by the Therapeutic Goods Administration (TGA) to classify drugs and poisons into different schedules as outlined in the Single Convention on Narcotic Drugs. Each State and Territory in Australia has its own particular controlled drugs Act and will apply to the Company depending on which State the research and development activities take place.

Prohibited and controlled drugs are placed in a schedule based on a number of factors that include, but are not limited to, their abuse potential, promotion of criminal activity or danger to human health. The Schedules in the Convention signify the degree of control recommended to be exercised over their availability to the public.

Cannabis is considered a prohibited substance in most jurisdictions under the relevant scheduling, however the Convention has established a framework that enables companies like CannPal to complete the medical research and studies that will be required to gain regulatory approval of its products, once safety and efficacy has been proven.

Once the Company has regulatory approval of a pharmaceutical drug product, it is up to the relevant regulatory authorities in each jurisdiction to reschedule the pharmaceutical to allow for lawful marketing and sale of the newly approved drug.

The results of the clinical development process and subsequent regulatory approval in any given jurisdiction, if successful, changes a company's drug products from a cannabis product to an approved prescription medicine. Prescription medicines are regulatory approved pharmaceuticals which have been through a robust and arduous clinical development plan, to establish the safety and efficacy of its label claims, with the authorisation to be sold through veterinary distribution channels by a regulatory authority specific to the region. Similar to human use, prescription medicines in animals require a prescription to be issued by a medical practitioner, in this case, veterinarians.

There are a number of steps involved in the clinical development and regulatory approval of a drug product for animal health and more information about this process can be found in Section 7 of this Prospectus. Furthermore it should be noted that each jurisdiction differs in how it adopts the framework set out in the Convention, with a summary of the Company's target regions outlined below.

United States

In the United States, cannabis remains a Schedule 1 drug under the *Controlled Substances Act* (US) because of its high abuse potential and a lack of currently accepted medical use in treatment and/or a lack of accepted safety for use under medical supervision in the United States.

The US FDA's Center for Veterinary Medicine is the regulatory body that reviews data and information submitted by drug sponsors in support of a new animal drug application and through that process, a drug product may be rescheduled to allow for lawful sales and distribution which may come with restrictions, such as prescription only.

The Drug Enforcement Agency is responsible for scheduling controlled substances, pursuant to the *Controlled Substances Act* , in due time following FDA approval of new drugs.

To date, the FDA has not approved a new drug application for a drug product containing or derived from botanical cannabis and has not found any such product to be safe and effective for any indication. However, the FDA has approved 3 new drug applications (NDA) from 2 synthetic cannabinoids (dronabinol and nabilone); a fourth botanical product using CBD with an investigational new drug application (IND) is close to approval as of May 2017.

European Union & United Kingdom

EU Member States classify drugs and precursors according to the three *UN Conventions of 1961, 1971 and 1988* (abbreviated below to **UN61**, **UN71** and **UN88**), for controlling and supervising their legitimate scientific or medical use while taking into account the particular risks to public or individual health.

While the European Union and United Kingdom have been slow to implement medical cannabis initiatives, *Sativex* (a pharmaceutical product developed by GW Pharmaceuticals containing THC and CBD extracts from the cannabis plant) has been approved for sale in several European countries.

The European Medicines Agency (**EMA**) is responsible for the scientific evaluation of centralised marketing authorisation applications , including new veterinary medicine products.

France, Germany, the United Kingdom and Italy account for over 50% of the European animal health market and as such, these jurisdictions would be a priority for the Company, which has partnered with European based veterinary research organisations to liaise with regulators on its behalf.

Italy

In Italy, the medicinal use of cannabis for human patients in possession of a valid prescription from a licensed physician has been allowed since January 2013. Patients are permitted to obtain a legal supply of medical cannabis from licensed, state-run pharmacies.

According to the *Ministero della Salute,* the Italian decree n.193/2006 veterinary medicinal products containing THC and CBD as active substances for the treatment of dogs are authorised, however the Italian authorities will decide on the limitations of

use, warnings and prescription status applicable to a given product during the internal regulatory authorisation procedure.

United Kingdom

In the United Kingdom, cannabis is a Scheduled substance under the *Misuse of Drugs Act 1971* (UK), however the human product *Sativex* has been authorised for prescription on name-patient basis. According to the Act, Cannabis is a controlled drug, requiring import and export licenses from the UK Government Home Office.

The legal status of the Company's drug candidates would be POM-V (Prescription-only medicine that can only be prescribed by a veterinarian) and it would be a controlled drug, which is legal for sale with particular guidelines about the products marketing, to be decided at the time of approval.

France

France maintains some of the strictest cannabis laws in Europe and medicinal use of Cannabis in general (plant or parts of the plant) is not allowed in France.

However In 2013, an amendment to the health code legalised some cannabis-based medicines, and the human product *Sativex* has been approved and authorised for sale since 2014.

The sale of a cannabis derived product for animals is possible under similar frameworks as *Sativex,* however it may be restricted to the use by a veterinarian only, due to the narcotic status of cannabis.

Germany

Germany now has a more liberal view on the use of cannabis as a medical product. However while the human finished product *Sativex*, is allowed for human therapy and prescription; for the use of cannabis in animals, THC is subject to the German *Narcotics Act* and is listed under Annex I as "non-marketable aesthetic", meaning that the substance is not allowed for prescription.

Currently, only veterinarians who run a veterinary pharmacy would be allowed to administer any product developed by the Company containing THC.

Australia

The Australian Pesticides and Veterinary Medicines Authority (**APVMA**) is the regulatory authority that governs the animal health industry in Australia and follows the Therapeutic Goods Administration's (**TGA**) Scheduling when assessing the restrictions of a drug product.

The Uniform Scheduling of Medicines and Poisons (SUSMP) is an Australian legislative framework produced by the TGA to classify drugs and poisons into different schedules and cannabis remains a Schedule 9 drug, which is classified as a prohibited substance by law, unless used for medical or scientific research, with the permission of each State or Territory Health Authority.

Approval of any drug candidate containing cannabis will need to be approved by the APVMA prior to being able to be distributed in Australia.

7. COMPANY OVERVIEW

7. Company Overview

7.1 Background

CannPal was incorporated in June 2016 to research, develop and commercialise regulatory approved medicines, using compounds derived from the cannabis plant, for the global companion animal health markets, with a focus on cats and dogs.

CannPal has been funded privately to date by a small group of investors with significant experience in the medical cannabis sector and in March 2017, the Company completed a capital raising of $1,000,000 to provide the funds necessary to enter into research and development activities to establish its business prior to seeking a listing on ASX.

The Company's core strategy is to commercialise pharmaceutical products developed for companion animals to treat various conditions, using compounds derived from the medical cannabis plant, that have been pre-validated in clinical human studies. The Company will seek regulatory approval of its developed pharmaceutical products following the success of clinical research and development activities to prove the safety and efficacy of its drug candidates. In addition, the Company seeks to also generate revenue through the sale of nutraceutical products, containing the less restricted cannabidiol derived from the industrial hemp plant, to treat conditions in pets shown to be responsive to that active ingredient and has entered into a partnership with human cannabis pharmaceutical Company, Zelda Therapeutics Limited, to allow CannPal the opportunity to potentially generate future revenues from the sale or licence of its animal data for use in human drug development.

An outline of the Company's business plan and objectives is set out in Section 4.3.

Outlined in this Section of the Prospectus is a summary of the Company's operations and current therapeutic pipeline, as well as a summary of the processes that the Company will be required to work through to develop an approved pharmaceutical drug for sale.

In the implementation of that business plan, the Company has already entered into some significant agreements and arrangements with other parties in the industry that have enabled it to expedite its research activities. Those arrangements include:

(a) Zelda Therapeutics Limited

In March 2017, the Company entered into a research partnership with Zelda, an ASX listed human cannabis pharmaceutical entity, to share results of respective research.

Through Zelda's exclusive access to human patient data, the Company has been able to further its knowledge of medical cannabis as an active pharmaceutical ingredient, particularly in formulation design and product development, to progress straight into animal health research, along with the opportunity to potentially generate future revenues from the licencing of the Company's animal research for use in human drug development.

(b) Aphria Inc.

The Company has entered into a non-binding memorandum of understanding with a subsidiary of Aphria Inc., Pure Natural Wellness Inc. (o/a

Aphria), a Canadian listed medicinal cannabis grower. Under the MOU, the parties have agreed the framework pursuant to which they would enter into a binding supply arrangement for the supply of consistent quality controlled and standardised cannabis oils for the Company's clinical trials. Although the MOU is non-binding the parties specifically acknowledged that they may commence supply arrangements under the MOU prior to entry into any formal binding agreement.

Summaries of the key terms of these agreements are outlined in Section 12 below.

The Company has also developed, and will continue to develop, relationships with strategic research organisations to help progress its clinical research and development activities and these relationships will allow the Company to complete the studies required to assist in the receipt of regulatory approval in its target markets. Some relationships include:

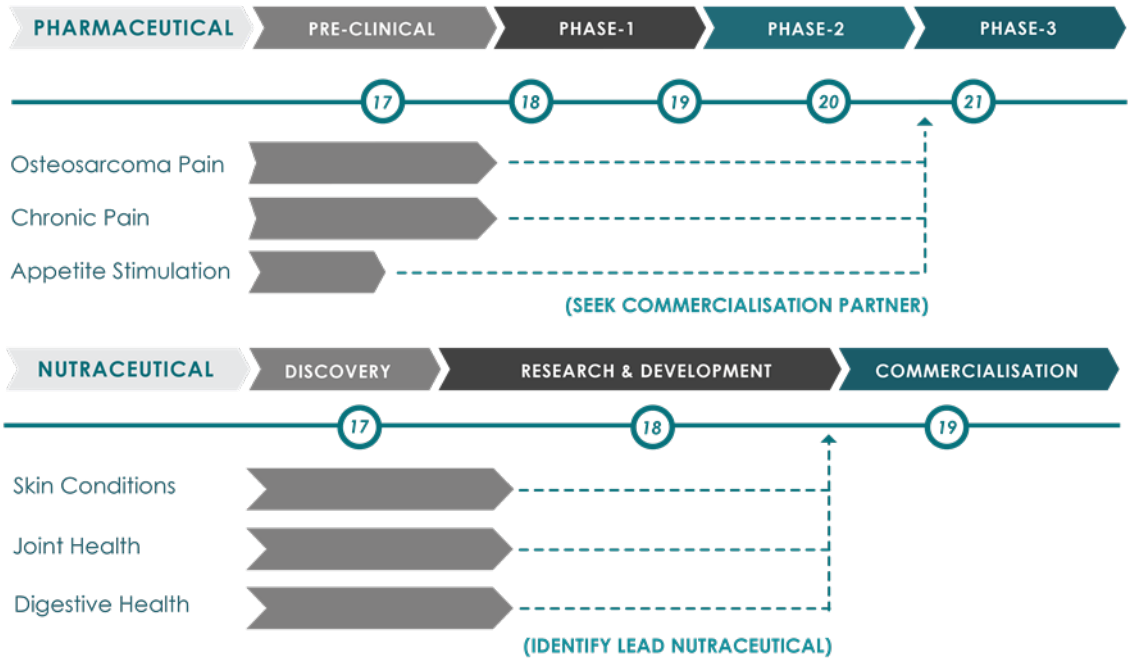
(a) a master research agreement with Invetus Proprietary Limited (**Invetus**), the largest Australasia veterinary contract research organisation, to facilitate the Company's development plans in Australia;

(b) a master services agreement with Klifovet AG, a leading European veterinary research organisation, to prepare the development plan for the Company's Lead Drug Candidate targeting pain in companion animals; and

(c) a research collaboration with the Victoria University (Melbourne, Australia) to explore the potential of the Company's lead drug candidate to act as an appetite stimulant in companion animals.

The Company believes that it has in place the requisite mix of skills and relationships to immediately commence significant clinical trials on its Lead Drug Candidate, as well as commence the necessary steps around implementing and developing its nutraceutical based products. Information on its Lead Drug Candidate is set out below.

Outlined below is a diagrammatical outline of the Company's proposed timeline of development of its pharmaceutical and nutraceautical products from discovery and clinicial research through to development of an approved and proven drug. The commercialisation of a drug candidate relies on research and trial success, which are significant risks for a research based company, and the risk factors associated with the development of these products, set out in Sections 4.5 and 8 need to be considered by all investors.



7.2 Drug development process

Pharmaceuticals developed for animal health commercialisation typically follow a structured progression from initial concept through to regulatory approval.

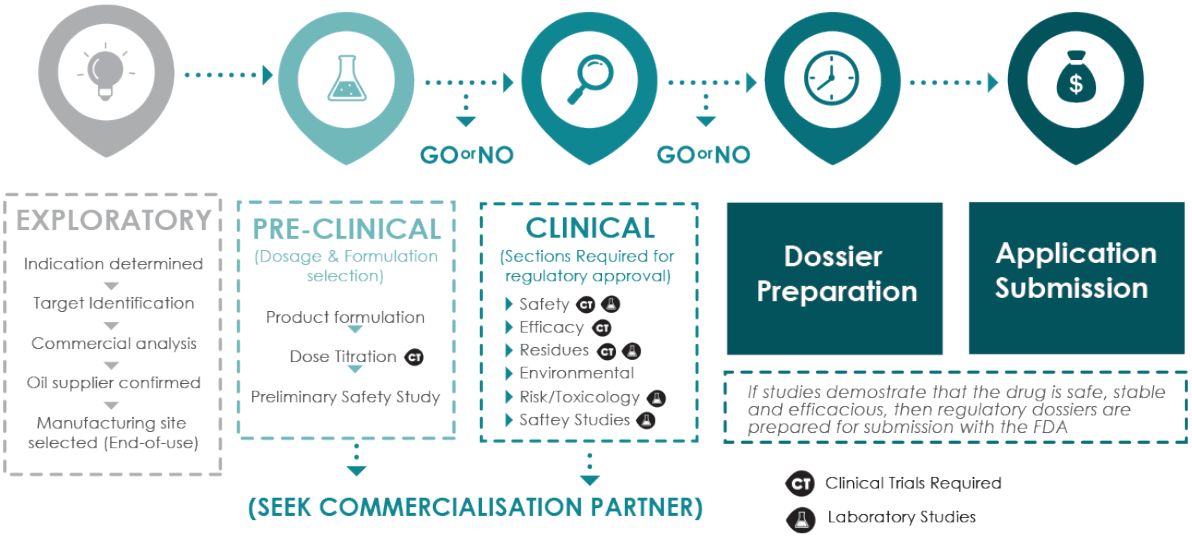
Depending on the jurisdiction, a regulatory authority will require an animal health Company to complete a number of technical sections and provide relevant information for assessment. A summary of the drug approval process in the United States includes, but is not limited to, the steps outlined below. *(Source: U.S. Food & Drug Administration Website*):

- The drug sponsor (CannPal) collects information about the safety and effectiveness of a new animal drug. The sponsor may need to conduct studies to get this information. This is often referred to as a the pre-clinicial research phase and the clinical research phase.
- Based on the collected information, including any study results, the sponsor decides if there is enough proof that the drug is safe and effective to meet the requirements for approval.
- The sponsor submits a New Animal Drug Application (NADA) to FDA/Center for Veterinary Medicine. The NADA includes all the information about the drug and the proposed label.
- A team of FDA/Center for Veterinary Medicine personnel, including veterinarians, animal scientists, biostatisticians, chemists, microbiologists, pharmacologists, and toxicologists, reviews the NADA. If the center's team agrees with the sponsor's conclusion that the drug is safe and effective if it is used according to the proposed label, Center for Veterinary Medicine approves the NADA and the drug sponsor can legally sell the drug.

The first step in this process is the initial communications with the FDA, and the lodgement of an official INAD (Investigational New Animal Drug Application) which opens a new file on the Company with the FDA Center for Veterinary Medicine.

CannPal has received a sponsor fee waiver for the 2017 year for this application, and is compiling its research to date, to open the Company's first INAD, on the completion of the Company's pharmacokinetic and safety studies.

This is intended as a summary only, and depending on the jurisdiction in which the Company is seeking approval, the process may change. The collected information that is required by the relevant regulatory authorities as outlined above, is often done so in stages which can be seen in the flowchart below prepared by the Company for the development pipeline of its Lead Drug Candidate:



(a) Exploratory Phase

The exploratory phase involves the idea generation and commercial viability assessment on the drug candidate. CannPal has strict controls in place to ensure each candidate goes through a validation process including market size, assessment, IP strategy and veterinary surveys.

(b) Pre-Clinical

Pre-Clinical is the safety, dosage and product formulation selection phase. CannPal has engaged veterinary research organisations and other research institutions to carry out research and development activities to assist in pre-validating its lead drug candidate based on research into clinical human studies and literature reviews on the safety and efficacy profiles of cannabis to progress with its development towards clinical studies following completion of the Offer.

(c) Clinical

Expensive and exhaustive clinical trials are required for regulatory dossier preparation, involving a number of robust and statistically relevant studies, performed under a strict GMP and GLP environment with the guidance of the relevant regulatory authority. In the US, this is through the FDA (Food and Drug Administration) and with approval from the DEA (Drug Enforcement Agency), to provide data on:

(i) the safety profile of the drug, which assesses the side effects associated with dosages that may include 1x, 3x, 5x and possibly 10x the estimated dose range;

(ii) efficacy studies to show both early proof of concept results along with pivotal trials which can include up to 250 patients in the chosen target species and in some instances more;

(iii) residue and environmental reports on the external factors associated with the active constituents; and

(iv) toxicology studies to identify the maximum tolerated dose and its effects in the chosen species.

Similar processes are followed in other jurisdictions, including in Australia through the Australian Pesticides and Veterinary Medicines Authority (**APVMA**).

(d) Marketing Approval

Assuming the Company successfully completes the required studies outlined above, the results of the pre-clinical and clinical studies, along with any information relating to the Company's chemistry, manufacture, controls and proposed labelling, among other requested information, are submitted to the relevant regulatory authorities requesting approval to lawfully market the product.

However even if a product is approved for sale, the regulatory authorities may limit the approved indications for use and can impose a number of other restrictions on the use of the product including, but not limited to:

(i) warnings or precautions that should be included on the label;

(ii) requirement for further testing and surveillance programs to monitor the product after commercialisation;

(iii) including distribution restrictions and request the Company implements a risk management program, to restrict potential to abuse the product; and

(iv) requiring record keeping and documentation that may be undesirable and limits the products distribution potential.

(e) Post-Marketing Approval

Pharmaceutical manufacturers with products that have been approved by regulatory authorities, particularly in the United States pursuant to the FDA, are subject to ongoing regulatory scrutiny which may involve, but is not limited to, record keeping, monitoring and surveillance, periodic reporting and further clinical trials to report on the long term safety of the drug product.

If the relevant approvals are received for a drug candidate, then the Company can move to commercialisation.

7.3 Commercialisation

If the pre-clinical and clinical studies demonstrate that a drug candidate is safe, stable and efficacious, the Company is in a position to begin looking for potential commercialisation partners or seek to commercialise the drug product internally.

Decisions on commercialisation strategies are often formed once the Company has determined that the drug candidate is likely to be successful, and can be

commenced as early as the pre-clinical and clinical research phases, depending on results and indicated outcomes.

As at the date of this Prospectus, the Company does not have a drug candidate that has completed the required safety and efficacy studies necessary to commercialise a product, and so has not made any definitive decisions in relation to its commercialisation strategies, in particular for its Lead Drug Candidate.

7.4 Lead Drug Candidate

The Company's Lead Drug Candidate is a pain related pharmaceutical candidate, using a proprietary combination of cannabinoids, intended to treat a broad range of pain indications, including chronic pain in both cats and dogs.

The Company has been granted an official sponsor fee waiver by the FDA, under the minor use/minor species provision of the Animal Drug User Fee Act (ADUFA) for this Lead Drug Candidate, targeting Osteosarcoma Pain as a potential label claim. The Company has hopes to expand its uses through ongoing research.

Osteosarcoma, the most common bone tumour to affect dogs, develops inside the bone and becomes progressively more painful as it grows outward. The National Canine Cancer Foundation estimates that appendicular osteosarcoma accounts for 75-85% of all cases of bone cancer and while the prevalence is only estimated at around 5% of all canine tumours, it is so aggressive, that in most cases, results in either amputation and/or mortality.

Cancer is the leading cause of death in dogs over 10 years, with 50% of older dogs developing the disease and approximately one in four dogs eventually dying from it. Dogs are diagnosed with many of the same types of cancer found in humans.

In most cases of cancer in companion animals, by the time of diagnosis, the pain is already well established and continues to intensify as the disease progresses. In aggressive forms of cancer such as Osteosarcoma, the available treatments are focused on enhancing the quality of life and in particular, managing pain.

The Company's clinical development plans will seek to expand the approved uses for its Lead Drug Candidate as a treatment for other subsets of pain, including chronic pain for both cats and dogs, which will build additional value into the product. In addition, the Company will also be targeting research into the use of this Lead Drug Candidate as a treatment for other potential indications, beginning with appetite stimulation through a research collaboration with the Victoria University (Melbourne, Australia).

Other therapeutic drug targets the Company may explore in the future due to the widely reported benefits of cannabis include:

- diarrhoea;
- anxiety;
- epilepsy;
- nausea and vomiting; and
- atopic dermatitis.

Market Scope

For the reasons outlined elsewhere in this Prospectus, the global pain market for companion animals is estimated to be worth over US$335 million per annum in the United States alone, comprised of pain relieving medications such as opiates, but often the most common forms of pain for companion animals are the result of inflammation, which is dominated by NSAID's (Non-Steroidal Anti-Inflammatory Drugs) *(Source: Future Market Insights, Global Companion Animals Drug Market)*.

The market for anti-inflammatories in animal health has a global value of over US$1.4 billion as of 2015. NSAIDs also account for the largest number of adverse drug events reported to the US FDA, including vomiting, gastrointestinal bleeding, diarrhoea and liver and kidney toxicities and this significantly limits the commercial opportunity for animals.

The market for anti-inflammatories in the United States is estimated at around US$470m per annum, and in Europe, for US$413.7m; collectively accounting for over 63% of the total market value *(Source: Future Market Insights, Global Companion Animals Drug Market).*

Therefore, the Company considers that there is a very viable market for a new product capable of treating pain in pets without some or all of the reported side effects caused by these NSAIDs. Therefore, as outlined in this Prospectus, the Company is targeting its research into expanding the use of its initial Lead Drug Candidate as an effective and approved treatment for the broadest range of pains in dogs and cats.

7.5 Nutraceuticals

While CannPal is focusing on pharmaceutical prescription medications for companion animals, the Company is also researching the therapeutic potential of cannabinoids that have been derived from the less regulated hemp plant, for potential early revenue generation as non-prescription medicines. These products are intended to include the less (but still) regulated CBD, which does not have the same psycho-active properties as the more heavily regulated THC compound.

Non-prescription medicines can be described as nutraceuticals, functional foods, nutritional supplements and/or over the counter (OTC) therapies. These supplementary medicines contain additives that are required to promote health activity and infection-fighting ability amongst pets. Such medicines include calcium, multi-vitamins, minerals and herbs. These medicines aren't developed to cure, treat, mitigate or prevent an illness, but to promote overall health and a natural ability to fight off disease.

As a result, nutraceuticals aren't subjected to the same regulatory approval processes as pharmaceutical products are.

As an example, in the United States under the *Federal Food, Drug, and Cosmetic Act*, products marketed as dietary supplements for use in animals are classified as "foods" as long as they aren't intended or marketed to cure, mitigate, prevent or treat a disease. The Company is researching the therapeutic benefits of cannabinoids derived from the industrial hemp plant, for potential use in proprietary non-prescription nutraceuticals targeted as health and wellness products which could provide the company with short term revenue potential.

Cannabidiol (CBD)

Cannabidiol is the cannabinoid best known as a non-psychoactive compound from both the medical cannabis plants and hemp plants, with a number of reported health

benefits which include anxiolytic, anti-inflammatory and anti-bacterial properties, amongst many others. Cannabidiol also showed clinically relevant antibacterial activity against six different strains of MRSA, which is known as a potent antibiotic resistant bacteria *(Source: Antibacterial cannabinoids from Cannabis sativa: a structure-activity study)*.

CBD is becoming increasingly known as a therapeutic food supplement due to its effects on different physiological functions of the body and when extracted from the stalks and seeds from the industrial hemp plant, can be sold without the regulatory burden of a pharmaceutical drug product.

Clinical studies have indicated that CBD could be effective at relieving the symptoms of a wide range of conditions that includes, but is not limited to:

(1) arthritis;

(2) diabetes;

(3) epilepsy;

(4) anti-biotic resistant infections;

(5) neurological disorders;

(6) anxiety; and

(7) pain.

Industrial Hemp

Industrial hemp is defined as a variety of cannabis with a THC concentration of not more than 0.3%. Industrial hemp-derived seeds are considered a nutritionally balanced whole food, with the optimal ratio of Omega 3 and 6 fatty acids and contains high levels of amino acids, protein and essential vitamins and minerals required for overall health and wellbeing.

Hemp is also rich in the cannabinoid CBD (cannabidiol) which can be extracted from the whole plant, including the seeds, stalk and flowers. Investors should note that hemp derived CBD has a potency that is much less than CBD extracted from the medical cannabis plants and flowers, but still has widely reported therapeutic benefits, making it a useful ingredient in the development of health and wellness products.

Regulation around hemp and CBD

It is currently legal to import CBD processed from hemp stalks and seeds in the United States. This has allowed for a new nutraceutical market to flourish, under the regulatory framework as hemp and its by-products (after being extracted from the hemp stalks and seeds) as food.

Hemp has traditionally been banned In Australia for human consumption, allowing only its use in cosmetic or other applications not requiring ingestion, but in March 2017 the Food Standards Australia and New Zealand (FSANZ) approved to lift the ban on hemp for human consumption, allowing a framework for consumers to access hemp products, pending approval from State Governments, but requiring levels of THC of less than 0.3%.

However investors should note that the TGA has also recently implemented measures to restrict the amount of CBD allowed in hemp products in Australia to 50mgs per kilo

of oil, for human consumption and non-human consumption, requiring animal health products to contain no more than 50mgs of CBD per kilo of hemp oil. These levels could be considered below therapeutic value and would impact on the ability to deliver a beneficial nutraceutical product in Australia.

Investors should also note that other jurisdictions could implement similar legislative frameworks that would restrict the sale of CBD, which could negatively impact the Company's business plans and objectives for nutraceutical development.

Development Strategy

Nutraceutical product development requires a less exhaustive development plan and as such, timelines for reaching market and generating revenues are considered to be less than with prescription medications. This is a smaller margin, higher volume strategy, with increased speed to market.

The Company is investing in a number of relatively short and cost effective investigational studies with research partners to explore CBD derived from hemp for a range of unmet needs in animal health, which may be underserved areas due to product effectiveness, artificial ingredients, owner compliance or cost, focusing on three key areas:

- skin care;
- inflammation/joint health; and
- digestive health.

CannPal has commenced its first nutraceutical research project with the Research and Clinical Training Unit at The Sydney University's Veterinary Teaching Hospital, to investigate the synergistic benefits of CBD and other naturally derived botanicals for use as skin therapies and wellness products, with clinical trials having already commenced in a horse study, using a wound model.

The Company will continue to complete small, cost effective studies with the hopes to identify a lead nutraceutical product for launch in one of the three defined areas as early as 2018.

Market Scope

Nutritional medicines contain additives required to promote healthy activity and infection-fighting ability among pets. Nutritional products are wellness medicines and complement general disease-fighting ability of companion animals. They also increase healthy appetite and weight management among companion pets.

By 2015, this segment was estimated to be valued at over US$1.3b and is segmented into product types that include:

- joint health;
- skin and coat supplements;
- gastro-intestinal supplements;
- supplements for liver and kidney support; and
- other pet dietary supplements.

Dogs account for approximately 46.16% of this market, while cats make up for 37.71%, collectively amounting to over 83% of the market. Northern America has the most controlled share of revenue, accounting for 37.25% of the global revenue *(Source: Global Pet Dietary Supplements Market 2015 – 2021)*.

8. *RISK FACTORS*

8. Risk Factors

8.1 Introduction

The Shares offered under this Prospectus are considered highly speculative. An investment in the Company is not risk free and the Directors strongly recommend potential investors to consider the risk factors described below, together with information contained elsewhere in this Prospectus, before deciding whether to apply for Shares and to consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Shares.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

8.2 Company Specific Risks

The Company specific risks are set out in Section 4.5 of this Prospectus.

8.3 Industry specific

(a) Costs of research and development

The Directors believe the funds raised from the Offer will give the Company sufficient working capital to achieve its objectives in this Prospectus. However, funds raised under this Prospectus may not be sufficient to enable the Company to fully complete all of its research objectives and to commercialise its products.

The Company may seek to raise additional capital in the future to further its research objectives and initial new and additional research projects should it identify new opportunities in either the pharmaceutical or nutraceutical markets.

(b) Product liability and uninsured risks

Through its intended business, the Company is exposed to potential product liability risks which are inherent in the research and development, marketing and use of its products or products developed. It will be necessary to secure insurance to help manage such risks. The Company may not be able to maintain insurance for product or service liability on reasonable terms in the future and, in addition, the Company's insurance may not be sufficient to cover large claims, or the insurer could disclaim coverage on claims.

Although the Company endeavours to work to rigorous standards there is still the potential for the products to contain defects or have unintended consequences for users. These defects or problems could result in the loss of or delay in generating revenue, loss of market share, failure to achieve market acceptance, diversion of development resources, and damage to the Company's reputation or increased insurance costs.

If the Company fails to meet its clients' expectations, the Company's reputation could suffer and it could be liable for damages.

(c) Research and development

The Company can make no representation that any of its research into or development of its pharmaceutical or nutraceutical products will ultimately be successful, or that its development milestones will be achieved, or that products can be developed that are commercially exploitable.

There are many risks inherent in the development of biotechnology products, particularly where the products are in the early stages of development. Research projects can be delayed or fail to demonstrate any benefit, or research may cease to be viable for a range of scientific and commercial reasons.

(d) Unforeseen expenditure risk

Expenditure may need to be incurred that has not been taken into account in the preparation of this Prospectus. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

(e) Management of growth

There is a risk that management of the Company will not be able to implement the Company's growth strategy after completion of the Offer. The capacity of the Company's management to properly implement and manage the strategic direction of the group may affect the Company's financial performance.

8.4 General risks

(a) Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's research and development programmes, as well as on its ability to fund those programmes.

(b) Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) introduction of tax reform or other new legislation;

(iii) interest rates and inflation rates;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and biotechnology stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(c) Additional requirements for capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the capital raising. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its development and research programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(d) Reliance on key personnel

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel including the members of the Scientific Advisory Committee. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

(e) Currently No Market

There is currently no public market for the Company's Shares, the price of its Shares is subject to uncertainty and there can be no assurance that an active market for the Company's Shares will develop or continue after the Offer.

The price at which the Company's Shares trade on ASX after listing may be higher or lower than the Offer Price and could be subject to fluctuations in response to variations in operating performance and general operations and business risk, as well as external operating factors over which the Directors and the Company have no control, such as movements in mineral prices and exchange rates, changes to government policy, legislation or regulation and other events or factors.

There can be no guarantee that an active market in the Company's Shares will develop or that the price of the Shares will increase.

There may be relatively few or many potential buyers or sellers of the Shares on ASX at any given time. This may increase the volatility of the market price of the Shares. It may also affect the prevailing market price at which Shareholders are able to sell their Shares. This may result in Shareholders receiving a market price for their Shares that is above or below the price that Shareholders paid.

(f) Dependence on outside parties

The Company may pursue a strategy that forms strategic business relationships with the other organisations for the manufacture and distribution of products and services. The manufacture and global distribution of

products and services is important to the overall success of the Company. There can be no assurance that the Company will be able to attract such prospective organisations and to negotiate appropriate terms and conditions with these organisations.

(g) *Funding risk*

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of development or research. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing arrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

(h) *Insurance risks*

The Company intends to insure its operations in accordance with industry practice. However, in certain circumstances, the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event that is not covered or fully covered by insurance could have a material adverse effect on the business, financial condition and results of the Company.

8.5 Investment Speculative

The above list of risk factors should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial

performance of the Company and the value of the Shares offered under this Prospectus.

Therefore, the Shares to be issued pursuant to this Prospectus carry no guarantee with respect to the payment of dividends, returns of capital or the market value of those Shares.

Potential investors should consider that the investment in the Company is highly speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

9. *INTELLECTUAL PROPERTY REPORT*

griffith hack
IP Amplified

Directors
CannPal Animal Therapeutics Ltd
Level 3 45a Bay Street
Double Bay
NSW 2028

BY EMAIL ONLY
Layton@cannpal.com

7 August 2017

Dear Sirs

Intellectual Property Report for CannPal Pty Ltd
Our Ref: G111187

1. EXECUTIVE SUMMARY

We provide below our report (the "Report") detailing the current status of the patent and trade mark applications of CannPal Pty Ltd ("CannPal") for inclusion in a Prospectus to be lodged at the Australian Securities & Investments Commission.

The Report sets out details of the various pending patent and trade mark applications shown in Schedule 1, as well as their status as at the date indicated in the Report. The Report is correct to the best of our knowledge as at the date of the Report, subject to the limitations and qualifications set out in Section 5 of the Report (in particular, subject to the limited sources of information described in Section 5.1 of the Report).

2. INTELLECTUAL PROPERTY

2.1. Meaning of Intellectual Property

The term "intellectual property" refers to the collection of registrable and non-registrable rights, including rights in patents, designs, trade marks, plant varieties, copyright, confidential information and trade secrets. Intellectual property shares many of the characteristics associated with real and personal property. For example, intellectual property is an asset, and as such it can be bought, sold, licensed, exchanged, or gratuitously given away like any other form of property. Further, the intellectual property owner, in this instance CannPal, has the right to prevent the unauthorised use or sale of the property.

This Report deals only with intellectual property in the form of patent and trade mark applications

2.2. Patents

Patent rights constitute an important component of intellectual property. Patents cover inventions and provide a monopoly in exchange for an inventor's full disclosure of his or her invention to the public. A patent provides protection for novel (new), inventive (non-obvious) and useful inventions for a limited period, typically 20 years (subject to the payment of renewal fees). Patents may be granted in respect of new or improved products and methods in almost all areas of current scientific, commercial and industrial activities. However, as there is no such thing as a worldwide patent, patents must be obtained in every country where protection is required. In many countries the test for patentability is different from that in Australia.

Commercialisation of patented products and processes may require any party other than the patent owner wishing to use such developments to obtain a licence, subject to payment of royalties.

2.3. Inventorship and Ownership

Typically, a patent for an invention may only be granted to the inventor(s), or to a person who has entitlement to the invention by way of assignment or other means. The ownership and entitlement of CannPal to the patents and applications in Schedule 1 is discussed in more detail below in Section 4.1.

2.4. Process for Obtaining Patent Protection

In most countries of the world the process of protecting patent rights begins with the submission of a patent application comprising a patent specification describing the invention. Filing an Australian patent application (provisional or complete) or other initial patent application in an overseas country, which permits such a filing, satisfies this requirement. Countries that allow Australian applicants to file such applications include the United Kingdom and the United States.

A fundamental requirement of the patent system is that the invention is novel and inventive at the time of filing, relative to what was publicly known or used at the date of the application. Accordingly, it is imperative that the specification contains a full disclosure of the invention. A patent specification generally consists of a description of the invention and so-called "claim(s)", which define the scope of the invention. The description also typically provides background information, such as a description of existing products, manufacturing or testing methods or processes and related problems, which enables an Examiner and others to assess the application for inventiveness.

Once the initial application has been filed, further applications in other overseas countries must be filed within twelve (12) months, pursuant to an International Treaty called the Paris Convention, otherwise rights to the invention may be lost in these countries. In this regard, the Paris Convention provides that the filing of an initial patent application establishes a priority date for the invention in all other countries which are party to this Convention, including countries

such as the United States, Japan and Australia, as well as jurisdictions such as the European Union and Eurasia.

The filing of further patent applications in overseas countries may be pursued individually or in some instances by filing an application with a regional patent office that does the work for a number of countries, such as the European Patent Office and the African Regional Industrial Property Organisation. Under such regional systems, an applicant requests protection for the invention in one or more countries, and each country decides as to whether to offer patent protection within its borders. The WIPO-administered Patent Cooperation Treaty ("PCT") provides for the filing of a single international patent application which has the same effect as national applications filed in the designated countries. An applicant seeking protection may file one application and request protection in as many signatory states as needed.

It should be noted that at present there are 189 member states that are party to the PCT and if patent protection is required in a country that is not party to the PCT then individual applications must be filed in these countries by the twelve (12) month anniversary of the initially filed application. Countries that are not party to the PCT include Taiwan and Argentina.

Applications filed individually in countries rather than via the PCT are examined under the national laws of those countries. However, a PCT application is considered under the terms of the PCT. Once the PCT application has been filed it is subjected to what is called an "international search", carried out by one of the major patent offices. The search results are then communicated to the patent applicant in an "international search report", which is a listing of published documents that might affect the patentability of the invention claimed in the international application. On the basis of the international search report the applicant may decide to withdraw the application. However, if the PCT application is not withdrawn, it is, together with the international search report, published by the International Bureau.

If the applicant decides to continue with the international application, then within thirty (30) months of the provisional patent application filing date, national patent applications need to be filed. The applicant can also request preliminary examination, which is a report prepared by one of the major patent offices that gives a preliminary and non-binding opinion on the patentability of the claimed invention.

Once the PCT process has been completed then the national or regional phase is undertaken, as the PCT application itself does not mature into patents. The applicant may choose to enter one or more of the countries designated in the original PCT application. Entry into the national phase is essentially the same as filing a national application in the first instance. Thus, the standard documentation and fee requirements will need to be satisfied in each country, and for non-English speaking countries that will include translating the PCT specification into the language of the relevant country. Failure to enter the national phase within the thirty (30) month period will result in abandonment of the ability to secure patent protection in most PCT countries.

The national or regional applications progress under the jurisprudence and legislation of each country or region. In most jurisdictions, such as Australia, Europe, United States and Japan, examination by the relevant patent office comprises an examination of the art to which the invention pertains as it existed at the priority date of the application. This examination establishes what is referred to as the "state of the art". The patent application is measured against the state of the art and an assessment is made regarding whether the invention described in the application is novel, inventive and useful. Therefore, the time required to complete the process of examination differs from country-to-country and the scope or protection may differ depending upon the law of each country. In general, it will take several years from the date of application until the patent is actually granted.

With respect to regional applications, like the European application, this involves filing a single application designating any of the countries that are signatories to the Convention covering that region. The single application is subjected to examination, and assuming that the application is allowed, it will proceed to the grant phase. The applicant can then elect to have patents validated in all or some of the originally designated countries, and the individual patents then function as though they were patents granted under standard national procedures.

2.5. Granted Patents: Renewal fees, validity, exploitation and enforcement

Once a patent has been granted renewal fees will need to be paid, otherwise the patent will cease. It should also be noted that grant of a patent does not guarantee that the patent is valid or enforceable, and Griffith Hack provides no assurance that CannPal's pending patent applications will be granted or will be held valid and enforceable following grant.

Notwithstanding the issue regarding guaranteed enforceability, once a patent has been granted and throughout the lifetime of a patent, the proprietor has the exclusive rights to use the patented technology. This means that they can decide to exclusively use it for their own benefit (for instance, by means of application in their own products) and prevent others from using it. Alternatively, they can allow others to use it under the terms of a license agreement. The terms of the license agreement generally define the limited scope of the use of the patent and the consideration to be paid for the use of it.

Enforcement of patent rights varies from country-to-country. The remedies for unauthorised use (patent infringement) available to the patent owner often include an injunction, which effectively stops further infringement of the patent, damages or account of profits, and costs. In some countries the patent owner can also file criminal complaints against the infringer.

3. CANNPAL PATENT PORTFOLIO AS AT 7 August 2017

CannPal has recognised that patents are a valuable asset and have sought use of the Paris Convention described above by filing the patent applications listed in Schedule 1 attached hereto.

3.1. Formulation and Method of Treatment (AU2016903840)

This family consists of an Australian provisional patent application filed on 22 September 2016. The patent application relates to composition for treating wounds particularly for second intention healing that involves considerable tissue loss and/or potential infection and where the edges cannot be brought together. The invention disclosed in the patent application further relates to dose regimens and articles of manufacture comprising the composition of the invention useful for treating these wounds. More particularly, the invention looks at compositions that synergistically combine the wound healing properties of Manuka honey with specific combinations of cannabinoids. The patent application then claims the use of these compositions in the treatment of wounds. Assuming that the claims in this patent application are granted it would mean that anyone producing a synergistic combination of Manuka honey and the claimed cannabinoid mixture would infringe these claims. They would also infringe the claims if they used these compositions in the treatment of wounds.

3.2. Composition and Method of Treatment (AU2017900565)

This family consists of an Australian provisional patent application filed on 21 February 2017. The patent application relates to pharmaceutical and/or veterinary compositions for treating cancer and/or alleviating the symptoms of cancer, and to methods of treating the cancer and/or symptom using the pharmaceutical and/or veterinary composition.

More particularly, the invention disclosed in the patent application looks at compositions that synergistically combine specific combination of cannabinoids in precise ratios. The patent application then claims the use of these synergistic compositions in the treatment of cancer in companion animals. Assuming that the claims in this patent application are granted it would mean that anyone producing a synergistic combination of the cannabinoids in the specific ratios would infringe these claims. They would also infringe the claims if they used these compositions in the treatment of cancer in companion animals.

3.3. Compositions and Methods for Treating Periodontal Disease (AU2017901754)

This family consists of an Australian provisional patent application filed on 11 May 2017.

The invention disclosed in the patent application relates to a pharmaceutical and/or veterinary composition for treating an oral disease, and to methods of treating oral disease using the pharmaceutical and/or veterinary composition. More specifically, the patent application discloses methods of treating oral diseases by administering a composition comprising specific mixtures of cannabidiols combined with a bioadhesive such that the composition adheres to the site of the oral disease. Assuming that the claims in this patent application are granted it would mean that anyone producing a combination of the cannabinoids and the bioadhesive would infringe these claims. They would also infringe the claims if they used these compositions in the treatment of periodontal disease in companion animals.

3.4. Compositions and Method for Treating Chronic Pain (AU2017903098)

This family consists of an Australian provisional patent application filed on 4 August 2017.

The invention disclosed in the patent application relates to a composition comprising cannabinoids in oil in water (o/w), water-in-oil (w/o) or water-in-oil-in-water (w/o/w) formulations, processes of making the formulations and the use of such formulations for the treatment of chronic pain in animals especially companion animals such as horses, dogs and cats. Assuming that the claims in this patent application are granted it would mean that anyone producing a combination of the cannabinoids in an oil and water emulsion would infringe these claims. They would also infringe the claims if they used these compositions in the treatment of chronic pain in companion animals.

4. FURTHER ISSUES

4.1. Patent Ownership / Entitlement: Third Party Rights

Ownership of a patent application in the name of any entity other than the inventor is derived either by contract of employment or assignment. We have been provided with copies of assignment documents that indicate that the patent applications in the CannPal IP portfolio have been assigned from the inventor Layton Mills to CannPal. CannPal is recorded as the applicant for all of patent applications in the CannPal IP portfolio.

It is important to note is that there are legal mechanisms by which third parties can bring evidence that they have sole or joint entitlement to an invention and any patent application or patent obtained for that invention. Apart from CannPal, we are unaware of the existence of any such third party in relation to the patent applications set out in Schedule 1.

It is possible that the technology in respect of which the patent applications have been filed falls within the scope of, and may thus infringe, a patent of a third party. We have not conducted any searches or taking any further steps to identify any patents which may be infringed by the exploitation of the products referred to in the applications included in this Report.

To the best of our knowledge, to date, there has been no third party challenge to the validity or ownership of the patent applications.

4.2. Enforceability

Once a patent has been granted the owner may initiate infringement proceedings against an alleged infringer of the property. Patent infringement proceedings cannot be initiated on the basis of a pending application. Filing an application does not mean that the applicant is free to commercialise the invention, as it is possible that the intellectual property rights or common law rights of another party may be infringed by doing so.

As at 7 August 2017 we are not aware of an application referred to in this report being the subject of any opposition or litigation. We have not, however, conducted an infringement search in order to attempt to identify rights of any other parties.

4.3. Validity of Patent Applications

The ultimate validity of the claims of patent can be guaranteed and can be challenged:

(a) during examination;
(b) in opposition proceedings once the application has been examined and found allowable;
(c) in court during revocation proceedings brought by a third party; or
(d) during infringement proceedings initiated against an alleged infringer by the patentee.

As the patent rights set out in section 3 are still pending patent applications and likely to undergo examination, it cannot be assumed that these applications (or any applications stemming from them) will proceed to grant or, if grant is achieved, that the claims will remain in their present form. It is possible, for example, that the scope of the claims of the patent applications may be restricted during examination of the application.

5. LIMITATIONS AND QUALIFICATIONS

5.1. Information sources

In preparing this report, in addition to reviewing our internal databases, we relied upon information contained in relevant publicly available databases. Griffith Hack is not responsible for the accuracy of the information available in public databases and accordingly cannot guarantee the accuracy of this information.

5.2. Jurisdictional requirements

Each jurisdiction has its own laws and particular requirements that need to be met for the grant and maintenance of patent. Accordingly, the assessment patentability varies from jurisdiction-to-jurisdiction, and inventions which may be granted and registrable in one jurisdiction may be excluded from grant and registration in another. Moreover, the different jurisdictional requirements may result in variation of the scope of patent protection obtained for the same patent in different jurisdictions.

The outcome of examination of the patent application by the office of one jurisdiction is not binding on the office of any other jurisdiction. Similarly, international PCT searches and examination reports are not binding on national patent applications during examination in the national phase. Examination of patent applications often occurs at different times in different jurisdictions. This means there is also a risk that a patent may be granted on application one jurisdiction, and that a third party patent may subsequently be cited during examination of another patent application that has been filed elsewhere.

In some jurisdictions there is a duty to disclose certain information to the relevant patent office. This information can include relevant prior art information known to the applicant or its agents or search results issued in respect of corresponding foreign applications. Failure to disclose such information may adversely affect the validity and/or enforceability of the patent.

We further note that there may be changes to patent law in a particular jurisdiction from time-to-time which may have an impact on patents in the relevant country. For example, the Australian Government recently enacted the *Intellectual Property Law Amendments (Raising the Bar) Act* 2012 (Cth), which represents a significant amendment to patent law. In particular, the Act raises the requirement for patentability and the description requirements for patent specifications. It applies to all Australian patent applications for which a request for examination is filed after 15 April 2013.

5.3. Patentability search limitations

A patentability search, such as international searches carried out by various patent offices under the PCT procedure, cannot be guaranteed to locate all prior art that may exist which is potentially relevant to the assessment of novelty and inventive step of a claimed invention. Such searches are generally computer-based searches and are dependent on the database search strategy and the coverage provided by the databases used. For example, the databases may not cover older published documents and/or certain jurisdictions. Further, all patentability searches are subject to the accuracy of records, as well as the indexing and classification of the subject matter comprising the records. The scope of each search is also dependent on the search strategy utilised and, for example, the keyword(s) selected for the search. Accordingly, although patentability searches provide a reasonable indication of patentability, it is not possible to guarantee that every relevant prior art record has been located and considered. As a result, any conclusions regarding the validity of the claims of a particular patent based on patent office searches should be regarded as indicative rather than conclusive.

Further, non-provisional patent applications are not normally published until at least 18 months from the earliest acceptable priority date. Accordingly, a patentability search would not normally identify any third party patent application that is potentially relevant to the assessment of patentability that have a priority date which is less than 18 months prior to the date of the patentability search. Delays between official publication and the incorporation of information into the relevant database can also occur, which means that some documents may not be located in a patentability search.

5.4. Patentability of an invention

Besides documentary prior art, public use of an invention and non-confidential oral disclosures before the priority date of a patent application may also be relevant to the assessment of patentability of invention to which the patent application relates. As patentability searches are conducted on published documents, they would not locate such other forms of prior art disclosures.

Commercialisation or secret use of an invention in a jurisdiction by, or with the authority of, a patent applicant (or their predecessor in title) before the priority date of a patent application that has been filed in the jurisdiction by the applicant in respect of the invention, can also be relevant to the patentability of intervention and the validity of any patents that may ultimately be granted on the application. Such commercial exploitation or secret use would not normally be identified by documentary patentability searches of publicly accessible databases.

5.5. Opposition Proceedings

Some jurisdictions, such as Australia, allow for accepted patent applications to be opposed by a third party. Others, for example Europe, have post-grant opposition. Successful opposition proceedings may result in some or all of the claims of an application being refused. Successful opposition proceedings to a granted patent may result in some or all of the claims being held in valid or restricted in breadth.

5.6. Entitlement to claimed priority date

In Australia, for subject matter contained in a non-provisional patent application to be entitled to the priority date established by a corresponding priority patent application or provisional patent application there must be a “real and reasonably clear disclosure” of the subject matter in the priority application. Similar provisions apply in other jurisdictions. Subject matter disclosed in a non-provisional patent application that is not contained in a corresponding priority application is generally only entitled to the filing date of the non-provisional application as a priority date.

5.7. Renewal fees

CannPal recognizes that renewal fees must be paid in order to maintain its patents. At the time of preparing this Report, no renewal fees are currently overdue.

Trade Marks

5.8. Trade Marks

A trade mark is a way of identifying a unique product or service.

Australian trade mark law is based on common-law use-based rights as well as the Trade Marks Act 1995 (Cth). Use-based rights are less certain than registration, and depend on the mark having developed a reputation in the region in which a company seeks to enforce its common-law trade mark. Thus, registration provides advantages such as constructive notice and nationwide rights.

Section 17 of the Trade Marks Act defines a trade mark as “a sign used, or intended to be used, to distinguish goods or services dealt with or provided in the course of trade by a person from goods or services so dealt with or provided by any other person”. Accordingly trademarks are not restricted to logo’s and the like.

The procedure to register a trade mark in Australia is much the same as other countries. A completed application is filed with IP Australia. Examination of the application is undertaken to ensure compliance with formalities and substantive requirements. If an application is accepted, it will be published for opposition purposes for three months, during which time third parties may oppose registration on certain grounds. If there are no oppositions, or any oppositions are overcome, a certificate of registration will issue.

The term of registration in Australia is 10 years, which may be extended for additional periods of 10 years. Failure to use a registered trade mark for a period of three years or more may expose the registration to cancellation on the grounds of non-use.

We have been advised that CannPal has 6 trade mark applications as shown in Schedule 1. All of these applications are pending as of 31 May 2017 except for the logo CannPal which is registered. As the pending applications have not been examined at this stage we will not comment further at this stage other than to say that there does not appear to be any reason why these marks will not be accepted.

Qualifications & Independence

Griffith Hack is a firm of patent and trade mark attorneys and lawyers that provide advice in relation to all aspects of intellectual property. Griffith Hack has extensive experience protecting and defending intellectual property rights and commercialising products and services. Griffith Hack provides a comprehensive intellectual property service through its patent and trade mark attorney practices, law firm, consultancy arm and through its partnership with a major international renewal service.

Griffith Hack has no interest in CannPal, other than fees for professional work done. Griffith Hack has no involvement in the preparation of the Prospectus by CannPal, other than the preparation of this Report. Griffith Hack is therefore considered independent of CannPal for the purpose of preparing this Report and gives its consent for inclusion of this Report in the Prospectus.

The person responsible for preparing this Report is Dr Stuart Boyer, Principal of Griffith Hack Patent & Trade Mark Attorneys.

Kind regards

Dr Stuart Boyer
Principal
stuart.boyer@griffithhack.com

10. *INVESTIGATING ACCOUNTANT'S REPORT*

CANNPAL ANIMAL THERAPEUTICS LIMITED

Investigating Accountant's Report

15 August 2017

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38 Station Street
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PO Box 700 West Perth WA 6872
Australia

15 August 2017

The Directors
CannPal Animal Therapeutics Limited
Level 3, 45A Bay Street
Double Bay NSW 2028

Dear Directors

INVESTIGATING ACCOUNTANT'S REPORT

1. Introduction

BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) has been engaged by CannPal Animal Therapeutics Limited (**'CannPal'** or **'the Company'**) to prepare this Investigating Accountant's Report (**'Report'**) in relation to certain financial information of CannPal, for the Initial Public Offering of shares in the Company, for inclusion in the Prospectus. Broadly, the Prospectus will offer 30,000,000 Shares at an issue price of $0.20 each to raise $6 million before costs ('**the Offer**').

Expressions defined in the Prospectus have the same meaning in this Report. BDO Corporate Finance (WA) Pty Ltd (**'BDO'**) holds an Australian Financial Services Licence (AFS Licence Number 316158).

This Report has been prepared for inclusion in the Prospectus. We disclaim any assumption of responsibility for any reliance on this Report or on the Financial Information to which it relates for any purpose other than that for which it was prepared.

2. Scope

You have requested BDO to perform a review engagement in relation to the historical and pro forma historical financial information described below and disclosed in the Prospectus.

The historical and pro forma historical financial information is presented in the Prospectus in an abbreviated form, insofar as it does not include all of the presentation and disclosures required by Australian Accounting Standards and other mandatory professional reporting requirements applicable to general purpose financial reports prepared in accordance with the Corporations Act 2001.

The Company was incorporated on 3 June 2016 and has a limited financial history. You have requested BDO to review the following historical financial information (together the **'Historical Financial Information'**) of CannPal included in the Prospectus:

- the audited historical Statements of Financial Position, Performance and Cash Flows for the period from incorporation to 31 March 2017.

The Historical Financial Information has been prepared in accordance with the stated basis of preparation, being the recognition and measurement principles contained in Australian Accounting Standards and the Company's adopted accounting policies. The Historical Financial Information has been extracted from the financial report of CannPal for the period from incorporation to 31 March 2017, which was audited by BDO Audit (WA) Pty Ltd **('BDO Audit')** in accordance with the Australian Auditing Standards. BDO Audit issued an unmodified audit opinion on the financial report, however did include an emphasis of matter noting that the financial report had been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001 and, as a result, the financial report may not be suitable for another purpose.

Pro Forma Historical Financial Information

You have requested BDO to review the following pro forma historical financial information (the **'Pro Forma Historical Financial Information'**) of CannPal included in the Prospectus:

- the pro forma historical Statement of Financial Position as at 31 March 2017 which includes:
  - the subsequent events outlined in section 6 of our Report; and
  - the pro forma adjustments for the events outlined in section 7 of our Report.

The Pro Forma Historical Financial Information has been derived from the historical financial information of CannPal, after adjusting for the effects of the subsequent events described in Section 6 of this Report and the pro forma adjustments described in Section 7 of this Report.

The stated basis of preparation is the recognition and measurement principles contained in Australian Accounting Standards applied to the historical financial information and the events or transactions to which the pro forma adjustments relate, as described in Section 7 of this Report, as if those events or transactions had occurred as at the date of the historical financial information. Due to its nature, the Pro Forma Historical Financial Information does not represent the Company's actual or prospective financial position or financial performance.

The Pro Forma Historical Financial Information has been compiled by CannPal to illustrate the impact of the events or transactions described in Section 6 and Section 7 of this Report on CannPal's financial position as at 31 March 2017. As part of this process, information about CannPal's financial position has been extracted by CannPal from its financial statements for the period ended 31 March 2017.

3. Directors' responsibility

The directors of CannPal are responsible for the preparation and presentation of the Historical Financial Information and Pro Forma Historical Financial Information, including the selection and determination of pro forma adjustments made to the Historical Financial Information and included in the Pro Forma Historical Financial Information. This includes responsibility for such internal controls as the directors determine are necessary to enable the preparation of Historical Financial Information and Pro Forma Historical Financial Information are free from material misstatement, whether due to fraud or error.

4. Our responsibility

Our responsibility is to express limited assurance conclusions on the Historical Financial Information and the Pro Forma Historical Financial Information. We have conducted our engagement in accordance with the Standard on Assurance Engagement ASAE 3450 *Assurance Engagements involving Corporate Fundraisings and/or Prospective Financial Information*.

Our review procedures consisted of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited assurance engagement is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain reasonable assurance that we would become aware of all significant matters that might be identified in a reasonable assurance engagement. Accordingly, we do not express an audit opinion.

Our engagement did not involve updating or re-issuing any previously issued audit or limited assurance reports on any financial information used as a source of the financial information.

5. Conclusion

Historical Financial Information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Historical Financial Information, as described in the Appendices to this Report, and comprising:

- the audited historical Statements of Financial Position, Performance and Cash Flows for the period from incorporation to 31 March 2017.

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

Pro Forma Historical Financial information

Based on our review engagement, which is not an audit, nothing has come to our attention that causes us to believe that the Pro Forma Historical Financial Information as described in the Appendices to this Report, and comprising:

- the pro forma historical Statement of Financial Position of CannPal as at 31 March 2017,

is not presented fairly, in all material respects, in accordance with the stated basis of preparation, as described in Section 2 of this Report.

6. Subsequent Events

The pro-forma statement of financial position reflects the following events that have occurred subsequent to 31 March 2017:

- Subsequent to 31 March 2017, the Company issued 125,000 shares at $0.08 to raise $10,000.
- On 20 April 2017 the Company performed a share consolidation on the basis that every 10,000 shares be consolidated into 8,605 shares where the consolidation results in a fraction of a share being held, the Company be authorised to round that fraction up to the nearest whole share. This has no impact on the pro forma balance sheet.
- The issue of 1,500,000 Advisor Options to technical advisors in consideration for providing their experience, knowledge, assistance and access. As the Advisor Options are to be issued in consideration for services provided, the value of the Advisor Options has been determined using the Black Scholes option pricing model. The Advisor Options will

automatically lapse if the optionholder ceases to be an advisor of the Company, which implies that there is a service based vesting condition attached to the Advisor Options. Therefore, there is nil expense put through the pro forma balance sheet of CannPal as the Advisor Options are to be expensed over the assessed vesting period. A summary of the terms and a valuation of the Advisor Options can be found in Note 4;

- The issue of 7,250,000 Zelda Options to Zelda Therapeutics Limited ('**Zelda**') in consideration for entering into a strategic partnership to provide assistance. As the Zelda Options are to be issued in consideration for assistance provided, the value of the Zelda Options has been determined using the Black Scholes option pricing model. The Zelda Options can be exercised at any time up to expiry, therefore the value of the Zelda Options is to be expensed in the pro forma balance sheet. Note that the Zelda Options are exercisable at the lower of $0.20 and the next round capital raising price including but not limited to the per share price of any acquisition, reserve takeover transaction or similar event, exercisable within three years from the date of issue. We do not currently have reasonable grounds to assume what, if any, future capital raisings will be issued, nor at what issue price, therefore we have assumed the exercise price will be $0.20. A summary of the terms and a valuation of the Zelda Options can be found in Note 4.
- The issue of 2,500,000 Performance Rights to Mr Layton Mills. The Performance Rights will expire on the date that is five years from the date of issue if the relevant milestone attached to that Performance Right has not been achieved. The Performance Rights will convert upon satisfaction of the following performance milestones:
    - 625,000 Class A Performance Rights shall convert into an equal number of ordinary shares upon the Company receiving conditional approval to commence trading on the Australian Securities Exchange ('**ASX**') and the completion of a capital raise at least $4,000,000;
    - 625,000 Class B Performance Rights shall convert into an equal number of ordinary shares upon the Company entering into a commercial licensing agreement for the commercialization of any of its products;
    - 625,000 Class C Performance Rights shall convert into an equal number of ordinary shares upon the Company achieving revenue from sales or licensing of its products of $1,000,000 or more within 36 months of successfully listing on the ASX; and
    - 625,000 Class D Performance Rights shall convert into an equal number of ordinary shares upon the Company acquiring regulatory approval from the U.S. Food & Drug Administration, including approval under the Minor Use/Minor Species Animal Health Act of 2004 (US) (or equivalent) for any of the Company's products.

  Each tranche of Performance Rights converts on the achievement of non-market based vesting condition.

  We consider the Class A Performance Rights will vest upon completion of the Offer, therefore we have included the value of the Class A Performance Rights in the pro forma balance sheet.

  Currently there are no reasonable grounds in which to assess the likelihood of the non-market based performance milestones being met, resulting in the conversion of the Class B, Class C and Class D Performance Rights. In addition to this, the Prospectus does not include financial forecasts as the Directors do not consider that they have a reasonable

basis to reliably forecast future revenue, at this point in time. Therefore, at the date of the pro forma balance sheet we do not consider that it is probable the performance milestones of Class B, Class C or Class D Performance Rights will be met (this being the best available estimate) and as such no value has been assigned to those Performance Rights at the pro forma date. However, in accordance with *AASB 2 Share based payments*, the Company will be required to re-assess the probability of each performance milestone being achieved up until expiry of the Performance Rights.

Apart from the matters dealt with in this Report, and having regard to the scope of this Report and the information provided by the Directors, to the best of our knowledge and belief no other material transaction or event outside of the ordinary business of CannPal not described above, has come to our attention that would require comment on, or adjustment to, the information referred to in our Report or that would cause such information to be misleading or deceptive.

7. Assumptions Adopted in Compiling the Pro-forma Statement of Financial Position

The pro forma historical Statement of Financial Position is shown in Appendix 1. This has been prepared based on the financial statements as at 31 March 2017, the subsequent events set out in Section 6, and the following transactions and events relating to the issue of Shares under this Prospectus:

- The issue of 30 million Shares at an offer price of $0.20 each to raise $6 million before costs pursuant to the Prospectus.
- Costs of the Offer are estimated to be $535,415, of which $360,000 are directly attributable to the raising of funds and have been offset against contributed equity. The remaining $175,415 relate to listing expenses and have been expensed.
- The issue of 2,000,000 Director Options to directors of CannPal consideration for providing their experience, knowledge, assistance and access. As the Director Options are to be issued in consideration for services provided, the value of the Director Options has been determined using the Black Scholes option pricing model. The Director Options will automatically lapse if the optionholder ceases to be a director of the Company, which implies that there is a service based vesting condition attached to the Director Options. Therefore, there is nil expense put through the pro forma balance sheet of CannPal as the Director Options are to be expensed over the assessed vesting period. A summary of the terms and a valuation of the Director Options can be found in Note 4.

8. Independence

BDO is a member of BDO International Ltd. BDO does not have any interest in the outcome of the proposed IPO other than in connection with the preparation of this Report and participation in due diligence procedures, for which professional fees will be received. BDO is the auditor of CannPal and from time to time, BDO also provides CannPal with certain other professional services for which normal professional fees are received.

9. Disclosures

This Report has been prepared, and included in the Prospectus, to provide investors with general information only and does not take into account the objectives, financial situation or needs of any specific investor. It is not intended to be a substitute for professional advice and potential investors should not make specific investment decisions in reliance on the information contained

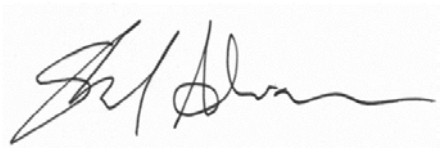
in this Report. Before acting or relying on any information, potential investors should consider whether it is appropriate for their objectives, financial situation or needs.

Without modifying our conclusions, we draw attention to Section 2 of this Report, which describes the purpose of the financial information, being for inclusion in the Prospectus. As a result, the financial information may not be suitable for use for another purpose.

BDO has consented to the inclusion of this Report in the Prospectus in the form and context in which it is included. At the date of this Report this consent has not been withdrawn. However, BDO has not authorised the issue of the Prospectus. Accordingly, BDO makes no representation regarding, and takes no responsibility for, any other statements or material in or omissions from the Prospectus.

Yours faithfully

BDO Corporate Finance (WA) Pty Ltd



Sherif Andrawes

Director

APPENDIX 1

CANNPAL ANIMAL THERAPEUTICS LIMITED

PRO FORMA STATEMENT OF FINANCIAL POSITION

	Notes	Audited as at 31-Mar-17 $	Subsequent events $	Pro forma adjustments $	Pro forma after Offer $
CURRENT ASSETS					
Cash and cash equivalents	2	1,075,361	10,000	5,464,585	6,549,946
Trade and other receivables		10,344	-	-	10,344
TOTAL CURRENT ASSETS		1,085,705	10,000	5,464,585	6,560,290
TOTAL ASSETS		1,085,705	10,000	5,464,585	6,560,290
CURRENT LIABILITIES					
Trade and other payables		6,931	-	-	6,931
Employee benefits		10,477	-	-	10,477
TOTAL CURRENT LIABILITES		17,408	-	-	17,408
TOTAL LIABILITIES		17,408	-	-	17,408
NET ASSETS		**1,068,297**	**10,000**	**5,464,585**	**6,542,882**
EQUITY					
Issued capital	3	1,500,112	10,000	5,640,000	7,150,112
Reserves	4	-	1,031,250	-	1,031,250
Retained earnings	5	(431,815)	(1,031,250)	(175,415)	(1,638,480)
TOTAL EQUITY		**1,068,297**	**10,000**	**5,464,585**	**6,542,882**

[#] *The cash and cash equivalents balance above does not account for working capital spent during the period from 1 April 2017 until completion. From 1 April 2017 to 30 June 2017, the Company has spent $305,000 on working capital. For the three months from 1 July 2017 to 1 October 2017, being the expected completion of the Offer, the estimated working capital requirement for the Company is estimated to be approximately $85,704 per month.*

The pro-forma statement of financial position after the Offer is as per the statement of financial position before the Offer adjusted for any subsequent events and the transactions relating to the issue of shares pursuant to this Prospectus. The statement of financial position is to be read in conjunction with the notes to and forming part of the historical financial information set out in Appendix 4.

APPENDIX 2

CANNPAL ANIMAL THERAPEUTICS LIMITED

STATEMENT OF PROFT AND LOSS AND OTHER COMPREHENSIVE INCOME

Historical Statement of Profit or Loss and Other Comprehensive Income	Audited for the period ended 31-Mar-17 $
Income	
Interest	1,847
Expenses	
Research and development	(244,676)
Employee costs	(89,677)
Professional fees	(46,363)
Other expenses	(52,946)
Loss before income tax	**(431,815)**
Income tax expense	-
Loss for the period	**(431,815)**

This consolidated statement of profit or loss and other comprehensive income shows the historical financial performance of the Company and is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4. Past performance is not a guide to future performance.

APPENDIX 3

CANNPAL ANIMAL THERAPEUTICS LIMITED

STATEMENT OF CASHFLOWS

Historical Consolidated Statement of Cash Flows	Audited for the period ended 31-Mar-17 $
Operating activities	
Payments to suppliers and employees	(426,598)
Interest received	1,847
Net cash used in operating activities	**(424,751)**
Financing activities	
Receipts from shares issued	1,500,112
Net cash used in financing activities	**1,500,112**
Net increase/(decrease) in cash and cash equivalents	**1,075,361**
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the financial year	**1,075,361**

This consolidated statement of cash flows shows the historical cash flows of the Company and is to be read in conjunction with the notes to and forming part of the Historical Financial Information set out in Appendix 4.

APPENDIX 4

CANNPAL ANIMAL THERAPEUTICS LIMITED

NOTES TO AND FORMING PART OF THE HISTORICAL FINANCIAL INFORMATION

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted in the preparation of the historical financial information included in this Report have been set out below.

Basis of preparation of historical financial information

The historical financial information has been prepared in accordance with the recognition and measurement, but not all the disclosure requirements of the Australian equivalents to International Financial Reporting Standards ('**AIFRS**'), other authoritative pronouncements of the Australian Accounting Standards Board, Australian Accounting Interpretations and the Corporations Act 2001.

The financial information has also been prepared on a historical cost basis, except for derivatives and available-for-sale financial assets that have been measured at fair value. The carrying values of recognised assets and liabilities that are hedged are adjusted to record changes in the fair value attributable to the risks that are being hedged. Non-current assets and disposal group's held-for-sale are measured at the lower of carrying amounts and fair value less costs to sell.

Going Concern

The historical financial information has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The ability of the Company to continue as a going concern is dependent on the success of the fundraising under the Prospectus. The Directors believe that the Company will continue as a going concern. As a result the financial information has been prepared on a going concern basis. However should the fundraising under the Prospectus be unsuccessful, the entity may not be able to continue as a going concern. No adjustments have been made relating to the recoverability and classification of liabilities that might be necessary should the Company not continue as a going concern.

SIGNIFICANT ACCOUNTING POLICIES

(a) Revenue recognition

Revenue from services rendered is recognised in profit or loss in the period in which the services are provided by the Company. Revenues are recognised at fair value of the consideration received net of any amount of goods and services tax (GST).

(b) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(c) Income Tax

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit and loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(d) Cash and cash equivalents

Cash and cash equivalents comprise cash balances with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Company in the measurement of its short-term commitments.

(e) Trade and other receivables

Trade and other receivables are initially recognised at fair value and subsequently measured at their amortised cost less impairment losses (see accounting policy (h)).

(f) Acquisitions of assets

All assets acquired, including plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the Company in future years, otherwise, the costs are expensed as incurred.

(g) Plant and equipment

(i) Recognition and measurement

Items of plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (h)).

(ii) Depreciation

Depreciation is based on the cost of an asset less its residual value and is recognised in profit and loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

(h) Impairment

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy i(i)).

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit and loss, unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through profit or loss.

(i) Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at their amortised cost. Trade payables are non-interest-bearing and are normally settled within 30 days.

(j) Employee benefits

(i) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance and superannuation.

(ii) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in profit and loss when they are due.

NOTE 2. CASH AND CASH EQUIVALENTS	Audited 31-Mar-17 $	Pro-forma after Offer $
Cash and cash equivalents	1,075,361	6,549,946
Audited balance of CannPal at 31 March 2017		1,075,361
Subsequent Events:		
Capital Raised		10,000
		10,000
Pro-forma adjustments:		
Funds raised under the Offer		6,000,000
Costs of the Offer		(535,415)
		5,464,585
Pro-forma Balance		6,549,946

NOTE 3. ISSUED CAPITAL	Audited 31-Mar-17 $	Pro-forma after Offer $
Issued capital	1,500,112	7,150,112
	Number of shares	**$**
Fully paid ordinary share capital of CannPal at 31 March 2017	72,500,000	1,500,112
Subsequent Events:		
Capital Raised	125,000	10,000
	72,625,000	10,000
Share Consolidation (10,000:8,605)	62,500,000	
Subsequent Events:		
Class A Performance Rights	625,000	-
	625,000	-
Pro-forma adjustments:		
Shares issued under this Prospectus	30,000,000	6,000,000
Costs of the Offer relating to Prospectus	-	(360,000)
	30,000,000	5,640,000
Pro-forma Balance	93,125,000	7,150,112

NOTE 4. RESERVES	Audited 31-Mar-17 $	Pro-forma after Offer $
Retained earnings	-	1,031,250
Audited balance of CannPal at 31 March 2017		-
Subsequent events		
Issue of Zelda Options		906,250
Class A Performance Rights		125,000
		1,031,250
Pro-forma Balance		1,031,250

The terms and valuation of the Options being issued as part of the Offer are set out below:

Options to be issued	Advisor Options	Director Options	Zelda Options	Class A Perf. Rights
Number of options	1,500,000	2,000,000	7,250,000	625,000
Underlying share price	$0.20	$0.20	$0.20	$0.20
Exercise price	$0.25	$0.25	$0.20	$0.00
Expected volatility	100%	100%	100%	100%
Expiry date (years)	3.00	3.00	3.00	5.00
Expected dividend yield	nil%	nil%	nil%	nil%
Risk free rate	2.02%	2.02%	2.02%	2.27%
Value	$ 174,000	$ 232,000	$ 906,250	$ 125,000

Note that only the Zelda Options and Class A Performance Rights are reflected in the pro forma balance sheet. Refer to Section 6 & 7 for further details.

NOTE 5. RETAINED EARNINGS	Audited 31-Mar-17 $	Pro-forma after Offer $
Retained earnings	(431,815)	(1,638,480)
Audited balance of CannPal at 31 March 2017		(431,815)
Subsequent events		
Issue of Zelda Options		(906,250)
Class A Performance Rights		(125,000)
		(1,031,250)
Pro-forma adjustments		
Expense remaining costs of the Offer		(175,415)
		(175,415)
Pro-forma Balance		(1,638,480)

NOTE 6: RELATED PARTY DISCLOSURES

Transactions with Related Parties and Directors Interests are disclosed in the Prospectus.

NOTE 7: COMMITMENTS AND CONTINGENCIES

On completion of the remaining 50% of the Sydney horse trial, a payment of around $38,000 is due and payable to The University of Sydney.

11. *BOARD, MANAGEMENT & CORPORATE GOVERNANCE*

11. Board, Management & Corporate Governance

11.1 Directors and key personnel

Detailed biographies of the Directors, Proposed Directors and key employees are contained in Section 4.15 of this Prospectus.

11.2 Advisory Board

In order to support the Board and provide additional skills relevant to the Company's business and industry in which it operates, the Company has established an Advisory Board comprising advisors with complimentary skills across the regulatory, medical cannabis and veterinary medicine landscapes. The Advisory Board includes:

(a) Dr Ted Whittem (Commercial Veterinary Consultant/Advisor) **

Dr Ted Whittem is Head of the Melbourne Veterinary School, the graduate school responsible for delivery of the Doctor of Veterinary Medicine program at the University of Melbourne. Prior to this role he served eight years as Associate Dean for Clinical Programs. He graduated from the University of Melbourne with a BVSc in 1980 and completed his PhD in veterinary pharmacology at the University of Georgia in 1991.

Dr Whittem has served on examination committees for specialists in pharmacology in the US, Europe and Australia and held executive roles for the American Academy of Veterinary Pharmacology and Therapeutics. Dr Whittem's research focus areas are therapeutic outcomes and food safety from a residues perspective. He has supervised 16 research graduate students to completion and published over 60 peer-reviewed research papers. Dr Whittem has also worked as a senior executive in veterinary pharmaceuticals. He has brought more than 30 products to the market, and is an inventor on 11 patent families.

(b) Amanda Jane Soogun (Regulatory and Medical Affairs Consultant) **

Amanda is an experienced Medical Affairs Manager and consultant for Zelda where her role entails educating and informing on national and state legislation as well as engaging with the relevant medical and research bodies, including the Human Research Ethics Committee, to maintain good clinical practice. She held senior positions with Victorian Department as both a project officer and policy advisor and has managed a number of high-level State projects, strategic plans and sector reforms which shaped the Victorian alcohol and other drug treatment sector in community and hospital services to properly meet the needs of Victorians - with finite government funding.

(c) Dr Rayson Tan (Chief Scientific Officer/Consultant) **

Rayson is an experienced veterinarian and scientist who currently serves as the regulatory and research ethics executive for one of Australia's most prominent medical research institutes. He has a focus on biomedical and veterinary science, with a background in veterinary oncology during his PhD. Rayson graduated from the University of Sydney with a Bachelors in Veterinary Medicine and Surgery (with Honours) and provides CannPal with high level strategic veterinary and scientific advise for product development through envisioning and developing research capabilities including validity and utility of research products and communication of scientific product offerings.

(d) Mara Gordon (Medical Cannabis Adviser) **

Mara specialises in the development of treatment protocols utilising Bio Pharmaceutical grade cannabis extracts for seriously ill patients in California. She co-founded Aunt Zelda's, Calla Spring Wellness and Zelda in order to provide real outcomes for patients with serious diseases. Prior to Aunt Zelda's, Mara worked as a process engineer, helping Fortune 500 companies create intelligent software by utilising the Rational Unified Process. This experience has enabled her to take a detailed and scientific approach to utilising cannabis as a Biopharmaceutical-grade treatment. Mara sits on the boards of Zelda, Daya Foundation, International Cannabis Standards Board (ICSB), and Hmbldt.

(e) Amanda Reiman (US Cannabis Regulatory Advisor)**

Amanda is an experienced Scientist with a demonstrated history of working in the cannabis industry with 5 years spent as the Manager for Marijuana Law and Policy for the Drug Policy Alliance in California. She's also skilled in Nonprofit Organisations, Coaching, Research Design, Program Evaluation, and Entrepreneurship having spent 10 years as a lecturer at the University of California Berkeley where she was involved in teaching about Drug and Alcohol Policy at the graduate level. She brings a wealth of knowledge in the cannabis regulatory environment in the United States.

** The parties set out above have not been involved in the preparation of this Prospectus however have individually consented to be named in the Prospectus and to the inclusion of their respective individual profiles. A number of listed Advisors have also established independent Consultant agreements for work that falls outside of the Advisory position.

11.3 ASX Corporate Governance Council Principles and Recommendations

Our Company has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board is committed to administering the policies and procedures with openness and integrity, pursuing the true spirit of corporate governance commensurate with the Company's needs.

To the extent applicable, our Company has adopted *The Corporate Governance Principles and Recommendations (2nd Edition)* as published by ASX Corporate Governance Council (**Recommendations**).

In light of the Company's size and nature, the Board considers that the current board is a cost effective and practical method of directing and managing the Company. As the Company's activities develop in size, nature and scope, the size of the Board and the implementation of additional corporate governance policies and structures will be reviewed.

The Company's main corporate governance policies and practices as at the date of this Prospectus are outlined below and the Company's full Corporate Governance Plan is available in a dedicated corporate governance information section of the Company's website (www.cannpal.com).

Board of directors

The Board is responsible for corporate governance of the Company. The Board develops strategies for the Company, reviews strategic objectives and monitors performance against those objectives. The goals of the corporate governance processes are to:

(a) maintain and increase Shareholder value;

(b) ensure a prudential and ethical basis for the Company's conduct and activities; and

(c) ensure compliance with the Company's legal and regulatory objectives.

Consistent with these goals, the Board assumes the following responsibilities:

(a) developing initiatives for profit and asset growth;

(b) reviewing the corporate, commercial and financial performance of the Company on a regular basis;

(c) acting on behalf of, and being accountable to, the Shareholders; and

(d) identifying business risks and implementing actions to manage those risks and corporate systems to assure quality.

The Company is committed to the circulation of relevant materials to Directors in a timely manner to facilitate Directors' participation in the Board discussions on a fully-informed basis.

Composition of the Board

Election of Board members is substantially the province of the Shareholders in general meeting.

Identification and management of risk

The Board's collective experience will enable accurate identification of the principal risks that may affect the Company's business. Key operational risks and their management will be recurring items for deliberation at Board meetings.

Ethical standards

The Board is committed to the establishment and maintenance of appropriate ethical standards.

Independent professional advice

Subject to the Chairman's approval (not to be unreasonably withheld), the Directors, at the Company's expense, may obtain independent professional advice on issues arising in the course of their duties.

Remuneration arrangements

The remuneration of an executive Director will be decided by the Board, without the affected executive Director participating in that decision-making process.

The total maximum remuneration of non-executive Directors is initially set by the Constitution and subsequent variation is by ordinary resolution of Shareholders in general meeting in accordance with the Constitution, the Corporations Act and the ASX Listing Rules, as applicable. The determination of non-executive Directors' remuneration within that maximum will be made by the Board having regard to the inputs and value to the Company of the respective contributions by each non-executive Director.

In addition, a Director may be paid fees or other amounts (i.e. subject to any necessary Shareholder approval, non-cash performance incentives such as Options) as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Board reviews and approves the remuneration policy to enable the Company to attract and retain executives and Directors who will create value for Shareholders having consideration to the amount considered to be commensurate for a company of its size and level of activity as well as the relevant Directors' time, commitment and responsibility. The Board is also responsible for reviewing any employee incentive and equity-based plans including the appropriateness of performance hurdles and total payments proposed.

Trading policy

The Board has adopted a policy that sets out the guidelines on the sale and purchase of securities in the Company by its key management personnel (i.e. Directors and, if applicable, any employees reporting directly to the managing director). The policy generally provides that the written acknowledgement of the Chair (or the Board in the case of the Chairman) must be obtained prior to trading.

External audit

The Company in general meetings is responsible for the appointment of the external auditors of the Company, and the Board from time to time will review the scope, performance and fees of those external auditors.

Audit committee

The Company will not have a separate audit committee until such time as the Board is of a sufficient size and structure, and the Company's operations are of a sufficient magnitude for a separate committee to be of benefit to the Company. In the meantime, the full Board will carry out the duties that would ordinarily be assigned to that committee under the written terms of reference for that committee, including but not limited to, monitoring and reviewing any matters of significance affecting financial reporting and compliance, the integrity of the financial reporting of the Company, the Company's internal financial control system and risk management systems and the external audit function.

Diversity policy

The Board has adopted a diversity policy which provides a framework for the Company to achieve, amongst other things, a diverse and skilled workforce, a workplace culture characterised by inclusive practices and behaviours for the benefit of all staff, improved employment and career development opportunities for women and a work environment that values and utilises the contributions of employees with diverse backgrounds, experiences and perspectives.

11.4 Departures from Recommendations

Under the ASX Listing Rules the Company will be required to provide a statement in its annual financial report or on its website disclosing the extent to which it has followed the Recommendations during each reporting period. Where the Company has not followed a Recommendation, it must identify the Recommendation that has not been followed and give reasons for not following it.

The Company's departures from the Recommendations will also be announced prior to admission to the official list of the ASX.

12. *MATERIAL CONTRACTS*

12. Material Contracts

Set out below is a summary of the certain contracts to which the Company is a party and which the Directors have identified as material to the Company or are of such a nature that an investor may wish to have details of the particulars of them when making an assessment of whether to apply for Shares.

To fully understand all rights and obligations of a material contract, it would be necessary to review it in full and these summaries should be read in this light.

12.1 Strategic Alliance Agreement – Zelda Therapeutics Limited

On 24 March 2017 the Company entered into a binding terms sheet with Zelda Therapeutics Ltd (ACN 103 782 378) (**Zelda**) establishing the terms and conditions of a strategic partnership between the parties to promote and encourage collaborative activity to improve both the Company's services and Zelda services and exploit opportunities of mutual interest in both the human and animal markets (**Zelda Agreement**). In addition, Zelda will grant the Company access to certain data and provide assistance to the Company according to the terms of the agreement. The materials terms of the Zelda Agreement are as follows:

(a) (**Term**): this agreement comes into effect as and from the date of the document – continuing for a period of 36 months unless otherwise extended by its parties in writing.

(b) (**Access Arrangement**): Zelda has agreed that for the duration of the Term, the Company will have access to the following:

(i) Certain identified data derived and owned by Zelda from and through the development and growth of the Zelda services including:

(A) pre-clinical research protocols established and utilised by Zelda;

(B) formula innovation; and

(C) clinical trial designs;

(ii) Zelda's intellectual property portfolio;

(iii) Introduction to Zelda's network of suppliers, research partners and distribution channels; and

(iv) Access to Zelda's world class research advisory board.

(c) (**Assistance**): Zelda has agreed to provide assistance with the development of an appropriate intellectual property management system and assist the Company to understand the system utilised by Zelda for protecting and managing its intellectual property derived through Zelda's business activities.

(d) (**Consideration**): In consideration for these services the Company has agreed to provide the following:

(i) 7,250,000 Options in the shares of the Company or such other amount equivalent to 10% of the fully diluted issued capital as at the date of the agreement.

(e) (**Intellectual Property**): The parties covenant for the benefit of the other, they shall undertake all steps necessary to protect the other parties intellectual property for implementing policies and strategies of no less a standard than they utilise to protect their own intellectual property.

The parties agree they must not cause or permit anything to be done which mat damage or endanger the other parties intellectual property.

(f) (**New Intellectual Property**): Both parties agree that if new intellectual property is developed as a result of the collaboration, the new intellectual property will be jointly owned by both parties.

(g) (**Mutual First Rights**): Zelda has granted the Company first rights for the commercialisation of any product within the animal or veterinary markets of any product developed by Zelda.

The Company has granted Zelda first rights for the commercialisation of any product within the human market of any product developed by the Company.

The Zelda Agreement does otherwise contains terms and provisions considered standard for an agreement of this nature.

12.2 Memorandum of Understanding – Pure Natural Wellness Inc

On 17 August 2017, the Company has entered into a non-binding Memorandum of Understanding with Canadian-listed licenced cannabis producer Pure Natural Wellness Inc. (o/a Aphria), a subsidiary of Aphria Inc., agreeing in principle to the terms pursuant to which Aphria will provide the Company with access to standardised cannabis oils for use in the clinical trials being undertaken by CannPal through its clinical research partners. The MOU is subject to entry into a formal binding agreement to supply certain products to the Company for the purpose of clinical research and trials.

The material terms of the MOU are as follows:

(a) (**Supply**): Aphria would agree to supply and sell, and the Company agrees to buy, the products imagined by the MOU;

(b) (**Products**): Medical cannabis oils meeting the following specifications:

(i) High quality and standardized THC (Tetrahydrocannabinol) and CBD (Cannabidiol) Oils in an MCT Oil dilution or other specified dilution, as agreed in each separate order form, starting with CNNPL001; and

(ii) Containing the specified mg's of active cannabinoids, as agreed in each separate order form, starting with CNNPL001

But otherwise within the specifications requested by the Company in any order form.

(c) (**Term**): Three years unless extended by both parties in writing prior to the end of the term;

(d) (**Termination Rights**): A non-defaulting party may terminate this MOU if the other party is in default and does not cure within an agreed cure period to be set out in the formal agreement, but not to be less than 10 days.

(e) (**Shipping, Title and Risk**): Title to and risk shall remain with Aphria until the product is collected by the Company or its agent from Aphria's premises (Delivery Point), and shall then pass to the Company immediately following collection form the Delivery Point.

(f) (**Payment Terms**): The Company will pay for all product as follows:

(i) 50% on lodgement of an order form;

(ii) 50% within 30 days after receipt of the product to which the payment relates.

(g) (**Pricing**): The Company must pay the unit price for the goods supplied under an order form, and the contract price for a delivery of goods under an order form – this price is subject to adjustment for the purposes of the agreement.

(h) (**Indemnity**): The formal agreement will contain mutual indemnities from each party relating to their conduct under the agreement, including:

(i) The Company indemnifies and releases Aphria against any claims, loss, damage, cost (including legal costs), expense or liability arising out of any breach by the Company and any breach of any third party's rights including in respect of any claim that the Products infringe, or their importation into any country infringes and local laws, patents, copyright, design right, trade mark or other intellectual property rights of any other person anywhere in the world; and

(ii) Aphria indemnifies and releases the Company against any claims, loss, damage, cost (including legal costs), expense or liability arising out of any breach by Aphria.

12.3 Master Services Agreement – Klifovet AG

The Company has entered into a Masters Services Agreement – Clinical Development with Klifovet AG (ACN 612 851 206) (**Kilfovet**) (**Master Services Agreement**). Klifovet is a contract research organisation specialising in animal health product development based in Europe and certified for ISO 9001:2015 (quality management systems) and EU-GMP. The agreement has been formed to facilitate a complete development plan and gap analysis to assist in clinical development plans for the Company's lead drug candidates and their subsequent regulatory approved pipelines. This agreement sets out the terms under which the Company engages Klifovet to provide contract clinical development services. The material terms of the Master Services Agreement are as follows:

(a) (**Term**): The Master Services Agreement expires on the later of the third anniversary of the effective date in the agreement or on completion of the services provided under the Master Services Agreement.

(b) (**Payments**): The Company will pay Klifovet all fees and expenses arising under a work order pursuant to the Master Services Agreement as agreed in specific project work orders.

(c) (**Confidentiality**): Both parties to the Master Services Agreement are bound to preserve the confidential information of the other party, Klifovet has further agreed to treat any results in the same manner as any confidential information in the Company.

(d) (**Termination**): Either party may terminate the agreement by providing 45 days' written notice to the other party. In the event of termination by either party, the Company will be required to pay all reasonable service fees and expenses incurred by Klifovet associated with the termination.

The Master Services Agreement otherwise contains terms and provisions considered standard for an agreement of this nature.

12.4 Master Services Agreement – Clinical Trial Services Invetus Pty Ltd

The Company has entered into a Master Services Agreement for clinical trial services with Invetus Pty Ltd (ACN 612 851 206) (**Invetus**) (**Invetus Agreement**). Invetus is Australasia's largest veterinary contract research organisation and the agreement provides the terms and conditions for the completion of in-vivo (research undertaken on living organisms) clinical trials for its Lead Drug Candidate. The material terms of the Invetus Agreement are as follows:

(a) (**Term**): The Invetus Agreement shall expire on the later of the fifth anniversary of the agreement or on completion of the services provided under the agreement.

(b) (**Payments**): The Company will pay Invetus all fees and expenses incurred by Invetus according to any work order signed under the Invetus Agreement.

(c) (**Confidentiality**): Both parties agree to protect and keep confidential all the confidential information disclosed by either party, and unless authorised in writing by the disclosing party will not disclose that information for a period of 7 years from the completion or termination of the services.

(d) (**Sponsor Intellectual Property**): Sponsor Intellectual Property means all intellectual property produced in the performance of the Services by Invetus, its employees, agents or sub-contractors. Sponsor Intellectual Property shall be owned by the Company and following completion of the service agreement, that IP will be assigned to the Company.

(e) (**Invetus Intellectual Property**): Invetus Intellectual Property includes the intellectual property developed in the conduct of the services and will belong to Invetus. However, Invetus grants the Company a non-exclusive, royalty-free, perpetual license to Invetus Intellectual Property to the extent that the same is needed by the Company to exercise Sponsor Intellectual Property produced in the performance of the Services by Invetus.

(f) (**Termination**): Either party may terminate the agreement by providing 45 days' written notice to the other party. In the event of termination by either party, the Company will be required to pay all reasonable service fees and expenses incurred by Invetus associated with the termination.

The Invetus Agreement does otherwise contain terms and provisions considered standard for an agreement of this nature.

12.5 Import Permit Collaboration – Invetus

On 10 July 2017, the Company entered into a collaboration agreement with Invetus to jointly collaborate on an application to the Australian Office of Drug Control (**ODC**) acquire the relevant permits so as to import medical cannabis into Australia for the purpose of clinical trials (**Import Permit Agreement**). The material terms of the Import Permit Agreement are as follows:

(a) (**Consideration**): In consideration for the following mutual promises the Company and Invetus agreed to collaborate for the purpose of acquiring the necessary import licenses from the ODC:

(i) The Company agrees to appoint Invetus as its veterinary research organisation (**VRO**) for the conduct of clinical research on animal health and the use of medical cannabis for the promotion of animal heal in Australia;

(ii) Invetus aggress to assist with and provide the relevant services to enable the Company, or Invetus on the Company's behalf, to obtain an annual import licence to access medical cannabis in Australia from the ODC;

(iii) In the performance of a(ii) above, Invetus agrees to:

(A) Provide evidence to the ODC of the relevant security storage facilities and mechanisms needed to obtain the licences;

(B) Store all medical cannabis oils and other related products in accordance with the licences granted;

(C) Respond to all requests from the Company or the ODC for information or evidence required to support its application and grant of the licences;

(D) Satisfy all requirements by third parties including permits and applications for import with the NSW State Department of Health, the Australia Pesticides and Veterinary Medicines Authority and all other regulatory authorities.

(b) (**Fees**): The Company has agreed to be responsible for paying all fees or regulatory costs associated with the application;

(c) (**Payment**): The Company agrees to pay Invetus an amount calculated in accordance with the Invetus Agreement above for the time spent by Invetus in preparing the application together with any reasonable out of pocket expenses incurred by Invetus in preparing the licences, subject to Invetus gaining written approval by the Company for any individual out of pocket expense greater than $2,000.

(d) (**Exclusivity**): Invetus has agreed that where any licence is provided by the ODC, Invetus will not use any licence for any other purpose than importing medical cannabis for use by or on behalf of the Company, without the Company's prior written approval.

(e) (**Confidentiality**): Each party agrees to keep this collaborative agreement confidential unless required to disclose under any rule of law or pursuant to

the ASX Listing Rules.

The Import Permit Collaboration Agreement does otherwise contain terms and provisions considered standard for an agreement of this nature.

12.6 Letter of Intent - University of Sydney Research and Clinical Training Unit

The Company has entered into a letter of intent with Andrew Dart of the Research and Clinical Training Unit at the University of Sydney (**University of Sydney Letter of Intent**), which provides for the collaboration to encourage, develop and facilitate collaborative research opportunities in Australia relating to cannabinoids derived from medicinal cannabis and their use in veterinary medicine, and expedite business development activities while research agreements are drafted. The material terms of the University of Sydney Letter of Intent are below:

(a) (**Term**): The letter of intent becomes effective on the date of execution for two years unless written notice to terminate with at least 60 days remaining to the expiration date of the letter is provided to either party.

(b) (**Funding**): The Company will endeavour to fund the business activities required of the University of Sydney, who in turn agrees to accurately estimate costs and time schedules to the best of their ability.

The University of Sydney Letter of Intent does otherwise contain terms and provisions considered standard for an agreement of this nature.

12.7 Collaborative Research Agreement Victoria University

On 3 April 2017, the Company entered into a collaborative research agreement with Victoria University (Melbourne, Australia) (**Victoria University Agreement**), by which Victoria University has been engaged to complete a scientific review of the literature for the use of cannabinoids in appetite. The material terms of the Victoria University Agreement are as follows:

(a) (**Term**): The agreement commences on the date of execution of the agreement and will remain in force until the project is complete.

(b) (**Payment**): For Company will pay the University for services rendered pursuant to invoices received based on time costs.

(c) (**Background Intellectual Property**): Nothing in the agreement will affect the ownership of background intellectual property existing at the date of the agreement or coming into existence after the date of the agreement – except for the creation of Developed Intellectual Property. The parties both agree to the following conditions concerning background intellectual property:

(i) That each party is able to use the other parties background intellectual property (not assignable or to be profited from) in order to perform obligations of the agreement;

(ii) Each party warrants the veracity and ownership of the Background Intellectual Property; and

(iii) Each party must notify the other or any infringement of Background Intellectual Property which comes to their attention.

(d) (**Developed Intellectual Property**): All developed intellectual property will vest in the Company.

(e) (**Licence of Developed Intellectual Property**): Victoria University will have licence to use the developed intellectual property for the purpose of:

(i) conducting the project;

(ii) performing obligations under the agreement; and

(iii) learning, teaching and research purposes - including a right to publish.

(f) (**Publications**): Victoria University may publish developed intellectual property. The Company may embargo a publication if there is reasonable belief that the publication would affect or threaten the registration of a patent, conditional on the following:

(i) The Company has 30 days to review the draft publication and provide written reasons for any embargo or requested alterations;

(ii) If written notification is not received within 30 days, permission is assumed to be given; and

(iii) On the expiry of 12 months, any information subject to embargo may be freely published by Victoria University – unless otherwise agreed to by each party acting reasonably.

(g) (**Termination**): This agreement will terminate once the project is completed. Either party may immediately terminate the agreement by written notice if either party is in breach of obligations and does not remedy that breach or, on the event or significant risk that one of the parties is insolvent.

The Collaborative Research Agreement with Victoria University does otherwise contain terms and provisions that are considered standard for an agreement of this nature.

12.8 Consultancy Agreement – Ted Whittem

On 24 April 2017 the Company engaged Dr Ted Whittem to provide his opinion, expertise and advice on matters relating generally to veterinary pharmacology, and for services relating specifically to the following:

- research and development of veterinary pharmaceutical products;
- the registration of veterinary products and veterinary medicines;
- the registration of veterinary products and veterinary medicines;
- the review of scientific literature and experimental results relating to veterinary medical products;
- veterinary pharmacology and drug detection; and
- advice in preparation of clinical studies and study designs,

(the **Whittem Consultancy Agreement**).

The material terms of the Whittem Consultancy Agreement are as follows:

(a) (**Services**): Written requests from the Company will pertain to one or more separate projects and Dr Whittem will provide a project report to the Company.

(b) (**Price**): The price for the provision of the services include all reasonable direct expense plus:

(i) Where the services require the expert input of Dr Whittem:

(A) $230 per hour;

(B) $1,500 per full day; or

(C) $2,800 for any day or part thereof during which attendance is required at a Court or Tribunal or Hearing or any similar panel.

(ii) Where the services require secretarial, managerial or financial input but no expert pharmacology input - $90 per hour plus expenses.

(iii) These prices will increase on 1 July each year in line with inflation as published with Australia Bureaux of Statistics

(iv) Dr Whittem will also receive and annual retainer as part of advisory agreement between himself and the Company.

(c) (**Term**): The agreement remains in effect from the date of execution until terminated.

(d) (**Termination**): Either party may terminate this agreement at any time with seven days written notice to the other party.

The Whittem Consultancy Agreement does otherwise contain terms and provisions that are considered standard for an agreement of this nature.

12.9 Consultancy Agreement - Rayson Tan

On 5 February 2017 the Company entered into a consultancy agreement with Rayson Tan for the purpose of utilising his skill and expertise in developing a research report and recommendation for utilising cannabinoids as a novel therapy for osteosarcoma pain (**Tan Consultancy Agreement**). The material terms of the Tan Consultancy Agreement are as follows:

(a) (**Termination**): Either party can terminate the agreement after 30 days, with two weeks' notice to the other party in writing.

(b) (**Compensation**): Mr Tan will be entitled to $70 plus GST per hour for each hour worked, not to exceed 5 hours per week. Reasonable expenses incurred for fulfilling these services will be reimbursed. The fee for services rendered is not to exceed $70 per hour for more than 5 hours per week without prior approval from the Company.

The Tan Consultancy Agreement does otherwise contain terms and provisions that are considered standard for an agreement of this nature.

12.10 Merchant Corporate Consultancy Mandate

On 14 March 2017, the Company entered into an agreement with Merchant Corporate Advisory Pty Ltd (**Merchant**) pursuant to which the Company engaged Merchant to provide, amongst other things, services as lead manager of the Offer (**Merchant Consultancy Mandate**). The material terms of the Merchant Consultancy Mandate are as follows:

(a) (**Engagement**): Merchant agreed to assist provide services relating to the initial seed raising, securing strategic investments and partnerships and managing the IPO process for the Company.

(b) (**Payments**): The Company agrees to the following payments:

(i) (**Capital Raising Cash Success Fee**): The Company agrees to pay Merchant a capital raising fee of 6% (plus GST) upon successfully conclusion of the pre-IPO and IPO capital raising;

(ii) (**Consulting Agreement**): The Company agrees to enter into a consulting contract with Merchant for an initial period of 6 months commencing on the date of the agreement. The Company agrees to pay Merchant a monthly retainer of $10,000 (plus GST);

(iii) (**Strategic Partnership Cash Success Fee**): Where the Company agrees to pay Merchant a success fee equivalent to $50,000 for securing at least one strategic partnership deemed relevant by the Company. As at the date of this Prospectus, this payment has been made;

(iv) (**Travel Expenses**): The Company agrees to pay or reimburse expenses associated with travel incurred in providing consulting services; and

(v) (**Other Expenses**): The Company agrees to pay or reimburse incidental expenses properly incurred in providing consulting services;

(c) (**Termination**): Either party can terminate the Merchant Consultancy Agreement by mutual agreement, subject to the Company ensuring all outstanding payments due to Merchant were paid, and a termination fee equivalent to $50,000 less any monthly retainer payments of $10,000 was made.

The Merchant Consultancy Agreement does otherwise contain terms and provisions that are considered standard for an agreement of this nature.

13. *ADDITIONAL INFORMATION*

13. Additional Information

13.1 Litigation

As at the date of this Prospectus, the Company is not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

13.2 Rights attaching to Shares

The following is a summary of the more significant rights attaching to Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

(a) General meetings

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution.

(b) Voting rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) Dividend rights

Subject to the rights of any preference Shareholders and to the rights of the holders of any shares created or raised under any special arrangement as to dividend, the Directors may from time to time declare a dividend to be paid to the Shareholders entitled to the dividend which shall be payable on all Shares according to the proportion that the amount paid (not credited) is of

the total amounts paid and payable (excluding amounts credited) in respect of such Shares.

The Directors may from time to time pay to the Shareholders any interim dividends as they may determine. No dividend shall carry interest as against the Company. The Directors may set aside out of the profits of the Company any amounts that they may determine as reserves, to be applied at the discretion of the Directors, for any purpose for which the profits of the Company may be properly applied.

Subject to the ASX Listing Rules and the Corporations Act, the Company may, by resolution of the Directors, implement a dividend reinvestment plan on such terms and conditions as the Directors think fit and which provides for any dividend which the Directors may declare from time to time payable on Shares which are participating Shares in the dividend reinvestment plan, less any amount which the Company shall either pursuant to the Constitution or any law be entitled or obliged to retain, be applied by the Company to the payment of the subscription price of Shares.

(d) Winding-up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability.

(e) Shareholder liability

As the Shares under the Prospectus are fully paid shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(f) Transfer of Shares

Generally, Shares are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the ASX Listing Rules.

(g) Variation of rights

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up, may be varied or abrogated with the consent in writing of the holders of

three-quarters of the issued shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

(h) Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of Shareholders present and voting at the general meeting. In addition, at least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

13.3 Options

The terms and conditions of the Options on issue are as follows:

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(c) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(d) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(e) **Timing of Issue of Shares on Exercise**

Within 15 Business Days after the Exercise Date, the Company will:

(i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;

(ii) if required, give the ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with the ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and

(iii) if admitted to the official list of the ASX at the time, apply for official quotation on the ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)ii for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being ineffective, lodge with the ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(f) **Shares issued on exercise**

Share issued on exercise of the Options rank equally with the issued shares of the Company.

(g) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(h) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(i) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(j) **Transferability**

The Options are transferable subject to any restriction or escrow arrangements imposed by the ASX or under applicable Australian securities laws.

13.4 Performance Rights

The rights attaching to the Performance Rights are set out below:

(a) (**Performance Rights**) Each Class A Performance Right, Class B Performance Right, Class C Performance Right and Class D Performance Right (together and each being a **Performance Right**) is a right in the capital of the Company.

(b) (**General meetings**) Each Performance Right confers on the holder (**Holder**) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to holders of fully paid ordinary shares in the capital of the Company (**Shareholders**). Holders have the right to attend general meetings of Shareholders.

(c) (**No voting rights**) A Performance Right does not entitle the Holder to vote on any resolutions proposed by the Company except as otherwise required by law.

(d) (**No dividend rights**) A Performance Right does not entitle the Holder to any dividends.

(e) (**No rights to return of capital**) A Performance Right does not entitle the Holder to a return of capital, whether in a winding up, upon a reduction of capital or otherwise.

(f) (**Rights on winding up**) A Performance Right does not entitle the Holder to participate in the surplus profits or assets of the Company upon winding up.

(g) (**Not transferable**) A Performance Right is not transferable.

(h) (**Reorganisation of capital**) If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.

(i) (**Application to ASX**) The Performance Rights will not be quoted on ASX. However, if the Company is listed on ASX at the time of conversion of the Performance Rights into fully paid ordinary Shares (**Shares**), the Company must within 10 Business Days apply for the official quotation of the Shares arising from the conversion on ASX.

(j) (**Participation in entitlements and bonus issues**) A Performance Right does not entitle a Holder (in their capacity as a holder of a Performance Right) to participate in new issues of capital offered to holders of Shares such as bonus issues and entitlement issues.

(k) (**No other rights**) A Performance Right gives the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.

Conversion of the Performance Rights

(l) (**Conversion on achievement of milestone**) Subject to paragraph (n), a Performance Right in the relevant class will convert into one Share upon achievement of:

(i) **Class A Performance Right**: each Class A Performance Right will vest into one Share upon the Company receiving conditional approval to commence trading on the Australia Securities Exchange and the completion of a capital raising to raise at least $4,000,000,

(**Class A Milestone**).

(ii) **Class B Performance Right**: each Class B Performance Right will vest into one Share upon the Company entering into a commercial licensing agreement for the commercialisation of any of its products,

(**Class B Milestone**).

(iii) **Class C Performance Right**: each Class C Performance Right will vest into one Share upon the Company achieving revenue from sales or licensing of its products of $1,000,000 or more within 36 months of successfully listing on the ASX,

(**Class C Milestone**).

(iv) **Class D Performance Right**: each Class D Performance Right will vest into one Share upon the Company acquiring regulatory approval from:

(A) the United States Food & Drug Administration, which includes approval under the *Minor Use/Minor Species Animal Health Act of 2004* (US); or

(B) that equivalent approval for use and sale of the Company's products within another jurisdiction,

for any of the Company's products,

(**Class D Milestone**),

(**together the Milestones**),

(m) (**Conversion on change of control**) Subject to paragraph (n) and notwithstanding the relevant Milestone has not been satisfied, upon the occurrence of either:

(i) a takeover bid under Chapter 6 of the *Corporations Act 2001* (Cth) having been made in respect of the Company having received acceptances for more than 50% of the Company's shares on issue and being declared unconditional by the bidder; or

(ii) a Court granting orders approving a compromise or arrangement for the purposes of or in connection with a scheme of arrangement for the reconstruction of the Company or its amalgamation with any other company or companies,

that number of Performance Rights that is equal to not more than 10% of the Shares on issue immediately following conversion under this paragraph will convert into an equivalent number of Shares. The conversion will be completed on a pro rata basis across each class of Performance Rights then on issue as well as on a pro rata basis for each Holder. Performance Rights that are not converted into Shares under this paragraph will continue to be held by the Holders on the same terms and conditions.

(n) (**Deferral of conversion if resulting in a prohibited acquisition of Shares**) If the conversion of a Performance Right under paragraph (l) or (m) would result in any person being in contravention of section 606(1) of the *Corporations Act 2001* (Cth) (**General Prohibition**) then the conversion of that Performance Right shall be deferred until such later time or times that the conversion would not result in a contravention of the General Prohibition. In assessing whether a conversion of a Performance Right would result in a contravention of the General Prohibition:

(i) Holders may give written notification to the Company if they consider that the conversion of a Performance Right may result in the contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

(ii) The Company may (but is not obliged to) by written notice to a Holder request a Holder to provide the written notice referred to in paragraph (n)(i) within seven days if the Company considers that the conversion of a Performance Right may result in a contravention of the General Prohibition. The absence of such written notification from the Holder will entitle the Company to assume the conversion of a Performance Right will not result in any person being in contravention of the General Prohibition.

(o) (**Lapse of Performance Right**) each Performance Right shall expire on the date that is five (5) years from the date of issue (**Expiry Date**) if the relevant Milestone attached to that Performance Right has not been achieved, at which time the Company will redeem the relevant Performance Rights in accordance with paragraph (p) below.

(p) (**Redemption if Milestone not achieved**) If the relevant Milestone is not achieved by the Expiry Date, then each Performance Right in the relevant class will be automatically redeemed by the Company for the sum of $0.00001 within 10 Business Days of the Expiry Date.

(q) (**Conversion procedure**) The Company will issue the Holder with a new holding statement for any Share issued upon conversion of a Performance Right within 10 Business Days following the conversion.

(r) (**Ranking upon conversion**) The Share into which a Performance Right may convert will rank pari passu in all respects with existing Shares.

13.5 Employee Incentive Option Plan

The principle terms of the Incentive Option Plan (Option Plan) are summarised below:

(a) **Eligibility**: Participants in the Option Plan may be:

(i) a Director (whether executive or non-executive) of any Group Company;

(ii) a full or part time employee of any Group Company;

(iii) a casual employee or contractor of a Group Company to the extent permitted by the Class Order; or

(iv) a prospective participant, being a person to whom the Offer is made but who can only accept the Offer if an arrangement has been entered into that will result in the person becoming an Eligible Participant under Rules (i), (ii) or (iii) above,

who is declared by the Board to be eligible to receive grants of Options under the Plan.

(b) **Offer**: The Board may, from time to time, in its absolute discretion, make a written offer to any Eligible Participant (including an Eligible Participant who has previously received an Offer) to apply for Options, upon the terms set out in the Plan and upon such additional terms and conditions as the Board determines.

(c) **Plan Limit**: The Company must have reasonable grounds to believe, when making an Offer, that the number of Shares to be received on exercise of Options offered under an Offer, when aggregated with the number of Shares issued or that may be issued as a result of offers made in reliance on the Class Order at any time during the previous 3 year period under an employee incentive scheme covered by the Class Order or an ASIC exempt arrangement of a similar kind to an employee incentive scheme, will not exceed 5% of the total number of Shares on issue at the date of the Offer.

(d) **Issue price**: Unless the Options are quoted on the ASX, Options issued under the Plan **will** be issued for no more than nominal cash consideration.

(e) **Vesting Conditions**: An Option may be made subject to Vesting Conditions as determined by the Board in its discretion and as specified in the Offer for the **Option**.

(f) **Vesting**: the Board may in its absolute discretion, by written notice to a Participant, resolve to waive any of the Vesting Conditions applying to Options due to:

(i) Special Circumstances arising in relation to a Relevant Person in respect of those Options;

(ii) a Change of Control occurring;

(iii) the Company passing a resolution for voluntary winding up, or an order is made for the compulsory winding up of the Company.

(g) **Lapse of an Option**: An Option will lapse upon the earlier to occur of:

(i) an unauthorised dealing in the Option;

(ii) a Vesting Condition in relation to the Option is not satisfied by the due date, or becomes incapable of satisfaction, as determined by the Board in its absolute discretion, unless the Board exercises its discretion to waiver the Vesting Condition and vest the Option in the circumstances set out in paragraph (vi) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;

(iii) in respect of unvested Options only, a Relevant Person ceases to be an Eligible Participant, unless the Board exercises its discretion to vest the Option in the circumstances set out in paragraph (vi) or the Board resolves, in its absolute discretion, to allow the unvested Options to remain unvested after the Relevant Person ceases to be an Eligible Participant;

(iv) in respect of vested Options only, a Relevant Person ceases to be an Eligible Participant and the Option granted in respect of that Relevant Person is not exercised within one (1) month (or such later date as the Board determines) of the date the Relevant Person ceases to be an Eligible Participant;

(v) the Board deems that an Option lapses due to fraud, dishonesty or other improper behaviour of the Eligible Participant;

(vi) the Company undergoes a Change of Control or a winding up resolution or order is made, and the Board does not exercise its discretion to vest the Option; and

(vii) the Expiry Date of the Option.

(h) **Not transferrable**: Options are only transferrable in Special Circumstances with the prior written consent of the Board (which may be withheld in its absolute discretion) or by force of law upon death, to the Participant's legal personal representative or upon bankruptcy to the participant's trustee in bankruptcy.

(i) **Shares**: Shares resulting from the exercise of the Options shall, subject to any Sale Restrictions (refer paragraph (k)) from the date of issue, rank on equal terms with all other Shares on issue.

(j) **Quotation of Shares**: If Shares of the same class as those issued upon exercise of Options issued under the Option Plan are quoted on the ASX, the Company will, subject to the ASX Listing Rules, apply to the ASX for those Shares to be quoted on ASX within 10 business days of the later of the date the Shares are issued and the date any restriction period applying to the disposal of Shares ends.

(k) **Sale Restrictions**: The Board may, in its discretion, determine at any time up until exercise of Options, that a restriction period will apply to some or all of the Shares issued to an Eligible Participant (or their eligible nominee) on exercise of those Options up to a maximum of seven (7) years from the grant date of the Options. In addition, the Board may, in its sole discretion, having regard to the circumstances at the time, waive any such restriction period determined.

(l) **No Participation Rights**: There are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

(m) **Change in exercise price of number of underlying securities**: Unless specified in the offer of the Options and subject to compliance with the ASX Listing Rules, an Option does not confer the right to a change in exercise price or in the number of underlying Shares over which the Option can be exercised.

(n) **Reorganisation**: If, at any time, the issued capital of the Company is reorganised (including consolidation, subdivision, reduction or return), all rights of a holder of an Option are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reorganisation.

(o) **Amendments**: Subject to express restrictions set out in the Option Plan and complying with the Corporations Act, ASX Listing Rules and any other applicable law, the Board may at any time by resolution amend or add to all or any of the provisions of the Option Plan, or the terms or conditions of any Option granted under the Option Plan including giving any amendment retrospective effect.

(p) **Trust**: The Board may, at any time, establish a trust for the sole purpose of acquiring and holding Shares in respect of which a Participant may exercise, or has exercised, vested Options, including for the purpose of enforcing the disposal restrictions and appoint a trustee to act as trustee of the trust. The trustee will hold the Shares as trustee for and on behalf of a Participant as beneficial owner upon the terms of the trust. The Board may at any time amend all or any of the provisions of the Option Plan to effect the establishment of such a trust and the appointment of such a trustee.

(q) **Definitions**: Capitalised terms used in the above summary are as defined in the Option Plan, including:

(i) **Associated Body Corporate means***:*

(A) a related body corporate (as defined in the Corporations Act) of the Company;

(B) a body corporate which has an entitlement to not less than 20% of the voting Shares of the Company; and

(C) a body corporate in which the Company has an entitlement to not less than 20% of the voting shares.

(ii) **Change of Control means***:*

(A) a bona fide Takeover Bid is declared unconditional and the bidder has acquired a Relevant Interest in more than 50% of the Company's issued Shares;

(B) a court approves, under section 411(4)(b) of the Corporations Act, a proposed compromise or arrangement for the purposes of, or in connection with, a scheme for the reconstruction of the Company or its amalgamation with any other company or companies; or

(C) in any other case, a person obtains Voting Power in the Company which the Board (which for the avoidance of doubt will comprise those Directors immediately prior to the person acquiring that Voting Power) determines, acting in good faith and in accordance with their fiduciary duties, is sufficient to control the composition of the Board.

(iii) **Relevant Person means***:*

(A) in respect of an Eligible Participant, that person; and

(B) in respect of a nominee of an Eligible Participant, that Eligible Participant.

(iv) **Special Circumstances means***:*

(A) a Relevant Person ceasing to be an Eligible Participant due to:

(I) death or Total or Permanent Disability of a Relevant Person; or

(II) Retirement or Redundancy of a Relevant Person;

(B) a Relevant Person suffering Severe Financial Hardship;

(C) any other circumstance stated to constitute "Special Circumstances" in the terms of the relevant Offer made to and accepted by the Participant; or

any other circumstances determined by the Board at any time (whether before or after the Offer) and notified to the relevant Participant which circumstances may relate to the Participant, a class of Participant, including the Participant or particular circumstances or class of circumstances applying to the Participant.

13.6 Interests of Directors

Other than as set out in this Prospectus, no Director or proposed Director holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(c) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to a Director or proposed Director:

(d) as an inducement to become, or to qualify as, a Director; or

(e) for services provided in connection with:

(i) the formation or promotion of the Company; or

(ii) the Offer.

13.7 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no:

(a) person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus;

(b) promoter of the Company; or

(c) underwriter (but not a sub-underwriter) to the issue or a financial services licensee named in this Prospectus as a financial services licensee involved in the issue,

holds, or has held within the two years preceding lodgement of this Prospectus with the ASIC, any interest in:

(d) the formation or promotion of the Company;

(e) any property acquired or proposed to be acquired by the Company in connection with:

(i) its formation or promotion; or

(ii) the Offer; or

(f) the Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of these persons for services provided in connection with:

(g) the formation or promotion of the Company; or

(h) the Offer.

Griffith Hack has acted as Patent Attorney and has prepared the Intellectual Property Report which is included in Section 9 of this Prospectus. The Company estimates it will pay Griffith Hack a total of $5,300 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Griffith Hack has been paid approximately $42,000 for services provided to the Company.

BDO Corporate Finance (WA) Pty Ltd has acted as Investigating Accountant and has prepared the Investigating Accountant's Report which is included in Section 10 of this Prospectus. The Company estimates it will pay BDO Corporate Finance (WA) Pty Ltd a total of $7,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has not received any fees from the Company for any other services.

BDO Audit (WA) Pty Ltd acts as the Company's auditor and has prepared the audited accounts appearing in the Investigating Accountant's Report which is included in Section 10 of this Prospectus. The Company estimates it will pay BDO Audit (WA) Pty Ltd a total of $5,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, BDO has not received any fees from the Company for any other services.

Merchant Corporate Advisory Pty Ltd has acted as Lead Manager to the Company in relation to the Offer. The Company estimates it will pay Merchant Corporate Advisory Pty Ltd $360,000 (excluding GST) for these services. During the 24 months preceding lodgement of this Prospectus with the ASIC, Merchant Corporate Advisory Pty Ltd has not received $50,000 in fees as set out in Section 12.10.

Steinepreis Paganin has acted as the solicitors to the Company in relation to the Offer. The Company estimates it will pay Steinepreis Paganin $70,000 (excluding GST) for these services. Subsequently, fees will be charged in accordance with normal charge out rates. During the 24 months preceding lodgement of this Prospectus with the ASIC, Steinepreis Paganin has received fees totalling approximately $19,000 for other general legal services provided to the Company.

13.8 Consents

Chapter 6D of the Corporations Act imposes a liability regime on the Company (as the offeror of the Securities), the Directors, the persons named in the Prospectus with their consent as Proposed Directors, any underwriters, persons named in the Prospectus with their consent having made a statement in the Prospectus and persons involved in a contravention in relation to the Prospectus, with regard to misleading

and deceptive statements made in the Prospectus, Although the Company bears primary responsibility for the Prospectus, the other parties involved in the preparation of the Prospectus can also be responsible for certain statements made in it.

Each of the parties referred to in this Section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this Section; and

(b) in light of the above, only to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this Section.

Griffith Hack has given its written consent to being named as the Patent Attorney in this Prospectus, the inclusion of the Intellectual Property Report in Section 9 of this Prospectus in the form and context in which the report is included. Griffith Hack has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Corporate Finance (WA) Pty Ltd has given its written consent to being named as Investigating Accountant and the Auditor in this Prospectus and to the inclusion of the Investigating Accountant's Report in Section 10 of this Prospectus in the form and context in which the information and report is included. BDO Corporate Finance (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

BDO Audit (WA) Pty Ltd has given its written consent to being named as the Auditor in this Prospectus and to the inclusion of the audited accounts in the Investigating Accountant's Report in Section 10 of this Prospectus in the form and context in which the information and report is included. BDO Audit (WA) Pty Ltd has not withdrawn its consent prior to lodgement of this Prospectus with the ASIC.

Merchant Corporate Advisory Pty Ltd has given its written consent to being named as the lead managers to the Company in this Prospectus. Merchant Corporate Advisory Pty Ltd has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Computershare Investor Services Pty Limited has given its written consent to being named as the share registry to the Company in this Prospectus. Computershare Investor Services Pty Limited has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

13.9 Expenses of the Offer

The total expenses of the Offer (excluding GST) are estimated to be approximately $535,415 and are expected to be applied towards the items set out in the table below:

Item of Expenditure	Amount ($)
ASIC fees	2,400
ASX fees	65,000
Broker Commissions*	360,000
Legal Fees	70,000
Patent Attorney's Fees	5,300
Investigating Accountant's Fees	7,000
Miscellaneous	25,715
TOTAL	**535,415**

* Broker commissions will only be paid on applications made through a licensed securities dealers or Australian financial services licensee and accepted by the Company (refer to Section 5.13 of this Prospectus for further information). The amount calculated is based on 100% of applications being made in this manner. For those applications made directly to and accepted by the Company no broker commissions will be payable and the expenses of the Offer will be reduced and the additional funds will be put towards working capital.

13.10 Continuous disclosure obligations

Following admission of the Company to the Official List, the Company will be a "disclosing entity" (as defined in Section 111AC of the Corporations Act) and, as such, will be subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company will be required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

Price sensitive information will be publicly released through ASX before it is disclosed to shareholders and market participants. Distribution of other information to shareholders and market participants will also be managed through disclosure to the ASX. In addition, the Company will post this information on its website after the ASX confirms an announcement has been made, with the aim of making the information readily accessible to the widest audience.

13.11 Electronic Prospectus

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of this Prospectus or both. Alternatively, you may obtain a copy of this Prospectus from the website of the Company at www.cannpal.com.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

13.12 Financial Forecasts

The Directors have considered the matters set out in ASIC Regulatory Guide 170 and believe that they do not have a reasonable basis to forecast future earnings on the basis that the operations of the Company are inherently uncertain. Accordingly, any forecast or projection information would contain such a broad range of potential outcomes and possibilities that it is not possible to prepare a reliable best estimate forecast or projection.

13.13 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will apply to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company.

Electronic sub-registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Electronic sub-registers also mean ownership of securities can be transferred without having to rely upon paper documentation. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

13.14 Privacy statement

If you complete an Application Form, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder and to facilitate distribution payments and corporate communications to you as a Shareholder.

The information may also be used from time to time and disclosed to persons inspecting the register, including bidders for your securities in the context of takeovers, regulatory bodies including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the share registry.

You can access, correct and update the personal information that we hold about you. If you wish to do so, please contact the share registry at the relevant contact number set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

14. *DIRECTORS' AUTHORISATION*

14. Directors' Authorisation

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Layton Mills
Managing Director
For and on behalf of
Cannpal Animal Therapeutics Limited

15. *GLOSSARY*

15. Glossary

Where the following terms are used in this Prospectus they have the following meanings:

$ means an Australian dollar.

Aphria means Pure Natural Wellness Inc., a company incorporated in Ontario and a subsidiary of Aphria Inc.

Application Form means the application form attached to or accompanying this Prospectus relating to the Offer**.**

APVMA means the Australian Pesticides and Veterinary Medicines Authority.

ASIC means Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by it as the context requires.

ASX Listing Rules means the official listing rules of ASX.

Board means the board of Directors as constituted from time to time.

CBD means cannabidiol.

Closing Date means the closing date of the Offer as set out in the indicative timetable in the Investment Overview in Section 2.1 of this Prospectus (subject to the Company reserving the right to extend the Closing Date or close the Offer early).

Company means CannPal Animal Therapeutics Limited (ACN 612 791 518).

Constitution means the constitution of the Company.

Convention means The Convention on Narcotic Drugs 1961.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the directors of the Company at the date of this Prospectus.

Eligibility Code means the personal code provided to Eligible Zelda Shareholders for the purpose of participating in the Priority Offer.

Eligible Zelda Shareholders means a Zelda Shareholder eligible to participate in the Priority Offer as set out in Section 5.2.

Exposure Period means the period of 7 days after the date of lodgement of this Prospectus, which period may be extended by the ASIC by not more than 7 days pursuant to Section 727(3) of the Corporations Act.

FDA means the United States Food and Drug Administration.

Invetus means Invetus Pty Ltd (ACN 612 851 206).

Lead Drug Candidate means the Company's lead drug candidate as described in Section 4.2.

Merchant means Merchant Corporate Advisory Pty Ltd (ACN 617 902 646) (Authorised Representative Number 001252806).

Minimum Subscription means $6,000,000.

Offer means the offer of Shares (comprising the General Offer and the Priority Offer) pursuant to this Prospectus as set out in Section 5.1of this Prospectus.

Official List means the official list of ASX.

Official Quotation means official quotation by ASX in accordance with the ASX Listing Rules.

Option means an option to acquire a Share.

Performance Rights means the performance rights described in Section 13.4.

Priority Offer means the priority offer to Eligible Zelda Shareholders as described in Section 5.1.

Priority Offer Closing Date means 5pm (Perth time) on 29 September 2017.

Priority Offer Record Date means 5.00pm (Perth time) on 4 September 2017.

Prospectus means this prospectus.

Section means a section of this Prospectus.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of Shares.

TGA means the Australian Therapeutic Goods Administration.

THC means tetrahydrocannabinol.

WST means Western Standard Time as observed in Perth, Western Australia.

Zelda means Zelda Therapeutics Limited (ACN 103 782 378).

CannPal Animal Therapeutics

ABN 88 612 791 518

For all enquiries:

(within Australia) 0402 339 443
(outside Australia) +61 402 339 443

Priority Offer: Closes at 5.00pm AEST on 29 September 2017
General Offer: Closes at 5.00pm AEST on 6 October 2017

General Offer- Application Form

This Application Form is important. If you are in doubt as to how to deal with it, please contact your stockbroker or professional advisor without delay.
You should read the CannPal Animal Therapeutics Limited Prospectus dated 28 August 2017 before completing this Application Form. The Corporations Act prohibits any person from passing on this Application Form (whether in paper or electronic form) unless it is attached to or accompanies a complete and unaltered copy of the Prospectus (whether in paper or electronic form).

A I/we apply for

Number of Shares in CannPal Animal Therapeutics Limited at A$0.20 per Share or such lesser number of Shares which may be allocated to me/us.

B I/we lodge full Application Money

A$.

C Individual/Joint applications - refer to naming standards overleaf for correct forms of registrable title(s)

Title or Company Name | Given Name(s) | Surname

Joint Applicant 2 or Account Designation

Joint Applicant 3 or Account Designation

D Enter the postal address - include State and Postcode

Unit | Street Number | Street Name or PO Box/Other information

City/Suburb/Town | State | Postcode

E Enter your contact details

Contact Name | Telephone Number - Business Hours

F Please provide us with the HIN/SRN for your CannPal Animal Therapeutics Limited holdings

☐ **Priority Application -** Zelda Therapeutics Limited (ZLD) shareholders. Please provide your HIN or SRN.

Holder Identification Number (HIN)

X

Security Reference Number (SRN)

I

Please note that if you supply a CHESS HIN but the name and address details on your form do not correspond exactly with the registration details held at CHESS, your application will be deemed to be made without the CHESS HIN, and any Shares issued as a result of the Offer will be held on the Issuer Sponsored subregister.

G Payment details - Please note that funds are unable to be directly debited from your bank account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
				A$

Make your cheque, bank draft or money order payable to 'CannPal Animal Therapeutics Limited - IPO Trust Account' and cross 'Not Negotiable".

By submitting this Application Form:

- I/we declare that this Application is complete and lodged according to the Prospectus and the declarations/statements on the reverse of this Application Form,
- I/we declare that all details and statements made by me/us (including the declaration on the reverse of this Application Form) are complete and accurate, and
- I/we agree to be bound by the Constitution of CannPal Animal Therapeutics Limited.

See overleaf for completion guidelines ➔

How to complete this Application Form

A **Number of Shares applied for**
Enter the number of Shares you wish to apply for. The Application must be for a minimum of 10,000 Shares A$2,000. Applications for greater than 10,000 Shares must be in multiples of 2,500 Shares $A500.00.

B **Application Monies**
Enter the amount of Application Monies. To calculate the amount, multiply the number of Shares applied for in Step A by the Issue Price of A$0.20.

C **Applicant Name(s)**
Enter the full name you wish to appear on the statement of shareholding. This must be either your own name or the name of a company. Up to 3 joint Applicants may register. You should refer to the table below for the correct forms of registrable title. Applications using the wrong form of names may be rejected. Clearing House Electronic Subregister System (CHESS) participants should complete their name identically to that presently registered in the CHESS system.

D **Postal Address**
Enter your postal address for all correspondence. All communications to you from the Registry will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.

E **Contact Details**
Enter your contact details. These are not compulsory but will assist us if we need to contact you regarding this Application.

F **CHESS**
CannPal Animal Therapeutics Limited will apply to the ASX to participate in CHESS, operated by ASX Settlement Pty Limited, a wholly owned subsidiary of ASX Limited. If you are a CHESS participant (or are sponsored by a CHESS participant) and you wish to hold Shares issued to you under this Application on the CHESS Subregister, enter your CHESS HIN. Otherwise, leave this section blank and on issue, you will be sponsored by CannPal Animal Therapeutics Limited and allocated a Securityholder Reference Number (SRN).

G **Payment**
Make your cheque, bank draft or money order payable in Australian dollars to '**CannPal Animal Therapeutics Limited - IPO Trust Account**' and cross it '**Not Negotiable**'. Cheques must be drawn from an Australian bank. Cash will not be accepted.
The total payment amount must agree with the amount shown in Step B.
Complete the cheque details in the boxes provided.
Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as dishonoured cheques may not be represented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the Application Form. Receipts will not be forwarded. Funds cannot be directly debited from your bank account.

Before completing the Application Form the Applicant(s) should read the Prospectus to which this Application relates. By lodging the Application Form, the Applicant agrees that this Application for Shares in CannPal Animal Therapeutics Limited is upon and subject to the terms of the Prospectus and the Constitution of CannPal Animal Therapeutics Limited, agrees to take any number of Shares that may be issued to the Applicant(s) pursuant to the Prospectus and declares that all details and statements made are complete and accurate. It is not necessary to sign the Application Form.

Lodgement of Application

Application Forms must be received by Computershare Investor Services Pty Limited (**CIS**) by no later than 5.00pm (AEST) on 29 September 2017 for Priority Offer or 5.00pm (AEST) on 6 October 2017 for General Offer. You should allow sufficient time for this to occur. Return the Application Form with cheque, bank draft or money order attached to:

Computershare Investor Services Pty Limited
GPO Box 52
MELBOURNE VIC 3001

Neither CIS nor CannPal Animal Therapeutics Limited accepts any responsibility if you lodge the Application Form at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by CIS, as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided overleaf or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuer's administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at http://www.computershare.com/au.

Correct forms of registrable title(s)

Note that ONLY legal entities are allowed to hold Shares. Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to CannPal Animal Therapeutics Limited. At least one full given name and the surname is required for each natural person. Application Forms cannot be completed by persons less than 18 years of age. Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual: use given names in full, not initials	Mr John Alfred Smith	JA Smith
Company: use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings: use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts: use the trustee(s) personal name(s)	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates: use the executor(s) personal name(s)	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Deceased
Minor (a person under the age of 18): use the name of a responsible adult with an appropriate designation	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships: use the partners personal names	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and Son
Long Names	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names: use office bearer(s) personal name(s)	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds: use the name of the trustee of the fund	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund