



August 12, 2019

To our Valued Stockholders,

We would like to take this opportunity to provide you with an update and thank you for your continued support. We are more excited than ever about the outlook for Artelo Biosciences and our stockholders.

As you may be aware, we have assembled a pipeline of proprietary therapeutic candidates targeting the endocannabinoid system, each with the potential to treat significant unmet needs in multiple diseases and conditions. We have achieved a number of major developmental, operational, and financial milestones that we believe will allow us to rapidly advance these programs. Most recently, we listed on the Nasdaq Capital Market with a concurrent public offering of \$8.0 million, which we expect to fund Artelo through a number of upcoming catalysts. These milestones include the initial clinical trial readout of our Phase 1b/2a study of ART27.13 in cancer-related anorexia and weight loss, as well as initiating non-clinical studies for our proprietary cannabidiol ("CBD") cocrystal program, and our fatty acid binding protein 5 (FABP5) inhibitor platform for the treatment of cancer, inflammation, and pain.

We observed promising results with our lead product candidate, ART27.13, a highly potent synthetic dual cannabinoid agonist that we are developing for treatment of cancer-related anorexia and weight loss. Cancer-related anorexia affects about 60% of advanced stage cancer patients, and yet there are no FDA approved drugs specifically labeled for this condition. As a result, we believe ART27.13 has the potential to address this multi-billion-dollar, underserved market. A prior Phase 1 study in healthy subjects of ART27.13 showed significant correlation of drug exposure to weight gain compared to placebo ( $p=0.0001$ ). We are planning to enroll approximately 50 patients in Phase 1b/2a clinical study in cancer-related anorexia and will initiate the trial after we complete manufacturing of new study drug. We expect this trial to accrue quickly and initial results are anticipated next year.

We are also excited about the potential of our proprietary CBD cocrystal program, ART12.11. We believe this patent-pending next generation CBD cocrystal, with its enhanced pharmaceutical properties, will offer multiple benefits including greater consistency of exposure. This is desired especially in situations where CBD can affect metabolism of coadministered drugs. ART12.11 is expected to improve safety and efficacy over inconsistently absorbed CBD, which we anticipate will be demonstrated in the clinical development process. We are planning development for multiple large indications including post-traumatic stress disorder and inflammatory bowel diseases, as well as application in rare diseases.

Finally, through an exclusive agreement and in collaboration with The Research Foundation of the State University of New York at Stony Brook, we are developing a FABP5 inhibitor platform, including ART26.12, for the treatment of cancer, inflammation, and pain. FABP5 is an intra-cellular protein that serves as a carrier for certain lipids, including endocannabinoids and fatty acids. Inhibition of FABP5 has been shown to suppress the growth and migration of breast and prostate cancers. As a result, we believe our FABP5 inhibitor program holds potential as a new paradigm in the field of cancer therapy by modulating lipid signaling. Additionally, fatty acid binding proteins have been identified as intracellular transporters for the endocannabinoid anandamide and may have a significant opportunity in treating pain.

We look forward to initiating our clinical study with ART27.13 in cancer-related anorexia and advancing both ART12.11 and ART26.12 with our initiatives in formulation, manufacturing, and non-clinical studies to prepare for human trials. With four issued and four pending patents, across our three programs, we believe we will have a strong market exclusivity position, which includes composition of matter patents, prior to commercialization. Now that we have completed our public offering and are traded on Nasdaq, we believe we have the resources to achieve meaningful milestones. The listing on Nasdaq should also benefit us greatly due to increased visibility, liquidity, and a much broader potential investor base.

Once again, we'd like to thank all of our stockholders as we embark together on the next phase of this exciting endeavor. We remain fully committed to driving stockholder value and look forward to providing further updates on our development programs in the months ahead. In the meantime, you can email our IR team ([artl@crescendo-ir.com](mailto:artl@crescendo-ir.com)) to add you to our email distribution list for breaking news. Please also visit our website for the latest press releases and SEC filings ([www.artelobio.com](http://www.artelobio.com)).

Best regards,



Gregory D. Gorgas  
President & CEO

#### **Forward-Looking Statements**

*The company cautions you that all statements, other than statements of historical facts, contained in this letter are forward-looking statements. Forward-looking statements, in some cases, can be identified by terms such as "believe," "may," "will," "estimate," "continue," "anticipate," "design," "intend," "expect," "could," "plan," "potential," "predict," "seek," "should," "would," "contemplate," "project," "target," "tend to," or the negative version of these words and similar expressions. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the company's actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by the forward-looking statements in this letter, including risks and uncertainties inherent in the company's business and other risks described in the company's filings with the Securities and Exchange Commission (SEC). The company's forward-looking statements are based upon its current expectations and involve assumptions that may never materialize or may prove to be incorrect. All forward-looking statements are expressly qualified in their entirety by these cautionary statements. Further information regarding these and other risks is included under the heading "Risk Factors" in the company's periodic reports filed with the SEC. You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date on which they were made. The company undertakes no obligation to update such statements to reflect events that occur or circumstances that exist after the date on which they were made, except as required by law.*