

## ASX Release

### **Appendix 4E and financial report for year ended 30 June 2018**

#### **Key points:**

- **Anatara signed an exclusive licensing agreement with Zoetis Inc., the leading global animal health company, for the worldwide development, manufacture, distribution and marketing of Detach**
- **Dr Mel Bridges retired from role of Executive Chairman and CEO, after co-founding and making an immense contribution to Anatara**
- **Dr Tracie Ramsdale appointed interim CEO and Dr Jay Hetzel appointed interim Chairman**
- **Detailed development plans announced for first human gastrointestinal health product in July**
- **Anatara remains funded for the next two years, with sufficient funds to execute its first human gastrointestinal product to partnering arrangements**
- **Revenue during period was \$1.56m, resulting from commercial activities and R&D tax incentive refund**
- **Post period, Dr Tracey Mynott, CSO and co-founder, departed Anatara to pursue humanitarian applications**
- **Post period, appointments of Sue MacLeman as new Non-Executive Chairman and Dr. Jane Ryan as a new Non-Executive Director announced, with Mr Paul Grujic retiring immediately from his role as Non-Executive Director, and Dr Jay Hetzel announcing intention to retire at Anatara's coming Annual General Meeting**

BRISBANE, 31 August 2018: Anatara Lifesciences (ASX: ANR) today released its Appendix 4E and review of operations for the period ending 30<sup>th</sup> June 2018.

Anatara's Interim CEO, Dr Tracie Ramsdale said, "We are happy to release our FY 2018 financial results following what has been a defining year for Anatara Lifesciences. We are very proud to have met our core commercial milestones for Detach. The execution of a global licencing agreement with a world-class partner like Zoetis, as the largest global animal health company, is a major success for the Company, and we could not have hoped to have found a better partner.

"As announced last month, shareholders can find confidence in the Company's future strategy as we transition from partnering our lead animal product, to continuing the development of our human gastrointestinal program. We were excited to unveil our first human product candidate, GaRP, a microbiome-targeted dietary supplement, that has been designed to address the primary underlying factors associated with gastrointestinal disorders such as Irritable Bowel Syndrome and Inflammatory Bowel Disease in the burgeoning gut health market.

“We have had some significant changes within our senior team and Board during and post the period. We are tremendously grateful to Dr Mel Bridges, Dr Tracey Mynott and Paul Grujic for their substantial contributions to Anataara over the years and wish them all the best.

“My fellow directors and I also thank Dr Jay Hetzel who has been Anataara’s interim Chairman through an intense period of the Company’s history. Following this week’s announcement of two new human health focused directors, Jay will return to his Non-Executive Director role until our 2018 Annual General Meeting, at which time he will step down.

We welcome Sue MacLeman as Non-Executive Chairman and Dr Jane Ryan as Non-Executive Director. Their appointments strengthen Anataara’s ability to drive lasting patient and shareholder value,” said Dr Ramsdale.”

Financial and operating highlights from the period to 30 June included:

- Revenue from ordinary activities were \$1.56m, including the receipt of \$1,230,329 through the R&D tax incentive from activities conducted during the FY 2017
- The signing of an exclusive worldwide development, manufacture, distribution and marketing agreement for Detach with leading global animal company, Zoetis Inc, in May 2018
- Achieving acceptance from the US Food & Drug Administration (FDA) of the technical section of the ‘human food safety’ component of its New Animal Drug Application for Detach, in February 2018; confirming that animals treated with Detach product are considered safe for human consumption
- Releasing development plans for Anataara’s first human product candidate, the Gastrointestinal Reprogramming Product (GaRP), aimed at restoring and maintaining gut health, and managing the symptoms associated with gastrointestinal disorders, announced post period, on 18 July 2018

**For more information please contact:**

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### **About Anataara Lifesciences**

Anataara Lifesciences (ASX: ANR) develops and aims to partner non-antibiotic, oral products for gastrointestinal diseases in animals and humans where there is significant unmet need and large market opportunity. In May 2018, Anataara granted an exclusive licence to the leading global animal health company, Zoetis Inc., for the worldwide development, manufacturing, distribution and marketing of its lead product Detach as a non-antibiotic approach to aid in the control of diarrhoeal disease (known as scour) in livestock and in horses. Anataara is now focused on developing its human product pipeline for gastrointestinal health applications. For more information, please visit [www.anataralifesciences.com](http://www.anataralifesciences.com).

**Anatara Lifesciences Ltd**  
**Appendix 4E**  
**30 June 2018**  
**ASX listing rule 4.2A**

<b>Name of entity</b>	Anatara Lifesciences Ltd
<b>ACN</b>	145 239 872
<b>Reporting period</b>	30 June 2018
<b>Previous reporting period</b>	30 June 2017

**Results for announcement to the market**

				\$
Revenue for ordinary activities	Down	50.4%	to	1,564,975
Loss before interest and taxation (EBIT)	Up	109.3%	to	(3,569,016)
Net loss after tax (from ordinary activities) for the period attributable to members	Up	109.3%	to	(3,569,016)

**Brief explanation of figures reported above**

The Group reported a loss for the full-year ended 30 June 2018 of \$3,569,016 (2017: \$1,705,002). The loss is after fully expensing all research and development costs.

For further details relating to the current period's results, refer to the Operations review contained within this document.

**Dividends**

No dividends have been paid or declared by the Company since the beginning of the current reporting period. No dividends were paid for the previous reporting period.

	<b>30 June 2018</b>	<b>30 June 2017</b>
Net tangible asset backing	<b>8,587,450</b>	12,021,139
Shares (No.)	<b>49,413,236</b>	49,413,236
Net asset backing (cents per share)	<b>17</b>	24
	<b>Cents</b>	Cents
<b>Losses per share:</b>		
Basic loss per share	6(a) <b>(0.07)</b>	(0.03)
Diluted loss per share	6(a) <b>(0.07)</b>	(0.03)

**Changes in controlled entities**

N/A

**Other information required by Listing Rule 4.3A**

N/A

**Status of Audit of Accounts**

The accounts have been audited and an unmodified audit opinion has been issued by the Company's auditor.

# **Anatara Lifesciences Ltd**

ACN 145 239 872

## **Annual report for the year ended 30 June 2018**

# Anatara Lifesciences Ltd

ACN 145 239 872

## Annual report - 30 June 2018

### Contents

	Page
Chairman's letter	1
Operations review	4
Directors' report	5
Corporate governance statement	26
Consolidated financial statements	
Consolidated statement of profit or loss and other comprehensive income	28
Consolidated statement of financial position	29
Consolidated statement of changes in equity	30
Consolidated statement of cash flows	31
Notes to the consolidated financial statements	32
Directors' declaration	54
Independent auditor's report to the members	55
Corporate directory	58

## Chairman's letter

Dear Shareholders,

On behalf of the Anatara Board, I am pleased to present our 2018 Annual Report.

A major milestone was achieved in May in signing an exclusive worldwide agreement with Zoetis, a leading global animal health company, for the worldwide development, manufacturing, distribution and marketing of Detach for use in livestock and horses. Licensing Detach to a partner with substantial product development and manufacturing resources as well as a truly global distribution network has been a major achievement. As a result, Anatara no longer has to bear the costs associated with the development of Detach for other species and other territories, freeing up our resources to focus on human product development.

Anatara will now focus on creating high value therapies to augment the treatment of significant unmet needs in the restoration of gut health in humans.

### **Focusing on Gut Health indications**

In recent years, there has been intense interest in the gut microbiome and its role in maintaining gastrointestinal (GI) health. As a result, the treatment of many GI disorders is undergoing reassessment.

Anatara's technology is based on decades of research into the biological activities of bromelain. Potential human applications include GI diseases that involve inflammation and/or diarrhea, including childhood diarrhea, traveller's diarrhea and diarrhea associated with GI disorders such as Inflammatory Bowel Disease (IBD) and Irritable Bowel Syndrome (IBS). After conducting a thorough review on each of these opportunities, our preferred indication is IBD/IBS since it provides the highest likelihood of significant commercial returns. It was selected on the criteria of market opportunity, competitive advantage, quality of supporting data, strength of intellectual property protection and speed to market.

### **Significant market opportunity**

IBD is a global disease with accelerating incidence in newly industrialised countries. There are estimated to be over 5 million sufferers globally. IBS is a functional disorder characterised by abdominal pain, bloating and alternating constipation and diarrhea. It is the most commonly diagnosed gastrointestinal condition, affecting an estimated 11% of the global population. Patients have a poor quality of life and many turn to dietary supplements and complementary medicines in an attempt to relieve their symptoms.

### **Scientific rationale**

The gastrointestinal disorders of IBD and IBS share common disease characteristics including an altered microbiome, impaired intestinal function and mucosal damage. IBS has low grade inflammation while IBD is characterised by chronic inflammation. These disorders are currently treated with anti-inflammatories or a range of prescription medications aimed at treating the symptoms. However, these therapies are often inadequate with high treatment failure rates.

There is therefore a significant unmet medical need for products that can:

- re-establish the homeostasis of the microbiome,
- treat the inflammation, and
- repair the mucosal damage.

Such products are expected to have the downstream effect of reducing disease associated diarrhea.

## Chairman's letter

### Gastrointestinal Reprogramming Product (GaRP), a microbiome-targeted dietary supplement

Anatara's GaRP is a microbiome-targeted multi-component dietary supplement that has been designed to address the primary underlying factors associated with gastrointestinal disorders. Our lead product candidate is being positioned as an adjunct to existing therapies, and it will not be replacing current prescription medications. Over the last 20 years the use of dietary supplements as adjuncts to prescription drugs has increased significantly.

GI disorders affect a significant proportion of the population at some stage of their life. Approximately 50% of IBS and 30-50% of IBD patients seek additional relief of their symptoms through the use of adjunct therapies. This approach is generally precipitated by the high failure rates of current prescription therapies. Increased education and more detailed evaluation of dietary supplements has led to health care providers working with patients to develop individualised programs, which include dietary supplements in the symptom management for GI disorders.

Developing a dietary supplement provides several regulatory and commercial advantages as it is less expensive than prescription medicines and has a less risky pathway to market, thereby accelerating market entry. Both the public and health care professionals alike understand the term 'dietary supplement' and with the right partner, marketing can be aimed at both the public and professionals. Unlike pharmaceuticals, demonstrating superiority to other products is not necessary. Marketing, sales, and medical affairs activities encourage health care professionals to recommend products to their patients. Therefore, finding and selecting the best marketing partner is critical to the success of a product such as GaRP and consequently this has and will continue to be a major focus for Anatara.

The design of GaRP is based on published research in conjunction with the extensive body of knowledge generated in-house at Anatara. Bromelain is one of the main components of GaRP and therefore forms the basis of its acceptability as an effective dietary supplement.

Over the past year, Anatara has been actively working on the development of GaRP and has conducted a market feasibility study, filed a provisional patent application and completed the dose selection of each formulation component. The Company is now in the process of generating in vitro data to support the effectiveness of GaRP in re-establishing the microbiome, reducing inflammation and repairing mucosal damage. Additionally, we are conducting formulation development studies.

The Company plans to evaluate the GaRP product in pig efficacy studies during 2019. The pig is an accepted model for human gastrointestinal treatments and these trials will allow extensive testing including optimisation of the dose for humans. Following the efficacy results, we intend to secure a suitable marketing partner.

### Corporate

There have been a number of changes at the Board and executive level over recent months. In May, Dr. Mel Bridges retired as Executive Chairman and I commenced as Interim Chairman and Dr. Tracie Ramsdale commenced as Interim Chief Executive Officer (CEO). It was Mel's goal to secure a worldwide animal health development partner and he passionately drove this initiative over the last three years. On behalf of the company, I thank Mel for his immense contributions as a founder, Chairman, CEO and substantial shareholder.

Post the reporting period, our Chief Scientific Officer, Dr. Tracey Mynott left the company in August to pursue her long-standing passion to develop Detach technology to control infectious diarrhea in developing countries. Tracey is a co-founder of Anatara and an inventor of the Detach technology. We wish her success in her endeavours. Anatara will license to Tracey the IP necessary for the development of products to treat infectious diarrhea in the developing world and in return will receive a share in any commercial revenues from successful development.

As announced on 28<sup>th</sup> August, two new human healthcare experienced Directors have been appointed to the Board, commencing 1<sup>st</sup> September 2018. Sue MacLeman will join as Non-Executive Chairman and Dr. Jane Ryan as a Non-Executive Director. We have been very fortunate to attract two such high caliber individuals and I am delighted to be handing over the baton to Sue MacLeman who is well equipped to lead the Board through the next stage of the Company's development.

## Chairman's letter

Paul Grujic will step off the Board at the end of August and I want to thank him for his contribution as a Director since 2014.

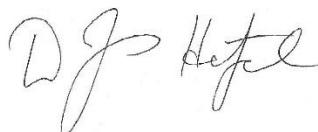
The recruitment of a new CEO to lead the Company's strategy and to deploy its resources, technology and expertise in the human healthcare sector is underway.

### Outlook

The Board is committed to continue working towards the long-term success of the Company, leveraging scientific excellence and existing IP to build a diversified portfolio of high-quality human healthcare assets, which can be effectively partnered and brought to market. We are confident that the refocused vision of addressing a significant unmet medical need in gut health in humans will enable the Company to build significant value for shareholders over the short, medium and longer term. It is our belief the right components are in place to build a valuable portfolio of assets for investors and potential partners.

Finally, on behalf of my fellow directors, I thank Anatara's shareholders for their support throughout the year. Thanks also go to the Anatara Board and our small but dedicated team for their continued hard work and ongoing commitment. We look forward to seeing those shareholders who can join us at the Anatara AGM to be held in Melbourne on 12<sup>th</sup> November 2018.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'DJ Hetzel', with a stylized, cursive script.

Dr Jay Hetzel  
Chairman



## **About Detach**

Detach is a modified release formulation of a natural extract from pineapple stems. It has been proven to be effective in reducing diarrhea in pigs, known as scour, and may also be able to be used in other livestock species. In our 2017 report, a major achievement was the filing of the registration application dossier with the APVMA in October 2016. At the time of this report, we are still awaiting a decision on our application. All indications are that approval will be forthcoming.

In May 2018 we announced the achievement of a major commercial milestone for the company, with the signing of an exclusive worldwide development, manufacture, distribution and marketing agreement for Detach with leading animal company, Zoetis Inc. The agreement is a major outcome because of the inclusion of all livestock species, not only pigs, thereby offering the potential to lead to multiple, larger markets for the product over time.

Anatara had initially planned to directly serve the Australian market, and during 2017-2018 we spent considerable effort in positioning ourselves to enter that market, with brand development and stakeholder engagement. However, the eventual license was structured as a worldwide agreement, which importantly allows for the development of a consistent image for this key product globally.

In parallel with our negotiation of the licensing agreement, the team continued to progress the regulatory strategy for Detach, achieving US Food & Drug Administration (FDA) acceptance of the active ingredient 'human food safety section', which means that animals treated with the product are considered safe for human consumption. We had previously made similar advances in Europe where we achieved a no maximum residue finding in 2017. Whilst Anatara is no longer responsible for the development of the global regulatory strategy for Detach, we believe this progress will assist our partner in their endeavours.

## **Focus on the future...**

Research activities at our Parkville, Melbourne facility have been divided between supporting Detach and developing the underlying principles for human gut health products. The team have established the systems to investigate and assess the effects our development product has on various functions of the gastrointestinal tract. Our collaboration between Anatara, CSIRO and La Trobe University (LIMS) under the Science and Industry Endowment Fund's (SIEF) STEM+ Business Fellowship Program has continued to bear fruit with significant advances in the understanding of several components of bromelain. The SIEF-STEM+ program supports collaborations between Australian research organisations and SME's to work together on technical projects that improve the SME's competitive advantage.

As new understandings of bromelain and the development of new products in gastrointestinal health evolve, Anatara keeps a careful eye on new intellectual property of commercial value. Our strategy is to protect this intellectual property through the filing of provisional patents which are then managed through the patenting process. This means that individual applications may be refiled or combined to ensure the longest possible patent protection whilst investing in protection that is strong and defensible.

In line with our research efforts over the past 12 months, Anatara has received \$1,230,329 in R&D tax reimbursements, which has allowed us to keep tight control of spending whilst focusing on future growth.

# **Anatara Lifesciences Ltd**

## **Directors' report**

### **30 June 2018**

Your directors present their report on the consolidated entity consisting of Anatara Lifesciences Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2018. Throughout the report, the consolidated entity is referred to as the Group or the Company.

### **Directors and company secretary**

The following persons held office as directors of Anatara Lifesciences Ltd during the financial year<sup>1</sup>:

Dr Jay Hetzel, Interim Chairman (from May 17, 2018)  
Dr Tracie Ramsdale, Executive Director and Interim CEO  
Mr Iain Ross, Non-Executive Director  
Mr Paul Grujic, Non-Executive Director  
Dr Melvyn Bridges, Chairman and CEO (retired 17 May 2018)

<sup>1</sup> Effective 17 May 2018, Dr Melvyn Bridges retired as Chairman and Chief Executive Officer. Dr Jay Hetzel commenced as Interim Chairman, and Dr Tracie Ramsdale commenced as Interim CEO of the Company. Mr Iain Ross and Mr Paul Grujic retain their positions as Non-Executive Directors with Mr Ross taking over the role as independent Chair of the Audit & Risk Committee.

Mr Stephen Denaro held office as Company Secretary of Anatara Lifesciences during the financial year.

### **Principal activities**

The Company is an Australian listed entity that focuses on developing oral solutions for gastrointestinal diseases in production animals and humans and the development and commercialisation of Detach, a non-antibiotic therapy that prevents and treats diarrhea (also known as scour) in piglets.

### **Review of operations**

Information on the operations of the Group is set out in the Operations review and activities on page 4 of this annual report.

### **Financial results and position**

The Group reported a loss for the full-year ended 30 June 2018 of \$3,569,016 (2017: \$1,705,002). The loss is after fully expensing all research and development costs.

The Group's net assets decreased by \$3,433,689 (29%) compared with the previous year to \$8,587,450. As at 30 June 2018, the Group had cash reserves of \$1,447,732 and financial assets (term deposit) of \$6,294,339, a total decrease of \$3,117,964 on the previous financial year end.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
 (continued)

**Information on directors**

<b>Dr Jay Hetzel</b> <i>Non-Executive Director and Interim Chairman*</i>		
Experience and expertise	Dr Hetzel has a background in life sciences research, product development and commercialisation. He had a distinguished research career with CSIRO for more than 20 years in animal genetics and genomics. In 1998 he co-founded Genetic Solutions to commercialise genomics technology in livestock. The company was sold to Pfizer Animal Health in 2008. He has since worked on commercialising a range of bio-based products in early-stage ventures and is currently Chairman of UniQuest Pty, Ltd, the commercialisation company of the University of Queensland. He is a Fellow of the Australian Academy of Technology and Engineering and a Fellow of the Australian Institute of Company Directors.	
Date of appointment	4 August 2014	
Special responsibilities	Member of the Audit and Risk Management Committee, Remuneration Committee and Nominations Committee	
Interests in shares and options	Interest in shares	486,109
	Interest in options	65,000

\*Effective 17 May 2018, Dr Jay Hetzel commenced as Interim Chairman of the Company.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Information on directors (continued)**

<b>Dr Tracie Ramsdale</b> <i>Executive Director and Interim CEO*</i>		
Experience and expertise	<p>Tracie holds a PhD in Biochemistry from the University of Queensland, a Master of Pharmacy from the Victorian College of Pharmacy and a Bachelor of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology. Following a successful career as a Principal Investigator and Commercial Manager of the Centre for Drug Design and Development at the University of Queensland, Tracie co-founded Alchemia Limited, a drug discovery and development company and served as the company's CEO for almost 10 years. During this time, she was responsible for multiple financing transactions and licensing the company's technology to major international pharmaceutical and manufacturing partners.</p> <p>Dr Ramsdale has served on a number of industry and government advisory groups and provided independent consulting advice to the biotechnology industry, academia and government.</p> <p>Tracie is a Fellow of the Australian Academy of Technological Sciences and Engineering, and a member of the Australian Institute of Company Directors.</p>	
Date of appointment	4 August 2014	
Special responsibilities	Member of the Audit and Risk Management Committee and Nominations Committee	
Interests in shares and options	Interest in shares	45,614
	Interest in options	65,000

\*Effective 17 May 2018, Dr Tracie Ramsdale commenced as Interim CEO of the Company.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
 (continued)

**Information on directors (continued)**

<b>Mr Iain Ross</b> <i>Non-Executive Director</i>		
Experience and expertise	<p>Iain is a biochemistry graduate of London University, and is an experienced businessman with more than 30 years' experience largely in the international life sciences and technology sectors. Following a career with multi-national companies, including Sandoz AG, Fisons plc, Hoffman La Roche, Celltech plc and Reed International plc, for the past 18 years he has undertaken a number of company turnarounds and start-ups as a board member on behalf of banks and private equity groups.</p> <p>Iain's track record includes multiple financing transactions as well as extensive experience of divestments and strategic restructurings and more than 20 years in cross-border management as a Chairman and CEO. He has led and participated in four initial public offerings and has direct experience of M&amp;A transactions in Europe, USA and Pacific Rim.</p> <p>Currently he is Chairman of e-Therapeutics plc and RedX Pharma plc, each of which is listed on the London Stock Exchange. In addition, Iain is Chairman of Biomer Technology Limited, a private UK Company, and Chairman and Non-Executive Director of Kazia Therapeutics (ASX: KZA) which is listed in Australia on the ASX. He is a qualified Chartered Director of the UK Institute of Directors and former Vice-Chairman of the Council of Royal Holloway, University of London.</p>	
Date of appointment	17 February 2014	
Special responsibilities	Chair of the Remuneration Committee, Chair of the Audit and Risk Management Committee and member of the Nominations Committee	
Interests in shares and options	Interest in shares	1,427,942
	Interest in options	65,000

# Anatara Lifesciences Ltd

## Directors' report

30 June 2018

(continued)

### Information on directors (continued)

<b>Mr Paul Grujic</b> <i>Non-Executive Director</i>		
Experience and expertise	<p>Paul is a graduate in Applied Biology and in Marketing with more than 30 years' experience in the Animal Health industry. His roles have included Sales, Marketing, Business Development and General Management in the UK, USA and Australia.</p> <p>He was previously the President of CSL Animal Health with 250 staff and operations in the USA, Australia and New Zealand. He has also held senior positions with Glaxo, Pitman-Moore, Webster Animal Health, American Cyanamid and Fort Dodge(Wyeth). In addition, he has worked as an advisor to several Animal Health companies and was a Non-Executive Director of Catapult Genetics, an Executive Director of Peptech Animal Health and a Director of NOAH the UK Animal Health trade association.</p> <p>Paul has wide experience in acquisition, divestment and integration of companies and played a major role in the sale of CSL Animal Health and Catapult Genetics to Pfizer and Peptech Animal Health to Virbac, a global Animal Health company.</p>	
Date of appointment	24 February 2015	
Special responsibilities	Member of the Audit and Risk Management Committee, Remuneration Committee and Nominations Committee	
Interests in shares and options	Interest in shares	71,219
	Interest in options	65,000

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Information on directors (continued)**

<b>Dr Melvyn Bridges</b> <i>Chairman and CEO</i>		
Experience and expertise	<p>Dr Bridges has a Bachelor Degree of Science (Chemistry), Honorary Doctorate from Queensland University of Technology and is a Fellow of the Australian Institute of Company Directors.</p> <p>Dr Bridges has extensive experience as a CEO/Managing Director and Company Director in healthcare, agricultural technology, drug development, pathology, diagnostics and medical devices and related experience in retail. He has successfully raised in excess of \$300 million investment capital in the healthcare/biotech sector and been directly involved in over \$1 billion in M&amp;A and related transactions. He is the Co-Founder and former Chairman of of PanBio Limited and ImpediMed Limited. He has been awarded Australian Export Award, Australian Quality Award, Business Bulletin "Business Star of the Year", Ernst &amp; Young "Entrepreneur of the Year", AusBiotech Gold Medal Award and BRW Top 100 Fastest Growing Companies Award.</p> <p>Dr Bridges is currently a director of ASX 100 company ALS Ltd and Oventus Medical Ltd. Dr Bridges was formerly a Director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014), ImpediMed Limited (September 1999 to November 2013), Alchemia Limited (October 2003 to July 2013), Genetic Technologies Limited (December 2011 to November 2012), and Leaf Energy Limited (August 2010 to September 2012).</p>	
Date of appointment/resignation	Appointment: 15 July 2010 Resignation: 17 May 2018	
Special responsibilities	Chairman of the Nominations Committee and Member of the Audit and Risk Management Committee, Remuneration Committee	
Interests in shares and options	Interest in shares	5,906,870
	Interest in options	80,000

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Information on directors (continued)**

<b>Mr Stephen Denaro</b> <i>Company Secretary</i>	
Experience and expertise	<p>Stephen has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary and Chief Financial Officer of various public companies and with major chartered accountancy firms in Australia and the United Kingdom. He provides company secretarial services for a number of start-up technology and ASX listed and unlisted public companies.</p> <p>Stephen has a Bachelor of Business in accountancy, Graduate Diploma in Applied Corporate Governance and is a member of the institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.</p>
Date of appointment	24 February 2014

**Meetings of directors**

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2018, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dr Jay Hetzel*	13	14	1	2	-	-	2	2
Dr Tracie Ramsdale*	14	14	2	2	-	-	-	-
Mr Iain Ross*	13	14	2	2	-	-	2	2
Mr Paul Grujic	13	14	1	2	-	-	2	2
Dr Melvyn Bridges*	9	9	-	-	-	-	2	2

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

\*From 17 May 2018, Dr Melvyn Bridges retired as Chairman and Chief Executive Officer. As a consequence Dr Jay Hetzel was appointed Interim Chairman, Dr Tracie Ramsdale was appointed Interim CEO and Mr Iain Ross was appointed as Chair of the Audit and Risk Committee.



**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
 (continued)

**Unissued shares under option**

Unissued ordinary shares of Anatara Lifesciences Ltd under option at the date of this report are:

	<b>Expiry date</b>	<b>Exercise price of shares (\$)</b>	<b>Number under option</b>
Issue of options to Pork CRC	18 September 2018	0.50	250,000
Issue of options to Pork CRC	18 September 2018	0.50	125,000
Issue of options to Directors	11 November 2018	1.35	340,000
Issue of options under ESOP	14 December 2020	1.45	1,265,000
Issue of options under ESOP	23 September 2021	1.70	420,000
Issue of options under ESOP	17 November 2022	2.27	36,000
			2,436,000

During or since the end of the financial year, the Company has not issued ordinary shares as a result of the exercise of options.

# Anatara Lifesciences Ltd

## Directors' report

### 30 June 2018

(continued)

## Remuneration report

The Remuneration report, which has been audited, outlines the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

The Remuneration report is set out under the following main headings:

- (a) Principles used to determine the nature and amount of remuneration
- (b) Details of remuneration
- (c) Service agreements
- (d) Share-based compensation
- (e) Relationship between the remuneration policy and Group performance
- (f) Key management personnel disclosures

### **(a) Principles used to determine the nature and amount of remuneration**

#### *Remuneration governance*

The objective of the remuneration committee is to ensure that pay and rewards are competitive and appropriate for the results delivered. The remuneration committee charter adopted by the Board aims to align rewards with achievement of strategic objectives and the creation of value for shareholders. The remuneration framework applied provides a mix of fixed and variable pay and a blend of short and long-term incentives as appropriate. Issues of remuneration are considered annually or otherwise as required.

#### *Non-executive Directors*

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. The Company's policy is to remunerate non-executive Directors at market rates (for comparable companies) for time commitment and responsibilities. Fees for non-executive Directors are not linked to the performance of the Company, however to align Directors' interests with shareholders' interests, Directors are encouraged to hold shares in the Company.

Non-executive Directors' fees and payments are reviewed annually by the Board of Directors. The Board of Directors considers advice from external sources as well as the fees paid to non-executive Directors of comparable companies when undertaking the annual review process. Each director receives a fee for being a director of the company. The level of remuneration for the Non-Executive Directors has remained at the same level since 2016.

The Chairman's fees are determined independently to the fees of other non-executive Directors based on comparative roles in the external market. The chairman is not present at any discussions relating to determination of his own remuneration.

#### *Retirement benefits and allowances*

No retirement benefits are payable other than statutory superannuation, if applicable to the Directors of the Company.

#### *Other benefits*

No motor vehicle, health insurance or other similar allowances are made available to Directors (other than through salary-sacrifice arrangements).

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(a) Principles used to determine the nature and amount of remuneration (continued)**

*Executive pay*

Executive pay and reward consists of base pay, short-term performance incentives, long-term performance incentives and other remuneration such as superannuation. Superannuation contributions are paid into the executive's nominated superannuation fund.

*Base pay*

Executives are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There are no guaranteed base pay increases included in any senior executives' contracts.

*Short-term and long-term incentives*

Contractual agreements with key management personnel provide for the provision of incentive arrangements should these be introduced by the Company. There are currently both an STI and LTI scheme in place. The STI component is performance based for Dr Mynott, Dr West and Dr Brown and represents up to 30% of their respective base salaries, and is awarded on the basis of performance to a set of board approved Key Performance Indicators (KPI's).

Long term incentives relate to director share option and executive share option plans put in place in 2014. The options vest up to two to three years with a service requirement.

Directors options are subject to the following service conditions: 1/3 of the options will vest immediately on grant date; 1/3 of the options will vest 12 months after the grant date; and 1/3 will vest 24 months after the grant date. If the employment is terminated or the director resigns, unvested options will be considered forfeited.

Executive options are subject to the following service conditions: 1/3 of the options will vest 12 months after the date of issue; 1/3 of the options will vest 24 months after the grant date; and 1/3 will vest 36 months after the grant date. If the employment is terminated or the executive resigns, unvested options will be considered forfeited.

Both directors and executive options are not subject to additional performance criteria. Given the nature of the Company's activities and the small management team responsible for its running, the Company considers that the performance of the executives and the performance and value of the Company are closely related.

*Securities trading policy*

The trading of Company's securities by employees and Directors is subject to, and conditional upon, the Policy for Trading in Company Securities which is available on the Company's website ([www.anataralifesciences.com](http://www.anataralifesciences.com)).

*Voting and comments made at the company's 2017 Annual General Meeting*

The Company received 82.57% favourable votes on its Directors' remuneration report for the 2017 financial year.

*Use of remuneration consultants*

If remuneration consultants are to be engaged to provide remuneration recommendations as defined under section 9B of the Corporations Act 2001, then they are engaged by, and report directly to, the remuneration committee. No remuneration consultants were engaged to provide remuneration services during the financial year.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(b) Details of remuneration**

*Amounts of remuneration*

Key Management Personnel (KMP) of the Company are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company receiving the highest remuneration. Details of the remuneration of the KMP of the Company are set out in the following tables.

The key management personnel of the Company consisted of the following Directors of Anatara Lifesciences Ltd:

Dr Jay Hetzel	Non-Executive Director and Interim Chairman*
Dr Tracie Ramsdale	Executive Director and Interim CEO*
Mr Iain Ross	Non-Executive Director
Mr Paul Grujic	Non-Executive Director

And the following persons:

Dr Melvyn Bridges	Chairman and CEO, retired 17 May 2018*
Dr Tracey Mynott	Chief Science Officer and R&D Director
Dr Michael West	Chief Operating Officer
Dr Tracey Brown	Chief Development Officer

\*Effective 17 May 2018, Dr Melvyn Bridges retired as Chairman and Chief Executive Officer. Dr Jay Hetzel commenced as Interim Chairman, and Dr Tracie Ramsdale commenced as Interim CEO of the Company.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(b) Details of remuneration (continued)**

**30 June 2018**

30 June 2018	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	% of total remuneration			
Name	Cash				Super-annuation	Long	Equity	Total	not-related		
	salary and fees	Annual leave	Non-monetary	Bonus (1)		service leave	settled shares		to performance	At risk STI	At risk LTI
	\$	\$	\$	\$		\$	\$		\$	%	%
<b>Executive directors:</b>											
Dr Tracie Ramsdale (i)	156,568	6,029	-	19,615	11,610	-	581	194,403	90	10	-
<b>Non-executive directors:</b>											
Dr Jay Hetzel	84,170	-	-	-	3,879	-	581	88,630	100	-	-
Mr Iain Ross (i)	82,581	-	-	-	-	-	581	83,162	100	-	-
Mr Paul Grujic	70,000	-	-	-	6,650	-	581	77,231	100	-	-
<b>Other key management personnel:</b>											
Dr Melvyn Bridges (ii)	260,932	-	-	-	19,256	-	714	280,902	100	-	-
Dr Tracey Mynott	250,000	27,251	-	12,500	24,937	-	17,318	332,006	91	9	-
Dr Michael West	250,000	14,931	-	132,500	29,212	-	43,164	469,807	63	37	-
Dr Tracey Brown	250,000	17,525	-	132,500	29,212	-	43,164	472,401	63	37	-
Total	1,404,251	65,736	-	297,115	124,756	-	106,684	1,998,542			

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(b) Details of remuneration (continued)**

(1) The bonus includes the amount of cash bonus paid during the financial year or accrued at year end. Details are as follows:

19.6k bonus (accrued) to Dr Tracie Ramsdale relates to meeting performance KPI in FY2018 which was approved by the Board during FY2018.

12.5k bonus to Dr Tracey Mynott was paid for meeting performance KPI in FY2017 which was approved by the Board during FY2018.

132.5k bonus to Dr Michael West comprised of FY2017 & FY2018 bonus for meeting performance KPI of 57.5k (paid) & 75k (accrued) respectively which was approved by the Board during FY2018.

132.5k bonus to Dr Tracey Brown comprised of FY2017 & FY2018 bonus for meeting performance KPI of 57.5k (paid) & 75k (accrued) respectively which was approved by the Board during FY2018.

(i) In addition, Dr Tracie Ramsdale received \$129,923 (2017: \$147,919) in consultancy fees under an arrangement that has been approved by the Board.

Mr Iain Ross received \$20,000 (2017: nil) in consultancy fees under an arrangement that has been approved by the Board in May 2018.

(ii) Dr Melvyn Bridges retired as Chairman and Chief Executive Officer on 17 May 2018.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(b) Details of remuneration (continued)**

**30 June 2017**

Name	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments	% of total remuneration			
	Cash salary and fees	Annual leave	Non-monetary	Bonus	Super-annuation	Long service leave	Equity settled shares	Total	not related to performance	At risk STI	At risk LTI
	\$	\$	\$	\$	\$	\$	\$	\$	%	%	%
<b>Executive directors:</b>											
Dr Tracie Ramsdale (i)	75,000	-	-	-	7,125	-	2,696	<b>84,821</b>	100	-	-
<b>Non-executive directors:</b>											
Dr Jay Hetzel	70,000	-	-	-	6,650	-	2,696	<b>79,346</b>	100	-	-
Mr Iain Ross	82,125	-	-	-	-	-	2,696	<b>84,821</b>	100	-	-
Mr Paul Grujic	71,346	-	-	-	6,778	-	2,696	<b>80,820</b>	100	-	-
<b>Other key management personnel:</b>											
Dr Melvyn Bridges	237,499	-	-	-	22,708	-	3,318	<b>263,525</b>	100	-	-
Dr Paul Schober (ii)	58,321	-	-	-	5,541	-	19,385	<b>83,247</b>	70	30	-
Dr Tracey Mynott	314,843	27,305	-	-	25,257	-	36,040	<b>403,445</b>	70	30	-
Dr Michael West	226,461	8,468	-	-	21,093	-	-	<b>256,022</b>	100	-	-
Dr Tracey Brown	216,430	15,277	-	-	18,909	-	-	<b>250,616</b>	100	-	-
<b>Total</b>	<b>1,352,025</b>	<b>51,050</b>	-	-	<b>114,061</b>	-	<b>69,527</b>	<b>1,586,663</b>			

(i) In addition, Dr Ramsdale received \$147,919 (2016: \$13,912) in consultancy fees under an arrangement that has been approved by the Board.

(ii) Dr Paul Schober retired as Chief Executive Officer and Managing Director on 23 September 2016.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(c) Service agreements**

*Executives*

The employment conditions of the previous Chairman and Chief Executive Officer, Dr Melvyn Bridges were formalised in a contract of employment which commenced on the 1 April 2017. This contract stipulates a salary (inclusive of director fees) of \$290,000 pa, exclusive of superannuation and any salary sacrifice items with no performance pay or at risk salary. The agreement permits Dr Melvyn Bridges to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefits are as prescribed by statutory entitlements. On 17 May 2018, Dr Melvyn Bridges retired as Chairman and Chief Executive Officer.

The employment conditions of the current Chief Executive Officer, Dr Tracie Ramsdale are formalised in a contract of employment which commenced on the 17th May 2018. This contract stipulates a salary (inclusive of director fees) of \$340,000 pa, excluding superannuation and any salary sacrifice items. The agreement stipulates that at the absolute discretion of the Board, upon meeting key performance indicators set in accordance with this Agreement, and subject to tax as required by law, the Executive may be paid an additional gross amount up to 50% of the Salary. The agreement permits Dr Tracie Ramsdale to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefits are as prescribed by statutory entitlements.

The employment conditions of the Chief Science Officer, Dr Tracey Mynott, are formalised in a contract of employment which commenced on the 1 August 2014. The agreement stipulates that at the absolute discretion of the Board, upon meeting key performance indicators set in accordance with this Agreement, and subject to tax as required by law, the Executive may be paid an additional gross amount up to 30% of the Salary, to a maximum of \$75,000, for each financial year of this Agreement, commencing from the financial year 2018. The Executive will be permitted to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefit are as prescribed by statutory entitlements.

The employment conditions of the Chief Operating Officer, Dr Michael West, are formalised in a contract of employment which commenced on the 1 July 2016. The agreement stipulates that at the absolute discretion of the Board, upon meeting key performance indicators set in accordance with this Agreement, and subject to tax as required by law, the Executive may be paid an additional gross amount up to 30% of the Salary, to a maximum of \$75,000, for each financial year of this Agreement, commencing from the financial year 2018. The Executive will be permitted to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefit are as prescribed by statutory entitlements.

The employment conditions of the Chief Development Officer, Dr Tracey Brown, are formalised in a contract of employment which commenced on the 22 August 2016. The agreement stipulates that at the absolute discretion of the Board, upon meeting key performance indicators set in accordance with this Agreement, and subject to tax as required by law, the Executive may be paid an additional gross amount up to 30% of the Salary, to a maximum of \$75,000, for each financial year of this Agreement, commencing from the financial year 2018. The Executive will be permitted to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefit are as prescribed by statutory entitlements.

Key management personnel are entitled to receive on termination of employment their statutory entitlements of accrued annual and long service leave, together with any superannuation benefits.



**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(c) Service agreements (continued)**

*Non-Executive Directors*

In accordance with best practice corporate governance, the structure of non-executive Directors and executive remunerations is separate and distinct. Directors' fees cover all main board activities and committee memberships.

The current base fee for each non-executive Director is \$70,000 per annum (plus a further \$5,000 per annum for acting as chair of a Board committee) plus superannuation and GST (as applicable) in the case of Australian based directors and an equivalent amount for overseas directors. The Chairman's fee is \$140,000 per annum, plus superannuation and GST (as applicable). The maximum amount of fees that can be paid to non-executive Directors is subject to approval by shareholders at a General Meeting and is currently at a maximum aggregate of \$500,000 per annum.

Director agreements are continuing. Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

**(d) Share-based compensation**

During the financial year, no options have been issued to the Group's directors or other key management personnel as part of compensation under the company's directors and executive option plan (2017: \$20,042).

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(e) Relationship between the remuneration policy and group performance**

As detailed under headings (a) and (b), remuneration of executives consists of an unrisks element (base pay) and cash bonuses based on performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods. As such, remuneration is not linked to the financial performance of the Company in the current or previous reporting periods.

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. The FY2018 accrued bonuses disclosed below are estimated based on the maximum entitlement and the actual amount to be paid might vary upon the conclusion of the performance appraisals.

	Entitled as remuneration (\$)	% vested during the year	% forfeited during the year
<b>Executive Directors:</b>			
Dr Tracie Ramsdale	19,615	100%	-%
<b>Non-Executive Directors:</b>			
Dr Jay Hetzel	-	-%	-%
Mr Iain Ross	-	-%	-%
Mr Paul Grujic	-	-%	-%
<b>Other key management personnel:</b>			
Dr Tracey Mynott	12,500	100%	-%
Dr Michael West	132,500	100%	-%
Dr Tracey Brown	132,500	100%	-%
Dr Melvyn Bridges*	-	-%	-%

\*From 17 May 2018, Dr Melvyn Bridges retired as Chairman and Chief Executive Officer.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(f) Key management personnel disclosures**

*Shareholding*

The number of shares in the parent entity held during the financial year by each director and other members of key management personnel of the Company, including their personally related parties, is set out below:

<b>30 June 2018</b>	<b>Balance at start of year</b>	<b>Balance at date of appointment</b>	<b>Received as part of remuneration</b>	<b>Additions</b>	<b>Disposals/ other</b>	<b>Balance at date of resignation</b>	<b>Balance at end of year</b>
<b>Executive directors:</b>							
Dr Tracie Ramsdale	45,614	-	-	-	-	-	45,614
<b>Non-executive directors:</b>							
Dr Jay Hetzel	456,109	-	-	30,000	-	-	486,109
Mr Iain Ross	1,377,942	-	-	50,000	-	-	1,427,942
Mr Paul Grujic	71,219	-	-	-	-	-	71,219
<b>Other key management personnel:</b>							
Dr Melvyn Bridges	5,906,870	-	-	-	-	5,906,870	-
Dr Tracey Mynott	4,391,337	-	-	-	-	-	4,391,337
<b>Total</b>	<b>12,249,091</b>	<b>-</b>	<b>-</b>	<b>80,000</b>	<b>-</b>	<b>5,906,870</b>	<b>6,422,221</b>

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(f) Key management personnel disclosures (continued)**

*Option holding*

The number of options over ordinary shares in the company held during the year by each Director and other Key Management Personnel, including their personally related parties, are set out below.

<b>30 June 2018</b>	<b>Balance at start of year</b>	<b>Granted as compensation</b>	<b>Option expired</b>	<b>Net change other</b>	<b>Balance at end of year</b>	<b>Vested &amp; exercisable</b>	<b>Escrowed &amp; unvested</b>
<b>Executive directors:</b>							
Dr Tracie Ramsdale (1)	65,000		-	-	65,000	65,000	-
<b>Non-executive directors:</b>							
Dr Jay Hetzel (1)	65,000	-	-	-	65,000	65,000	-
Mr Iain Ross (1)	65,000	-	-	-	65,000	65,000	-
Mr Paul Grujic (1)	65,000		-	-	65,000	65,000	-
<b>Other key management personnel:</b>							
Dr Melvyn Bridges (2)	80,000	-	-	(80,000)	-	-	-
Dr Tracey Mynott (2)	500,000		-	-	500,000	333,333	166,667
Dr Michael West	210,000				210,000	70,000	140,000
Dr Tracey Brown	210,000				210,000	70,000	140,000
<b>Total</b>	<b>1,260,000</b>	<b>-</b>	<b>-</b>	<b>(80,000)</b>	<b>1,180,000</b>	<b>733,333</b>	<b>446,667</b>

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Remuneration report (continued)**

**(f) Key management personnel disclosures (continued)**

1. Directors options are subject to the following service conditions: 1/3 of the options will vest immediately on grant date; 1/3 of the options will vest 12 months after the grant date; and 1/3 will vest 24 months after the grant date. If the employment is terminated or the director resigns, unvested options will be considered forfeited. Directors options are not subject to any performance conditions.

2. Executive options are subject to the following service conditions: 1/3 of the options will vest 12 months after the date of issue; 1/3 of the options will vest 24 months after the grant date; and 1/3 will vest 36 months after the grant date. If the employment is terminated or the executive resigns, unvested options will be considered forfeited. Executive options are not subject to any performance conditions.

**END OF REMUNERATION REPORT**

**Related party transactions**

Dr Tracie Ramsdale received \$129,923 (2017: \$147,919) in consultancy fees under an arrangement that has been approved by the Board.

Mr Iain Ross received \$20,000 (2017: nil) in consultancy fees under an arrangement that has been approved by the Board in May 2018.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Event since the end of the financial year**

No matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

**Significant changes in the state of affairs**

There have been no significant changes in the state of affairs of the Group during the period.

**Likely developments and expected results of operations**

The likely developments in the Group's operations, to the extent that such matters can be discussed upon, are covered in the Review of operations of this annual report.

**Environmental regulation**

The Group is not affected by any significant environmental regulation in respect of its operations.

**Insurance of officers and indemnities**

*(a) Insurance of officers*

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of liability and the amount of the premium.

*(b) Indemnity of auditors*

The Company has not, during or since the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

**Proceedings on behalf of the company**

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

**Non-audit services**

The following non-audit services were provided by the entity's auditor, Grant Thornton. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.

**Anatara Lifesciences Ltd**  
**Directors' report**  
**30 June 2018**  
(continued)

**Non-audit services (continued)**

Consolidated entity year ended	
2018	2017
\$	\$

**Taxation services**

Grant Thornton Audit Pty Ltd firm:

Tax compliance services

**Total remuneration for taxation services**

<b>25,650</b>	<b>36,544</b>
<b>25,650</b>	<b>36,544</b>

**Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 27.

**Auditor**

Grant Thornton Audit Pty Ltd, appointed 20 November 2014, continue in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

**Corporate governance statement**

In accordance with ASX Listing Rule 4.10.3, the Company's 2018 Corporate Governance Statement can be found on its website at <http://anataralifesciences.com/investors/corporate-governance>.

This report is made in accordance with a resolution of directors.

Dr Tracie Ramsdale  
Executive Director and Interim CEO



Date: This Day 31st of August  
2018 Brisbane

## Auditor's Independence Declaration

### To the Directors of Anataara Lifesciences Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Anataara Lifesciences Ltd for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 31 August 2018



**Anatara Lifesciences Ltd**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2018**

		<b>Consolidated entity</b>	
		<b>year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	<b>Notes</b>	<b>\$</b>	<b>\$</b>
Licensing (evaluation) revenue	3	6,467	322,182
Interest received		220,352	298,488
R&D tax incentive		1,162,620	2,531,562
Other grants		175,536	-
<b>Expenses from operating activities</b>			
Depreciation and amortisation expense		(21,177)	(16,941)
Research and development expenses		(785,931)	(1,122,370)
Patent expenses		(77,801)	(141,804)
Consultancy expenses		(664,082)	(796,935)
Staff expenses		(3,005,625)	(2,171,277)
Travel and accommodation		(288,084)	(299,973)
ASX and share registry fees		(75,531)	(80,736)
Other expenses		(215,760)	(227,198)
<b>Loss before income tax</b>		<b>(3,569,016)</b>	<b>(1,705,002)</b>
Income tax expense	4	-	-
<b>Loss for the period</b>		<b>(3,569,016)</b>	<b>(1,705,002)</b>
<b>Other comprehensive income for the period, net of tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(3,569,016)</b>	<b>(1,705,002)</b>
<b>Losses per share:</b>			
Basic loss per share	6(a)	(0.07)	(0.03)
Diluted loss per share	6(a)	(0.07)	(0.03)

*The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Anatara Lifesciences Ltd**  
**Consolidated statement of financial position**  
**As at 30 June 2018**

		<b>Consolidated entity</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
	Notes	\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	<b>1,447,732</b>	8,766,869
Trade and other receivables	9	<b>1,945,905</b>	1,331,684
Financial assets - term deposits		<b>6,294,339</b>	2,093,166
Other current assets		<b>81,505</b>	83,926
<b>Total current assets</b>		<b>9,769,481</b>	12,275,645
<b>Non-current assets</b>			
Property, plant and equipment	10	<b>42,924</b>	40,932
<b>Total non-current assets</b>		<b>42,924</b>	40,932
<b>Total assets</b>		<b>9,812,405</b>	12,316,577
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	<b>419,513</b>	197,794
Employee entitlements		<b>142,037</b>	97,644
Deferred revenue	12	<b>46,281</b>	-
<b>Total current liabilities</b>		<b>607,831</b>	295,438
<b>Non-current liabilities</b>			
Deferred revenue	12	<b>617,124</b>	-
<b>Total liabilities</b>		<b>1,224,955</b>	295,438
<b>Net assets</b>		<b>8,587,450</b>	12,021,139
<b>EQUITY</b>			
Share capital	13(a)	<b>16,941,392</b>	16,941,392
Reserves	13(b)	<b>583,749</b>	448,422
Accumulated losses		<b>(8,937,691)</b>	(5,368,675)
<b>Total equity</b>		<b>8,587,450</b>	12,021,139

*The above Consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**Anatara Lifesciences Ltd**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2018**

Consolidated entity	Notes	Attributable to owners of Anatara Lifesciences Ltd			Total equity \$
		Share capital \$	Share-based payment reserves \$	Accumulated losses \$	
<b>Balance at 1 July 2016</b>		16,941,392	197,624	(3,663,673)	13,475,343
Loss for the period		-	-	(1,705,002)	(1,705,002)
<b>Transactions with owners in their capacity as owners:</b>					
Share-based payment expense	13(b)	-	250,798	-	250,798
<b>Balance at 30 June 2017</b>		<b>16,941,392</b>	<b>448,422</b>	<b>(5,368,675)</b>	<b>12,021,139</b>
 <b>Balance at 1 July 2017</b>		 16,941,392	 448,422	 (5,368,675)	 12,021,139
Loss for the period		-	-	(3,569,016)	(3,569,016)
<b>Transactions with owners in their capacity as owners:</b>					
Share-based payment expense	13(b)	-	135,327	-	135,327
<b>Balance at 30 June 2018</b>		<b>16,941,392</b>	<b>583,749</b>	<b>(8,937,691)</b>	<b>8,587,450</b>

*The above Consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**Anatara Lifesciences Ltd**  
**Consolidated statement of cash flows**  
**For the year ended 30 June 2018**

		<b>Consolidated entity</b>	
		<b>year ended</b>	
		<b>30 June</b>	<b>30 June</b>
		<b>2018</b>	<b>2017</b>
Notes		<b>\$</b>	<b>\$</b>
<b>Cash flows from operating activities</b>			
	Receipts from customers	-	327,325
	Payments to suppliers and employees	(4,721,011)	(4,781,674)
	Interest received	219,179	320,786
	Research and development tax incentive and other grants	1,405,865	1,255,005
18	<b>Net cash (outflow) from operating activities</b>	<b>(3,095,967)</b>	<b>(2,878,558)</b>
<b>Cash flows from investing activities</b>			
10	Payments for purchases of plant and equipment	(23,170)	(41,614)
	Withdrawal/(investment) from/(in) term deposits	(4,200,000)	5,300,000
	<b>Net cash (outflow) inflow from investing activities</b>	<b>(4,223,170)</b>	<b>5,258,386</b>
<b>Net cash inflow (outflow) from financing activities</b>		<b>-</b>	<b>-</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(7,319,137)</b>	<b>2,379,828</b>
	Cash and cash equivalents at the beginning of the financial year	8,766,869	6,387,041
8	<b>Cash and cash equivalents at end of period</b>	<b>1,447,732</b>	<b>8,766,869</b>

*The above Consolidated statement of cash flows should be read in conjunction with the accompanying notes.*

# **Anatara Lifesciences Ltd**

## **Notes to the consolidated financial statements**

### **30 June 2018**

#### **1 Summary of significant accounting policies**

##### **(a) Corporate information**

The financial report of Anatara Lifesciences Ltd (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 20 August 2018. The financial report is for the Group consisting of Anatara Lifesciences Ltd and its subsidiaries.

Anatara Lifesciences Ltd is a listed public company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange. The principal activities of the Group are to develop oral solutions for gastro-intestinal diseases in animals and in humans.

##### **(b) Basis of preparation**

The financial report is a general-purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standards, required for a for-profit entity.

The financial report has been prepared on an accruals basis and is based on historical costs. The financial report is presented in Australian dollars, which is the Group's functional and presentation currency. All values are rounded to the nearest dollar unless otherwise stated.

Management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of Australian Accounting Standards that have significant effects on the financial statements and estimates with a significant risk of material adjustments in the next year are disclosed, where applicable, in the relevant notes to the financial statements.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

##### **(c) Statement of compliance**

The financial report complies with Australian Accounting Standards as issued by the Australian Accounting Standards Board and International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board.

##### **(d) New and amended standards adopted by the group**

There were no adoptions of new standards that had a material impact on the Group.

##### **(e) New standards and interpretations not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2018 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out below.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**1 Summary of significant accounting policies (continued)**

**(e) New standards and interpretations not yet adopted (continued)**

<b>Title</b>	<b>Nature of change</b>	<b>Impact</b>	<b>Application date</b>
AASB 15 <i>Revenue from Contracts with Customers</i>	<ul style="list-style-type: none"> <li>– replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations</li> <li>– establishes a new revenue recognition model</li> <li>– changes the basis for deciding whether revenue is to be recognised over time or at a point in time</li> <li>– provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing)</li> <li>– expands and improves disclosures about revenue.</li> </ul>	The Group has performed a preliminary assessment on the impact of AASB 15 and concluded that there would have been immaterial impacts during the first period on which the accounting policies apply.	Accounting periods beginning on or after 1 January 2018
AASB 9 <i>Financial Instruments</i>	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the measurement of transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.	Accounting periods beginning on or after 1 January 2018

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**1 Summary of significant accounting policies (continued)**

**(e) New standards and interpretations not yet adopted (continued)**

<b>Title</b>	<b>Nature of change</b>	<b>Impact</b>	<b>Application date</b>
AASB 16 <i>Leases</i>	<ul style="list-style-type: none"> <li>- replaces AASB 117 Leases and some lease-related Interpretations</li> <li>- requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases</li> <li>- provides new guidance on the application of the definition of lease and on sale and lease back accounting</li> <li>- largely retains the existing lessor accounting requirements in AASB 117</li> <li>- requires new and different disclosures about leases</li> </ul>	<p>The company is yet to undertake a detailed assessment of the impact of AASB16. However based on the Company's preliminary assessment, the likely impact on the first time adoption for the year ending 30 June 2020 includes:</p> <ul style="list-style-type: none"> <li>• There will be a significant increase in lease assets and financial liabilities recognised on the statement of financial position.</li> <li>• The reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities.</li> <li>• Operating cash outflows will be lower and financing cashflows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities</li> <li>• Finance costs will be higher and lease costs will be lower as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in operating expenses.</li> </ul>	Accounting periods beginning on or after 1 January 2018

**(f) Principles of consolidation**

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anatara Lifesciences Ltd as at 30 June 2018 and the results of all subsidiaries for the year ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when they are exposed to, or have rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**1 Summary of significant accounting policies (continued)**

**(g) Segment reporting**

Identification and measurement of segments - The Group uses the "management approach" to the identification, measurement and disclosure of operating segments. The "management approach" requires that operating segments be identified on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker (comprising the Board of Directors), for the purpose of allocating resources and assessing performance.

**(h) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

Interest revenue is recognised as interest accrues using the effective interest method.

Grant income is recognised when the Group determines that it will comply with the conditions attached to the grant and that the grant will be received. The funding is recognised on a systematic basis over periods in which the entity recognises as expenses the costs related to the grant.

Revenue arising from intangible asset licensing agreements shall be recognised on an accrual basis in accordance with the substance of the relevant licence agreement when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of revenue can be measured reliably. The substance of the agreement might involve:

- a right of use over a specified period of time; or
- a sale of the underlying rights.

When an agreement confers rights over a period of time it will often be appropriate to recognise revenue over that time period.

**(i) Research and development costs**

Research costs are expensed as incurred.

An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development.

**(j) Income tax**

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting loss nor taxable profit or loss.



# **Anatara Lifesciences Ltd**

## **Notes to the consolidated financial statements**

### **30 June 2018**

(continued)

#### **1 Summary of significant accounting policies (continued)**

##### **(j) Income tax (continued)**

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised except where the deferred income tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of transaction, affects neither the accounting loss nor taxable profit or loss.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Income taxes relating to items recognised directly in equity are recognised in equity and not in profit or loss.

The Company and its wholly-owned Australian resident entities are members of a tax consolidated Group under Australian taxation law. The Company is the head entity in the tax consolidated Group. Entities within the tax consolidated Group have entered into a tax funding agreement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, the Company and each of the entities in the tax consolidated Group have agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the head entity.

##### **(k) Earnings per share**

Basic earnings per share is calculated as net loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net loss attributable to members, adjusted for:

- costs of servicing equity (other than dividends);
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

##### **(l) Cash and cash equivalents**

Cash and short-term deposits in the Consolidated statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

##### **(m) Trade receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment, once they become over due by more than 60 days. A separate account records the impairment.

An allowance for a doubtful debt is made when there is objective evidence that the Group will not be able to collect the debts. The criteria used to determine that there is objective evidence that an impairment loss has occurred include whether the financial asset is past due and whether there is any other information regarding increased credit risk associated with the financial asset. Bad debts which are known to be uncollectible are written off when identified.

# Anatara Lifesciences Ltd

## Notes to the consolidated financial statements

### 30 June 2018

(continued)

## 1 Summary of significant accounting policies (continued)

### (n) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

Cash flows arising from operating activities are included in the Statement of cash flows on a gross basis (i.e. including GST) and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority. The net amount of GST recoverable from or payable to, the taxation authority is included as part of the receivables or payables in the Consolidated statement of financial position.

### (o) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

### (p) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those maturities less than 12 months from the end of the year, which are classified as current assets.

### (q) Plant and equipment

Plant and equipment are measured at cost or fair value less any accumulated depreciation and any impairment losses. Such assets are depreciated over their useful economic lives as follows:

	<b>Life</b>	<b>Method</b>
Plant and equipment	3-5 years	Straight line

### (r) Intangible assets

Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is charged against profits in the year in which the expenditure is incurred.

### (s) Intellectual property costs

Amounts incurred for rights to or for acquisition of intellectual property are expensed in the year in which they are incurred to the extent that such intellectual property is used for research and development activities.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**1 Summary of significant accounting policies (continued)**

**(t) Impairment of assets**

The carrying values of non-financial assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffer impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

**(u) Trade and other payables**

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

**(v) Employee benefits**

*(i) Short term employee benefits*

Provision is made for the Group's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Group's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as a part of current trade and other payables in the statement of financial position. The Group's obligations for employees' annual leave entitlements are recognised as provisions in the Statement of financial position.

*(ii) Long service leave*

The liability for long service leave is recognised for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

*(iii) Share-based payments*

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using the Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

# Anatara Lifesciences Ltd

## Notes to the consolidated financial statements

### 30 June 2018

(continued)

## 1 Summary of significant accounting policies (continued)

### (v) Employee benefits (continued)

#### *(iii) Share-based payments (continued)*

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

### (w) Contributed equity

Ordinary shares are classified as equity. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction (net of tax) of the share proceeds received.

### (x) Foreign currency translation

The functional currency of the Group is based on the primary economic environment in which the Group operates. The functional currency of the Group is Australian dollars.

Transactions in foreign currencies are converted to local currency at the rate of exchange at the date of the transaction.

Amounts payable to and by the Group outstanding at reporting date and denominated in foreign currencies have been converted to local currency using rates prevailing at the end of the financial year.

All exchange differences are taken to profit or loss.

### (y) Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

### (z) Parent entity financial information

The financial information for the parent entity, Anatara Lifesciences Ltd, disclosed in note 19 has been prepared on the same basis as the consolidated statement.

### (aa) Significant accounting estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

#### *(i) Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

#### *(ii) Recognition of deferred tax assets*

The extent to which deferred tax assets can be recognised is based on an assessment of the probability of the Group's future taxable income against which the deferred tax assets can be utilised.

# Anatara Lifesciences Ltd

## Notes to the consolidated financial statements

### 30 June 2018

(continued)

## 1 Summary of significant accounting policies (continued)

### (aa) Significant accounting estimates and assumptions (continued)

#### (iii) Capitalised development costs

Development costs are only capitalised by the Group when it can be demonstrated that the technical feasibility of completing the intangible asset is valid so that the asset will be available for use or sale.

No development costs were capitalised during the current year.

#### (iv) Licence revenue recognition

The Group recognises license revenue based on a license, development and commercialisation agreement signed with Zoetis Services LLC ("Zoetis") on 10 May 2018. The conditions of the first Milestone payment has been met. In accordance with revenue recognition as having been disclosed in note 1(h), a part of which the Group derives the licensing revenue during the current financial year, and the remaining amount was deferred back for future years straight-lined over the term of the license agreement in order to reflect the right to access license over a period of time as set out on the license agreement.

#### (v) R&D tax incentive income

Where it can demonstrate a history of successfully receiving R&D tax incentive payments from the Australian Taxation Office, the Group makes an estimate of such amounts to be received during a financial period, and recognises these amounts as an accrual at reporting date. The Group's estimate takes into account: prior successful returns that are based on registered R&D projects, prevailing R&D tax rates and general eligibility rules, and analysis of current period R&D expenditures. This estimate is performed by the Company's Chief Scientific Officer.

## 2 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the Board of Directors (Chief Operating Decision Makers), which make strategic decisions for the Group.

The Chief Operating Decision Maker evaluates the results on a Group wide basis and as such does not have specific operating segments.

## 3 Revenue

The Group derives the following types of revenue:

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Licensing revenue <sup>1</sup>	<b>6,467</b>	-
Evaluation revenue	-	322,182
<b>Total revenue from continuing operations</b>	<b>6,467</b>	<b>322,182</b>

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**3 Revenue (continued)**

<sup>1</sup> The Group signed with Zoetis Services LLC ("Zoetis") a license, development and commercialisation agreement on 10 May 2018. In consideration of the rights granted and subject to the terms and conditions of the agreement, the first Milestone payment of US\$2,500,000 is payable upfront at the effective date of the agreement dated 10 May 2018. In which, US\$2million was credited against the previously paid option and evaluation agreement entered into in 2016. The balance of US\$500,000 was recognised payable in the current financial year.

However, the Group decided to recognise revenue as having been disclosed in note 1(h). Thus, this amount of US\$500,000 (equivalent to \$669,872) was deferred back for future years straight-lined over the term of the license agreement in order to reflect the right to access license over a period of time as set out on the license agreement. As a result, the Group derives the licensing revenue of \$6,467 during the current financial year, and the remaining amount was recognised as deferred revenue in note 12.

**4 Income tax expense**

**(a) Income tax expense**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

**(b) Numerical reconciliation of income tax expense to prima facie tax payable**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss from continuing operations before income tax expense	<b>(3,569,016)</b>	(1,705,002)
Tax at the Australian tax rate of 27.5% (2017 - 27.5%)	<b>(981,479)</b>	(468,876)
Tax effect of amounts which are not deductible (taxable)		
in calculating taxable income:		
Non-assessable income	<b>(1,779)</b>	(88,600)
Other temporary differences	<b>(109,286)</b>	(63,565)
Non-assessable grant income	<b>(319,720)</b>	(696,179)
Share based payments	<b>37,215</b>	68,969
Non-deductible research & development expenses	<b>764,214</b>	807,018
Tax losses not recognised as deferred tax assets	<b>610,835</b>	441,233
<b>Income tax expense</b>	<b>-</b>	<b>-</b>

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**4 Income tax expense (continued)**

**(c) Tax losses**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Unused tax losses for which no deferred tax asset has been recognised	<b>4,783,451</b>	<b>2,562,237</b>
<b>(d) Deferred income tax benefit</b>		

Deferred tax assets arising from tax losses are, to the extent noted above, not recognised at reporting date as realisation of the benefit is not regarded as probable. This deferred income tax benefit will only be obtained if:

- future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;
- the conditions for deductibility imposed by tax legislation is complied with, including Continuity of Ownership and/or Same Business Tests; and
- no changes in tax legislation adversely affect the Group in realising the benefit.

**5 Remuneration of auditors**

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

**Grant Thornton Audit Pty Ltd**

*(i) Audit and other assurance services*

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<i>Audit and other assurance services</i>		
Audit and review of financial statements	<b>59,968</b>	<b>51,000</b>
Total remuneration for audit and other assurance services	<b>59,968</b>	<b>51,000</b>

*(ii) Taxation services*

<i>Taxation services</i>		
Tax compliance services	<b>25,650</b>	<b>36,544</b>
<b>Total auditors remuneration</b>	<b>85,618</b>	<b>87,544</b>

**6 Loss per share**

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of Anatara Lifesciences Ltd as the numerator, i.e. no adjustments to loss were necessary during the year ended 30 June 2018 and 2017.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**6 Loss per share (continued)**

**(a) Basic loss per share**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>Cents</b>	<b>Cents</b>
Basic loss per share	<b>(0.07)</b>	(0.03)
Diluted loss per share	<b>(0.07)</b>	(0.03)

**(b) Reconciliation of loss used in calculating earnings per share**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Net loss used in the calculation of basic and diluted loss per share	<b><u>(3,569,016)</u></b>	<u>(1,705,002)</u>

**(c) Weighted average number of shares used as the denominator**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>2018</b>	<b>2017</b>
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<b><u>49,413,236</u></b>	<u>49,413,236</u>

There have been no other conversions to, call of, or subscriptions for ordinary shares, or issues of potential ordinary shares since the reporting date and before the completion of this financial report.

**7 Dividends**

No dividends were paid and no dividends are expected to be paid during the year ended in 30 June 2018 (2017: Nil).

**8 Cash and cash equivalents**

	<b>Consolidated entity</b>	
	<b>30 June</b>	
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
<b>Current assets</b>		
Cash at bank and in hand	<b>947,732</b>	966,869
Term deposits <sup>1</sup>	<b>500,000</b>	7,800,000
	<b><u>1,447,732</u></b>	<u>8,766,869</u>

<sup>1</sup>. As at 30 June 2018, \$4,200,000 term deposits with the initial term of greater than 3 months has been re-classified to Financial assets - term deposits.



**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**8 Cash and cash equivalents (continued)**

*(i) Reconciliation to cash flow statement*

The above figures reconcile to the amount of cash shown in the statement of cash flows at the end of the financial year as follows:

	<b>Consolidated entity</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Balances as above	<u>1,447,732</u>	<u>8,766,869</u>
Balances per Consolidated statement of cash flows	<u>1,447,732</u>	<u>8,766,869</u>

*(ii) Classification as cash equivalents*

Term deposits are presented as cash equivalents if they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours notice with no loss of interest. See note 1(l) for the Group's other accounting policies on cash and cash equivalents.

**9 Trade and other receivables**

	<b>Consolidated entity</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	669,872	-
R&D rebate receivable	1,208,848	1,276,556
Other receivables	<u>67,185</u>	<u>55,128</u>
	<u>1,945,905</u>	<u>1,331,684</u>

**10 Property, plant and equipment**

	<b>Plant and equipment</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>
<b>Consolidated entity</b>		
<b>Year ended 30 June 2018</b>		
Opening net book amount	40,932	40,932
Additions	23,170	23,170
Depreciation charge	<u>(21,178)</u>	<u>(21,178)</u>
Closing net book amount	<u>42,924</u>	<u>42,924</u>

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**10 Property, plant and equipment (continued)**

<b>Consolidated entity</b>	<b>Plant and equipment \$</b>	<b>Total \$</b>
<b>Year ended 30 June 2017</b>		
Opening net book amount	16,259	16,259
Additions	41,614	41,614
Depreciation charge	(16,941)	(16,941)
Closing net book amount	<u>40,932</u>	<u>40,932</u>

**11 Trade and other payables**

	<b>Consolidated entity 30 June 2018 \$</b>	<b>30 June 2017 \$</b>
Trade payables	80,661	44,728
Accrued expenses	290,000	68,618
Payroll tax and other statutory liabilities	48,852	84,448
	<u>419,513</u>	<u>197,794</u>

Trade payables are unsecured and are usually paid within 30 days of recognition.

The carrying amounts of trade and other payables are considered to be the the same as their fair value, due to their short-term nature.

**12 Deferred revenue**

	<b>Consolidated entity 30 June 2018 \$</b>	<b>30 June 2017 \$</b>
Current portion	46,281	-
Non-current portion	<u>617,124</u>	-
	<u>663,405</u>	-

The Group signed with Zoetis a license, development and commercialisation agreement, and achieved an upfront Milestone payment at the effective date of the agreement dated 10 May 2018.

However, as per disclosure in note 3, the amount of US\$500,000 (equivalent to \$669,872) was deferred back for future years straight-lined over the term of the license agreement in order to reflect the right to access license over a period of time as set out on the license agreement.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**13 Equity**

**(a) Share capital**

	<b>30 June 2018 Shares</b>	<b>30 June 2018 \$</b>	<b>30 June 2017 Shares</b>	<b>30 June 2017 \$</b>
Ordinary shares				
Ordinary shares - fully paid	<b>49,413,236</b>	<b>16,941,392</b>	49,413,236	16,941,392
<b>Total share capital</b>	<b>49,413,236</b>	<b>16,941,392</b>	<b>49,413,236</b>	<b>16,941,392</b>

*Movements in ordinary share:*

No shares have been issued during the current reporting period.

Ordinary shares participate in dividends and the proceeds on winding up the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands. The ordinary shares have no par value.

**(b) Share-based payment reserve**

	<b>Notes</b>	<b>2018 Options</b>	<b>2018 \$</b>
<b>Shared-based payment reserve</b>			
<b>Balance at 1 July 2017</b>		2,400,000	448,422
<b>Transactions with owners in their capacity as owners</b>			
Options issued during the period		<b>36,000</b>	<b>11,253</b>
Share-based payment expenses of previously issued options		<b>-</b>	<b>124,074</b>
<b>At 30 June 2018</b>		<b>2,436,000</b>	<b>583,749</b>

As at 30 June 2018, the Company maintained two (2) share-based payment scheme, Executive Option Plan and Directors Option Plan. It also issued options under a collaboration agreement with Pork CRC.

*Executive Option Plan*

The Executive Option Plan is part of the remuneration package of the Company's Senior Management. The maximum term of the options granted under the plan ends on 14 December 2020. The options will vest as follows:

- 1/3 of the options will vest and be exercisable at any time from the date that is 12 months after the date of issue of the options;
- 1/3 of the options will vest and be exercisable at any time from the date that is 24 months after the date of issue of the options; and
- 1/3 of the options will vest and be exercisable at any time from the date that is 36 months after the date of issue of the options.

The Executive Options are subject to service conditions and no specific performance attached.

*Directors Option Plan*

The Directors Option Plan is part of the remuneration package of the Company's Directors. The maximum term of the options granted under the plan ends on 11 November 2018. The options will vest as follows:

# Anatara Lifesciences Ltd

## Notes to the consolidated financial statements

### 30 June 2018

(continued)

### 13 Equity (continued)

#### (b) Share-based payment reserve (continued)

##### *Directors Option Plan (continued)*

- 1/3 of the options will vest immediately;
- 1/3 of the options will vest and be exercisable at any time from the date that is 12 months after the date of issue of the options; and
- 1/3 of the options will vest and be exercisable at any time from the date that is 24 months after the date of issue of the options.

The Directors Options are subject to service conditions and no specific performance attached.

##### *Pork CRC*

The maximum term of the options issued to Pork CRC on 18 September 2015 ends on 18 September 2018. The options have the following vesting terms:

- 250,000 options have been fully exercised in FY18; and
- 125,000 options will vest on 18 September 2018.

Upon vesting, each option allows the holder to purchase one ordinary share at the exercise price. The weighted fair value of the options granted during the year was \$0.10.

The fair value of the options issued in the current year were calculated by using a Black-Scholes model applying the following inputs:

	<b>Executive Options</b>
Expected volatility	65%
Risk-free interest rate	2.11%
Expected life of option (years)	5
Option exercise price	\$2.27
Share price at grant date	\$0.86

The expected price volatility is estimated based on the volatility of comparable publicly traded companies.

Set out below are summaries of option movements for the year:

	<b>Number of options</b>	<b>Fair value per option</b>	<b>Weighted Average Exercise price (\$)</b>
<b>Opening balance at 1 July 2017</b>	2,400,000	-	<b>1.33</b>
Granted	36,000	0.86	2.27
Exercised		-	
<b>Closing balance at 30 June 2018</b>	<b>2,436,000</b>	-	<b>1.35</b>
<b>Exercisable at the end of 30 June 2018</b>	<b>1,573,333</b>	-	<b>1.30</b>

The options outstanding at 30 June 2018 had an exercise price range from \$0.50 to \$2.27, and weighted average remaining contractual life of 1.81 years.

Share options at the end of the year had the following features:

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**13 Equity (continued)**

**(b) Share-based payment reserve (continued)**

Grant date	Expiry date	Number of options	Exercise price
18 September 2015	18 September 2018	250,000	0.50
18 September 2015	18 September 2018	125,000	0.50
13 November 2015	11 November 2018	340,000	1.35
14 December 2015	14 December 2020	1,265,000	1.45
23 September 2016	23 September 2021	420,000	1.70
28 November 2017	17 November 2022	36,000	2.27
		2,436,000	

**14 Related party transactions**

Dr Tracie Ramsdale received \$129,923 (2017: \$147,919) in consultancy fees under an arrangement that has been approved by the Board.

Mr Iain Ross received \$20,000 (2017: nil) in consultancy fees under an arrangement that has been approved by the Board in May 2018.

**15 Key management personnel compensation**

	Consolidated entity year ended	
	30 June 2018 \$	30 June 2017 \$
Short-term employee benefits	1,767,102	1,403,075
Post-employment benefits	124,756	114,061
Share-based payments	106,684	69,527
	<b>1,998,542</b>	<b>1,586,663</b>

**16 Commitments**

**(a) Capital commitments**

The Group has no significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities.

**(b) Non-cancellable operating leases**

Significant non-cancellable operating leases at the end of the reporting period but not recognised as liabilities is as follows:

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**16 Commitments (continued)**

**(b) Non-cancellable operating leases (continued)**

	<b>Consolidated entity</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Within one year	72,156	66,000
Later than one year but not later than five years	64,550	41,800
	<b>136,706</b>	<b>107,800</b>

**17 Contingent liabilities and contingent assets**

The Group had no contingent assets or liabilities at 30 June 2018 (2017: nil).

**18 Cash flow information**

**Reconciliation of profit after income tax to net cash inflow from operating activities**

	<b>Consolidated entity</b>	
	<b>year ended</b>	
	<b>30 June</b>	<b>30 June</b>
	<b>2018</b>	<b>2017</b>
	<b>\$</b>	<b>\$</b>
Loss for the period	(3,569,016)	(1,705,002)
Adjustment for		
Depreciation and amortisation	21,178	16,941
Share-based payment expense	135,327	250,798
Change in operating assets and liabilities:		
Movements in accounts receivable	(615,393)	(1,050,591)
Movements in other current assets	2,421	(65,206)
Movements in accounts payable	885,123	(406,577)
Movements in employee entitlements	44,393	81,079
Net cash flow from operating activities	<b>(3,095,967)</b>	<b>(2,878,558)</b>

**19 Parent entity financial information**

**(a) Summary financial information**

The parent entity financial statements resemble the consolidated financial statements as the Company's subsidiary, Sarantis Pty Ltd, is a dormant entity.

**(b) Guarantees entered into by the parent entity**

The parent entity has not entered into any guarantees in the current or prior financial year in relation to debts of its subsidiaries.

**(c) Significant accounting policies**

The accounting policies of the parent entity are consistent with those of the Group as disclosed in note 1.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
 (continued)

**20 Subsidiaries**

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		2018 %	2017 %
Sarantis Pty Limited	Australia	100	100

**21 Financial risk management**

The Group's principal financial instrument is cash and cash equivalents and financial assets - term deposits.

The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as receivables and trade payables, which arise directly from its operations. It is, and has been throughout the entire period, the Group's policy that no trading in financial instruments shall be undertaken. The main risk arising from the Group's financial instruments is liquidity risk. Other minor risks are summarised below. The Board reviews and agrees policies for managing each of these risks.

**(a) Liquidity risk**

Liquidity risk is the risk that the Group might be unable to meet its obligations. The Group manages its liquidity needs by monitoring forecast cash inflows and outflows due in day-to-day business. The data used for analysing these cash flows is consistent with that used in the contractual maturity analysis below. Liquidity needs are monitored in various time bands. Long-term liquidity needs for a 180-day and a 360-day lookout period are identified monthly. Net cash requirements are compared to available funding in order to determine headroom or any shortfalls.

The Group's non-derivative financial liabilities have contractual maturities as summarised below:

*Maturities of financial liabilities*

**Contractual maturities of financial liabilities**

			Between	Between		Total contractual	Carrying amount
	Less than 6 months	6 - 12 months	1 and 2 years	2 and 5 years	Over 5 years	cash flows	(assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2018							
Non-derivatives							
Trade payables	419,513	-	-	-	-	419,513	419,513
At 30 June 2017							
Non-derivatives							
Trade payables	197,794	-	-	-	-	197,794	197,794

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(b continued)

**21 Financial risk management (continued)**

**(b) Interest rate risk**

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash deposits with floating interest rates which expose the Group to interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group does not engage in any hedging or derivative transactions to manage interest rate risk.

In regard to its interest rate risk, the Group continuously analyses its exposure. Within this analysis consideration is given to potential renewals of existing positions, alternative investments and the mix of fixed and variable interest rates.

The following tables set out the Group's financial instruments and its exposure to the type of interest rate risk and the effective weighted average interest rate for each class of these financial instruments. Also included is the effect on profit and equity after tax if interest rates at that date had been 10% higher or lower with all other variables held constant as a sensitivity analysis.

	Effect on profit / equity				
	Non-interest bearing	Floating interest rates	Fixed interest rates	+10% of current rate	-10% of current rate
At 30 June 2018	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Other receivables	1,945,905	-	-	-	-
Cash and cash equivalents	-	947,732	500,000	2,369	(2,369)
Financial assets - term deposits	-	-	6,294,339	-	-
<b>Total</b>	<b>1,945,905</b>	<b>947,732</b>	<b>6,794,339</b>	<b>2,369</b>	<b>(2,369)</b>
<b>Financial liabilities, amortised cost</b>					
Trade and other payables	(419,513)	-	-	-	-
<b>Total</b>	<b>(419,513)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total</b>	<b>1,526,392</b>	<b>947,732</b>	<b>6,794,339</b>	<b>2,369</b>	<b>(2,369)</b>

	Effect on profit / equity				
	Non-interest bearing	Floating interest rates	Fixed interest rates	+10% of current rate	-10% of current rate
At 30 June 2017	\$	\$	\$	\$	\$
<b>Financial assets</b>					
Other receivables	1,331,684	-	-	-	-
Cash and cash equivalents	-	966,869	7,800,000	2,417	(2,417)
Financial assets - term deposits	-	-	2,093,166	-	-
<b>Total</b>	<b>1,331,684</b>	<b>966,869</b>	<b>9,893,166</b>	<b>2,417</b>	<b>(2,417)</b>



**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**21 Financial risk management (continued)**

**(b) Interest rate risk (continued)**

	Effect on profit / equity				
	Non-interest	Floating	Fixed interest	+10% of	-10% of
	bearing	interest rates	rates	current rate	current rate
At 30 June 2017	\$	\$	\$	\$	\$
<b>Financial liabilities, amortised cost</b>					
Trade and other payables	(197,794)	-	-	-	-
Total	(197,794)	-	-	-	-
<b>Total</b>	1,133,890	966,869	9,893,166	2,417	(2,417)

A sensitivity of 10% of current prevailing interest rates has been selected as this is considered conservative and reasonable given the current level of both short term and long term Australian interest rates. A 10% sensitivity would move short term rates from 2.50% to approximately 2.75% representing a 25 basis points shift. This would represent an interest rate increase, which are reasonably possible in the current environment.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances is impacted resulting in a decrease or increase in overall income.

**(c) Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Group's functional currency. Payments under the license agreement are denominated in USD. There are no USD amounts receivable at year end.

**(d) Credit risk**

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. The cash balances are held in financial institutions with high ratings. The Group has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

**22 Events occurring after the reporting period**

No matter or circumstance has occurred subsequent to period end that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations or the state of affairs of the Group or economic entity in subsequent financial years.

**23 Capital management**

The Group's objectives when managing capital are to ensure that the Group has sufficient funds to be a going concern. This is achieved by ensuring that the Board is focussed on cash flow management through periodic Board reporting. The Board reviews financial accounts on a monthly basis and reviews actual expenditure against budget on a monthly basis.

The Group could also raise additional capital if necessary by issuing new shares so as to fund the development of its key products. The total capital is shown as the equity in the Statement of Financial Position. There is expected to be no debt in the next 12 months and there are no external restrictive agreements on the Group for the use of its capital.

**Anatara Lifesciences Ltd**  
**Notes to the consolidated financial statements**  
**30 June 2018**  
(continued)

**23 Capital management (continued)**

Management also maintains a capital structure that ensures the lowest cost of capital available to the entity.

The Group does not have a defined share buy-back plan.

No dividends were paid in 2018.

There is no current intention to incur debt funding on behalf of the Group as on-going development expenditure is expected to be funded via equity or partnerships with other companies. The Group is not subject to any externally imposed capital requirements.

# **Anatara Lifesciences Ltd**

## **Directors' declaration**

### **30 June 2018**

The Directors' of the Company declare that;

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Dr Tracie Ramsdale  
Executive Director and Interim CEO



Date: This Day 31st of August 2018  
Brisbane

# Independent Auditor's Report

## To the Members of Anataara Lifesciences Limited

### Report on the audit of the financial report

#### Opinion

We have audited the financial report of Anataara Lifesciences Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

- a Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Key audit matter

## How our audit addressed the key audit matter

### Measurement of Research and Development tax incentive rebate accrual – refer to summary of significant accounting policy Note 1(aa) (v).

The Group receives a 43.5% refundable tax offset (2017: 43.5%) of eligible expenditure under the research and development (R&D) tax incentive scheme.

An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash.

Management perform a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation.

The Group recognises R&D tax incentive rebate income on an accruals basis, meaning that a receivable is recorded at the balance date based on the estimated claim that is yet to be received from the Australian Taxation Office. The receivable at year end for the incentive was \$1,208,848. This represents an estimated claim for the period 1 July 2017 to 30 June 2018.

The R&D tax incentive scheme represent the highest level of income and asset in the 2018 financial report. This area is a key audit matter due to the size of the accrual and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.

Our procedures included, amongst others:

- Obtaining the R&D incentive calculations prepared by management and engaging an internal R&D Tax Expert to assist the engagement team in assessing the reasonableness of the estimate;
- Comparing the nature of the R&D expenditure included in the current year estimate to the prior year approved claim;
- Comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax claim;
- Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria;
- Assessing the eligible expenditure used to calculate the estimate to ensure it is in accordance with expenditure recorded in the general ledger;
- Agreeing a sample of individual expenditure items included in the estimate to underlying supporting documentation to ensure that they have been appropriately recognised in the accounting records and that they are eligible expenditures;
- Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and
- Reviewing the appropriateness of the relevant disclosures in the financial statements.

### Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Chairman's letter and Review of operations and activities, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of the Directors' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the financial report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf). This description forms part of our auditor's report.

#### **Report on the remuneration report**

##### **Opinion on the remuneration report**

We have audited the Remuneration Report included in pages 5 to 26 of the Directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Anantara Lifesciences Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

#### **Responsibilities**

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



M A Cunningham  
Partner – Audit & Assurance

Melbourne, 31 August 2018

# Anatara Lifesciences Ltd

## Corporate directory

### Directors

Dr Jay Hetzel  
*Interim Chairman*

Dr Tracie Ramsdale  
*Executive Director and Interim CEO*

Mr Iain Ross  
*Non-Executive Director*

Mr Paul Grujic  
*Non-Executive Director*

### Secretary

Mr Stephen Denaro Company Secretary

### Principal registered office in Australia

433 Logan Road, Stones Corner,  
Brisbane Queensland 4120  
Australia  
+61 (0)7 3394 8202

### Share and debenture register

Computershare Investor Services Pty Ltd  
Level 1, 200 Mary Street, Brisbane  
Queensland 4000  
+61 (7) 3237 2100

### Auditor

Grant Thornton Audit Pty Ltd  
The Rialto, Level 30, 525 Collins Street  
Melbourne Victoria 3000  
+61 (0)3 8320 2222

### Solicitors

McCullough Robertson  
Level 11, Central Plaza Two, 66 Eagle Street,  
Brisbane Queensland 4000

### Bankers

CBA  
Melbourne Victoria

### Website

[www.anataralifesciences.com](http://www.anataralifesciences.com)

### ACN

145 239 872