

Anatara Lifesciences Ltd

Appendix 4E

Year ended 30 June 2022

Name of entity: Anatara Lifesciences Ltd
ABN: 41 145 239 872
Year ended: 30 June 2022
Previous period: 30 June 2021

Results for announcement to the market

				\$
Revenue from ordinary activities	-	-%	to	-
Loss from ordinary activities after tax attributable to members*	Up	26.9%	to	(2,532,293)
Net loss for the period attributable to members*	Up	26.9%	to	(2,532,293)

*increase in loss

Distributions

No dividends have been paid or declared by the company for the current financial year. No dividends were paid for the previous financial year.

Explanation of results

Please refer to the review of operations and activities for explanation of the results.

Additional information supporting the Appendix 4E disclosure requirements can be found in the directors' report and the financial statements for the year ended 30 June 2022.

Net tangible assets per security

	2022 Cents	2021 Cents
Net tangible asset backing (per security)	1.83	5.34

Changes in controlled entities

There have been no changes in controlled entities during the year ended 30 June 2022.

Other information required by Listing Rule 4.3A

a. Details of individual and total dividends or distributions and dividend or distribution payments:	N/A
b. Details of any dividend or distribution reinvestment plans:	N/A
c. Details of associates and joint venture entities:	N/A
d. Other information	N/A

Audit

The financial statements have been audited by the group's independent auditor without any modified opinion or disclaimer.

Anatara Lifesciences Ltd

ABN 41 145 239 872

Audited Financial Report for the year ended 30 June 2022

Anatara Lifesciences Ltd

ABN 41 145 239 872

Audited Financial Report - 30 June 2022

Directors' report	2
Directors and company secretary	2
Principal activities	2
Dividends - Anatara Lifesciences Ltd	2
Review of operations	2
Significant changes in the state of affairs	4
Events since the end of the financial year	4
Likely developments and expected results of operations	4
Environmental regulation	4
Information on directors	5
Company secretary	7
Meetings of directors	7
Remuneration report (audited)	8
Shares under options and performance rights	16
Insurance of officers and indemnities	16
Proceedings on behalf of the company	17
Non-audit services	17
Auditor's independence declaration	18
Rounding of amounts	18
Financial statements	20
Independent auditor's report to the members	53

Anatara Lifesciences Ltd
Corporate directory

Directors	Dr David Brookes <i>Executive Chair</i> Ms Sue MacLeman <i>Non-Executive Director</i> Dr Jane Ryan <i>Non-Executive Director</i>
Secretary	Mr Stephen Denaro
Registered office and principal place of business	Level 3, 62 Lygon Street Carlton South VIC 3053 Australia Telephone: +61 (0)3 9824 5454
Share register	Computershare Investor Services Pty Limited Level 1, 200 Mary Street Brisbane QLD 4000 +61 (0)7 3237 2100
Auditor	Grant Thornton Audit Pty Ltd Collins Square Tower 5, 727 Collins Street Melbourne VIC 3008 Telephone: +61 (0)3 8320 2222
Solicitors	Thomson Geer Level 16, Waterfront Place 1 Eagle Street Brisbane QLD 4000
Bankers	Commonwealth Bank of Australia Melbourne VIC 3000
Stock exchange listings	Anatara Lifesciences Ltd shares are listed on the Australian Securities Exchange (ASX code: ANR)
Website	www.anataralifesciences.com

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 2022. Throughout the report, the consolidated entity is referred to as the group.

Directors and company secretary

The following persons held office as directors of Anatara Lifesciences Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Dr David Brookes, Executive Chair
Ms Sue MacLeman, Non-Executive Director
Dr Jane Ryan, Non-Executive Director

The following persons held office as company secretary of Anatara Lifesciences Ltd during the whole of the financial year and up to the date of this report, except where otherwise stated:

Mr Stephen Denaro

Principal activities

The group is developing and commercialising innovative, evidence-based products for gastrointestinal health where there is significant unmet need. Anatara is a life sciences company with expertise in developing products for human and animal health. Anatara is focused on building a pipeline of human gastrointestinal health products.

Dividends - Anatara Lifesciences Ltd

No dividends were declared or paid to members for the year ended 30 June 2022. The directors do not recommend that a dividend be paid in respect of the financial year.

Review of operations

During the financial year 2022, Anatara continued to move closer to commercialisation the human health products through clinical trials of GaRP and its subgroup set of components "3FDC" as complementary medicines. These patented combinations of coated components provide a significant market opportunity to address the high prevalence of digestive disorders requiring relief from both symptoms and the disease process, including irritable bowel syndrome (IBS), as well as contributing to overall well-being by influencing the "gut-brain" axis. There have been animal health trials completed relevant to both the pig and poultry rearing industries.

Human Health

An important milestone was achieved in August 2021, when we launched the clinical trial recruitment website to commence the human trial for the treatment of a sub-type of irritable bowel syndrome (IBS) using our Gastrointestinal ReProgramming (GaRP) complementary medicine. This randomised, double-blind, placebo-controlled trial was intended to be conducted in two stages as a virtual trial, with minimal on-site visits and participants completing assessments online. The trial intended to use up to six sites for enrolment of approximately 200 participants.

In February 2022 Anatara, through the CSIRO, commenced recruitment for a human trial on the effects of 3FDC dietary supplementation on psychological functioning in adults. This randomised, double-blinded, placebo-controlled study is being undertaken with CSIRO in Adelaide. 3FDC is 3 components of the overall GaRP formulation coated for targeted release predominately into the large intestine. The coated delivery of these 3FDC components to the large intestine is considered important for gut-brain axis balance, in part due to influences on microbiome homeostasis and metabolites. The CSIRO will run a clinical trial with 3FDC to observe effects on depression, anxiety and stress symptoms in otherwise healthy individuals.

Review of operations (continued)

Human Health (continued)

We are pleased that interest in participating in both trials has been very high, however the screening failure rate has been higher than anticipated due to strict eligibility criteria. Revised eligibility criteria have been approved by ethics committees for both trials, an important step towards speeding up recruitment. The actual enrolment rate was being critically evaluated at the end of the financial year following the adoption of the revised, broader eligibility criteria to ensure a rate of recruitment to efficiently sustain the trials. Additionally, an important new site in Melbourne was approved by the local ethics committee, with recruitment anticipated to commence in the 3QCY2022 which will coincide with approval to name the hospital site involved.

The interim readout for the GaRP trial in IBS has an anticipated timeline of the 4QCY2022 with full trial results to be completed in the 2QCY2023. The current timeline for the full trial results for the 3FDC trial in psychological functioning in adults is 1QCY2023. However, as previously stated, a full review of recruitment and enrolment processes and rates is underway.

Anatara continues to assess other evidence-based opportunities relevant to gastrointestinal health needs. Projects of particular interest are progressing through a due diligence process, which the Company looks forward to announcing the details of, upon successful execution.

Animal Health

During the year, we progressed our animal health studies, where we are targeting the need for growth enhancement feed products without antibiotics or zinc oxide. The BONIFF-SMEC piglet challenge study for Escherichia Coli commenced in April 2021 and was completed in June 2021 at Murdoch University. BONIFF-SMEC is our formulated feed additive in Ridley Corporation's semi-moist extruded creep feed for piglets. We were pleased with the results of the piglet challenge study in August 2021, which suggested that Anatara's product BONIFF could be used as a feed supplement for piglets, being as effective as using zinc oxide (plus commercial additives) but without the associated environmental and antimicrobial resistance concerns. While the focus is on human health, we aim to progress our bromelain-based animal health portfolio. However, it is apparent that for the Company's technology and know-how in this area to have any real commercial potential, an easy-to-deliver, in-water formulation will be required. This delivery formulation would be similar to the approach Anatara is currently using in poultry trials.

In February 2021, we announced the successful completion of the poultry challenge trial testing "Efficacy of ANR-pf on the performance of broilers subject to subclinical and necrotic enteritis challenges". ANF-pf is our proprietary enriched formulation for poultry in water. There is commercial interest in ANR-pf, and in the 2022 financial year Anatara collaborated with a leading producer to conduct confidential field trials.

Partnering discussions

During the year, Anatara progressed discussions for GaRP with international consumer health companies. We are highly encouraged by our discussions to date with potential partners and following the completion of our IBS human trial and psychological functioning trials, we anticipate being in a strong position to announce a commercial partnership. There is potential for an earlier partnership if interim results, anticipated in 1QCY2023, indicate a strong trend towards a statistically significant benefit. Given the size of the complementary medicine market for gastrointestinal health products that address a spectrum of symptoms and disorders, the GaRP product can add substantially to the overall shareholder value with mainstream interest in other indications, such as Inflammatory Bowel Disease (IBD). Anatara intends to seek licensing agreements and partnerships with established consumer health companies rather than contemplate direct marketing and distribution.

Financial position

Anatara had cash at bank as at 30 June 2022 of \$1.12 million (down from \$3.43 million on 30 June 2021). The Company's cash position will be bolstered by an anticipated R&D tax incentive of approximately \$480,000 due in September 2022.

Review of operations (continued)

Financial position (continued)

Our balance sheet provides scope for us to progress both human trials and pursue initiatives to partner both our human and animal health assets. In part, this will be determined early in the financial year by the poultry trial results, which will perhaps provide the final conclusion on the commercial reality for bromelain-based products in animal husbandry/rearing.

Expenditure in furthering this effort resulted in a loss after tax of \$2,532,293 for the year (2021: \$1,995,874).

Significant changes in the state of affairs

Significant changes in the state of affairs of the group during the financial year were as follow. On 5 May 2022, the group announced a leadership change where Mr Steven Lydeamore has resigned his position as the Chief Executive Officer, effective 24 June 2022 and Dr David Brookes, the group's Chair, was appointed as the interim Executive Chair.

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2022 that has significantly affected the group's operations, results or state of affairs, or may do so in future years.

Likely developments and expected results of operations

Other than the information disclosed in the review of operations and activities, there are no likely developments or details on the expected results of operations that the group has not disclosed.

Environmental regulation

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

Information on directors

The following information is current as at the date of this report.

Dr David Brookes <i>Executive Chair</i>	
Experience and expertise	<p>Dr. Brookes has extensive experience in the health and biotechnology industries, first becoming involved in the biotechnology sector in the late 1990's as an analyst. Dr. Brookes has since held Board positions in a number of ASX listed biotechnology companies, including as Chairman of genomics solutions company, RHS Ltd, which was acquired by PerkinElmer Inc (NYSE: PKI) in June 2018. He has also chaired the risk and audit committees in ASX listed companies. He is currently a Non-Executive Chairman of Dominion Minerals Limited (ASX:DLM) and a Non-Executive Director of Island Pharmaceuticals (ASX:ILA) and TALI Digital (ASX:TD1). He was Non-Executive Chairman of the Better Medical group (unlisted) until the sale of that company to private equity firm Livingbridge in January 2021.</p> <p>Dr. Brookes maintains roles as a clinician and as a biotechnology industry consultant. Dr Brookes, MBBS (Adelaide), is a Fellow of the Australian College of Rural and Remote Medicine and a Fellow of the Australian Institute of Company Directors.</p>
Other current public directorships	<p>Dominion Minerals Limited (ASX: DLM), previously known as Factor Therapeutics Limited (ASX: FTT), since 10 April 2019 Tali Digital Ltd (ASX: TD1), since 29 June 2020 Island Pharmaceuticals Limited (ASX:ILA) since October 2020</p>
Former public directorships in last 3 years	None
Special responsibilities	<p>Chair of Board Member of the audit and risk management committee Member of the remuneration and nominations committee</p>

Information on directors (continued)

Ms Sue MacLeman <i>Non-Executive Director</i>	
Experience and expertise	<p>Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has served as CEO and Board member of several ASX, AIM and NASDAQ listed companies in the healthtech sector.</p> <p>She is current Chair of MTPConnect a not-for-profit industry growth centre for the medtech, biotech and pharmaceutical sectors. She is also Chair TALi Digital Ltd (ASX:TDI), and a non-executive director of Planet Innovation Holdings and Omico. Sue is appointed to several academic and government advisory boards.</p> <p>Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School. She is also a Fellow and Chair of the Health Forum at the Australian Academy of Technology and Engineering (ATSE) and Fellow/Graduate of Australian Institute of Company Directors (AICD).</p>
Other current public directorships	Tali Digital Ltd (ASX: TD1), since 6 September 2018
Former public directorships in last 3 years	<p>Palla Pharma Limited (ASX: PAL), until 21 April 2022</p> <p>Oventus Medical Ltd (ASX: OVN), until 14 June 2022</p>
Special responsibilities	<p>Chair of the audit and risk management committee</p> <p>Member of the remuneration and nominations committee</p>

Information on directors (continued)

Dr Jane Ryan <i>Non-Executive Director</i>	
Experience and expertise	<p>Jane has over 30 years of international experience in the pharmaceutical and biotechnology industries where she has held executive roles in management of research and development programs as well as business development and alliance management. Jane has worked in Australia, the United States and United Kingdom with companies including Peptech, Roche, Cambridge Antibody Technology and Biota Holdings.</p> <p>Throughout her career, she has led many successful fundraising campaigns and licensing initiatives including the winning of a \$230 million US Government contract.</p> <p>Jane was Chair of the Advisory Board at the ithree Institute at the University of Technology Sydney (UTS) which studies how microbes grow, live, adapt and survive. Jane has been a Board Member of the government and not for profit organisations and is currently Non-Executive Director of Bionomics Limited (ASX: BNO). Since November 2021, Jane was appointed Non-Executive Director of Robotic Surgery Evolution Ltd.</p>
Other current public directorships	<p>Bionomics Ltd (ASX:BNO), since 1 October 2020</p> <p>IDT Australia Limited (ASX: IDT), since 28 January 2022</p>
Former public directorships in last 3 years	None
Special responsibilities	<p>Member of the audit and risk management committee</p> <p>Chair of the remuneration and nominations committee</p>

Company secretary

The company secretary is Mr Stephen Denaro, appointed to the position on 24 February 2014. 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.

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.

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 2022, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees			
			Audit		Remuneration	
	A	B	A	B	A	B
Dr David Brookes	12	12	2	2	1	1
Ms Sue MacLeman	12	12	2	2	1	1
Dr Jane Ryan	12	12	2	2	1	1

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

Remuneration report (audited)

The directors present the Anatara Lifesciences Ltd 2022 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

- (a) Key management personnel (KMP) covered in this report
- (b) Remuneration policy and link to performance
- (c) Elements of remuneration
- (d) Link between remuneration and performance
- (e) Remuneration expenses
- (f) Contractual arrangements with executive KMPs
- (g) Non-executive director arrangements
- (h) Additional statutory information

(a) Key management personnel covered in this report

Dr David Brookes, Executive Chair
 Ms Sue MacLeman, Non-Executive Director
 Dr Jane Ryan, Non-Executive Director

Mr Steven Lydeamore, Chief Executive Officer (resigned on 24 June 2022)
 Dr Michael West, Chief Operating Officer (resigned on 9 November 2021)

(b) Remuneration policy and link to performance

Our remuneration and nominations committee is mainly made up of independent non-executive directors. The committee reviews and determines our remuneration policy and structure annually to ensure it remains aligned to business needs, and meets our remuneration principles. In particular, the board aims to ensure that remuneration practices are:

- competitive and reasonable, enabling the company to attract and retain key talent
- aligned to the company's strategic and business objectives and the creation of shareholder value
- transparent and easily understood, and
- acceptable to shareholders.

Element	Purpose	Performance metrics	Potential value
Fixed remuneration (FR)	Provide competitive market remuneration	Nil	Positioned at the market rate
STI	Reward for in-year performance and retention	KPI achievement, determined by remuneration and nominations committee	CEO: 40% of FR COO: 30% of FR
LTI	Alignment to long-term shareholder value	KPI achievement, determined by remuneration and nominations committee	CEO: 200,000 unlisted 4-year options at \$0.2256 exercise price, vesting over a 3-year period from the grant date.

Assessing performance

The remuneration and nominations committee is responsible for assessing performance against KPIs and determining the STI and LTI to be paid. To assist in this assessment, the committee receives data from independently run surveys.

Remuneration report (audited) (continued)

(b) Remuneration policy and link to performance (continued)

Assessing performance (continued)

Performance is monitored on an informal basis throughout the year and a formal evaluation is performed annually.

Securities trading policy

Anatara Lifesciences Ltd's securities trading policy applies to all directors and executives, see <https://anataralifesciences.com/investors/corporate-governance/>. It only permits the purchase or sale of company securities during certain periods.

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

Key management personnel may receive their fixed remuneration as cash, or cash with non-monetary benefits such as health insurance and car allowances. FR is reviewed annually, or on promotion. It is benchmarked against market data for comparable roles in companies in a similar industry and with similar market capitalisation. The committee aims to position executives at or near the median, with flexibility to take into account capability, experience, value to the organisation and performance of the individual.

(ii) Short-term incentives

All executives are entitled to participate in a short-term incentive scheme which provides for executive employees to receive a combination of short-term incentive (STI) as part of their total remuneration if they achieve certain performance indicators as set by the board. The STI can be paid either by cash, or a combination of cash and the issue of equity in the company, at the determination of the remuneration and nominations committee and board.

The company's CEO and COO are entitled to short-term incentives in the form of cash bonus up to 40% and 30% of FR, respectively, against agreed various key performance indicators (KPIs), including target EBITDA, appreciation in share price value, retention of key talent, and achievement of major project milestones.

On an annual basis, KPIs are reviewed and agreed in advance of each financial year and include financial and non-financial company and individual performance goals that relate to:

- Operational management
- Investor relations and shareholder value creation
- R&D activities
- Product development and commercialisation

(iii) Long-term incentives

Executives may also be provided with longer-term incentives through the company's 'executive option plan' (EOP), that was approved by shareholders at the annual general meeting held on 26 November 2020. The aim of the EOP is to allow executives to participate in, and benefit from, the growth of the company as a result of their efforts and to assist in motivating and retaining those key employees over the long-term. Continued service is the condition attached to the vesting of the options. The board at its discretion determines the total number of options granted to each executive.

(d) Link between remuneration and performance

Statutory performance indicators

We aim to align our executive remuneration to our strategic and business objectives and the creation of shareholder wealth. The table below shows measures of the group's financial performance over the last five years as required by the *Corporations Act 2001*. However, these are not necessarily consistent with the measures used in determining the variable amounts of remuneration to be awarded to KMPs. As a consequence, there may not always be a direct correlation between the statutory key performance measures and the variable remuneration awarded.

Remuneration report (audited) (continued)

(d) *Link between remuneration and performance (continued)*

Statutory performance indicators (continued)

	2022	2021	2020	2019	2018
Loss for the year attributable to owners of (\$)	2,532,293	1,995,874	3,364,644	2,868,272	3,569,016
Basic loss per share (cents)	3.56	3.18	6.77	5.80	7.22
Share price at year end (\$)	0.06	0.16	0.13	0.26	0.64

The company's earnings have remained negative since inception due to the nature of the business. Shareholder wealth reflects this speculative and volatile market sector. No dividends have ever been declared by Anatara Lifesciences Ltd. The company continues to focus on revenue growth with the objective of achieving key commercial milestones in order to add further shareholder value.

(e) *Remuneration expenses*

The following tables show details of the remuneration expense recognised for the group's key management personnel for the current and previous financial year measured in accordance with the requirements of the accounting standards.

2022	Short-term benefits		Post employment benefits	Long term benefits	Share-based payments		
	Cash salary and fees ¹	Cash bonus	Superannuation	Long service leave	Options	Performance rights	Total
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Ms Sue MacLeman	65,116	-	6,511	-	15,638	-	87,265
Dr Jane Ryan	61,096	-	6,109	-	15,638	-	82,843
Executive director							
Dr David Brookes ²	108,019	-	10,802	-	31,275	-	150,096
Other KMP							
Mr Steven Lydeamore ³	384,227	-	39,500	(8,471)	-	-	415,256
Dr Michael West ⁴	95,085	-	9,327	(13,391)	-	-	91,021
Total KMP compensation	713,543	-	72,249	(21,862)	62,551	-	826,481

Notes

¹. Cash salary and fees includes estimation of net annual leave entitlement incurred during the current year.

². Dr David Brookes transitioned from Non-Executive Chair to Executive Chair on 24 June 2022.

³. Mr Steven Lydeamore resigned on 24 June 2022.

⁴. Dr Michael West resigned on 9 November 2021.

Remuneration report (audited) (continued)

(e) Remuneration expenses (continued)

2021	Short-term benefits		Post employment benefits	Long term benefits	Share-based payments		Total
	Cash salary and fees	Cash bonus ¹	Superannuation	Long service leave	Options ²	Performance rights	
	\$	\$	\$	\$	\$	\$	\$
Non-executive directors							
Dr David Brookes	72,346	-	6,873	-	5,156	-	84,375
Ms Sue MacLeman	135,046	-	12,829	-	9,623	-	157,498
Dr Jane Ryan	72,346	-	6,873	-	5,156	-	84,375
Dr Tracie Ramsdale	31,940	-	3,034	-	(258)	-	34,716
Other KMP							
Mr Steven Lydeamore	382,722	-	36,197	6,177	43,808	-	468,904
Dr Michael West	264,013	-	23,750	5,216	-	45,000	337,979
Total KMP compensation	958,413	-	89,556	11,393	63,485	45,000	1,167,847

Notes

¹ Cash salary and fees includes estimation of net annual leave entitlement incurred during the year.

² Due to COVID-19, Anatara Board resolved to reduce their directors' fees temporarily from May 2020 to September 2020. On 22 June 2020, Anatara Board resolved to grant 761,912 options (subject to approval by shareholders at November 2020 AGM) to KMP and Company Secretary. However, only a total of 617,704 options were subsequently issued on 3 December 2020 given the shareholders' approval in the 2020 annual general meeting.

³ Dr Tracie Ramsdale resigned on 26 November 2020 and 68,766 options (total share-based payment expenses of \$258 recognised in prior year) were forfeited during the year.

⁴ Subsequent to year end, 297,489 performance rights have been issued to Dr Michael West, as part of his performance bonus of \$45,000. These performance rights have nil exercise price and expiring on 23 August 2024.

(f) Contractual arrangements with executive KMPs

Name:	Dr David Brookes
Position:	Non-Executive Chair (transitioned to Executive Chair on 24 June 2022)
Contract duration:	Unspecified
Notice period:	Unspecified
Fixed remuneration:	\$110,000 per annum, plus 10% superannuation
Name:	Mr Steven Lydeamore (resigned on 24 June 2022)
Position:	Chief Executive Officer
Contract duration:	Unspecified
Notice period:	6 months by either party
Fixed remuneration:	\$395,000 per annum, plus 10% superannuation
Name:	Dr Michael West (resigned on 9 November 2021)
Position:	Chief Operating Officer
Contract duration:	Unspecified
Notice period:	3 months by either party
Fixed remuneration:	\$250,000 per annum, plus 10% superannuation

Remuneration report (audited) (continued)

(g) Non-executive director arrangements

Non-executive directors receive a board fee and fees for chairing but not participating on board committees, see table below. They do not receive performance-based pay or retirement allowances. The fees are exclusive of superannuation. The chair receives double the base fee of other non-executive directors, reflective of the additional demands and responsibilities of this role.

Fees are reviewed annually by the board taking into account comparable roles and market data provided by the board's independent remuneration adviser.

The maximum annual aggregate directors' fee pool limit is \$500,000, adopted on initial public offering of Anatara Lifesciences Ltd on 14 October 2014.

Base fees

Chair	\$110,000
Other non-executive directors	\$60,000

(h) Additional statutory information

(i) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense on page 10 above:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2022 %	2021 %	2022 %	2021 %	2022 %	2021 %
Non-executive directors						
Ms Sue MacLeman	82	94	-	-	18	6
Dr Jane Ryan	81	94	-	-	19	6
Dr Tracie Ramsdale ¹	-	101	-	-	-	(1)
Executive director						
Dr David Brookes	79	94	-	-	21	6
Other KMP						
Mr Steven Lydeamore ²	100	91	-	-	-	9
Dr Michael West ³	100	87	-	-	-	13

¹ Dr Tracie Ramsdale resigned on 26 November 2020.

² Mr Steven Lydeamore resigned on 24 June 2022.

³ Dr Michael West resigned on 9 November 2021.

Remuneration report (audited) (continued)

(h) *Additional statutory information (continued)*

(ii) *Terms and conditions of the share-based payment arrangements*

Options

The terms and conditions of each grant of options affecting remuneration in the current or a future reporting year are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price (\$)	Value per option at grant date (\$)	Vested (%)
2021-11-16	2022-11-16	2025-11-14	0.2226	0.0748	62%
2021-11-16	2023-11-16	2025-11-14	0.2226	0.0748	31%

(iii) *Reconciliation of ordinary shares, performance rights and options held by KMP*

Share holdings

2022	Balance at the start of the year ¹	Granted as remuneration	Received on exercise of performance rights	Received on exercise of options	Other changes ²	Balance at the end of the year ³
Ordinary shares						
Dr David Brookes	300,000	-	-	-	-	300,000
Ms Sue MacLeman	45,810	-	-	-	32,259	78,069
Dr Jane Ryan	183,078	-	-	-	-	183,078
Mr Steven Lydeamore ⁴	399,457	-	449,781	-	-	849,238
Dr Michael West ⁴	82,599	-	331,204	-	-	413,803
	1,010,944	-	780,985	-	32,259	1,824,188

Notes

¹ Balance may include shares held prior to individuals becoming a KMP. For individuals who became a KMP during the year, the balance is as at the date they became a KMP.

² Other changes incorporates changes resulting from the acquisition of shares.

³ For a former KMP, the balance is as at the date they cease being a KMP.

⁴ Dr Michael West resigned on 9 November 2021 and Mr Steven Lydeamore resigned on 24 June 2022.

Remuneration report (audited) (continued)

(h) *Additional statutory information (continued)*

(iii) *Reconciliation of ordinary shares, performance rights and options held by KMP (continued)*

Option holdings

2022	Balance at start of the year¹	Granted as remuneration	Exercised	Other changes²	Balance at end of the year³	Vested and exercisable
Options						
Dr David Brookes	65,658	900,000	-	-	965,658	65,658
Ms Sue MacLeman	122,548	450,000	-	-	572,548	122,548
Dr Jane Ryan	65,658	450,000	-	-	515,658	65,658
Mr Steven Lydeamore ⁴	941,784	-	-	-	941,784	941,784
Dr Michael West ⁵	210,000	-	-	(210,000)	-	-
	1,405,648	1,800,000	-	(210,000)	2,995,648	1,195,648

Notes

¹ Balance may include shares held prior to individuals becoming KMP. For individuals who became KMP during the year, the balance is as at the date they became KMP.

² Other changes incorporate changes resulting from the expiration/forfeiture of options.

³ For a former KMP, the balance is as at the date they cease being a KMP.

⁴ Mr Steven Lydeamore resigned on 24 June 2022. Subsequent to the year end, his options have been forfeited on 24 July 2022.

⁵ Dr Michael West resigned on 9 November 2021. His options were subsequently forfeited 60 days after the resignation date.

Remuneration report (audited) (continued)

(h) Additional statutory information (continued)

(iii) Reconciliation of ordinary shares, performance rights and options held by KMP (continued)

Performance rights

2022	Balance at start of the year	Granted as remuneration	Exercised	Other changes	Balance at the end of the year
Performance Rights					
Dr David Brookes	-	-	-	-	-
Ms Sue MacLeman	-	-	-	-	-
Dr Jane Ryan	-	-	-	-	-
Mr Steven Lydeamore ¹	449,781	-	(449,781)	-	-
Dr Michael West ²	331,204	-	(331,204)	-	-
	780,985	-	(780,985)	-	-

Notes

¹ Mr Steven Lydeamore resigned on 24 June 2022.

² Dr Michael West resigned on 9 November 2021.

(iv) Other transactions with key management personnel

There are no other transactions with key management personnel of Anatara Lifesciences Ltd.

(v) Voting of shareholders at last year's annual general meeting

Anatara Lifesciences Ltd received more than 75 percent of favourable votes on its remuneration report for the 2021 financial year. The company did not receive any specific feedback at the 2021 annual general meeting or throughout the year on its remuneration practices.

[This concludes the remuneration report, which has been audited]

Shares under options and performance rights

(a) Unissued ordinary shares

There are no unissued ordinary shares of Anatara Lifesciences Ltd under performance rights at the date of this report.

Unissued ordinary shares of Anatara Lifesciences Ltd under options at the date of this report are as follows:

Date options granted	Expiry date	Issue price of shares (\$)	Number under options
2020-06-22	2022-11-25	0.2476	275,920
2020-11-26	2023-11-25	0.2500	1,500,000
2021-08-23	2025-08-18	0.2256	60,000
2021-11-16	2025-11-14	0.2226	1,800,000
2021-11-29	2025-11-25	0.2030	300,000
Total			<u>3,935,920</u>

No option holder or performance rights holder has any right under the options or performance rights to participate in any other share issue of the company or any other entity.

(b) Shares issued on the exercise of options or performance rights

No ordinary shares of Anatara Lifesciences Ltd were issued during the year ended 30 June 2022 on the exercise of options granted.

Ordinary shares of Anatara Lifesciences Ltd were issued during the year ended 30 June 2022 on the exercise of performance rights granted as follows:

Date performance rights granted	Number of shares issued
2020-08-11	780,985
2021-08-13	<u>336,113</u>
	<u>1,117,098</u>

Insurance of officers and indemnities

(a) Insurance of officers

During the financial year, Anatara Lifesciences Ltd paid a premium of \$27,500 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

Insurance of officers and indemnities (continued)

(b) Indemnity of auditors

Anatara Lifesciences Ltd has agreed to indemnify their auditors, Grant Thornton Audit Pty Ltd, to the extent permitted by law, against any claim by a third party arising from Anatara Lifesciences Ltd's breach of their agreement. The indemnity stipulates that Anatara Lifesciences Ltd will meet the full amount of any such liabilities including a reasonable amount of legal costs.

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.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the group are important.

Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants*.

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

	2022 \$	2021 \$
Grant Thornton Audit Pty Ltd and its related entities and other Grant Thornton network firms:		
Tax compliance services	41,835	35,000
Total remuneration for taxation services	41,835	35,000
Total remuneration for non-audit services	41,835	35,000

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 19.

Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with the instrument to the nearest dollar.

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



Dr David Brookes
Executive Chair

Melbourne
29 August 2022

Grant Thornton Audit Pty Ltd

Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001
T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Anantara Lifesciences Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Anantara Lifesciences Ltd for the year ended 30 June 2022, 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



T S Jackman
Partner – Audit & Assurance
Melbourne, 29 August 2022

Anatara Lifesciences Ltd

ABN 41 145 239 872

Audited financial report - 30 June 2022

Financial statements	
Consolidated statement of profit or loss and other comprehensive income	21
Consolidated statement of financial position	22
Consolidated statement of changes in equity	23
Consolidated statement of cash flows (direct method)	24
Notes to the financial statements	25
Directors' declaration	52

These financial statements are consolidated financial statements for the group consisting of Anatara Lifesciences Ltd and its subsidiaries. A list of major subsidiaries is included in note 12.

The financial statements are presented in the Australian currency.

Anatara Lifesciences Ltd is a company limited by shares, incorporated and domiciled in Australia.

Its registered office and principal place of business is:

Level 3, 62 Lygon Street
Carlton South VIC 3053

The financial statements were authorised for issue by the directors on 29 August 2022. The directors have the power to amend and reissue the financial statements.

Anatara Lifesciences Ltd
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2022

	Notes	2022 \$	2021 \$
Other income	2(a)	487,235	1,108,028
General and administrative expenses	2(b)	(2,275,032)	(2,271,903)
Research and development expenses	2(b)	(747,181)	(840,815)
Operating loss		(2,534,978)	(2,004,690)
Finance income		6,005	9,116
Finance expenses		(3,320)	(300)
Finance costs - net		2,685	8,816
Loss before income tax		(2,532,293)	(1,995,874)
Income tax expense	3	-	-
Loss for the year		(2,532,293)	(1,995,874)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss:</i>			
Other comprehensive income for the year, net of tax		-	-
Total comprehensive loss for the year		(2,532,293)	(1,995,874)
Total comprehensive income for the year is attributable to:			
Owners of Anatara Lifesciences Ltd		(2,532,293)	(1,995,874)
		Cents	Cents
Loss per share for loss attributable to the ordinary equity holders of the company:			
Basic and diluted loss per share	19	(3.56)	(3.18)

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 2022

	Notes	2022 \$	2021 \$
ASSETS			
Current assets			
Cash and cash equivalents	4(a)	1,120,204	3,432,077
Trade and other receivables	4(b)	508,525	772,559
Term Deposits		50,000	-
Other current assets		22,011	37,123
Total current assets		1,700,740	4,241,759
Non-current assets			
Property, plant and equipment		7,683	5,778
Right-of-use assets	6	59,234	79,253
Total non-current assets		66,917	85,031
Total assets		1,767,657	4,326,790
LIABILITIES			
Current liabilities			
Trade and other payables	4(c)	301,938	335,450
Employee benefit obligations	5	35,534	53,037
Lease liabilities	6	20,656	14,116
Total current liabilities		358,128	402,603
Non-current liabilities			
Employee benefit obligations	5	81	28,268
Lease liabilities	6	45,145	65,801
Total non-current liabilities		45,226	94,069
Total liabilities		403,354	496,672
Net assets		1,364,303	3,830,118
EQUITY			
Share capital	7(a)	19,908,471	19,755,634
Other reserves	7(b)	439,488	678,492
Accumulated losses		(18,983,656)	(16,604,008)
Total equity		1,364,303	3,830,118

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 2022

Notes	Attributable to owners of Anatara Lifesciences Ltd			Total equity \$
	Share capital \$	Other reserves \$	Accumulated losses \$	
Balance at 1 July 2020	17,039,590	553,342	(14,736,267)	2,856,665
Loss for the year	-	-	(1,995,874)	(1,995,874)
Total comprehensive loss for the year	-	-	(1,995,874)	(1,995,874)
Transactions with owners in their capacity as owners:				
Issued capital	3,070,005	-	-	3,070,005
Unmarketable parcel buy-back	(37,632)	-	-	(37,632)
Performance rights exercised	17,412	(17,412)	-	-
Less: Capital raising costs	(333,741)	-	-	(333,741)
Share based payment expense - options 7(a)	-	219,853	-	219,853
Share based payment expense - performance rights	-	50,842	-	50,842
Options forfeited/lapsed 7(b)	-	(128,133)	128,133	-
	2,716,044	125,150	128,133	2,969,327
Balance at 30 June 2021	19,755,634	678,492	(16,604,008)	3,830,118
Notes	Attributable to owners of Anatara Lifesciences Ltd			Total equity \$
	Share capital \$	Other reserves \$	Accumulated losses \$	
Balance at 1 July 2021	19,755,634	678,492	(16,604,008)	3,830,118
Loss for the year	-	-	(2,532,293)	(2,532,293)
Total comprehensive loss for the year	-	-	(2,532,293)	(2,532,293)
Transactions with owners in their capacity as owners:				
Performance rights exercised	157,837	(157,837)	-	-
Less: Capital raising costs	(5,000)	-	-	(5,000)
Share based payment expense - options 7(b)	-	71,478	-	71,478
Options forfeited/lapsed 7(b)	-	(152,645)	152,645	-
	152,837	(239,004)	152,645	66,478
Balance at 30 June 2022	19,908,471	439,488	(18,983,656)	1,364,303

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 2022

	2022	2021
Notes	\$	\$
Cash flows from operating activities		
Payments to suppliers and employees (inclusive of GST)	(2,994,648)	(3,096,438)
Government grants and tax incentives	736,477	985,549
Other income	18,720	-
Interest received	6,575	13,412
Net cash (outflow) from operating activities	8(a) <u>(2,232,876)</u>	<u>(2,097,477)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(6,561)	(3,979)
Payments for term deposits	(50,000)	-
Net cash (outflow) from investing activities	<u>(56,561)</u>	<u>(3,979)</u>
Cash flows from financing activities		
Proceeds from issues of shares and other equity securities	7(a) -	3,032,373
Share issue transaction costs	7(a) (5,000)	(180,694)
Principal elements of finance lease payments	(17,436)	(514)
Net cash (outflow) inflow from financing activities	<u>(22,436)</u>	<u>2,851,165</u>
Net (decrease) increase in cash and cash equivalents	(2,311,873)	749,709
Cash and cash equivalents at the beginning of the financial year	3,432,077	2,682,368
Cash and cash equivalents at end of year	4(a) <u>1,120,204</u>	<u>3,432,077</u>

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

Contents of the notes to the financial statements

	Page
1 Segment information	26
2 Other income and expense items	26
3 Income tax expense	27
4 Financial assets and financial liabilities	28
7 Equity	32
8 Cash flow information	34
9 Critical estimates, judgements and errors	34
10 Financial risk management	35
11 Capital management	37
12 Interests in other entities	37
13 Contingent liabilities	38
14 COVID-19 impact on business	38
15 Events occurring after the reporting period	38
16 Related party transactions	38
17 Share-based payments	39
18 Remuneration of auditors	41
19 Loss per share	42
20 Parent entity financial information	42
21 Summary of significant accounting policies	45

1 Segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer and Executive Chair of Anatara Lifesciences Ltd. The group has identified one reportable segment; that is, the research, development of oral solutions for gastrointestinal diseases and the commercialisation of the Detach[®] diarrhea treatment for piglets. The segment details are therefore fully reflected in the body of the financial statements.

2 Other income and expense items

(a) Other income

	2022 \$	2021 \$
Research and development tax incentive	468,515	1,023,028
EMDG	-	47,500
COVID-19 government assistance	-	37,500
Others	18,720	-
	487,235	1,108,028

(i) R&D tax incentive

The group's research and development (R&D) activities are eligible under an Australian government tax incentive for eligible expenditure. Management has assessed these activities and expenditure to determine which are likely to be eligible under the incentive scheme. Amounts are recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount can be reliably measured.

For the year ended 30 June 2022, the group has recognised a receivable of \$479,984 offset by an overestimation from the prior period of \$11,469 (2021: \$1,023,028).

(ii) Fair value of EMDG and COVID-19 government assistance

The group's other grant income is recognised when compliance with the conditions attached to the grant have been determined and the group has ascertained the grant will be received. For the year ended 30 June 2022, the group has not recognised other grant income (2021: \$85,000).

The Group has not recognised Export Market Development Grant (EMDG) (2021: \$47,500) in other income. This is a key Australian Government financial assistance program for aspiring current exporters.

No further COVID-19 government assistance was recognised in other income for current financial year (2021: \$37,500). This was mainly "Cashflow boost for employers" measure announced as part of the Australian Government's economic stimulus package.

2 Other income and expense items (continued)

(b) Breakdown of expenses by nature

	2022	2021
Notes	\$	\$
General and administrative expenses		
Accounting and audit	184,126	155,708
Consulting	239,642	218,665
Depreciation	24,677	6,265
Employee benefits	1,118,048	1,234,470
Insurance	62,468	58,794
Investor relations	85,124	33,389
Legal	17,524	34,206
Listing and share registry	66,414	103,929
Occupancy	14,106	53,496
Share-based payments	71,471	117,648
Superannuation	106,248	110,378
Travel and entertainment	15,176	4,498
Other	270,008	140,457
	2,275,032	2,271,903
Research and development expenses		
Project research and development	728,181	807,265
Corporate and finance	19,000	33,550
	747,181	840,815

3 Income tax expense

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

	2022	2021
	\$	\$
Loss from continuing operations before income tax expense	(2,532,293)	(1,995,874)
Tax at the Australian tax rate of 25.0% (2021: 26.0%)	(633,073)	(518,927)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
R&D tax incentive	(117,129)	(265,987)
Accounting expenditure subject to R&D tax incentive	269,261	611,465
Share-based payments	17,868	30,588
Other items	(2,162)	(64,754)
Subtotal	(465,235)	(207,615)
Tax losses and other timing differences for which no deferred tax asset is recognised	465,235	207,615
Income tax expense	-	-

3 Income tax expense (continued)

(b) Tax losses

	2022 \$	2021 \$
Unused tax losses for which no deferred tax asset has been recognised	11,209,300	9,348,360
Potential tax benefit @ 25.0% (2021: 26.0%)	2,802,325	2,430,574

Unused tax losses can be carried forward indefinitely subject to continuity of ownership and same business test rules.

4 Financial assets and financial liabilities

(a) Cash and cash equivalents

	2022 \$	2021 \$
Current assets		
Cash at bank and in hand	1,120,204	3,432,077

(i) Reconciliation to cash flow statement

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

	2022 \$	2021 \$
Balances as above	1,120,204	3,432,077
Balances per statement of cash flows	1,120,204	3,432,077

(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 21(i) for the group's other accounting policies on cash and cash equivalents.

(iii) Risk exposure

The group's exposure to interest rate risk is discussed in note 10. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

(b) Trade and other receivables

	2022 Current \$	2022 Non- current \$	2022 Total \$	2021 Current \$	2021 Non- current \$	2021 Total \$
Accrued receivables (i)	479,984	-	479,984	748,516	-	748,516
Other receivables	28,541	-	28,541	24,043	-	24,043
	508,525	-	508,525	772,559	-	772,559

4 Financial assets and financial liabilities (continued)

(b) Trade and other receivables (continued)

(i) Accrued receivables

Accrued receivables include \$479,984 from the Australian Taxation Office in relation to the R&D tax incentive (2021: \$747,946). In prior year, accrued receivables also included \$570 in relation to interest income.

(ii) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

(c) Trade and other payables

	Current \$	2022 Non- current \$	Total \$	Current \$	2021 Non- current \$	Total \$
Trade payables	152,626	-	152,626	195,629	-	195,629
Accrued expenses	115,133	-	115,133	103,150	-	103,150
Other payables	34,179	-	34,179	36,671	-	36,671
	301,938	-	301,938	335,450	-	335,450

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 same as their fair values, due to their short-term nature.

5 Employee benefit obligations

	Current \$	2022 Non- current \$	Total \$	Current \$	2021 Non- current \$	Total \$
Leave obligations (i)	35,534	81	35,615	53,037	28,268	81,305

(i) Leave obligations

The leave obligations cover the group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 21(m).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required year of service and also for those employees that are entitled to pro-rata payments in certain circumstances. The majority of leave provision is presented as current, being \$35,534 (2021: \$53,037), since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

6 Leases

(i) Amounts recognised in the balance sheet

The balance sheet shows the following amounts relating to leases:

	2022 \$	2021 \$
Right-of-use assets		
Property		
Cost or fair value	80,131	80,131
Accumulated depreciation	<u>(20,897)</u>	<u>(878)</u>
	<u>59,234</u>	<u>79,253</u>
Lease liabilities		
Current	20,656	14,116
Non-current	<u>45,145</u>	<u>65,801</u>
	<u>65,801</u>	<u>79,917</u>

(ii) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

	2022 \$	2021 \$
Depreciation charge of right-of-use assets		
Properties	<u>20,019</u>	<u>878</u>
	<u>20,019</u>	<u>878</u>
Interest expense (included in finance cost)	3,320	300
Expense relating to short-term leases (included in occupancy expenses)	14,106	53,496
Cash paid for principal payments	17,436	514

(iii) The group's leasing activities and how these are accounted for

In June 2021 the group entered into a two-year commercial lease in North Melbourne. The lease is for the use of office facilities. This lease includes an extension option for a further 2 years.

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease year so as to produce a constant periodic rate of interest on the remaining balance of the liability for each year. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

6 Leases (continued)

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost or fair value, comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date, less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

7 Equity

(a) Share capital

	2022 Shares	2021 Shares	2022 \$	2021 \$
Ordinary shares				
Fully paid	71,355,621	70,238,523	19,908,471	19,755,634
	71,355,621	70,238,523	19,908,471	19,755,634

(i) Movements in ordinary shares:

Below is the movement in ordinary shares in the year ended 30 June 2022:

Details	Number of shares	Total \$
Balance at 1 July 2020	49,856,177	17,039,590
Shares issued	20,466,667	3,070,005
Exercise of performance rights with nil cash consideration (2020-09-15)	72,363	7,498
Exercise of performance rights with nil cash consideration (2020-10-28)	54,729	9,914
Unmarketable parcel buy-back facility payment (2021-02-10)	(211,413)	(37,632)
Less: Transaction costs arising on share issues	-	(333,741)
Balance 30 June 2021	70,238,523	19,755,634
Exercise of performance rights with nil cash consideration (2021-08-13)	449,781	-
Exercise of performance rights with nil cash consideration (2021-08-25)	331,204	-
Transfer from reserves on exercise of performance rights (2021-08)	-	106,994
Exercise of performance rights with nil cash consideration (2021-10-26)	297,489	-
Transfer from reserves on exercise of performance rights (2021-10-26)	-	45,000
Exercise of performance rights with nil cash consideration (2021-12-09)	38,624	-
Transfer from reserves on exercise of performance rights (2021-12-09)	-	5,843
Less: Transaction costs arising on share issues	-	(5,000)
Balance 30 June 2022	71,355,621	19,908,471

(ii) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(iii) Options and performance rights

Information relating to options and performance rights, including details of those issued, exercised and lapsed during the financial year and the outstanding balance as at the end of the reporting year is set out in note 7(b).

7 Equity (continued)

(b) Other reserves

The consolidated statement of financial position line item 'other reserves' comprises the 'share-based payments reserve'.

(i) Nature and purpose of other reserves

Share-based payments

The share-based payment reserve records items recognised as expenses on valuation of share options and performance rights issued to key management personnel, other employees and eligible contractors.

(ii) Movement in options and performance rights

Details	Notes	Number of options	Number of performance rights	Total \$
Opening balance		2,920,412	-	553,342
Share-based payment expenses of options issued in prior years		-	-	20,046
Options issued during the year		2,117,704	-	199,807
Options forfeited/lapsed during the year		(1,312,500)	-	(127,875)
Adjust issuance of unlisted option at \$0.2305 on 22 June 2020		(761,912)	-	(258)
Issue of performance rights (2020-08-11)		-	908,077	-
Performance rights exercised during the year		-	(127,092)	(17,412)
Share-based payments expenses of performance bonus		-	-	50,842
Balance at 30 June 2021		2,963,704	780,985	678,492
Opening balance		2,963,704	780,985	678,492
Options issued during the year		2,160,000	-	71,478
Options forfeited/lapsed during the year		(246,000)	-	(152,645)
Issue of performance rights (2021-08-13)		-	336,113	-
Performance rights exercised during the year		-	(1,117,098)	(157,837)
Balance at 30 June 2022		4,877,704	-	439,488

8 Cash flow information

(a) Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities

	Notes	2022 \$	2021 \$
Loss for the year		(2,532,293)	(1,995,874)
Adjustments for			
Depreciation and amortisation	2(b)	24,677	6,265
Finance costs		3,320	300
Share-based payments	17(b)	71,471	117,648
Change in operating assets and liabilities:			
Movement in trade and other receivables		264,034	(142,226)
Movement in other operating assets		15,112	(13,383)
Movement in trade and other payables		(33,512)	(76,905)
Movement in other operating liabilities		(45,685)	6,698
Net cash inflow (outflow) from operating activities		(2,232,876)	(2,097,477)

(b) Non-cash investing and financing activities

Non-cash investing and financing activities disclosed in other notes are:

- options/performance rights issued for no cash consideration - note 17.

9 Critical estimates, judgements and errors

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes together with information about the basis of calculation for each affected line item in the financial statements. In addition, this note also explains where there have been actual adjustments this year as a result of an error and of changes to previous estimates.

(a) Significant estimates and judgements

The areas involving significant estimates or judgements are:

- Estimation of R&D tax incentive income accrual - note 2(a)(i).

Management has used judgements to assess the group's eligible research and development (R&D) activities and eligible expenditure under the incentive scheme. The determination of the eligible R&D activities and eligible expenditure would affect the expected amounts recognised for R&D tax incentive. The R&D tax incentive refund would provide an important source of funding and enables the group to progress the development and commercialisation of our GaRP product.

9 Critical estimates, judgements and errors (continued)

(a) Significant estimates and judgements (continued)

- Estimation of share-based payments - note 17.

Management has used judgements to assess the group's share-based payments by determining the choice of option pricing model. The choice of model would result in option valuation that requires various underlying assumptions to determine the fair value of options at grant date. Management used the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions as all these inputs would affect the share-based payments valuation. The share-based payments are long-term incentives which allow executives to participate in, and benefit from, the growth of the group as a result of their efforts and to assist in motivating and retaining those key employees over the long-term.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

10 Financial risk management

This note explains the group's exposure to financial risks and how these risks could affect the group's future financial performance.

The group's risk management is predominantly controlled by the board. The board monitors the group's financial risk management policies and exposures and approves substantial financial transactions. It also reviews the effectiveness of internal controls relating to market risk, credit risk and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The majority of the company's operations are denominated in Australian dollars, with the few exceptions on services acquired from overseas suppliers but at a marginally insignificant amount and frequency. Therefore, management has concluded that market risk from foreign exchange fluctuation is not material.

(ii) Cash flow and fair value interest rate risk

The group's main interest rate risk arises from cash and cash equivalents and other financial assets at amortised cost (deposits at call) held, which expose the group to cash flow interest rate risk. During 2022 and 2021, the group's cash and cash equivalents and deposits at call at variable rates were denominated in Australian dollars.

The group's exposure to interest rate risk at the end of the reporting year, expressed in Australian dollars, was as follows:

	2022 \$	2021 \$
Financial instruments with cash flow risk		
Cash and cash equivalents	1,120,204	3,432,077
Term deposits	50,000	-
	<u>1,170,204</u>	<u>3,432,077</u>

10 Financial risk management (continued)

(a) Market risk (continued)

Sensitivity

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates.

	Impact on loss for the period		Impact on other components of equity	
	2022	2021	2022	2021
	\$	\$	\$	\$
Interest rates - change by 121 basis points (2021: 31 basis points)*	13,554	10,639	-	-

* Holding all other variables constant

The use of 1.21 percent (2021: 0.31 percent) was determined based on analysis of the Reserve Bank of Australia cash rate change, on an absolute value basis, at 30 June 2022 and the previous four balance dates. The average cash rate at these balance dates was 0.77 percent (2021: 0.93 percent). The average change to the cash rate between balance dates was 157.03 percent (2021: 33.88 percent). By multiplying these two values, the interest rate risk was derived.

Loss is more sensitive to movements in interest rates in 2022 than 2021 due to increased cash and cash equivalents and deposits at call as well as low interest rate. The group's exposure to other classes of financial instruments with cash flow risk is not material.

(b) Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the group.

(i) Risk management

The company manages credit risk and the losses which could arise from default by ensuring that financial assets such as cash at bank and deposits at call are held with reputable organisations.

(ii) Impairment of financial assets

While cash and cash equivalents and term deposits are subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

(c) Liquidity risk

Liquidity risk arises from the possibility that the group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The group manages this risk through the following mechanisms:

- preparing forward looking cash flow analyses in relation to its operating, investing and financing activities;
- obtaining funding from a variety of sources;
- maintaining a reputable credit profile;
- managing credit risk related to financial assets;
- investing cash and cash equivalents and deposits at call with major financial institutions; and
- comparing the maturity profile of financial liabilities with the realisation profile of financial assets.

10 Financial risk management (continued)

(c) Liquidity risk (continued)

(i) Maturities of financial liabilities

The tables below analyse the group's financial liabilities into relevant maturity groupings based on their contractual maturities. The amounts disclosed in the table are the contractual undiscounted cash flows.

Contractual maturities of financial liabilities	Less than 6 months	6 - 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying amount (assets)/ liabilities
	\$	\$	\$	\$	\$	\$	\$
At 30 June 2022							
Trade and other payables	301,938	-	-	-	-	301,938	301,938
Lease liabilities	10,183	10,473	22,320	22,825	-	65,801	65,801
Total	312,121	10,473	22,320	22,825	-	367,739	367,739

At 30 June 2021

Trade and other payables	335,450	-	-	-	-	335,450	335,450
Lease liabilities	4,423	9,723	20,656	45,145	-	79,947	79,947
Total	339,873	9,723	20,656	45,145	-	415,397	415,397

11 Capital management

(a) Risk management

The group's objectives when managing capital are to

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may issue new shares or reduce its capital, subject to the provisions of the group's constitution. The capital structure of the group consists of equity attributed to equity holders of the group, comprising contributed equity, reserves and accumulated losses. By monitoring undiscounted cash flow forecasts and actual cash flows provided to the board by the group's management, the board monitors the need to raise additional equity from the equity markets.

As at 30 June 2022, the group held cash and equivalents of \$1,120,204. The group has put in place measures to reduce all non-critical expenditure.

(b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2022 (2021: nil). The group's franking account balance was nil at 30 June 2022 (2021: nil).

12 Interests in other entities

(a) Subsidiaries

The group's principal subsidiaries at 30 June 2022 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interests held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

12 Interests in other entities (continued)

(a) Subsidiaries (continued)

Name of entity	Place of business/ country of incorporation	Ownership interest held by the group	
		2022 %	2021 %
Sarantis Pty Ltd	Australia	100	100

13 Contingent liabilities

The group had no contingent liabilities at 30 June 2022 (2021: nil).

14 COVID-19 impact on business

Anatara Lifesciences remains committed to its corporate strategy and focused on delivering on its anticipated milestones during the year ahead. However, the Company is actively planning for disruptions that may lead to delays in meeting some of these objectives.

Anatara employees have been able to continue laboratory-based activities and as a result have advanced GaRP to being clinical trial ready. In addition, new bromelain-based formulations were developed for challenge trials in piglets (in-feed) and in poultry.

15 Events occurring after the reporting period

No matter or circumstance has occurred subsequent to year 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.

16 Related party transactions

(a) Subsidiaries

Interests in subsidiaries are set out in note 12(a).

(b) Key management personnel compensation

	2022 \$	2021 \$
Short-term employee benefits	713,543	958,413
Post-employment benefits	72,249	89,556
Long-term benefits	(21,862)	11,393
Share-based payments	62,551	108,485
	<u>826,481</u>	<u>1,167,847</u>

Detailed remuneration disclosures are provided in the remuneration report on pages 8 to 15.

16 Related party transactions (continued)

(c) Transactions with other related parties

During the current financial year, the group engaged a related party (Planet Innovation) for consulting services which amounted to \$28,340 (2021: nil). These transactions were conducted at arm's length.

17 Share-based payments

(a) Executive option plan

The establishment of the 'executive option plan' (EOP) was approved by shareholders at the 2020 annual general meeting. The plan is designed to provide long-term incentives for executives (including directors) to deliver long-term shareholder returns. Participation in the plan is at the board's discretion and no individual has a contractual right to participate in the plan or to receive any guaranteed benefits.

Set out below are summaries of options granted under the plan:

	2022		2021	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
As at 1 July	\$0.48	2,963,704	\$1.33	2,920,412
Granted during the year	\$0.22	2,160,000	\$0.25	2,117,704
Forfeited/lapsed during the year	\$1.78	(246,000)	\$1.45	(1,312,500)
Adjusted during the year	-	-	\$0.23	(761,912)
As at 30 June	\$0.30	4,877,704	\$0.48	2,963,704
Vested and exercisable at 30 June	\$0.36	2,717,704	\$0.48	2,963,704

The forfeited/lapsed options were fully vested before they forfeited/lapsed.

17 Share-based payments (continued)

(a) Executive option plan (continued)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

	Number	Grant date	Vesting date	Expiry date	Exercise price (\$)
Options	200,000	2019-04-10	2020-02-18	2024-02-17	0.7400
Options	200,000	2019-04-10	2019-02-18	2024-02-17	0.7360
Options	200,000	2019-04-10	2021-02-18	2024-02-17	0.7400
Options	617,704	2020-06-22	2020-12-03	2022-12-03	0.2476
Options	1,500,000	2020-11-26	2020-11-26	2023-11-25	0.2500
Options	20,000	2021-08-23	2023-08-23	2025-08-18	0.2256
Options	20,000	2021-08-23	2023-08-23	2025-08-18	0.2256
Options	20,000	2021-08-23	2023-08-23	2025-08-18	0.2256
Options	900,000	2021-11-16	2022-11-16	2025-11-14	0.2226
Options	900,000	2021-11-16	2023-11-16	2025-11-14	0.2226
Options	100,000	2021-11-29	2022-11-25	2025-11-25	0.2030
Options	100,000	2021-11-29	2023-11-25	2025-11-25	0.2030
Options	100,000	2021-11-29	2024-11-25	2025-11-25	0.2030
	<u>4,877,704</u>				
				2022	2021
Weighted average remaining contractual life of options outstanding at end of period				2.75	2.08

(i) Vesting conditions

Vesting condition apply to options granted under the executive option plan (EOP). Shares are not be issued unless the vesting condition is met. The vesting condition generally depends on service periods of the employees or directors. If the vesting condition is not met on the relevant vesting date, the options lapse and the option holders are not issued any shares. The vesting condition that apply to the options offered are set out in the options offer letter and the EOP.

(ii) Fair value of options granted

The value attributed to options issued is an estimate calculated using an appropriate mathematical formula based on an option pricing model. The choice of models and the resultant option value require assumptions to be made in relation to the likelihood and timing of the conversion of the options to shares and the value and volatility of the price of the underlying shares.

Management has assessed the fair value of options determined at grant date, using the Black-Scholes option pricing model that takes into account the exercise price, term of the option, security price at grant date and expected price volatility of the underlying security, the expected dividend yield, the risk-free interest rate for the term of the security and certain probability assumptions.

The model inputs for options granted under EOP during the year ended 30 June 2022 included:

Grant date	Expiry date	Exercise price (\$)	No. of options	Share price at grant date (\$)	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date per option (\$)
2021-08-23	2025-08-18	0.2256	60,000	0.16	72.72%	0.00%	0.12%	0.0695
2021-11-16	2025-11-16	0.2226	1,800,000	0.15	80.00%	0.00%	1.18%	0.0748
2021-11-29	2025-11-25	0.2030	300,000	0.14	80.00%	0.00%	1.14%	0.0708
			<u>2,160,000</u>					

17 Share-based payments (continued)

(b) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the year were as follows:

	2022 \$	2021 \$
Options issued under EOP	71,471	66,806
Performance pay ¹	22,297	50,842
	<u>93,768</u>	<u>117,648</u>

¹ It was agreed that performance pay for selected employees for the year ended 30 June 2022 would be paid in performance rights rather than cash. Performance rights to be issued to employees are long-term incentives under the Executive Option Plan (EOP). However, the performance rights for the current financial year have not been granted as at 30 June 2022.

18 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:

(a) Grant Thornton Audit Pty Ltd

(i) Audit and other assurance services

	2022 \$	2021 \$
Audit and review of financial statements	66,500	58,000
Total remuneration for audit and other assurance services	<u>66,500</u>	<u>58,000</u>

(ii) Taxation services

Tax compliance services	41,835	35,000
Total remuneration for taxation services	<u>41,835</u>	<u>35,000</u>

Total auditor's remuneration	<u>108,335</u>	<u>93,000</u>
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It is the group's policy to employ Grant Thornton Audit Pty Ltd on assignments additional to their statutory audit duties where Grant Thornton Audit Pty Ltd's expertise and experience with the group are important. These assignments are principally tax advice.

19 Loss per share

(a) Basic loss per share

	2022 Cents	2021 Cents
Basic loss per share	<u>(3.56)</u>	(3.18)

(b) Diluted loss per share

	2022 Cents	2021 Cents
Diluted loss per share	<u>(3.56)</u>	(3.18)

(c) Reconciliation of loss used in calculating loss per share

	2022 \$	2021 \$
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Basic and diluted loss per share

Loss attributable to the ordinary equity holders of the company used in calculating loss per share:

From continuing operations

	<u>2,532,293</u>	1,995,874
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(d) Weighted average number of shares used as the denominator

	2022 Number	2021 Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>71,134,813</u>	62,708,190

On the basis of the group's losses, the outstanding options as at 30 June 2022 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

20 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent 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 relation to debts of its subsidiaries in the year ended 30 June 2022 (2021: nil).

(c) Contingent liabilities of the parent entity

The parent entity did not have any contingent liabilities as at 30 June 2022 or 30 June 2021.

(d) Contractual commitments for the acquisition of property, plant or equipment

The parent entity has not entered into any contractual commitments for the acquisition of property, plant or equipment in the year ended 30 June 2022 (2021: nil).

20 Parent entity financial information (continued)

(e) Determining the parent entity financial information

The financial information for the parent entity has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost in the financial statements of Anatara Lifesciences Ltd.

(ii) Tax consolidation legislation

Anatara Lifesciences Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Anatara Lifesciences Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Anatara Lifesciences Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly-owned entities fully compensate Anatara Lifesciences Ltd for any current tax payable assumed and are compensated by Anatara Lifesciences Ltd for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Anatara Lifesciences Ltd under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly-owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

Contents of the summary of significant accounting policies

	Page
(a) Basis of preparation	45
(b) Principles of consolidation	46
(c) Segment reporting	46
(d) Foreign currency translation	46
(e) Government grants	46
(f) Income tax	46
(g) Leases	47
(h) Impairment of non-financial assets	47
(i) Cash and cash equivalents	47
(j) Trade receivables	47
(k) Financial assets	48
(l) Trade and other payables	49
(m) Employee benefits	49
(n) Contributed equity	50
(o) Dividends	50
(p) Loss per share	50
(q) Rounding of amounts	50
(r) Goods and services tax (GST)	51

21 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements to the extent they have not already been disclosed in the other notes above. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Anatara Lifesciences Ltd and its subsidiaries.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. Anatara Lifesciences Ltd is a for-profit entity for the purpose of preparing the financial statements.

(i) Compliance with IFRS

The consolidated financial statements of the Anatara Lifesciences Ltd group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis.

(iii) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business.

As disclosed in the financial statements, the group incurred a loss of \$2,532,293 and had operating cash outflows of \$2,232,876 for the year ended 30 June 2022. As at 30 June 2022, the group's held cash and cash equivalents of \$1,120,204.

In the process of approving the group's internal forecast and business plan for upcoming financial years, the board has considered the cash position of the group within the next 12 months from the date of this report. The group's internal forecast and business plan for the upcoming financial year includes capital raising.

The directors are confident that the company could raise additional capital to meet the group's contractual commitments and working capital requirements. Notwithstanding the uncertainty over either of these events occurring, based on the above considerations the board has assessed the resources and opportunities available to the group, and consequently believe that the group will be able to repay its debts as and when they fall due and are of the opinion that the financial statements have been appropriately prepared on a going concern basis.

In the event that these measures are unsuccessful, there would be a material uncertainty which may cast significant doubt as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

The financial report does not include any adjustments related to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

However, Anatara employees have been able to continue laboratory-based activities and as a result have advanced GaRP to being clinical trial ready. In addition, new bromelain-based formulations were developed for challenge trials in piglets (in-feed) and in poultry.

Following successful completion of the poultry challenge trial testing "Efficacy of ANR-pf on the performance of broilers subject to subclinical and necrotic enteritis challenges" and the piglet challenge trial "BONIFF-SMEC: An in-field practical delivery mechanism for improved weaner piglet performance", Anatara is actively seeking commercial partners.

The spread of Covid-19 has resulted in significant uncertainty around the breadth and duration of business disruptions. Anatara is unable to determine whether it will have a material impact to its operations. However, at this stage the directors do not believe this will impact the going concern of the company.

21 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

(iv) New and amended standards adopted by the group

The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

(b) Principles of consolidation

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has 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 deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

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

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. This has been identified as the chief executive officer and executive chair.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollar (\$), which is Anatara Lifesciences Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains/(losses).

(e) Government grants

Transactions involving government grants received are accounted for by applying AASB 120 Government Grants. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Note 2 provides further information on how the group accounts for government grants.

(f) Income tax

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

21 Summary of significant accounting policies (continued)

(f) Income tax (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting year in the countries where the company and its subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting year and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

With the exception of short-term, low value and immaterial leases, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs).

Payments associated with short-term leases, low value and immaterial leases are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

(h) Impairment of non-financial assets

Intangible 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. The recoverable amount is the higher of an asset's fair value less costs of disposal 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 which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 4(b) for further information about the group's accounting for trade receivables and note 10(b) for a description of the group's impairment policies.

21 Summary of significant accounting policies (continued)

(k) Financial assets

(i) Classification

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated income statement.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the consolidated income statement.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the year in which it arises.

21 Summary of significant accounting policies (continued)

(k) Financial assets (continued)

(iv) Impairment

The group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

(v) Income recognition

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting year. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the year in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting year and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service. Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting year, regardless of when the actual settlement is expected to occur.

(iii) Share-based payments

Share-based compensation benefits are provided to employees via the 'employee option plan' (EOP). Information relating to these schemes is set out in note 17.

Employee options

The fair value of options granted under the EOP is recognised as a share-based payment expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the company's share price)

21 Summary of significant accounting policies (continued)

(m) Employee benefits (continued)

- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the company over a specified time year), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or holdings shares for a specific year of time).

The total expense is recognised over the vesting year, which is the year over which all of the specified vesting conditions are to be satisfied. At the end of each year, the entity revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

Performance rights

Performance pay for selected employees of the group would be paid in performance rights rather than cash, subject to board approval. Performance rights to be issued to employees are long-term incentives under the Executive Option Plan (EOP).

(n) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(o) Dividends

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting year but not distributed at the end of the reporting year.

(p) Loss per share

(i) Basic loss per share

Basic loss per share is calculated by dividing:

- the loss attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted loss per share

Diluted loss per share adjusts the figures used in the determination of basic loss per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(q) Rounding of amounts

The company is of a kind referred to in ASIC Legislative Instrument 2016/191, relating to the 'rounding off' of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the instrument to the nearest dollar.

21 Summary of significant accounting policies (continued)

(r) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 20 to 51 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2022 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 21(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

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



Dr David Brookes
Executive Chair

Melbourne
29 August 2022

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Independent Auditor's Report

To the Members of Anantara Lifesciences Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Anantara Lifesciences Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group 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 2022 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 Group 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 (including Independence Standards)* (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.

Material uncertainty related to going concern

We draw attention to Note 21(a)(iii) in the financial statements, which indicates that the Group incurred a net loss of \$2,532,293 and had operating cash outflows of \$2,232,876 for the year ended 30 June 2022. As at 30 June 2022, the Group held cash and cash equivalents of \$1,120,204. As stated in Note 21(a)(iii), these events or conditions, along with other matters as set forth in Note 21(a)(iii), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

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.

In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Recognition of research and development tax incentive – Notes 2(a)(i), 4(b)(i) and 9(a)	
<p>The Group receives a refundable tax offset 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.</p> <p>Management reviews the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation.</p> <p>The Group recognises R&D tax incentive rebate income on an accrual basis, meaning that a receivable is recorded at the balance date based on the estimated amount that is yet to be received from the Australian Taxation Office for the period 1 July 2021 to 30 June 2022.</p> <p>This area is a key audit matter due to the judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none">• Obtaining the R&D incentive calculations, that have been prepared by management and reviewed by management's expert, and engaging an internal R&D Tax Expert to assist in assessing the reasonableness of the estimate;• Performing a review to ensure that any relevant legislation changes have been appropriately applied;• 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 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 assess whether the expenses included in the estimate are 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;• Testing a sample of expenditure items included in the estimate to supporting documentation to ensure they are 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 Group's annual report for the year ended 30 June 2022 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 Group 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_2020.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 8 to 15 of the Directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Anantara Lifesciences Ltd, for the year ended 30 June 2022 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



T S Jackman
Partner – Audit & Assurance
Melbourne, 29 August 2022