

Anatara Lifesciences Ltd

(formerly known as Anatara Therapeutics Pty Ltd)

ACN 145 239 872

For the year ended 30 June 2013

Contents

	Page
Directors' Report	3
Consolidated Statement of Profit or Loss and Other Comprehensive Income	5
Consolidated Statement of Financial Position	6
Consolidated Statement of Changes in Equity	7
Consolidated Statement of Cash Flows	8
Notes to the Consolidated Financial Statements	9
Director's declaration	21
Independent Auditor's Report	22

Directors' Report

The Directors present their Report together with the financial statements of the consolidated entity, being Anatara Lifesciences Ltd ('the Company' or 'Anatara') and its controlled entities ('the Group') for the year ended 30 June 2013.

Director details

The following persons were directors of Anatara during or since the end of the financial year.

- Dr Melvyn Bridges - Chairman
- Dr David Venables – Chief Executive Officer and Executive Director (commenced 17 February 2014)
- Dr Tracey Mynott – Chief Scientific Officer and Executive Director (resigned 4 August 2014)
- Iain Ross – Non-executive Director (commenced 17 February 2014)
- Tracie Ramsdale (commenced 4 August 2014)
- David (Jay) Hetzel (commenced 4 August 2014)
- Winton Willesee – Non-executive Director (resigned 20 January 2014)
- Lucille Bridges – Executive Director (resigned 4 August 2014)

Principal activities

The principal activities of entities within the Group are to develop oral solutions for gastro-intestinal diseases in animals and in humans.

No significant change in the nature of these activities occurred during the year.

Review of operations and financial results

The Group continued to expend monies in furthering its efforts in developing a non-antibiotic therapy and as a result shows a loss after tax of \$185,394 (2012: \$79,427).

Significant changes in the state of affairs

No significant changes in the Group's state of affairs occurred during the financial year.

Dividends

There were no dividends paid or declared during the year.

Options

At the date of this report there are no options issued or outstanding.

Events arising since the end of the reporting period

The Group has raised \$1.75 million in seed funding post period end. It is also working towards an initial public offering.

On 26 March 2014, the Company changed its name from Anatara Therapeutics Limited to Anatara Lifesciences Ltd. It also converted from a proprietary company to an unlisted public company on 19 February 2014.

On 8 May 2014, the Company resolved to subdivide its existing share capital, i.e 1,500 shares for every one share.

There are no other matters or circumstances that have arisen since the end of the year that have significantly affected or may significantly affect either the Group's operations, the results of those operations or the Group's state of affairs in future financial years.

Likely developments, business strategies and prospects

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the Group.

Environmental legislation

The Group's operations are not subject to any particular or significant environmental regulation under a law of the Commonwealth or of a State or Territory in Australia.

Indemnities given and insurance premiums paid to auditors and officers

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the Group.

Proceedings of 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.

Signed in accordance with a resolution of the directors.



Melvyn Bridges
Chairman

28th day of August 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Revenue			
Research grant		90,000	110,000
Interest income		932	855
Total revenue		<u>90,932</u>	<u>110,855</u>
Overheads			
Research expenses		130,923	145,093
Patent expense		39,989	39,935
Employee benefit and director expenses		50,000	-
Professional fees		3,360	-
Travel and accommodation		49,165	-
Other expenses		2,889	5,254
Total overheads		<u>276,326</u>	<u>190,282</u>
Loss before income tax		<u>(185,394)</u>	<u>(79,427)</u>
Income tax expense	4	-	-
Loss for the year		<u>(185,394)</u>	<u>(79,427)</u>
Other comprehensive income		-	-
Total comprehensive loss for the year		<u><u>(185,394)</u></u>	<u><u>(79,427)</u></u>
Earnings per share:	9		
Basic earnings per share		(129.18)	(58.19)
Diluted earnings per share		(129.18)	(58.19)

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Financial Position

As at 30 June 2013

	Notes	2013 \$	2012 \$
Assets			
Current			
Trade and other receivables		456	1,634
Cash and cash equivalents		66,015	42,937
Other assets		5,830	5,830
Total Current Assets		72,301	50,401
Total Assets		72,301	50,401
Liabilities			
Current			
Trade and other payables		6,997	-
Borrowings – related parties	10	345,959	145,662
Total Current Liabilities		352,956	145,662
Total Liabilities		352,956	145,662
Net Liabilities		(280,655)	(95,261)
Equity			
Share capital	5	1,000	1,000
Accumulated losses		(281,655)	(96,261)
Total Equity		(280,655)	(95,261)

This statement should be read in conjunction with the notes to the financial statements

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Share capital \$	Retained earnings \$	Total equity \$
Balance at 1 July 2011	1,000	(16,834)	(15,834)
Loss for the year	-	(79,427)	(79,427)
Total comprehensive income	-	(79,427)	(79,427)
Balance at 30 June 2012	1,000	(96,261)	(95,261)
Balance at 1 July 2012	1,000	(96,261)	(95,261)
Loss for the year	-	(185,394)	(185,394)
Total comprehensive income	-	(185,394)	(185,394)
Balance at 30 June 2013	1,000	(281,655)	(280,655)

This statement should be read in conjunction with the notes to the financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2013

	Notes	2013 \$	2012 \$
Operating activities			
Payments to suppliers and employees		(178,151)	(87,045)
Interest received		932	855
Net cash from operating activities	7	<u>(177,219)</u>	<u>(86,190)</u>
Financing activities			
Proceeds from related party borrowings		200,297	125,662
Net cash from financing activities		<u>200,297</u>	<u>125,662</u>
Net change in cash and cash equivalents		23,078	39,472
Cash and cash equivalents, beginning of year		42,937	3,465
Cash and cash equivalents, end of year		<u>66,015</u>	<u>42,937</u>

This statement should be read in conjunction with the notes to the financial statements.

Notes to the consolidated financial statements

1 General information and statement of compliance

The consolidated general purpose financial statements of the Group have been prepared in accordance with the requirements of the Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board and to meet the needs of the Directors. Compliance with Australian Accounting Standards results in full compliance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Anatara Lifesciences Ltd is a for-profit entity for the purpose of preparing the financial statements.

Anatara Lifesciences Ltd is a company limited by shares, incorporated and domiciled in Australia. The address of its registered office and its principal place of business is 433 Logan Road, Stones Corner, Brisbane, QLD 4120.

The consolidated financial statements for the year ended 30 June 2013 were approved and authorised for issue by the board of directors on 28 August 2014.

Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs modified by the revaluation of selected non-current assets and financial instruments which fair value basis of accounting has been applied.

Changes in accounting policies

New and amended standards adopted by the group

In the current year the Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting and Standards Board that are relevant to its operations and effective for the current annual reporting period.

The adoption of the new and revised Australian Accounting Standards and Interpretations has had no significant impact on the Group's accounting policies or the amounts reported during the current period or prior period.

Accounting standards issued but not yet effective and not been adopted early by the Group

There are no Standards and Interpretations not yet effective which are expected to have a significant impact on the Group.

2 Summary of accounting policies

2.1 Overall considerations

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below.

The consolidated financial statements have been prepared using the measurement bases specified by Australian Accounting Standards for each type of asset, liability, income and expense. The measurement bases are more fully described in the accounting policies below.

2.2 Basis of consolidation

A controlled entity is any entity that Anatara has the power to control the financial and operating policies of the entity so as to obtain benefits from its activities. In assessing the power to govern, the existence and effect of holdings of actual and potential voting rights are considered.

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 30 June 2013. Subsidiaries are all entities over which the Group has the power to control the financial and operating policies. All subsidiaries have a reporting date of 30 June.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies.

2.3 Going concern

The Group has incurred a net loss for the years ended 30 June 2012 and 30 June 2013, negative operating cash flows from operations and has accumulated losses, therefore material uncertainty exists regarding going concern. The directors have performed a review of the cash flow forecasts and have considered the cash flow needs of the Group. Management expects operating losses and negative cash flows will continue for the foreseeable future and anticipates that expenses will increase from current levels because of additional expenses related to research and development and commercial activities.

In December 2013 to April 2014, Anatara has raised \$1.75 million of seed funding to progress the development of Detach™, its intellectual property, within the Australian market. It intends to raise additional capital to finance the development of Detach™ in Europe and the United States as these markets are much larger and profitable for the Group. In the event that capital is not raised, Anatara will need to seek other sources of funding and adjust its expenses from operations. Given the above matters the Directors consider it appropriate to prepare the financial statements on a going concern basis.

2.4 Foreign currency translation

Functional and presentation currency

The consolidated financial statements are presented in Australian dollars (AUD), which is also the functional currency of the parent company.

Foreign currency transactions and balances

Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-measurement of monetary items at year end exchange rates are recognised in profit or loss.

2.5 Segment reporting

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

2.6 Revenue

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

2.7 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin. Expenditure for warranties is recognised and charged against the associated provision when the related revenue is recognised.

2.8 Financial instruments

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

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

Classification and subsequent measurement of financial liabilities

The Group's financial liabilities include borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at FVTPL, that are carried subsequently at fair value with gains or losses recognised in profit or loss. All derivative financial instruments that are not designated and effective as hedging instruments are accounted for at FVTPL.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

2.9 Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

The income tax expense or revenue for the period is the tax payable on the current period'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.

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 financial statements. However, the deferred income tax is 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 either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date 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 for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

2.10 Share-based employee remuneration

All goods and services received in exchange for the grant of any share-based payment are measured at their fair values. Where personnel are rewarded using share-based payments, the fair values of personnel's services are determined indirectly by reference to the fair value of the equity instruments granted. This fair value is appraised at the grant date and excludes the impact of non-market vesting conditions (for example profitability and sales growth targets and performance conditions).

All share-based remuneration is ultimately recognised as an expense in profit or loss with a corresponding credit to equity. If vesting periods or other vesting conditions apply, the expense is allocated over the vesting period, based on the best available estimate of the number of instruments expected to vest.

2.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.12 Equity

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits.

2.13 Provisions, contingent liabilities and contingent assets

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of amounts required to settle the obligation at the end of the reporting period.

2.14 Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST components of investing and financing activities, which are disclosed as operating cash flows.

2.15 Significant management judgement in applying accounting policies

When preparing the financial statements, management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

Significant management judgement

The following are significant management judgements in applying the accounting policies of the Group that have the most significant effect on the financial statements.

Recognition of deferred tax assets

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

Valuation of purchased intellectual property rights

Management assessed that at the time of purchase, the rights attached to the animal application of the intellectual property were negligible due to its stage of development.

Valuation of shares in the relation to the share based payment

Management assessed that at the time the shares were issued the value of the consideration, being the value of the shares of the company was negligible as the intellectual property underpinning the value of the company was in very early stages of development.

3 Segment reporting

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

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

4 Income tax expense

The major components of tax expense and the reconciliation of the expected tax expense based on the domestic effective tax rate of the Group at 30% (2012: 30%) and the reported tax expense in profit or loss are as follows:

	2013	2012
	\$	\$
Reconciliation of income tax expense to prima facie tax expense		
Profit/(loss) before tax	(185,394)	(79,427)
Tax at the applicable Australian domestic tax rate of 30%	(55,618)	(23,828)
Tax losses not brought to account	55,618	23,828
Actual tax expense (income)	-	-
Tax losses and temporary differences		
Unused tax losses and temporary differences for which no deferred tax asset has been recognised	79,771	24,153

Deferred income tax benefits

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

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

5 Equity

5.1 Share capital

The share capital of Anatara consists only of fully paid ordinary shares, the shares do not have a par value. All shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Anatara.

	Note	2013 No of shares	2013 \$	2012 No of shares	2012 \$
Shares issued and fully paid:					
Beginning of the year		1,365	1,000	1,365	1,000
Purchase of intellectual property rights on 30 April 2013	6.1	120	-	-	-
Issued under share-based payments on 30 April 2013	6.2	300	-	-	-
End of the year		<u>1,785</u>	<u>1,000</u>	<u>1,365</u>	<u>1,000</u>

6 Share based payments

6.1 Purchase of intellectual property rights

In April 2013, Anatara purchased the rights related with the animal application of current intellectual property from Parma Therapeutics Pty Ltd. Given the early stage of development, management assessed that these rights did not carry any value.

Details are as follows

Date of issue:	30 April 2013.
Number of shares issued:	120 fully paid ordinary shares
Issue price:	Nil
Total value of shares issued:	Nil
Determination of fair value:	fair value of the intellectual property rights

6.2 Payment of consulting costs

Concurrently, shares were also issued to key management personnel for their efforts in relation to managing the day to day affairs and in determining the strategy of the Group. The value of expenses recognised is Nil as the fair value of the consideration, being the fair value of the shares of the Group was negligible given the early stage of development of the intellectual property.

Details are as follows

Date of issue:	30 April 2013.
Number of shares issued:	300 fully paid ordinary shares
Issue price:	Nil
Total value of shares issued:	Nil
Determination of fair value:	fair value of the Group at the date of issue

7 Reconciliation of cash flows from operating activities

	2013	2012
	\$	\$
Cash flows from operating activities		
Profit for the period	(185,394)	(79,427)
Net changes in working capital:		
Change in trade and other receivables	1,178	(933)
Change in other assets	-	(5,830)
Change in trade and other payables	6,997	-
Net cash from operating activities	(177,219)	(86,190)

8 Auditor remuneration

	2013	2012
	\$	\$
Audit and review of financial statements		
Audit of the financial statement	6,000	3,000
Other services	4,000	4,000
Total auditor's remuneration	10,000	7,000
Tax services	2,500	-
Total remuneration paid to Grant Thornton	12,500	7,000

9 Earnings per share and dividends

9.1 Earnings per share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of Anatara as the numerator, i.e. no adjustments to profit were necessary in 2012 or 2013.

The reconciliation of the weighted average number of shares for the purposes of diluted earnings per share to the weighted average number of ordinary shares used in the calculation of basic earnings per share is as follows:

	2013	2012
Weighted average number of shares used in basic earnings per share	1,435	1,365
Shares deemed to be issued for no consideration in respect of share based payments	-	-
Weighted average number of shares used in diluted earnings per share	1,435	1,365

10 Related party transactions

The Group's related parties include its key management/shareholders as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions and no guarantees were given or received. Outstanding balances are usually settled in cash.

10.1 Key management personnel compensation

The following table details the compensation received by key management personnel, whom are the directors and shareholders of the Group.

	2013	2013	2012	2012
	No. of	\$	No. of	\$
	shares		shares	
Short term benefits				
- Fees – Dr Tracey Mynott	-	50,000	-	-
Share based payments	300	-	-	-
Total remuneration	300	50,000	-	-

10.2 Transactions with related parties

The Group met its commitments through funding provided by director-related entities as follows

	Balance	Funding	Balance	Funding	Balance
	at 1 July	provided	at 30	provided	at 30
	2011	during	June 2012	during	June 2013
		2012		2013	
Parma Corporation Pty Ltd	-	123,662	123,662	200,297	323,959
Azelea Consulting Pty Ltd	20,000	2,000	22,000	-	22,000
Total	20,000	125,662	145,662	200,297	345,959

Parma Corporation Pty Ltd is a related entity of Dr Melvyn Bridges and Azelea Consulting Pty Ltd is a related entity of Mr mi Willesee. The loans are current and are not interest bearing. After the reporting date, on April 2014, these loans converted to equity i.e. 215 fully paid ordinary shares.

10.3 Shares held by key management personnel

The number of ordinary shares in the Company during the 2013 and 2012 reporting periods by each of the key management personnel of the Group, including their related parties is set out below:

Year ended 30 June 2013

	Balance at	Granted as	Other	Held at the
	start of year	remuneration	changes	end of the
				year
Dr Melvyn Bridges	400	-	-	450
Dr David Venables	-	150	-	150
Dr Tracey Mynott	665	-	-	665
Iain Ross	-	150	-	150
Winton Willesee	250	-	-	250
Parma Therapeutics Pty Ltd [#]	-	-	120	120
	1,365	300	120	1,785

[#]Parma Therapeutics Pty Ltd is partially owned by Dr Melvyn Bridges and Dr Tracey Mynott.

Year ended 30 June 2012

	Balance at start of year	Granted as remuneration	Other changes	Held at the end of the year
Dr Melvyn Bridges	400	-	-	400
Dr Tracey Mynott	665	-	-	665
Winton Willesee	250	-	-	250
	1,365	-	-	1,365

11 Contingent assets and contingent liabilities

Contingent liabilities relate to amounts payable to the former vendors of the intellectual property which is payable upon the disposal of the intellectual property or from product sales of \$5million to \$10million. The amount contingent is up to \$750,000.

12 Financial instrument risk

12.1 Risk management objectives and policies

The Group's principal financial instrument is cash and cash equivalents and borrowings – related party.

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

12.2 Liquidity risk analysis

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

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

	2013		2012	
	Current		Current	
	Within 6 months	6 to 12 months	Within 6 months	6 to 12 months
30 June 2013	\$	\$	\$	\$
Trade and other payables	6,997	-	-	-
Borrowings – related party	-	345,959	-	145,662
Total	6,997	345,959	-	145,662

12.3 Interest rate risk

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

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

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

	Non- interest bearing	Floating interest rates	Effect on profit	
			10% of current rate	-10% of current rate
As at 30 June 2013	\$	\$	\$	\$
Financial assets				
Loans and receivables				
- Trade and other receivables	456	-	-	-
- Cash and cash equivalents	-	66,015	231	(231)
Financial liabilities, amortised cost				
Borrowings	(345,959)	-	-	-
Trade and other payables	(6,997)	-	-	-
Total	(352,500)	66,015	231	(231)
As at 30 June 2012				
Financial assets				
Loans and receivables				
- Trade and other receivables	1,634	-	-	-
- Cash and cash equivalents	-	42,937	150	(150)
Financial liabilities, amortised cost				
Borrowings	(145,662)	-	-	-
Total	(144,028)	42,937	231	(231)

A sensitivity of 10% of current prevailing interest rates has been selected as this is considered conservative and reasonable given the current level of both short term and long term Australian interest rates. A 10% sensitivity would move short term rates from 3.50% to approximately 3.85% representing a 35 basis points shift. This would represent 1 - 2 interest rate increases, which are reasonably possible in the current environment.

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

12.4 Foreign Exchange Risk

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The Group's foreign transactions are immaterial during the year and it is not exposed to foreign currency risk.

12.5 Credit Risk

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

13 Capital management policies and procedures

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

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

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

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

No dividends were paid in 2013 and no dividends are expected to be paid in 2014.

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

14 Parent entity information

Information relating to Anatara ('the parent entity')

	2013	2012
	\$	\$
Statement of financial position		
Current assets	71,770	49,721
Total assets	71,770	49,721
Current liabilities	330,956	123,662
Total liabilities	330,956	123,662
Issued capital	1,000	1,000
Retained earnings	(260,186)	(74,941)
	<u>(259,186)</u>	<u>(73,941)</u>
Statement of profit or loss and other comprehensive income		
Profit for the year	(185,245)	(73,601)
Other comprehensive income	-	-
Total comprehensive income	<u>(185,245)</u>	<u>(73,601)</u>

The parent entity has not entered into a deed of cross guarantee nor are there any contingent liabilities at the year end.

15 Post-reporting date events

During December 2013 to April 2014, the Group has raised \$1.75 million in seed funding. It is also working towards an initial public offering.

On 26 March 2014, the Company changed its name from Anatara Therapeutics Limited to Anatara Lifesciences Ltd. It also converted from a proprietary company to an unlisted public company on 19 February 2014.

On 8 May 2014, the Company resolved to subdivide its existing share capital, i.e 1,500 shares for every one share.

Directors' declaration

- 1 In the opinion of the directors of Anatara Lifesciences Ltd:
 - a the consolidated financial statements and notes of Anatara Lifesciences Ltd
 - i give a true and fair view of its financial position as at 30 June 2013 and of its performance for the financial year ended on that date; and
 - ii comply with Australian Accounting Standards (including the Australian Accounting Interpretations); and
 - b there are reasonable grounds to believe that Anatara Lifesciences Ltd will be able to pay its debts as and when they become due and payable.
- 2 Note 1 confirms that the consolidated financial statements also comply with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Director
Melvyn Bridges

Dated the 28th day of August 2014

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report To the Members of Anantara Lifesciences Ltd

We have audited the accompanying financial report of Anantara Lifesciences Ltd (the “Company”), which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Directors of the consolidated entity comprising the Company and the entities it controlled at the year’s end or from time to time during the financial year.

Responsibility of the Directors for the financial report

The Directors of the Company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards. This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements and notes, comply with International Financial Reporting Standards.

Auditor’s responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards which require us to comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor’s judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

**Grant Thornton Audit Pty Ltd ACN 130 913 594
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389**

‘Grant Thornton’ refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton Australia Ltd is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate one another and are not liable for one another’s acts or omissions. In the Australian context only, the use of the term ‘Grant Thornton’ may refer to Grant Thornton Australia Limited ABN 41 127 556 389 and its Australian subsidiaries and related entities. GTIL is not an Australian related entity to Grant Thornton Australia Limited.

Liability limited by a scheme approved under Professional Standards Legislation. Liability is limited in those States where a current scheme applies.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion,

- a the financial report of Anantara Lifesciences Ltd
 - i presents fairly, in all material respects, the consolidated entity's financial position as at 30 June 2013 and of its performance and cash flows for the year then ended ; and
 - ii complies with Australian Accounting Standards; and
- b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2.3 in the financial report which indicates that the consolidated entity incurred a net loss of \$185,394 during the year ended 30 June 2013 and its cash outflows from operating activities equates to \$177,219. These conditions, along with other matters as set forth in Note 2.3, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 28 August 2014