

Anatara Lifesciences Ltd

Appendix 4D

Half-year Report

31 December 2017

Name of entity
Anatara Lifesciences Ltd

ABN or equivalent company
reference

ACN 145 239 872

Half-year

31 December 2017
(Previous corresponding period: 31
December 2016)

Results for announcement to the market

				\$
Revenue from ordinary activities	Down	25.1%	to	124,629
Net loss after tax (from ordinary activities) for the period attributable to members	Up	325.1%	to	1,710,161
Net loss for the period attributable to members	Up	325.1%	to	1,710,161
		31 December 2017		31 December 2016
Net tangible assets		10,393,183		13,212,354
No. of shares		49,413,236		49,413,236
Net asset backing (per share)		0.21		0.27

Distributions

	Amount per security	Franked amount per security
Interim dividend (per share)	-	-
Final dividend (per share)	-	-
Franking	-	-

Explanation of results

Refer to the Directors' Report - Review of Operations.

Changes in controlled entities

N/A

Other information required by Listing Rule 4.2A

N/A

Anatara Lifesciences Ltd

ACN 145 239 872

Interim report for the half-year 31 December 2017

Anatara Lifesciences Ltd ACN 145 239 872
Interim report - 31 December 2017

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Directors' report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Anatara Lifesciences Ltd and the entities it controlled at the end of, or during, the half-year 31 December 2017.

Directors

The following persons held office as directors of Anatara Lifesciences Ltd during the financial period:

Dr Melvyn Bridges, Chairman and CEO
Mr Iain Ross, Non-Executive Director
Dr Jay Hetzel, Non-Executive Director
Dr Tracie Ramsdale, Non-Executive Director
Mr Paul Grujic, Non-Executive Director

Principal activities

The Company is an Australian listed entity that focuses on developing oral solutions for gastrointestinal diseases in production animals and humans and the development and commercialisation of Detach[®], a non-antibiotic that aids in the control of diarrhoea (also known as scour) in piglets.

Dividends

No dividends have been paid during the financial period. The directors do not recommend that a dividend be paid in respect of the interim financial period (2016: \$nil).

Review of operations and financial results

The Company continued to expend monies in furthering its effort in developing a non-antibiotic therapy and as a result shows a loss after tax of \$1,710,161 for the interim period (2016: \$402,285).

During the half year to 31 December 2017, the Company made significant steps towards taking its first product, Detach[®], to market, while turning an eye to the future with the advancement of its potential human therapeutic pipeline.

Zoetis licensing option

On 21 August 2017, Anatara announced that global animal health company, Zoetis Inc, had exercised its option to negotiate a commercial agreement for the worldwide development, distribution and marketing of Detach[®]. The licensing negotiations follow an Exclusive Research Evaluation and License Option period (announced 18 January 2016), during which time Zoetis completed a preliminary evaluation of Detach[®] as a non-antibiotic approach to help control scours in certain livestock species. Negotiations are well underway and may take some months to complete, with no guarantee that a transaction will be completed.

APVMA approval and product application

Following the submission of the Company's application in October 2016 to register its lead gastrointestinal treatment, Detach[®], for marketing approval with the Australian Pesticides and Veterinary Medicines Authority (APVMA), the application remained under review during the period. In preparation for market launch, the Company established an experienced veterinary team, specifically focused on successfully propelling Detach[®] into the anti-diarrhoeal therapeutic pig market.

The team has developed a proprietary dosing device for the optimal delivery of Detach[®] by pig farmers. The system is currently being used in the field to ensure it provides the best possible experience for the farmer. Further to this, the company received \$100,000 from the Queensland Government's Ignite Ideas Grant funding program in October 2017 to support the commercial rollout of Detach[®].

Review of operations and financial results (continued)

Industry relationships

The Company has been focused on building market awareness within the Australian pork industry, with Dr Trish Holyoake (consulting veterinarian) and Anatara's Chief Scientific Officer, Dr Tracey Mynott, presenting a poster at the 2017 Australasian Pig Science Association (APSA) Conference in Melbourne in November 2017. The poster highlighted the comparable efficacy of a single dose of Anatara's Detach[®] product to in-feed Zinc Oxide (ZnO) in reducing diarrhoea and antibiotic treatments in post-weaning piglets. These results are significant given the global push to remove ZnO from the food chain.

In September 2017, the Company extended the expiry date of 250,000 Options by 12 months that had been issued to the Pork Cooperative Research Centre (Pork CRC) in 2015. The relationship with the Pork CRC enables Anatara to work closely with key players in the Australian pork industry and extending the Option period provided the CRC with further incentive to share in the upside of Anatara's commercial success.

Regulatory affairs

During the reporting period the Anatara team has continued to progress the regulatory filing of Detach[®] in the USA. The documents required to finalise the Human Food Safety technical section were completed and submitted which this month, resulted in the FDA approval of this critical component of the Detach[®] new animal drug application (NADA). As with previous years, the Company has secured a fee waiver from the FDA, as well as small-to-medium-enterprise (SME) status for the EU, thereby substantially reducing registration costs in both jurisdictions.

Investor outreach

We were pleased to continue an active market awareness program during the period, delivering roadshow presentations directly to institutional investors in Sydney and Melbourne in October 2017, as well as featuring on CommSec's Executive Series program, and providing market updates to investment groups such as the Brisbane Angels.

In July 2017, the equity research team at PAC Partners initiated analyst coverage on the Company, with a Buy rating and price target of \$1.36/share. The group continues to cover the stock, with their most recent client note upgrading the price target to \$2.00/share. Shane Storey, Senior Research Analyst with Wilsons Advisory continued to cover Anatara during the period, upgrading his price target in August 2017 to \$2.00/share. Stuart Roberts of NDF Research also covers Anatara and has a current price target of \$4.00/share.

The Company's share price remains strong, with 73% of gains during the half-year period, lifting from \$1.00 to \$1.73 by the end of December 2017.

Commercial focus

Our priority lies with commercialising livestock applications for Detach[®], however with the pending Australian APVMA registration and Zoetis negotiations, the team is increasing its focus on pursuing applications for our technology in the lucrative human health market.

Initially focussed on developing proprietary, bromelain-based medical foods and/or dietary supplements for the management of diarrhoea associated with gastrointestinal disorders, the Company plans to leverage the strong preclinical data obtained through Detach[®] livestock studies during the human development process. Anatara is preparing to undertake proof of concept studies in relevant models, with the longer-term view to conducting human clinical studies to support efficacy claims.

Significant changes in the state of affairs

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

Anatara Lifesciences Ltd
Directors' report
For the half year 31 December 2017
(continued)

Matters subsequent to the end of the financial year

On 18 January 2018, the Company received \$1,230,329 from the Australian Taxation Office under the Federal Government's R&D Tax Incentive scheme.

No other matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect:

- (a) the Group's operations in future financial periods, or
- (b) the results of those operations in future financial periods, or
- (c) the Group's state of affairs in future financial periods.

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 4.

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



Dr Mel Bridges
Executive Chairman

Brisbane, Queensland

Dated: This the 21st Day of February 2018.

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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 half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 21 February 2018

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Anatara Lifesciences Ltd
Consolidated statement of profit or loss and other comprehensive income
For the half-year 31 December 2017

		31 December	31 December
		2017	2016
	Notes	\$	\$
Interest received	6	124,629	166,423
Other income	6	852,698	1,936,105
Expenses from operating activities			
Depreciation and amortisation expense		(10,380)	(6,357)
Research and development expenses		(558,394)	(773,554)
Patent expenses		(23,068)	(59,897)
Consultancy expenses		(328,711)	(331,124)
Staff expenses		(1,433,402)	(1,010,649)
Travel and accommodation		(168,435)	(137,189)
ASX and share registry fees		(49,273)	(55,617)
Other expenses		(115,825)	(130,426)
Loss before income tax		(1,710,161)	(402,285)
Income tax expense		-	-
Loss for the period		(1,710,161)	(402,285)
Other comprehensive income for the period, net of tax		-	-
Total comprehensive loss for the period		(1,710,161)	(402,285)
		Cents	Cents
Loss per share:			
Basic loss per share	7	(3.46)	(0.81)
Diluted loss per share	7	(3.46)	(0.81)

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 31 December 2017

	31 December	30 June
	2017	2017
Notes	\$	\$
ASSETS		
Current assets		
Cash and cash equivalents	2,445,405	8,766,869
Other receivables	2,103,611	1,331,684
Financial assets - term deposits	6,092,068	2,093,166
Other current assets	123,224	83,926
Total current assets	10,764,308	12,275,645
Non-current assets		
Property, plant and equipment	38,096	40,932
Total non-current assets	38,096	40,932
Total assets	10,802,404	12,316,577
LIABILITIES		
Current liabilities		
Trade and other payables	296,744	197,794
Employee entitlements	112,477	97,644
Total current liabilities	409,221	295,438
Total liabilities	409,221	295,438
Net assets	10,393,183	12,021,139
EQUITY		
Contributed equity	8 16,941,392	16,941,392
Other reserves	9 530,627	448,422
Retained earnings	(7,078,836)	(5,368,675)
Total equity	10,393,183	12,021,139

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

Anatara Lifesciences Ltd
Consolidated statement of changes in equity
For the half-year 31 December 2017

	Share capital \$	Share-based payment reserves \$	Accumulated losses \$	Total \$
Balance at 1 July 2016	16,941,392	197,624	(3,663,673)	13,475,343
Loss for the period	-	-	(402,285)	(402,285)
Transactions with owners in their capacity as owners:				
Share-based payment expense	-	139,296	-	139,296
Balance at 31 December 2016	16,941,392	336,920	(4,065,958)	13,212,354
Balance at 1 July 2017	16,941,392	448,422	(5,368,675)	12,021,139
Loss for the period	-	-	(1,710,161)	(1,710,161)
Transactions with owners in their capacity as owners:				
Share-based payment expense	9	82,205	-	82,205
Balance at 31 December 2017	16,941,392	530,627	(7,078,836)	10,393,183

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 half-year 31 December 2017

	31 December	31 December
	2017	2016
Notes	\$	\$
Payments to suppliers and employees	(2,520,418)	(2,633,219)
Interest received	124,918	166,423
Research and development tax incentive and other grants	81,580	420,459
Net cash inflow (outflow) from operating activities	(2,313,920)	<u>(2,046,337)</u>
Cash flows from investing activities		
Payments for purchases of plant and equipment	(7,544)	(9,420)
Withdrawal/(investment) from/(in) term deposits	(4,000,000)	1,582,209
Net cash (outflow) inflow from investing activities	(4,007,544)	<u>1,572,789</u>
Net cash inflow (outflow) from financing activities	<u>-</u>	<u>-</u>
Net (decrease) in cash and cash equivalents	(6,321,464)	(473,548)
Cash and cash equivalents at the beginning of the financial year	8,766,869	6,387,041
Cash and cash equivalents at end of period	2,445,405	<u>5,913,493</u>

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

1 Nature of operations

Anatara Lifesciences Ltd and its controlled entity ('the Group') principal activities are to develop oral solutions for gastro-intestinal diseases in animals and in humans.

2 General information and basis of preparation

Anatara Lifesciences Ltd listed on the Australian Securities Exchange on 16 October 2014.

The condensed interim consolidated financial statements (the interim financial statements) of the Group are for the six months ended 31 December 2017 and are presented in Australian dollars (\$), which is the functional currency of the parent company. These general purpose interim financial statements have been prepared in accordance with the requirements of Corporations Act 2001 and AASB 134 Interim Financial Reporting. They do not include all of the information required in annual financial statements in accordance with Australian Accounting Standards, and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2017 and any public announcements made by the Group during the half-year in accordance with continuous disclosure requirements arising under the Australian Securities Exchange Listing Rules and the Corporations Act 2001.

The interim financial statements have been approved and authorised for issue by the board of directors on 19 February 2017.

3 Estimates

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2017.

4 Significant accounting policies

The interim financial statements have been prepared in accordance with the accounting policies adopted in the Group's last annual financial statements for the year ended 30 June 2017.

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.

Anatara Lifesciences Ltd
Notes to the consolidated financial statements
For the half year 31 December 2017
(continued)

6 Revenue

	31 December 2017	31 December 2016
	\$	\$
Revenue		
Interest received	<u>124,629</u>	166,423
Other income		
R&D tax incentive	771,118	1,936,105
Other grants	<u>81,580</u>	-
	<u>852,698</u>	1,936,105

7 Loss per share

Both the basic and diluted loss per share have been calculated using the profit attributable to shareholders of Anatara as the numerator, i.e. no adjustments to profits were necessary during the six months period to 31 December 2017 and 2016.

The weighted average number of shares for the purposes of the calculation of diluted loss per share has not been adjusted, as share options on issue are antidilutive.

(a) Basic loss per share

	31 December 2017	31 December 2016
	Cents	Cents
Basic loss per share	(3.46)	(0.81)
Diluted loss per share	(3.46)	(0.81)

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

	31 December 2017	31 December 2016
	\$	\$
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share:		
Net loss used in the calculation of basic and diluted loss per share	<u>(1,710,161)</u>	(402,285)

(c) Weighted average number of shares used as denominator

	31 December 2017	31 December 2016
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	<u>49,413,236</u>	49,413,236

Anatara Lifesciences Ltd
Notes to the consolidated financial statements
For the half year 31 December 2017
(continued)

8 Contributed equity

(a) Share capital

	31 December 2017	30 June 2017	31 December 2017	30 June 2017
	No. of shares	No. of shares	\$	\$
Ordinary shares				
Ordinary shares - fully paid	49,413,236	49,413,236	16,941,392	16,941,392

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of 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.

9 Share-based payments

	2017 Options	2017 \$
Share-based payment reserve		
Opening balance at 1 July	2,400,000	448,422
Options issued during the period	36,000	1,608
Share-based payment expenses	-	80,597
Closing balance at 31 December	<u>2,436,000</u>	<u>530,627</u>

Details of options issued during the period:

Date	Details	No.	Share-based payment expense \$
28/11/17	Issue of options to an employee at exercise price of \$2.27 per share	36,000	1,608
	Total movements	36,000	1,608

The general terms and conditions of the options were:

- No dividends or voting rights attached
- Exercise price set at a premium to share price at date of entitlement
- Subject to vesting periods
- All shares allotted upon exercise of options will upon allotment rank pari passu in all respects with other shares

10 Net tangible assets

	31 December 2017	31 December 2016
Net tangible assets	10,393,183	13,212,354
No. of shares	49,413,236	49,413,236
Net asset backing (per share)	0.21	0.27

11 Dividends

No dividends were declared or paid during the half year period ended 31 December 2017 (2016: Nil).

12 Events occurring after the reporting period

On 18 January 2018, the Company received \$1,230,329 from the Australian Taxation Office under the Federal Government's R&D Tax Incentive scheme.

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

Anatara Lifesciences Ltd
Directors' declaration
31 December 2017

In the directors' opinion:

- (a) the interim financial statements and notes set out on pages 5 to 12 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with AASB 134 *Interim Financial Reporting*, 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 31 December 2017 and of its performance for the half-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.

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



Dr Mel Bridges
Executive Chairman

Brisbane, Queensland

Dated: This the 21st Day of February 2018.

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Independent Auditor's Review Report to the Members of Anatarata Lifesciences Ltd

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Anatarata Lifesciences Ltd (the Company), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Anatarata Lifesciences Ltd does not give a true and fair view of the financial position of the Company as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Anantara Lifesciences Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M A Cunningham
Partner - Audit & Assurance

Melbourne, 21 February 2018

Anatara Lifesciences Ltd
Corporate directory

Directors

Dr Melvyn Bridges
Chairman and CEO

Mr Iain Ross
Non-Executive Director

Dr Jay Hetzel
Non-Executive Director

Dr Tracie Ramsdale
Non-Executive Director

Mr Paul Grujic
Non-Executive Director

Secretary

Mr Stephen Denaro

Principal registered office in Australia

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Share and debenture register

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