ANATARA LIFESCIENCES

ASX Release

Minor Correction to 2017 Annual Report

BRISBANE, 4th October 2017: Anatara Lifesciences (ASX:ANR) has made minor corrections to the vesting and expiry dates of the Option holdings in the 2017 Annual Report which was released to market on 29 September 2017.

An updated copy of the 2017 Annual Report is attached.

For more information please contact:

General inquiries	**Media inquiries**
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About Anatara Lifesciences
Anatara Lifesciences is developing therapeutics for gastrointestinal diseases in production animals and humans. Its lead product Detach® is a natural plant based product that will help address global concerns around the overuse of antibiotics in production animals that is contributing to the rise of so-called "super bugs" that make infectious diseases harder to treat. The Anatara team has a strong track record in biological science as well as building and growing international biotech companies.

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ANATARA
LIFESCIENCES

ANNUAL REPORT
2017

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Chairman and CEO's Report

Dear Shareholders,

On behalf of the Anatara Board I am pleased to present our 2017 Annual Report. The 2016-17 financial year saw the Company achieve several major milestones in readying our lead product Detach® for market launch.

The macro-environment continues to strengthen our cause, as the global issue of antibiotic resistance gains momentum on an international scale and consumer demand for antibiotic free meat continues to grow at a rapid pace. As a result, the need for a non-antibiotic product like Detach®, which will assist pork producers to control scour (diarrhoea) in their piglets, is becoming even more critical.

The US's biggest food players continued to make progress toward ending routine antibiotic use, with many new initiatives within the last year. Kentucky Fried Chicken was the latest large restaurant chain to announce that it would discontinue purchasing chicken treated with antibiotics used in humans by 2018. Globally, the fast-food retailer McDonald's group is forging ahead with its plans to start curbing the use of important human antibiotics in its worldwide chicken supply. From January 2018, "highest priority critically important antimicrobials" (HPCIAs) will be removed from McDonald's chickens in Brazil, Canada, Japan, South Korea, the United States and Europe, with Australian and Russian suppliers following suit by the end of 2019.

Furthermore, in June 2017, after much debate, the European Commission's EMA Veterinary Committee handed down its final decision on the use of zinc oxide in feed. Zinc oxide is used widely across the European Union (EU) to prevent and control post-weaning diarrhoea (PWD) in young pigs. An estimated 70-90% of diets for young pigs in the UK contain zinc oxide at therapeutic levels[1].

The Committee has now confirmed an EU-wide ban on the use of zinc oxide at medicinal levels in piglet feed, giving member states a maximum of five years to phase it out. This ban will necessitate the introduction of alternative products to aid in the control of diarrhoea in piglets.

APVMA submission

One of our most significant achievements this past financial year was the submission of the Detach® registration application dossier to the Australian Pesticides and Veterinary Medicines Authority (APVMA). The dossier was filed on 1 October 2016 and is currently under review by the APVMA. Once approved, we will have the green light to make Detach® available to Australian farmers to aid in the control of diarrhoea in their piglets.

Zoetis licensing option

As we ended the FY16/17 and entered the new financial year, we were delighted to announce that Anatara had entered into negotiations for the worldwide development, distribution and marketing of Detach® with global animal health company, Zoetis Inc. Zoetis' interest in a commercial agreement follows their preliminary evaluation of Detach® as a non-antibiotic approach to aid in the control of scour in certain livestock. Whilst we expect negotiations will take some months to complete, this is an extremely positive development for Anatara.

Commercial readiness

In tandem with the Zoetis evaluation of Detach® for international distribution, we have been advancing our plans to launch the product in Australia. Our work in this area is well progressed, ensuring we are ready to go to market as soon as we receive regulatory approval. The appointment in July 2017 of Dr Tim Ahern as Product Manager has been of enormous benefit in this process as Tim brings valuable insight into product positioning and launch strategy to ensure we will effectively reach our core target markets.

In addition, much preparatory work has been undertaken in mapping the regulatory routes for the launch of Detach® into key Asian markets, which currently provide a considerable share of the world's pork production. Whilst in Europe, we received confirmation from the European Medicines Agency's (EMA) Committee for Medicinal Products for Veterinary Use, that bromelain (the active pharmaceutical ingredient in Detach® was a non-toxic substance that can safely be used as a therapeutic in pigs. This is a very significant outcome for Anatara as it confirms the safety of Detach® in its target animal species.

[1] Driver, A, 21 June 2017, Member states given five years to ban zinc oxide, Pig World www.pig-world.co.uk

Human applications

Whilst our immediate focus remains the global pork industry, we are continuing to progress plans for developing applications to address gastrointestinal diseases in humans. We have increased our focus on research and development with a recently expanded R&D team and the opening of a research facility in Melbourne. This will ensure we remain at the very forefront of bromelain research and product development. In addition, our research and development collaboration with La Trobe's Institute for Molecular Science (LIMS) is a continued focus and was further boosted by grant funding of $315,000 under the Science and Industry Endowment Fund' s STEM+ Business Fellowship Program.

Investor relations

We were pleased to continue an active market awareness program during the year, delivering presentations at several key retail investment conferences and directly to institutional investors. We also presented to various investment groups, such as the supportive Brisbane Investors Group, the Queensland Investors Club and the Brisbane Angels and are grateful for the ongoing support of our shareholders.

Several respected and prominent analysts produced research reports on the Company during the period. Shane Storey, Senior Research Analyst with Wilsons Advisory continues to cover Anatara and recently upgraded his price target, following the announcement that Anatara had moved to negotiate a commercial agreement with Zoetis. Paul Jensz, Head of Research with PAC Partners initiated coverage during the period, providing a buy rating, as well as increasing his price target last month. Finally, Stuart Roberts of NDF Research commenced coverage of the Company and in January 2017, released an initiation report with a target price of $4.00.

On behalf of my fellow directors, I thank Anatara's shareholders for their support throughout the year. We look forward to seeing those shareholders who can join us at the Anatara AGM at 11am on Monday, 13 November 2017 at the offices of McCullough Robertson, Level 11, 66 Eagle Street, Brisbane.

Looking forward...

The global threat of antibiotic resistance continues to gain headlines and the demand for immediate action to reduce the use of antibiotics in livestock production grows at a rapid pace.

At the time of writing, a group of leading physicians, veterinarians and other experts in the U.S. released a policy roadmap that outlines key steps America can take in food-animal production to help tackle the global crisis of antibiotic resistance. The report titled *Combating Antibiotic Resistance: A Policy Roadmap to Reduce Use of Medically Important Antibiotics in Livestock* outlines key policy recommendations to help move the U.S. forward in addressing the contribution of livestock antibiotic use to the growing global threat of antibiotic resistance.

The concern around the use of antibiotics in farming is now under scrutiny by the wider financial community, with AMP Capital releasing a whitepaper in May 2017, on antibiotic-resistance as an earnings risk to global food companies. In the paper *Is Factory Farming Making Us Sick*? AMP Capital anticipates that as a result of the growing concern about the link between antibiotic resistance and the use of antibiotics in agriculture, regulatory intervention and reduced consumer demand for factory farmed meat is likely to impact livestock producers, restaurants and suppliers to food retailers.

As world-wide pressure mounts for concrete action from policy makers, food companies, food buyers and medical organisations, the U.S. is not alone in addressing this urgent crisis, with many international governments introducing tighter legislation around the use of antibiotics in livestock production.

Given the increasingly-supportive macro-environment and the significant progress Anatara has made this year to deliver on an urgent, unmet market need, the Company is in a very strong position heading into 2018.

I thank you, our shareholders, for your support and shared belief in the Company. Thanks also to the Board and our small but dedicated team for their continued hard work and ongoing commitment to Anatara.

Yours sincerely,

Dr Mel Bridges
Chairman & CEO

Operations review

FY17 represented a watershed year for the Company. Anatara has changed greatly during the period and the team has made significant steps toward taking its first product, Detach®, to market.

About Detach®

Detach® is a modified release formulation of a natural extract from pineapple stems. It has been proven to be effective in reducing diarrhoea in pigs, known as scour, and may also be able to be used in other livestock species.

Detach® marches toward commercialisation

Zoetis negotiations

Immediately post the period, 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. It is expected that negotiations will take some months to complete and there is no guarantee that a transaction will be completed.

Australian plans to launch Detach®

On 8 September 2016, Anatara announced it had successfully completed a pivotal safety study for Detach®, which concluded the clinical trials component of the Company's application to register the product with the Australian Pesticides and Veterinary Medicines Authority (APVMA).

In the study Detach® was administered to piglets at dose ranges higher and more frequent than the recommended dose. The results confirmed that Detach® was safe, in keeping with the large safety database Anatara already held on the product.

On 4 October 2016, Anatara announced that it had achieved a significant milestone through the submission of its application (or dossier) to the APVMA, to register Detach® for commercial marketing in Australia.

This dossier contained the relevant information required by the APVMA to assess the suitability of Detach® for registration and market approval. We are pleased to report that the APVMA review of this application is currently underway and has met all prospective APVMA review timelines.

Once the dossier has been approved by the APVMA, a marketing authorisation or registration will be issued, and Detach® can be made commercially available to farmers for the control of diarrhoea in their piglets. Submission of the dossier to the APVMA represented a major milestone for the Company and was the culmination of two years' work from the Anatara team.

While the APVMA reviews the application, the Company continues to prepare for market launch with the completion of extensive market research which has been invaluable in guiding the Detach® launch strategy and product positioning.

Building on this market research, 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 - we want it to be easy to use, trouble free and low maintenance.

The Company has supported the launch and marketing of Detach® by developing a veterinary team who are focused on successfully propelling our flagship product into the anti-diarrhoeal therapeutic pig market. This new team is led by Product Manager, Dr Tim Ahern D. VSc., who is responsible for managing the supply and end user support of Detach®.

Asian plans to launch Detach®

On 6 June 2017, Anatara announced that significant progress had been made on mapping the regulatory route for the launch of Detach® into key Asian pork producing countries. These key markets represent a large proportion of the world's pork industry and Anatara or a commercial partner will be able to use this information to access those markets.

European preparation to launch Detach®

Following an extensive review process, on 6 June 2017, Anatara announced it had received confirmation from the European Medicines Agency's (EMA) Committee for Medicinal Products for Veterinary Use, that bromelain, the active pharmaceutical ingredient in Detach®, was a non-toxic substance that can safely be used as a therapeutic in pigs. This part of the European registration process is known as establishing a "Maximum Residue Limit" (MRL) for food producing animals.

Obtaining a no MRL status is a significant outcome for Anatara as it confirms the safety of Detach®, when compared to antibiotics, where the doses are tightly regulated due to the safety limit that can be used in food-producing animals.

Furthermore, the team successfully renewed the Company's small-medium enterprise status (SME) with the European Medicines Agency (EMA). The awarding of SME status to a company allows numerous administrative, financial and regulatory benefits including fee exemptions and reductions, assistance with translation of product information and direct assistance on regulatory aspects of the legislation.

Other markets

The Company successfully renewed its fee waiver status with the US Food and Drug Administration's (FDA) veterinary regulatory division, the Center for Veterinary Medicine (CVM). This program allows considerable discounts with respect to application fees for veterinary product registration in the USA.

Continuing to advance its regulatory strategy in other key markets, the team has mapped out the regulatory route for registration in New Zealand; with the initiation of the New Zealand registration of Detach® dependent on the outcome of current partnering discussions. Earlier this year, the team also met with the Canadian Veterinary Drugs Directorate (VDD) to determine the regulatory requirements for the registration of Detach® in Canada.

Supporting the now, with an eye to the future...

On 6 June 2017, Anatara announced it had opened a research facility in Melbourne. These facilities have allowed for the expansion of the R&D team, established a technical support service for Detach®, and will ensure Anatara remains at the forefront of bromelain research and product development.

Our own research capabilities have been further augmented by a significant collaboration between Anatara, CSIRO and La Trobe's Institute for Molecular Science (LIMS). Grant funding of $315,000 was awarded under the Science and Industry Endowment Fund's (SIEF) STEM+ Business Fellowship Program. This program supports collaborations between Australian research organisations and SME's to work together on technical projects that improve the SME's competitive advantage.

The project will support the development of the next generation of potential products, focused on developing specific bromelain proteases for the treatment of gastrointestinal diseases in humans and animals.

Intellectual property – underpinning the future...

FY17 saw two of our patent applications progress to the next phase in the examination and granting process. The first of these, "Anti-Diarrhea Formulation Which Avoids Antimicrobial Resistance" PCT US2015/046509 has proceeded to the National Phase in Australia, USA, Canada, China, Europe, India, Japan, Thailand, the Philippines and South Korea. This patent application supports the current Detach® product.

The second application, "Enzymatic Fractions with Anti-Inflammatory Activity" has progressed to the international phase as PCT US2016/047523. This patent application is directed towards therapeutically useful fractions and mixtures of bromelains, and is anticipated to be employed in our future human health product portfolio.

Directors' report

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 2017. Throughout the report, the consolidated entity is referred to as the Group or the Company.

Directors and company secretary

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

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
Dr Paul Schober, Chief Executive Officer and Managing Director (resigned 23 September 2016)

And the following person held office as company secretary of Anatara Lifesciences during the financial year:

Mr Stephen Denaro, Company Secretary

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.

Review of operations

Information on the operations of the Group is set out in the Operations review and activities on pages 8 to 9 of this annual report.

Financial results and position

The Group reported a loss for the full-year ended 30 June 2017 of $1,705,002 (2016: $723,934). The loss is after fully expensing all research and development costs.

The Group's net assets decreased by $1,454,204 (10.7%) compared with the previous year to $12,021,139. As at 30 June 2017, the Group had cash reserves of $8,766,869 and financial assets (term deposit) of $2,093,166, a total decrease of $2,379,828 on the previous financial year end.

Information on directors

Dr Melvyn Bridges
Executive Chairman

Experience and expertise	Dr Bridges has a Bachelor Degree of Science (Chemistry), Honorary Doctorate from Queensland University of Technology and is a Fellow of the Australian Institute of Company Directors. Dr Bridges has extensive experience as a CEO/Managing Director and Company Director in healthcare, agricultural technology, drug development, pathology, diagnostics and medical devices and related experience in retail. He has successfully raised in excess of $300 million investment capital in the healthcare/biotech sector and been directly involved in over $1 billion in M&A and related transactions. He is the Co-Founder and former Chairman of of PanBio Limited and ImpediMed Limited. He has been awarded Australian Export Award, Australian Quality Award, Business Bulletin "Business Star of the Year", Ernst & Young "Entrepreneur of the Year", AusBiotech Gold Medal Award and BRW Top 100 Fastest Growing Companies Award. Dr Bridges is currently a director of ASX 100 company ALS Ltd and Oventus Medical Ltd. Dr Bridges was formerly a Director of Tissue Therapies Ltd (March 2009 to December 2015), Benitec BioPharma Limited (October 2007 to June 2014), ImpediMed Limited (September 1999 to November 2013), Alchemia Limited (October 2003 to July 2013), Genetic Technologies Limited (December 2011 to November2012), and Leaf Energy Limited (August 2010 to September 2012).	
Date of appointment	15 July 2010	
Special responsibilities	Chairman of the Nominations Committee and Member of the Remuneration Committee	
Interests in shares and options	Interest in shares	5,906,870
	Interest in options	80,000

Mr Iain Ross
Non-Executive Director

Experience and expertise	Iain is a biochemistry graduate of London University, and is an experienced businessman with more than 30 years' experience largely in the international life sciences and technology sectors. Following a career with multi-national companies, including Sandoz AG, Fisons plc, Hoffman La Roche, Celltech plc and Reed International plc, for the past 18 years he has undertaken a number of company turnarounds and start-ups as a board member on behalf of banks and private equity groups. Iain's track record includes multiple financing transactions as well as extensive experience of divestments and strategic restructurings and more than 20 years in cross-border management as a Chairman and CEO. He has led and participated in four initial public offerings, and has direct experience of M&A transactions in Europe, USA and Pacific Rim. Currently he is Chairman of e-Therapeutics plc and RedX Pharma plc and a Non-Executive Director at Premier Veterinary Group plc, each of which is listed on the London Stock Exchange. In addition, Iain is Chairman of Biomer Technology Limited, a private UK Company, and Chairman and Non-Executive Director of Novogen Limited which is listed in Australia on the ASX. He is a qualified Chartered Director of the UK Insitute of Directors and former Vice-Chairman of the Council of Royal Holloway, University of London.	
Date of appointment	17 February 2014	
Special responsibilities	Chair of the Remuneration Committee, Member of the Audit and Risk Management Committee and Nomination Committee	
Interests in shares and options	Interest in shares	1,377,942
	Interest in options	65,000

Dr Jay Hetzel

Non-Executive Director

Experience and expertise	Dr Hetzel has a background in technology commercialisation, animal genetics R&D and product development. During a scientific career with CSIRO spanning 20 years, he was an internationally recognised pioneer in cattle genomics and genetics and played a key role in establishing the foundations for beef industry applications of DNA technology. In 1998 he co-founded Genetic Solutions Pty Ltd which commercialised genomics technology in livestock. The company was sold to Pfizer Animal Health in 2008. Subsequently, he has been involved in the development and commercialisation of a range of life science technologies. Dr Hetzel has been a Director of Anatara Lifesciences Ltd since August 2014 and is currently Non-Executive Chairman of Leaf Resources Ltd. Dr Hetzel is a Fellow of the Australian Academy of Technological Sciences and Engineering and a Fellow of the Australian Institute of Company Directors. He holds a Bachelor of Agricultural Science (Hons) from the University of Melbourne and a Ph.D in Animal Genetics from the University of Sydney.
Date of appointment	4 August 2014
Special responsibilities	Member of the Audit and Risk Management Committee, Remuneration Committee and Nomination Committee
Interests in shares and options	Interest in shares 456,109
	Interest in options 65,000

Dr Tracie Ramsdale

Non-Executive Director

Experience and expertise	Dr Ramsdale holds a PhD in Biochemistry from the University of Queensland, a Master of Pharmacy from the Victorian College of Pharmacy and a Bachelor of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology. Following a successful career as a Principal Investigator and Commercial Manager of the Centre for Drug Design and Development at the University of Queensland, Tracie co-founded Alchemia Limited, a drug discovery and development company and led the company's development as its General Manager and Chief Executive Officer from 1998 to 2007. During this time, she was responsible for multiple financing transactions including a successful IPO, licensing the company's technology to major international pharmaceutical and manufacturing partners and the acquisition of a publicly listed biotech to strengthen the company's product pipeline. Dr Ramsdale has served on a number of industry and government advisory groups including the Australian Federal Government Advisory Council on Intellectual Property, the Queensland Biotechnology Advisory Council, and the Industry Research and Development Board's Biological Committee. Dr Ramsdale is a Fellow of the Australian Academy of Technological Sciences and Engineering and a member of the Australian Institute of Company Directors. She currently provides independent consulting advice to the biotechnology industry, academia and government.
Date of appointment	4 August 2014
Special responsibilities	Chairperson of the Audit and Risk Management Committee and Member of Nominations Committee
Interests in shares and options	Interest in shares 45,614
	Interest in options 65,000

Mr Paul Grujic

Non-Executive Director

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

Interests in shares and options	Interest in shares	71,219
	Interest in options	65,000

Dr Paul Schober

Chief Executive Officer and Managing Director

Experience and expertise	Dr Schober has extensive global experience in the animal health field encompassing R&D, clinical trial management, regulatory affairs, manufacturing, sales and marketing as well as in ASX investor relations. In his most recent position, Paul was General Manager of Peptech Animal Health Pty Limited, now owned by the Australian Division of global animal health company Virbac SA. Dr Schober's achievements include approval of the first Australian biotechnology product by the FDA (Ovuplant in 1998); launch of Ovuplant in the US & the EU; regulatory approval and launch of animal health product Suprelorin in Australia and the EU and worldwide distribution agreements with leading animal health companies including Dechra, Fort Dodge Animal Health and Virbac. He was also instrumental in the successful positioning and trade sale of an animal health company. Dr Schober has a BSc (Hons), PhD and MBA from the University of Sydney.
Date of appointment/resignation	Appointment: 2 March 2015 Resignation: 23 September 2016
Special responsibilities	-

Interests in shares and options	Interest in shares	212,038
	Interest in options	375,000

Mr Stephen Denaro
Company Secretary

Experience and expertise	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.
Date of appointment	24 February 2014

Meetings of directors

The numbers of meetings of the Company's board of directors and of each board committee held during the year ended 30 June 2017, and the numbers of meetings attended by each director were:

	Full meetings of directors		Meetings of committees of directors					
			Audit		Nomination		Remuneration	
	A	B	A	B	A	B	A	B
Dr Melvyn Bridges	9	9	-	-	-	-	2	2
Mr Iain Ross	9	9	2	2	-	-	2	2
Dr Jay Hetzel	8	9	2	2	-	-	2	2
Dr Tracie Ramsdale	9	9	2	2	-	-	-	-
Mr Paul Grujic	9	9	2	2	-	-	-	-
Dr Paul Schober*	3	3	-	-	-	-	-	-

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
* Resigned 23 September 2016

Unissued shares under option

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

	Expiry date	Exercise price of shares ($)	Number under option
Issue of options to Pork CRC	18 September 2018	0.50	250,000
Issue of options to Pork CRC	18 September 2018	0.50	125,000
Issue of options to Directors	11 November 2018	1.35	340,000
Issue of options under ESOP	23 September 2021	1.70	420,000
Issue of options under ESOP	14 December 2020	1.45	1,265,000
			2,400,000

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

Remuneration report

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

Regulations.

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

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

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

Remuneration governance

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

Non-executive Directors

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

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

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

Retirement benefits and allowances

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

Other benefits

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

Executive pay

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

Base pay

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

Short-term and long-term incentives

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

Executive KPI's are based on:

- the APVMA approval process;
- EU and USA regulatory pathway partnering and financial performance; and
- Completion of in-feed pilot trial.

The CSO has the following additional KPI's:

• KPI's around clinical trials; and
• New patent applications.

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

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

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

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

Securities trading policy

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

Voting and comments made at the company's 2016 Annual General Meeting

The Company received an 87.42% in-favour votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration policies.

Use of remuneration consultants

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

(b) Details of remuneration

Amounts of remuneration

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

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

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

And the following persons:

Dr Paul Schober	Chief Executive Officer and Managing Director, retired September 2016*
Dr Tracey Mynott	Chief Science Officer and R&D Director
Dr Michael West	Chief Operating Officer

*Effective 23 September 2016, Dr Paul Schober retired as Chief Executive Officer and Managing Director. Dr Melvyn Bridges commenced as Chief Executive Officer and Managing Director of the Company.

30 June 2017	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments		% of total remuneration		
	Cash salary and fees	Annual leave	Non-monetary	Cash bonus (1)	Superannuation	Long service leave	Equity settled shares	Total	not related to performance	At risk STI	At risk LTI
	$	$	$	$	$	$	$	$	%	%	%
Executive director:											
Dr Melvyn Bridges	237,499	-	-	-	22,708	-	3,318	263,525	100.0%	-%	-%
Dr Paul Schober	58,321	-	-	-	5,541	-	19,385	83,247	70.0%	30.0%	-%
Non-executive directors:											
Mr Iain Ross	82,125	-	-	-	-	-	2,696	84,821	100.0%	-%	-%
Dr Jay Hetzel	70,000	-	-	-	6,650	-	2,696	79,346	100.0%	-%	-%
Dr Tracie Ramsdale (i)	75,000	-	-	-	7,125	-	2,696	84,821	100.0%	-%	-%
Mr Paul Grujic	71,346	-	-	-	6,778	-	2,696	80,820	100.0%	-%	-%
Other key management personnel:											
Dr Tracey Mynott	314,843	27,305	-	-	25,257	-	36,040	403,445	70.0%	30.0%	-%
Dr Michael West	226,461	8,468	-	-	21,093	-	-	256,022	100.0%	-%	-%
Total	1,135,595	35,773	-	-	95,152	-	69,527	1,336,047			

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

30 June 2016	Short-term benefits				Post-employment benefits	Long-term benefits	Share-based payments		% of total remuneration		
	Cash salary and fees	Annual leave	Non-monetary	Cash bonus (1)	Superannuation	Long service leave	Equity settled shares	Total	not related to performance	At risk STI	At risk LTI
	$	$	$	$	$	$	$	$	%	%	%
Executive director:											
Dr Paul Schober	220,000	2,118	-	-	20,578	-	44,827	287,523	84.0%	16.0%	-%
Non-executive directors:											
Dr Melvyn Bridges	131,152	-	-	-	-	-	7,331	138,483	100.0%	-%	-%
Mr Iain Ross	71,608	-	-	-	-	-	5,956	77,564	100.0%	-%	-%
Dr Jay Hetzel	66,667	-	-	-	6,333	-	5,956	78,956	100.0%	-%	-%
Dr Tracie Ramsdale (i)	71,666	-	-	-	6,808	-	5,956	84,430	100.0%	-%	-%
Mr Paul Grujic	66,126	-	-	-	6,102	-	5,956	78,184	100.0%	-%	-%
Other key management personnel:											
Dr Tracey Mynott	220,000	16,923	-	90,000	20,900	-	26,999	374,822	76.0%	24.0%	-%
Total	847,219	19,041	-	90,000	60,721	-	102,981	1,119,962			

(1) 90k bonus granted to Tracey Mynott: 40k relates to meeting FY2016 performance KPI, and 50k relates to meeting FY2015 performance KPI which was approved by the Board during FY2016.

(c) Service agreements

Executives

The employment conditions of the previous Chief Executive Officer and Managing Director, Dr Paul Schober were formalised in a contract of employment which commenced on the 2 March 2015. This contract stipulates a salary of $220,000 pa, exclusive of superannuation and any salary sacrifice items. The base salary may increase up to a maximum of 10% based on agreed key performance indicators (KPI) in the first year of employment. Up to 30% of the salary is to be paid for each financial year subsequent to the completion of the first year of employment upon meeting KPI's at the Board's discretion. This component will be reviewed annually by the Board. The Executive will be permitted to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefits are as prescribed by statutory entitlements. On 23 September 2016, Dr Paul Schober retired as Chief Executive Officer.

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

Similarly, the employment conditions of the Chief Science Officer, Dr Tracey Mynott, is formalised in a contract of employment which commenced on the 1 August 2014. The agreement stipulates that at the absolute discretion of the Board, upon meeting key performance indicators set in accordance with this Agreement, and subject to tax as required by law, the Executive may be paid an additional gross amount up to 30% of the Salary, to a maximum of $54,000, for each financial year of this Agreement, commencing from the financial year 2015. The Executive will be permitted to participate in the Company's Share and Option Plan. The contract term is continuing, termination benefit are as prescribed by statutory entitlements and an additional six months.

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

Non-Executive Directors

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

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

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

(d) Share-based compensation

During the financial year, a value of $20,042 in options have been issued to one key management personnel as part of compensation under the company's directors and executive option plan (2016: $197,905). The options vest subject to the employee continuing to be employed by the company at the vesting date. Should the employee leave, the options are forfeited.

Details of options granted to directors and other key management personnel as compensation during the reporting period are as follows:

	Grant date	No. options granted	No. options vested	Fair value per option at grant date	Exercise price	Expiry date	Value of options at grant date
				$	$		$
Other key management personnel							
Dr Michael West	23 September 2016	210,000	-	0.095	1.70	23 September 2021	20,042
Total		210,000	-				20,042

(e) Relationship between the remuneration policy and group performance

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

Details of the short-term incentive cash bonuses awarded as remuneration to each key management personnel, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

	Entitled as remuneration ($)	% vested duringthe year	% forfeited during the year
Non-Executive Directors:			
Dr Melvyn Bridges	-	-%	-%
Mr Iain Ross	-	-%	-%
Dr Jay Hetzel	-	-%	-%
Dr Tracie Ramsdale	-	-%	-%
Mr Paul Grujic	-	-%	-%
Other key management personnel:	-	-%	-%
Dr Paul Schober	-	-%	-%
Dr Tracey Mynott	-	-%	-%
Dr Michael West	-	-%	-%

(f) Key management personnel disclosures

Shareholding

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

30 June 2017	Balance at start of year	Balance at date of appointment	Received as part of remuneration	Additions	Disposals/ other	Balance at date of resignation	Balance at end of year
Non-executive directors:							
Dr Melvyn Bridges	5,906,870	-	-	-	-	-	5,906,870
Mr Iain Ross	1,377,942	-	-	-	-	-	1,377,942
Dr Jay Hetzel	456,109	-	-	-	-	-	456,109
Dr Tracie Ramsdale	45,614	-	-	-	-	-	45,614
Mr Paul Grujic	71,219	-	-	-	-	-	71,219
Other key management personnel:							
Dr Paul Schober	212,038	-	-	-	-	212,038	-
Dr Tracey Mynott	5,002,635	-	-	-	(611,298)	-	4,391,337
Dr Michael West	-	-	-	-	-	-	-
Total	13,072,427	-	-	-	(611,298)	212,038	12,249,091

Option holding

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

30 June 2017	Balance at start of year	Granted as compensation	Option expired	Net change other	Balance at end of year	Vested & exercisable	Escrowed & unvested
Non-executive directors:							
Dr Melvyn Bridges (1)	80,000		-	-	80,000	53,333	26,667
Mr Iain Ross (1)	65,000		-	-	65,000	43,333	21,667
Dr Jay Hetzel (1)	65,000		-	-	65,000	43,333	21,667
Dr Tracie Ramsdale (1)	65,000		-	-	65,000	43,333	21,667
Mr Paul Grujic (1)	65,000		-	-	65,000	43,333	21,667
Other key management personnel:							
Dr Paul Schober (2)	375,000		-	-	375,000	120,000	255,000
Dr Tracey Mynott (2)	500,000		-	-	500,000	150,000	350,000
Dr Michael West	-	210,000			210,000	-	210,000
Total	1,215,000	210,000	-	-	1,425,000	496,665	928,335

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

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

Executive options are not subject to any performance conditions.

END OF REMUNERATION REPORT

Related party transactions

Director T. Ramsdale received $147,919 (2016: $13,912) in consultancy fees under an arrangement that has been approved by the Board.

Event since the end of the financial year

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® .

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the Company's operations, the results of those operations, or the Company's state of affairs in future financial years.

Significant changes in the state of affairs

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

Likely developments and expected results of operations

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

Environmental regulation

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

Insurance of officers and indemnities

(a) Insurance of officers

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

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

(b) Indemnity of auditors

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

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

Proceedings on behalf of the company

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

Non-audit services

The following non-audit services were provided by the entity's auditor, Grant Thornton. The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each type of non-audit service provided means that auditor independence was not compromised.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 26.

	Consolidated entity year ended	
	2017	2016
	$	$
Taxation services		
Grant Thornton Audit Pty Ltd firm:		
Tax compliance services	36,544	31,590
Total remuneration for taxation services	36,544	31,590

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 the following page.

Auditor

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

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

Corporate governance statement

In accordance with ASX Listing Rule 4.10.3, the Company's 2016 Corporate Governance Statement can be found on its website at http://anataralifesciences.com/investors/corporate-governance.

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

Dr Melvyn Bridges
Chairman

Date: This Day 29 of September 2017
Melbourne

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Auditor's Independence Declaration
to the Directors of Anatara Lifesciences Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Anatara Lifesciences Limited for the year ended 30 June 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, 29 September 2017

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2017

	Notes	Consolidated entity year ended	
		30 June 2017	30 June 2016
		$	$
Licensing (evaluation) revenue		**322,182**	2,283,095
Interest received		**298,488**	352,144
Other income - R&D tax incentive		**2,531,562**	165,246
Expenses from operating activities			
Depreciation and amortisation expense		**(16,941)**	(15,125)
Research and development expenses		**(1,122,370)**	(735,071)
Patent expenses		**(141,804)**	(143,789)
Consultancy expenses		**(796,935)**	(760,671)
Staff expenses		**(2,171,277)**	(1,411,746)
Travel and accommodation		**(299,973)**	(261,709)
ASX and share registry fees		**(80,736)**	(70,085)
Other expenses		**(227,198)**	(126,223)
Loss before income tax		**(1,705,002)**	(723,934)
Income tax expense	3		
Loss for the period		**(1,705,002)**	(723,934)
Other comprehensive income for the period, net of tax		**-**	-
Total comprehensive loss for the period		**(1,705,002)**	(723,934)
Losses per share:			
Basic loss per share	5(a)	**(0.03)**	(0.01)
Diluted loss per share	5(a)	**(0.03)**	(0.01)

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

Consolidated statement of financial position

As at 30 June 2017

	Notes	Consolidated entity year ended	
		30 June 2017	30 June 2016
		$	$
ASSETS			
Current assets			
Cash and cash equivalents	7	**8,766,869**	6,387,041
Other receivables	8	**1,331,684**	60,272
Financial assets - term deposits		**2,093,166**	7,437,669
Other current assets		**83,926**	18,720
Total current assets		**12,275,645**	13,903,702
Non-current assets			
Property, plant and equipment	9	**40,932**	16,259
Total non-current assets		**40,932**	16,259
Total assets		**12,316,577**	13,919,961
LIABILITIES			
Current liabilities			
Trade and other payables	10	**197,794**	403,377
Employee entitlements		**97,644**	41,241
Total current liabilities		**295,438**	444,618
Net assets		**12,021,139**	13,475,343
EQUITY			
Share capital	11(a)	**16,941,392**	16,941,392
Other reserves	11(b)	**448,422**	197,624
Accumulated losses		**(5,368,675)**	(3,663,673)
Total equity		**12,021,139**	13,475,343

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

Consolidated statement of changes in equity

For the year ended 30 June 2017

		Attributable to owners of Anatara Lifesciences Ltd			
Consolidated entity	Notes	Share capital	Share-based payment reserves	Accumulated losses	Total equity
		$	$	$	$
Balance at 1 July 2015		8,420,555	-	(2,939,739)	5,480,816
Loss for the period		-	-	(723,934)	(723,934)
Transactions with owners in their capacity as owners:					
Shares issued	11(a)	9,106,685	-	-	9,106,685
Capital raising cost	11(a)	(585,848)	-	-	(585,848)
Share-based payment expense	11(b)	-	197,624	-	197,624
		8,520,837	197,624	-	8,718,461
Balance at 30 June 2016		**16,941,392**	**197,624**	**(3,663,673)**	**13,475,343**
Balance at 1 July 2016		16,941,392	197,624	(3,663,673)	13,475,343
Loss for the period		-	-	(1,705,002)	(1,705,002)
Transactions with owners in their capacity as owners:					
Share-based payment expense	11(b)	-	250,798	-	250,798
Balance at 30 June 2017		**16,941,392**	**448,422**	**(5,368,675)**	**12,021,139**

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

Consolidated statement of cash flows

For the year ended 30 June 2017

	Notes	Consolidated entity year ended	
		30 June 2017	30 June 2016
		$	$
Cash flows from operating activities			
Receipts from customers		**327,325**	2,283,095
Payments to suppliers and employees		**(4,781,674)**	(2,996,563)
Interest received		**320,786**	267,856
Research and development tax incentive		**1,255,005**	165,246
Net cash (outflow) from operating activities	16	**(2,878,558)**	(280,366)
Cash flows from investing activities			
Payments for purchases of plant and equipment	9	**(41,614)**	(6,608)
Withdrawal/(investment) from/(in) term deposits		**5,300,000**	(3,300,000)
Net cash inflow (outflow) from investing activities		**5,258,386**	(3,306,608)
Cash flows from financing activities			
Proceeds from issues of shares and other equity securities	11(a)	**-**	9,062,324
Proceeds from calls on shares and calls in arrears	11(a)	**-**	(585,848)
Net cash inflow from financing activities		**-**	8,476,476
Net increase in cash and cash equivalents		**2,379,828**	4,889,502
Cash and cash equivalents at the beginning of the financial year		**6,387,041**	1,497,539
Cash and cash equivalents at end of period	7	**8,766,869**	6,387,041

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

Notes to the consolidated financial statements

30 June 2017

1. Summary of significant accounting policies

(a) Corporate information

The financial report of Anatara Lifesciences Ltd (the "Company") and its subsidiaries (together the "Group") for the year ended 30 June 2017 was authorised for issue in accordance with a resolution of the Directors on 15 September 2017. The financial report is for the Group consisting of Anatara Lifesciences Ltd and its subsidiaries.

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

(b) Basis of preparation

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

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

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

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

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

(c) Statement of compliance

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

(d) New and amended standards adopted by the group

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

(e) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2017 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of these new standards and interpretations is set out on the following pages.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.30 June 2017

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

Title	Nature of change	Impact	Application date
AASB 15 Revenue from Contracts with Customers	• replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations • establishes a new revenue recognition model • changes the basis for deciding whether revenue is to be recognised over time or at a point in time • provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) • expands and improves disclosures about revenue.	There is no impact on current revenue.	Accounting periods beginning on or after 1 January 2018
AASB 9 Financial Instruments	AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.	The Group is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the Group's preliminary assessment, the Standard is not expected to have a material impact on the measurement of transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.	Accounting periods beginning on or after 1 January 2018

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

Title	Nature of change	Impact	Application date
AASB 16 Leases	• replaces AASB 117 Leases and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases	The company is yet to undertake a detailed assessment of the impact of AASB16. However based on the Company's preliminary assessment, the likely impact on the first time adoption for the year ending 30 June 2020 includes: • There will be a significant increase in lease assets and financial liabilities recognised on the statement of financial position. • The reported equity will reduce as the carrying amount of lease assets will reduce more quickly than the carrying amount of lease liabilities. • Operating cash outflows will be lower and financing cashflows will be higher in the statement of cash flows as principal repayments on all lease liabilities will now be included in financing activities rather than operating activities. Interest can also be included within financing activities • Finance costs will be higher and lease costs will be lower as the implicit interest in lease payments for former off balance sheet leases will be presented as part of finance costs rather than being included in opera rating expenses.	Accounting periods beginning on or after 1 January 2018

(f) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Anatara Lifesciences Ltd as at 30 June 2017 and the results of all subsidiaries for the year ended.

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

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

(g) Segment reporting

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

(h) Revenue recognition

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

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

Research and Development Tax Incentive - is recognised when it has been established that the conditions of the tax incentive have been met and that the expected amount of tax incentive can be reliably measured.

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.

License income is income that arises when the Group grants the licencee the right to use patented technology owned by the Group. Revenues are recognised when it has been established that the conditions under the agreement have been met, there are no significant continuing obligations and that the income will be received.

(i) Research and development costs

Research costs are expensed as incurred.

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

(j) Income tax

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

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

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

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

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

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

(k) Earnings per share

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

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

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

(l) Cash and cash equivalents

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

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

(m) Trade receivables

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

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

(n) Goods and Services Tax (GST)

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

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

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

(o) Financial instruments

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

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

(p) Held to maturity investments

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

(q) Plant and equipment

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

	Life	**Method**
Plant and equipment	3-5 years	Straight line

(r) Intangible assets

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

(s) Intellectual property costs

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

(t) Impairment of assets

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

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

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

(u) Trade and other payables

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

(v) Employee benefits

(i) Short term employee benefits

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

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

(ii) Long service leave

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

(iii) Share-based payments

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

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

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

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

(w)Contributed equity

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

(x) Foreign currency translation

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

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

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

All exchange differences are taken to profit or loss.

(y) Leases

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

(z) Parent entity financial information

The financial information for the parent entity, Anatara Lifesciences Ltd, disclosed in note 17 has been prepared on the same basis as the consolidated statement.

(aa) Significant accounting estimates and assumptions

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

(i) Share-based payment transactions

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

(ii) Recognition of deferred tax assets

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

(iii) Capitalised development costs

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

No development costs were capitalised during the current year.

(iv) Licence (evaluation) revenue recognition

The Group recognise payments received under the licence (evaluation) agreement as revenue because the payments are non-refundable, the conditions of the agreement have been met and there are no significant continuing obligations.

(v) R&D tax incentive income

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

2. Segment information

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

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

3. Income tax expense

(a) Income tax expense

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Income tax expense	**-**	-

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Loss from continuing operations before income tax expense	(1,705,002)	(723,934)
Tax at the Australian tax rate of 27.5% (2016 - 30.0%)	(468,876)	(217,180)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non-assessable income	(88,600)	-
Other temporary differences	(63,565)	(93,945)
Non-assessable grant income	(696,179)	(49,574)
Tax losses applied to taxable income	-	(367,746)
Capital gain	-	96,654
Share based payments	68,969	72,600
Non-deductible research & development expenses	807,018	559,191
Tax losses not recognised as deferred tax assets	441,233	-
Income tax expense	-	-

(c) Tax losses

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Unused tax losses for which no deferred tax asset has been recognised	2,562,237	957,754

(d) Deferred income tax benefit

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.

4. Remuneration of auditors

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

Grant Thornton Audit Pty Ltd

(i) Audit and other assurance services

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Audit and other assurance services		
Audit and review of financial statements	**51,000**	51,000
Total remuneration for audit and other assurance services	**51,000**	51,000

(ii) Taxation services

Taxation services		
Tax compliance services	**36,544**	31,590
Total auditors remuneration	**87,544**	82,590

5. Loss per share

Both the basic and diluted loss per share have been calculated using the loss attributable to shareholders of Anatara Lifesciences Ltd as the numerator, i.e. no adjustments to loss were necessary during the year ended 30 June 2017 and 2016.

(a) Basic loss per share

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Basic loss per share	**(0.03)**	(0.01)
Diluted loss per share	**(0.03)**	(0.01)

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Net loss used in the calculation of basic and diluted loss per share	**(1,705,002)**	(723,934)

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Weighted average number of ordinary shares used as the denominator in calculating basic and diluted loss per share	**49,413,236**	48,587,665

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

6. Dividends

The outstanding options as at 30 June 2017 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

No dividends were paid and no dividends are expected to be paid during the year ended in 30 June 2017 (2016: Nil).

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Current assets		
Cash at bank and in hand	**966,869**	1,387,114
Term deposits	**7,800,000**	4,999,927
	8,766,869	6,387,041

7. Cash and cash equivalents

(i) Reconciliation to cash flow statement

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Balances as above	**8,766,869**	6,387,041
Balances per Consolidated statement of cash flows	**8,766,869**	6,387,041

(ii) Classification as cash equivalents

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

8. Other receivables

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
R&D rebate receivable	**1,276,556**	-
Other receivables	**55,128**	60,272
	1,331,684	60,272

9. Property, plant and equipment

Consolidated entity	Plant and equipment	
	$	$
Year ended 30 June 2017		
Opening net book amount	**16,259**	16,259
Additions	**41,614**	41,614
Depreciation charge	**(16,941)**	(16,941)
Closing net book amount	**40,932**	40,932

Consolidated entity	Plant and equipment	
	$	$
Year ended 30 June 2016		
Opening net book amount	**24,776**	24,776
Additions	**6,608**	6,608
Depreciation charge	**(15,125)**	(15,125)
Closing net book amount	**16,259**	16,259

10. Trade and other payables

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Trade payables	**44,728**	322,976
Accrued expenses	**68,618**	60,000
Payroll tax and other statutory liabilities	**84,448**	20,401
	197,794	403,377

11. Equity

(a) Share capital

	30 June 2017 Shares	30 June 2017 $	30 June 2016 Shares	30 June 2016 $
Ordinary shares				
Ordinary shares - fully paid	49,413,236	16,941,392	49,413,236	16,941,392
Total share capital	**49,413,236**	**16,941,392**	**49,413,236**	**16,941,392**

Details	Notes	Number of shares	$
Opening balance 1 July 2015		37,750,000	8,420,555
Shares redeemed and capital raised		11,663,236	9,106,685
Balance 30 June 2016		**49,413,236**	**16,941,392**
Balance 30 June 2017		**49,413,236**	**16,941,392**

(i) Details of shares issued during the current year are as follows

No shares have been issued during the current reporting period

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

(b) Share-based payment reserve

Consolidated entity	Sharebased payments reserve
	$
Balance at 30 June 2016	197,624
Share-based payment expenses	250,798
At 30 June 2017	448,422

As at 30 June 2017, the Company maintained two (2) share-based payment scheme, Executive Option Plan and Directors Option Plan. It also issued options under a collaboration agreement with Pork CRC.

Executive Option Plan

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

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

The Executive Options are subject to an employment requirement.

Directors Option Plan

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

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

The Directors Options are subject to an employment requirement.

Pork CRC

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

- 125,000 options have been issued on 18 September 2015 (fully exercised in FY16);
- 250,000 options will vest on 18 September 2016; and
- 125,000 options will vest on 18 September 2017.

Upon vesting, each option allows the holder to purchase one ordinary share at the exercise price. The weighted fair value of the options granted during the year was $0.58.

Options granted during the year

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

	Executive Options
Expected volatility	65%
Risk-free interest rate	2.13%
Expected life of option (years)	5
Option exercise price	$1.70
Share price at grant date	$0.94

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

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

	Number of options	Fair value per option	Weighted Average Exercise price ($)
Opening balance at 1 July 2016	1,980,000	-	1.25
Granted	420,000	-	1.70
Exercised	-	-	-
Closing balance at 30 June 2017	2,400,000	-	1.33
Exercisable at the end of 30 June 2017	872,167	-	1.15

(b) Share-based payment reserve (continued)

The options outstanding at 30 June 2017 had an exercise price range from $0.50 to $1.70, and weighted average remaining contractual life of 2.25 years.

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

Grant date	Expiry date	Number of options	Exercise price
18 September 2015	18 September 2017	250,000	0.50
18 September 2015	18 September 2018	125,000	0.50
13 November 2015	11 November 2018	340,000	1.35
14 December 2015	14 December 2020	1,265,000	1.45
23 September 2016	23 September 2021	420,000	1.70
		2,400,000	

12. Related party transactions

Director T. Ramsdale received $147,919 (2016: $13,912) in consultancy fees under an arrangement that has been approved by the Board.

13. Key management personnel compensation

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Short-term employee benefits	**1,171,368**	956,260
Post-employment benefits	**75,152**	60,721
Share-based payments	**69,527**	102,981
	1,336,047	1,119,962

14. Commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Property, plant and equipment	**-**	65,385

(b) Non-cancellable operating leases

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Within one year	**66,000**	-
Later than one year but not later than five years	**41,800**	-
	107,800	-

15. Contingent liabilities and contingent assets

The Group had no contingent assets or liabilities at 30 June 2017 (2016: nil).

16. Cash flow information

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

	Consolidated entity year ended	
	30 June 2017	30 June 2016
	$	$
Loss for the period	**(1,705,002)**	(723,934)
Adjustment for		
Depreciation and amortisation	**16,941**	15,125
Share-based payment expense	**250,798**	241,985
Change in operating assets and liabilities:		
Movements in accounts receivable	**(1,050,591)**	(8,212)
Movements in other current assets	**(65,206)**	(102,970)
Movements in accounts payable	**(406,577)**	284,209
Movements in employee entitlements	**81,079**	13,431
Net cash flow from operating activities	**(2,878,558)**	(280,366)

17. Parent entity financial information

(a) Summary financial information

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

(b) Guarantees entered into by the parent entity

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

(c) Significant accounting policies

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

18. Subsidiaries

	Place of business/country of incorporation	Ownership interest held by the group	
		30 June 2017	30 June 2016
		%	%
Sarantis Pty Limited	Australia	**100**	100

19. Financial risk management

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

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

(a) Liquidity risk

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

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

Maturities of financial liabilities

Contractual maturities of financial liabilities							
At 30 June 2017	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
Non-derivatives							
Trade payables	197,794	-	-	-	-	197,794	197,794
At 30 June 2016							
Non-derivatives							
Trade payables	403,475	-	-	-	-	403,475	403,475

(b) Interest rate risk

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

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

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

(b) Interest rate risk (continued)

	Effect on profit				
At 30 June 2017	Non-interest bearing $	Floating interest rates $	Fixed interest rates $	+10% of current rate $	-10% of current rate $
Financial assets					
Other receivables	1,331,684	-	-	-	-
Cash and cash equivalents	-	966,869	7,800,000	2,417	(2,417)
Financial assets - term deposits	-	-	2,093,166	-	-
Total	1,331,684	966,869	9,893,166	2,417	(2,417)
Financial liabilities, amortised cost					
Trade and other payables	(197,794)	-	-	-	-
Total	(197,794)	-	-	-	-
Total	1,133,890	966,869	9,893,166	2,417	(2,417)

	Effect on profit				
At 30 June 2016	Non-interest bearing $	Floating interest rates $	Fixed interest rates $	+10% of current rate $	-10% of current rate $
Financial assets					
Other receivables	60,272	-	-	-	-
Cash and cash equivalents	-	6,387,041	7,800,000	15,968	(15,968)
Financial assets - term deposits	-	-	2,093,166	-	-
Total	60,272	6,387,041	7,437,669	15,968	(15,968)
Financial liabilities, amortised cost					
Trade and other payables	(403,377)	-	-	-	-
Total	(403,377)	-	-	-	-
Total	(343,105)	6,387,041	7,437,669	15,968	(15,968)

(b) Interest rate risk (continued)

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

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

(c) Foreign exchange risk

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

(d) Credit risk

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

20. Events occurring after the reporting period

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

21. Capital management

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

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

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 2017.

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.

Directors' declaration

30 June 2017

The Directors' of the Company declare that;

- the attached financial statements and notes thereto comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes thereto comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes thereto give a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the Directors

Dr Melvyn Bridges
Chairman

Date: This Day 29th of September 2017
Melbourne

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Independent Auditor's Report
to the Members of Anatara Lifesciences Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Anatara Lifesciences Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, 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 Anatara Lifesciences Limited 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 2017 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 independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

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

Key audit matter	How our audit addressed the key audit matter
Measurement of R&D tax incentive rebate accrual – refer to summary of significant accounting policy Note 1(x)(v).	
Under the research and development (R&D) Tax Incentive scheme, the Company receives a 43.5% refundable tax offset of eligible expenditure. An R&D plan is filed with AusIndustry in the following financial year and, based on this filing, the Group receives the incentive in cash. Management perform a detailed review of the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation. The Company recognises R&D tax incentive rebate income on an accruals basis, meaning that a receivable is recorded at the balance date based on the estimated claim that is yet to be received from the Australian Taxation Office. The receivable at year end for the incentive was $1,277,556. This represents an estimated claim for the period 1 July 2016 to 30 June 2017. We focused on the R&D tax incentive due to the size of the accrual and because there is a degree of judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme. This area is a key audit matter due to the significant estimation involved.	Our procedures included, amongst others: • Comparing the estimates made in previous years to the amount of cash actually received after lodgement of the R&D tax claim; • Engaging our internal R&D Tax Expert to assist the engagement team in assessing the accuracy of the R&D tax incentive estimate; • Comparing the nature of the R&D expenditure included in the current year estimate to the prior year approved claim; • Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to form a view about whether the expenses included in the estimate were likely to meet the eligibility criteria; • Assessing the eligible expenditure used to calculate the estimate to ensure it is in accordance with expenditure recorded in the general ledger; • Agreeing a sample of individual expenditure items included in the estimate to underlying supporting documentation to ensure that they have been appropriately recognised in the accounting records and that they are eligible expenditures; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and • Reviewing the appropriateness of the relevant disclosures in the financial statements.

Information Other than the Financial Report and Auditor's Report Thereon

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

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.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 10 to 19 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Anatara Lifesciences Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M A Cunningham
Partner - Audit & Assurance

Melbourne, 29 September 2017

Shareholder information

Below is the current shareholder information as at 14 September 2017 based on available information:

Top 20 Security Holders – Ordinary Shares

Rank	Name	No. of Shares	% Issued Capital
1.	PARMA CORPORATION	5,789,128	11.72
2.	MYENG PTY LTD	4,391,337	8.89
3.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,077,926	6.23
4.	UBS NOMINEES PTY LTD	2,583,123	5.23
5.	IAIN ROSS	1,316,328	2.66
6.	JACOBY MANAGEMENT SERVICES	940,731	1.90
7.	DAVID CHARLES VENABLES	825,000	1.67
8.	MR JAMES PETER KALOKERINOS + MRS MARY-ANNE ELIZABETH KALOKERINOS <KALOKERINOS SUPER FUND A/C>	748,833	1.52
9.	BEEBEE HOLDINGS PTY LTD	690,614	1.40
10.	CITICORP NOMINEES PTY LIMITED	583,802	1.18
11.	MATTHEW TURNER	464,102	0.94
12.	GENETIC HORIZONS PTY LTD <JJ HETZEL SUPER FUND A/C>	456,109	0.92
14.	JONTRA HOLDINGS PTY LTD	405,614	0.82
15.	PYLARA PTY LTD	400,000	0.81
15.	WOTS IN THERE PTY LTD <BONIFANT FAMILY A/C>	330,000	0.67
16.	WOTS IN THERE PTY LTD <BONIFANT FAMILY A/C>	330,000	0.67
17.	NAVIGATOR AUSTRALIA LTD <MLC INVESTMENT SETT A/C>	316,000	0.64
18.	MR JOHN DUGALD MACTAGGART <MLC INVESTMENT SETT A/C>	311,614	0.63
19.	BUDUVA PTY LTD	300,000	0.61
19.	JOHN SIEBERT	300,000	0.61
Totals:	**Top 20 holders of FULLY PAID ORDINARY SHARES (Total)**	**24,675,550**	**49.94**
Total Remaining Holders Balance		**24,737,686**	**50.06**
Total		**49,413,236**	**100.00**

Shareholder information

Distribution of Security Holders

No. of Securities Held	No. of Shareholders	No. of Securities	% Units
1 - 1,000	124	84,521	0.17
1,001 - 5,000	329	1,063,919	2.15
5,001 - 10,000	222	1,811,296	3.67
10,001 - 100,000	441	14,845,729	30.04
100,001 Over	65	31,607,771	63.97
Total	**1,181**	**49,413,236**	**100.00**

Corporate Directory

Directors

Dr Mel Bridges
Executive Chairman

Mr Iain Ross
Non-Executive Director

Dr Jay Hetzel
Non-Executive Director

Dr Tracie Ramsdale
Non-Executive Director

Mr Paul Grujic
Non-Executive Director

Company Secretary

Mr Stephen Denaro

Principal registered office in Australia

433 Logan Road, Stones Corner,
Brisbane Queensland 4120
Australia

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Share and debenture register

Computershare Investor Services Pty Ltd
117 Victoria Street, West End
Queensland 4101

1300 787 272 (local)

Auditors

Grant Thornton Audit Pty Ltd
The Rialto, Level 30, 525 Collins Street
Melbourne Victoria 3000

+61 (0)3 8320 2222

Solicitors

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

Bankers

CBA
Melbourne Victoria

Website

www.anataralifesciences.com

Company

Anatara Lifesciences Ltd
ACN 145 239 872
ABN 41 145 239 872

ANNUAL REPORT 2017

Anatara Lifesciences Ltd
ABN 41 145 239 872

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