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ANATARA LIFESCIENCES LTD

Annual Report 2023

ABN 41 145 239 872

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Our vision

TO PROVIDE EVIDENCE-BASED SOLUTIONS FOR GASTROINTESTINAL TRACT HEALTH ISSUES TO ADDRESS A SIGNIFICANT UNMET CLINICAL NEED

Anatara Lifesciences (ASX: ANR) specialises in creating evidence-based, innovative products to address unmet needs in gastrointestinal health for both humans and animals. Our focus is on building a pipeline of gastrointestinal health products through in-house development and partnerships for licensing. Our core commitment is to deliver tangible benefits to patients and create significant value for our shareholders.





ANATARA LIFESCIENCES LTD

Appendix 4E

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Results for announcement to the market.

| | | | | |
|--|------|-----|----|-----------|
| Revenue from ordinary activities | - | -% | To | - |
| Loss from ordinary activities after tax attributable to members* | Down | 20% | To | 2,023,188 |
| Net loss for the period attributable to members* | Down | 20% | To | 2,023,188 |

*reduction in loss

Distributions

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

Explanation of results

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

Additional information supporting the Appendix 4E disclosure requirements can be found in the directors' report and the financial statements for the year ended 30 June 2023.

| | | |
|---|------------|------------|
| Net tangible assets per security | 2023 Cents | 2022 Cents |
| Net tangible asset backing (per security) | 0.77 | 1.83 |

Changes in controlled entities

There have been no changes in controlled entities during the year ended 30 June 2023.

Other information required by Listing Rule 4.3A

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

Audit

The financial statements have been audited by the group's independent auditor and an unqualified audit opinion inclusive of an emphasis of matter regarding going concern has been issued.



ANATARA LIFESCIENCES LTD

ABN 41 145 239 872

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FOR THE YEAR ENDED 30 JUNE 2023

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Corporate Directory

30 June 2023

Directors

Dr David Brookes
Executive Chair

Dr Jane Ryan
Non-Executive Director

Mr Nicholas Haslam
Non-Executive Director

Secretary

Mr Stephen Denaro

Registered office and principal place of business

c/- Perks, Level 8, 81 Flinders Street, Adelaide SA 5000
Telephone: +61 (0)4 3802 7172

Share Register

Computershare Investor Services Pty Ltd
Level 1, 200 Mary Street, Brisbane QLD 4000
Telephone: +61 (0)7 3237 2100

Auditor

Grant Thornton Audit Pty Ltd
Level 3, 170 Frome Street, Adelaide SA 5000
Telephone: +61 (0)8 8372 6666

Solicitors

Thomson Geer
Level 16, Waterfront Place, 1 Eagle Street, Brisbane QLD 4000
Telephone: +61 (0)8 8236 1300

Bankers

Commonwealth Bank of Australia
Melbourne VIC 3000
Telephone: +61 (0)2 9378 2000

Stock exchange listings

Anatara Lifesciences Ltd shares are listed on the Australian Securities Exchange (ASX code: ANR)

Website

www.anataralifesciences.com

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Executive Chair's Letter to Shareholders

Thank you for your continued support and investment in Anatara Lifesciences. On behalf of the Board of Directors, I am pleased to present Anatara's 2023 Annual Report which is dominated by the progress of the GaRP-IBS trial and the subsequent encouraging Interim Analysis result that was announced on the 28th of September 2023.

As stated at this time last year, a critical assessment of the Company's activities and assets took place. This resulted in the decision to continue the GaRP-IBS trial with changes to the management and contracted arrangements and was supported by a Rights Issue and placement to sophisticated investors in October 2022, with shortfall finalised early in 2023. Other arrangements and activities were changed or finalised as documented in our ASX releases. The focus on assessing other opportunities and assets to broaden Anatara's human health portfolio was also heightened.

Subsequent to the end of the financial year, the GaRP-IBS trial had a positive interim analysis of Stage 1 with the objectives of confirming safety and establishing a dose regime with an efficacy signal for Stage 2 being achieved. The details of the trial results and design are contained within the Review of Operations. This followed a confidential preliminary analysis, from the Data Safety Monitoring Board, in June 2022 to ensure that decisions to continue supporting the GaRP-IBS trial were not already futile.

Anatara's small team are very dedicated to rebuilding the Company's projects and shareholder value. Once again it has not been an easy period with limited resources and the typical road bumps of a clinical trial journey. The Board thanks COO Mr. John Michailidis and CDO Mr. Simon Erskine for their dedication and assistance. A Board transition process began with Ms. Sue MacLeman retiring in November 2022 and has continued with Dr Jane Ryan recently choosing not to seek a further term and retiring after the successful interim analysis of the GaRP-IBS trial. Mr Nick Haslam joined the Board as Chair of Audit and Risk in November 2022 and I thank all directors for their contributions.

On behalf of the Anatara Board and management team, our sincere thanks to our loyal and those more recent shareholders. The GaRP product with broad health indications has confirmed promise and we remain inspired to commercialise evidence-based solutions for gastrointestinal health and look forward to updating you on our progress.

Yours sincerely,

Dr. David Brookes
Executive Chair

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Review of Operations

GaRP – Irritable Bowel Syndrome (IBS) Phase I/II trial

Anatara's GaRP (Gastrointestinal ReProgramming) product is a multi-component, coated complementary medicine designed to address underlying factors associated with chronic gastrointestinal conditions such as IBS and IBD. The product consists of GRAS (Generally Regarded As Safe) components and is designed to assist restoration and maintenance of the gastrointestinal tract (GIT) lining and the homeostasis of the microbiome.

The interim futility statistical analysis of Stage 1 of the GaRP-IBS trial was reviewed by the DSMB (Data Safety Monitoring Board) on 27 September 2023 and concluded that Stage 1 has successfully met the study objectives of confirming safety and the optimum dose for the single dose expanded Stage 2 of the trial, with a preliminary indication of meaningful efficacy. The data from 61 participants over 3 arms (placebo, low and high dose) strongly supported continuing the trial using the Low Dose. There were no concerning safety signals and the DSMB were satisfied that the continuation of the current trial protocol was supported. The DSMB have suggested considering variations to the randomisation in Stage 2 to aid recruitment by considering reduction of the placebo rate, e.g. increasing the randomisation ratio to 2:1 optimum dose vs placebo, as opposed to the currently proposed 1:1 (optimum dose vs placebo) randomisation.

In the ASX release on the 28 September Anatara's Executive Chair, Dr David Brookes commented that "This is a very pleasing and not unexpected outcome from the Stage 1 interim analysis given the trial design. To confirm safety and the optimum dose with a meaningful indication of efficacy was the intention of Stage 1 of the trial. The Company is buoyed by this milestone and looks forward to advancing the GaRP project. Encouragingly the reduction in symptoms using the IBS-SSS suggests a meaningful adjunctive treatment for those patients meeting the criteria for moderate IBS."

Dr Brookes added;

"More broadly our expectation is that this complementary medicine's rejuvenating gastrointestinal tract (GIT) effects will provide relief for sufferers of non-specific GIT symptoms and be an adjunctive therapy in other medical indications, such as IBD (Inflammatory Bowel Disease). As previously highlighted, the trial was more challenging than anticipated and highlighted the difficulties that sufferers of IBS deal with from day to day. The Company has learnt from these tribulations and we feel is now well placed to efficiently conduct Stage 2. We are also looking forward to sharing the data and discussing the results with other corporates and already interested potential partners following the analysis of Stage 1 of the IBS trial."

Headline Data Overview – Stage 1

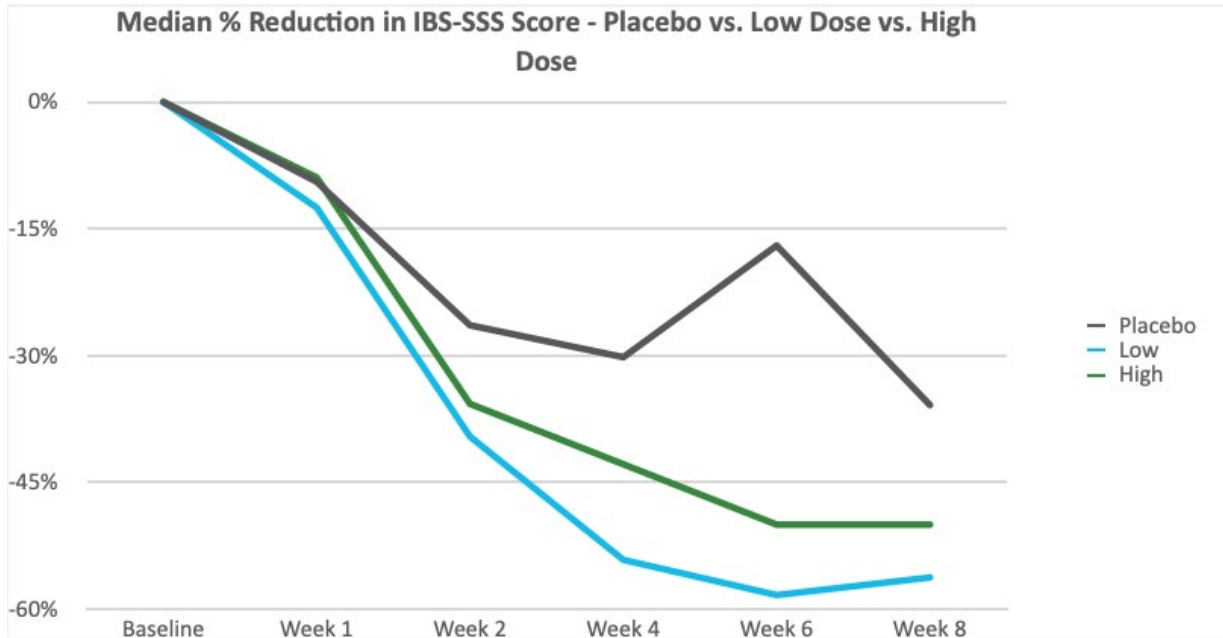
The below chart highlights that GaRP is having a clinically meaningful reduction in trial participants' IBS-SSS Scores. It is highly encouraging to see such a strong divergence between Placebo and the active Low and High Dose arms, as this provides solid evidence that the drug is having an effect (working) whereas placebo is not.

As is the case with statistical analysis, increasing the population/patients in the trial (as is proposed for Stage 2 of the study) is expected to provide statistically significant P values.

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The statistical analysis suggests that Stage 2 may require as few as a total of 50 participants on the optimum Low Dose of product versus the placebo group to achieve the desired primary endpoint of at least a 20% improvement (reduction) in IBS-SSS Scores, noting that this 20% reduction has been achieved in Stage 1.



The below table details the median IBS-SSS Scores for Stage 1 and highlights the large positive change in patients' IBS scores on the two drug arms (high and low dose). A patient achieving a 50%+ reduction in IBS Score translates to a significant positive change in day-to-day life, a benefit that cannot be understated. An IBS-SSS score of 240 is toward the high end of moderate IBS whilst 140 is mild IBS.

| Median IBS-SSS Score – Baseline to week 8 | | | |
|---|---------|------|------|
| | Placebo | Low | High |
| | n=20 | n=20 | n=21 |
| Baseline | 265 | 240 | 280 |
| Week 1 | 240 | 210 | 255 |
| Week 2 | 195 | 145 | 180 |
| Week 4 | 185 | 110 | 160 |
| Week 6 | 220 | 100 | 140 |
| Week 8 | 170 | 105 | 140 |
| Difference baseline score to week 6 score | 45 | 140 | 140 |
| % | -17% | -58% | -50% |
| Difference baseline score to week 8 score | 95 | 135 | 140 |
| % | -36% | -56% | -50% |

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The IBS Symptom Severity Scale (IBS-SSS) is a global measure of IBS symptoms that aggregates patient ratings of different, well-defined domains of IBS into a single overall score. The measure is utilised in clinical trials to monitor the progress of the disease and treatment effect. A score below 75 is seen in healthy people or those in remission, whilst 75–175 indicates mild disease, 175–300 moderate disease and over 300 indicates severe disease. The Anatara GaRP-IBS trial recruited patients with scores in the 175-350 range.

The Company notes the difficulties for patients on placebo in the trial for the full duration with patients suffering from difficult to manage symptoms tending to drop out. The dropping out of 3 placebo patients from week 6 to week 8 highlights this, whilst the low or high dose arm from week 6 to week 8 participation remained stable.

This point is reinforced by the week 6 Placebo response showing a strong return to baseline, something that would be expected for placebo, giving the Company optimism that larger patient numbers in Stage 2 would be likely to show a placebo trend of returning to baseline in week 8 as it did for week 6.

The Company is not surprised or concerned about the high placebo response as the medical literature shows that IBS clinical trials typically have a high placebo response on average of about 40%, very much in line with today's results¹.

The outperformance of the low-dose over the high-dose enhances the potential clinical utility of GaRP in a commercial setting. In terms of safety and ultimate commercial attractiveness of the product, achieving the desired clinical utility with a lower dose is preferred for the following reasons:

- Lower dose means less drug which means less chance of safety concerns or unwanted side effects;
- Less drug needs to be manufactured per patient dose and this has obvious cost savings and improved margins;
- Less chance of other drug to drug interactions.

Anatara's objective is to advance the clinical development plan for GaRP as an effective treatment for IBS and bring the product to market, part of which means registering the product with Therapeutic Goods Association of Australia (TGA) and other jurisdictions. The Company will consider regulatory advice and processes towards achieving approval given today's positive human safety and efficacy data and the GRAS nature of the GaRP ingredients. The Company has engaged with numerous corporates and companies ranging from the Speciality Pharmaceutical to Vitamin & Wellness sectors regarding potential partnering. These companies are interested in expanding their portfolio of complementary medicines and recognise the substantial global opportunity in gut health, the microbiome and the importance of the role that the gut-brain axis plays in human health and well-being.

Large Unmet Need for an effective IBS Treatment

GaRP presents itself as a potential disease-modifying treatment that aims to positively impact a substantial proportion of the population that suffer from the debilitating symptoms of digestive disorders, including irritable bowel syndrome (IBS).

The lack of efficacious digestive treatments amplifies the clear unmet need and the significant market opportunity for Anatara. The global Digestives & Intestinal treatment market amounts to US\$18.64bn in 2023. Furthermore, GaRP is restorative of the gastrointestinal tract lining and benefits the homeostasis of the microbiome which are beneficial effects for the complex gut-brain axis.

¹ <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC6414074/#:~:text=Estimates%20of%20the%20placebo%20response,approximately%2040%259%E2%80%93311.>

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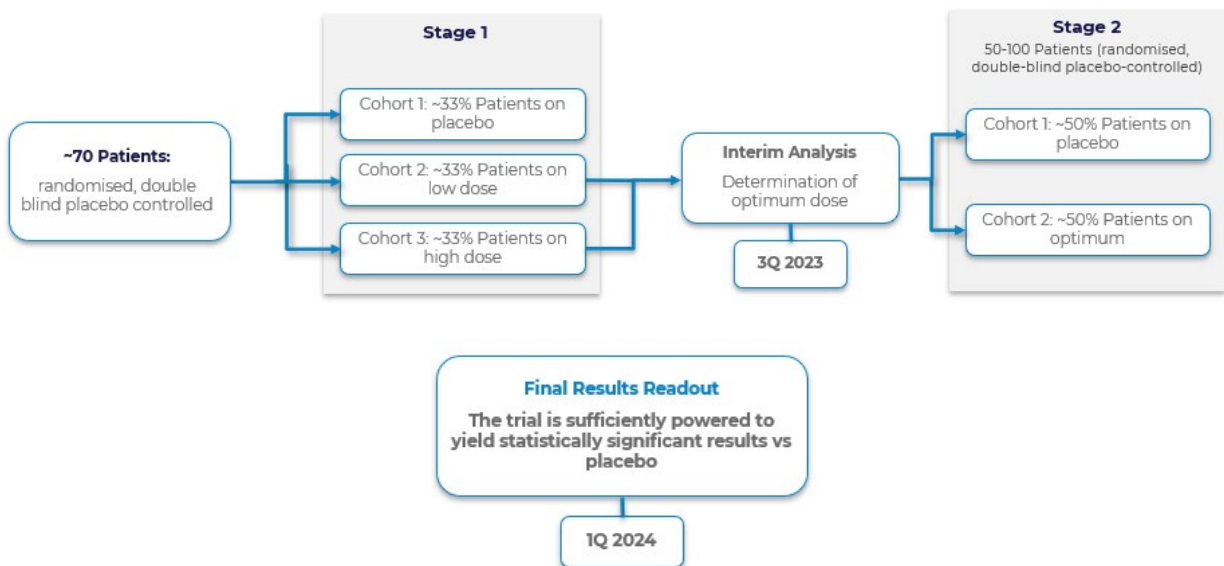
Trial Design – Stage 1

Recruitment for Stage 1 was finalised in June with approximately 70 patients from the more than 2,700 applicants screened for enrolment. The GaRP-IBS trial is powered to deliver results that will validate and support efficacy claims. There were 61 Intent to Treat patients in the final Stage 1 interim analysis with some other participants not included after withdrawing/not complying following the randomisation stage.

The trial enrolled males and females 18-65 years of age with irritable bowel syndrome (IBS-SSS score of 175-350). Patients were dosed orally twice daily for 8 weeks following a baseline period of 2 weeks.

The trial has been designed to return, if successful, a clinically meaningful and statistically significant result, with primary endpoints of a reduction in the IBS-SSS (Irritable Bowel Severity Scoring System) and safety. Secondary endpoints include quality of life, anxiety and depression and pain improvements.

GaRP-IBS Clinical Trial Design



Key endpoints for the Trial

Primary Endpoints

- Change in IBS-Severity Scoring System (IBS-SSS) between test and placebo groups compared to baseline
- Treatment-Related Adverse Events

Secondary Endpoints

- IBS Adequate Relief (IBS-AR) compared to baseline
- Hospital Anxiety and Depression (HAD) Scale comparing to baseline
- Change in IBS quality of life (IBS QoL) points compared to baseline
- Safety markers

Exploratory Endpoints

- Plasma levels of specific inflammatory markers
- Use of rescue medication across the study group
- Alterations in gut microbiota with respect diversity and balance; correlation to IBS symptoms including overall wellness

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Other operational activities

GaRP continues to demonstrate excellent long-term stability. Testing has been completed on two clinical batches of GaRP minitablets in HDPE 40cc bottles, which were manufactured under GMP conditions. Samples were tested to ensure intactness of dosage form in the gastric pH and release of active ingredients in the targeted segments of the ileum and colon. Testing was successful, indicating product stability for up to 12 months under the conditions tested.

In addition, a batch of GaRP minitablets, manufactured under GMP, was packaged in foil sachets. Stability testing was performed in this packaging in preparedness for suitable commercial production. Testing to date indicates satisfactory stability to 9 months. Testing is ongoing with the 12 month time point approaching.

The Company is poised now to move from pilot production to commercial scale-up. Discussions have initiated to continue to optimise manufacturing processes and formulation solutions to meet customer and market user requirements.

In order to support and protect this the company has continued to expand and support ongoing patent applications under a broad family of patents in key jurisdictions, including the EU and key APAC countries including Japan, Korea, Hong Kong and Australia.

The Company announced in October 2022 the halting of the trial of “3FDC” components of the GaRP product for psychological well-being with no safety concerns. The trial was subsequently terminated and there are no further considerations to use the coated components for release in the lower intestinal tract (“3FDC”) as a subset of the GaRP product.

Ongoing corporate initiatives

The Company continues to actively assess other opportunities in the human healthcare space and is appraising projects suitable to add to the Company’s portfolio. The encouraging Stage 1 results from the IBS trial reinforce that the GaRP product can be a meaningful treatment for not only IBS patients but for symptomatic relief of GIT health sufferers who do not meet a diagnostic criteria. As well, the Company has established interest for other mainstream indications to use GaRP as adjunctive therapy, such as IBD (Inflammatory Bowel Disease). The Company will continue to focus efforts on partnering and progressing the trial to Stage 2.

The organisation has continued to streamline operations with the amalgamation of corporate and operational location into a single office in SA and the closure of the Melbourne office.

The Company conducted a Rights Issue and Placement to sophisticated investors in October 2022, with the shortfall finalised early in 2023, raising approximately \$1.7m in total before fees. The Company received \$923,235 via its Research and Development Tax rebate in September 2023. Returning a successful Stage 1 of its Irritable Bowel Syndrome (IBS) Phase I/II trial, with the capital on hand, highlights the Company’s commitment to efficiently and appropriately using shareholder funds.

There is continued interest in Anatara’s established products and formulations for animal health indications. Discussions are ongoing with a major animal health product manufacturer with preparations for an in-field trial for the use of Detach® in a large cohort of pigs underway. It is anticipated that, if successful, commercial terms will be negotiated.

In addition, the positive results from Stage 1 human clinical trial for GaRP in IBS, have garnered interest for expanding its use to companion animals.

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Directors' Report

30 June 2023

The directors present their report, together with the consolidated financial statements of the Group, being Anatara Lifesciences Ltd ("the Company") and its controlled entities ("the Group"), for the financial year ended 30 June 2023.

General information

Directors

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

| Names | Position | Appointed/Resigned |
|--------------------|------------------------|---------------------------|
| Dr David Brookes | Executive Chair | |
| Ms Sue MacLeman | Non-Executive Director | Resigned 7 December 2022 |
| Dr Jane Ryan | Non-Executive Director | |
| Mr Nicholas Haslam | Non-Executive Director | Appointed 7 December 2022 |

The following person held office as company secretary of the Company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr Stephen Denaro

Principal activities and significant changes in nature of activities

The Group is an Australian listed entity that is developing and commercialising innovative, evidence-based products for gastrointestinal health where there is significant unmet need. Lead products are the Gastrointestinal ReProgramming dietary supplement (GaRP) for humans and Detach® for animals.

There were no significant changes in the nature of the Group's principal activities during the financial year.

Review of operations and financial review

Review of operations

Anatara Lifesciences Ltd (ASX:ANR) is developing and commercialising innovative, evidence-based products for gastrointestinal health where there is a significant unmet need. Throughout FY2023, the Company focused on the development of its Gastrointestinal ReProgramming (GaRP) therapy towards clinical validation. Additionally, Anatara remains active in assessing opportunities to enhance the Company's portfolio to deliver value for our shareholders. Gastrointestinal ReProgramming (GaRP) – Irritable Bowel Syndrome (IBS) - Trial Update

Following an extensive review of the Anatara clinical trials in the earlier part of FY2023, the GaRP-IBS trial progressed after further modifications, which subsequently led to the announcement on the 6th of June 2023 that a preliminary statistical analysis of the cohort of the initial 31 ITT (Intent-to-Treat) participants in the GaRP-IBS trial was conducted. The DSMB (Data Safety Monitoring Board) reviewed the preliminary data and were pleasingly satisfied that the continuation of the current trial protocol was supported, while noting the small data set. Importantly, there were no safety concerns across the participant groups.

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Anatara Lifesciences Ltd

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Directors' Report

30 June 2023

Review of operations (continued)

Gastrointestinal ReProgramming (GaRP) – Irritable Bowel Syndrome (IBS) - Trial Update (continued)

This preliminary analysis encouraged the Company to progress Stage 1 of the trial to the full interim analysis point and commence early planning for Stage 2 of the IBS trial as well as potential trials for other medical indications of the GaRP product. Anatara's GaRP product is a multicomponent, coated complementary medicine designed to address underlying factors associated with chronic gastrointestinal conditions, such as IBS and IBD, and associated with everyday commonly suffered gut symptoms. The GaRP formula is based on the coating and combination of GRAS (FDA "Generally Recognised as Safe") ingredients that are not associated with serious side effects such as toxicity or bleeding mechanisms. Anatara aims to establish GaRP as a nonprescription/overthecounter (OTC), licensed product for the maintenance and restoration of the gastrointestinal tract lining and homeostasis of the microbiome.

The recruitment for the GaRP-IBS trial was finalised in June 2023, with the ITT pool expected to exceed 70 participants from the more than 2,700 applicants screened for enrolment. The GaRP IBS trial is powered to deliver results that will validate and support claims. The Company is pleased to advise that the trial momentum and progress is consistent with the previously revised guidance, with results of the interim analysis expected in late September 2023

GaRP has been developed as a potential disease-modifying treatment that aims to positively impact a large proportion of the population that suffer from the debilitating digestive tract symptoms, including disorders such as irritable bowel syndrome (IBS) and inflammatory bowel disease (IBD). The lack of efficacious digestive tract treatments amplifies the clear unmet need to address and the significant market opportunity for Anatara. This high prevalence of sufferers of gastrointestinal tract symptoms with a need for relief results in an estimated spend of \$8 billion¹ in the USA on non-prescription products.

The GaRP-IBS trial was broadened from only the IBS-Diarrhoeal subtype to all IBS subtypes that sufferers experience, with the exception of the constipation subtype, in Q2 2022. There was also an apparent trial design issue in that participants that successfully went through screening could be "failed" in the baseline period before assignment to the study (i.e., to product or placebo). The Anatara Advisory Board was reconvened on the 1st of September 2022 to review this issue and the inclusion/exclusion criteria. The Advisory Board's recommendations to enhance the participation process and assist enrolment were consistent with Anatara's proposed strategies. Following ethics regulatory review and approval, the implementation of the redefined criteria led to delays in recruitment into the early new CY2023 as trial sites adjusted.

In November 2022, the ProPharma Group (PPG) were contracted as a new CRO (Clinical Research Organisation) as Anatara recommitted internally to finalise the GaRP-IBS trial following the various trial review processes and overview of the commercial potential. This was associated with a capital raise (see later in this Operational Report). In addition, new communication methods to further enhance and accelerate recruitment were also put in place in December, and trial management roles were outsourced to PPG.

GaRP-IBS Clinical Trial Design

There is strong mainstream support for a product that assists in the restoration and functioning of the gut lining and the homeostasis of the microbiome. It has wider potential for medical indications, in particular inflammatory bowel disease (IBD), and in general use for relief of common GIT symptoms. The Company is confident that a positive interim readout from the GaRP-IBS trial will provide the foundation for broadening interest to other mainstream indications for the use of GaRP. Importantly, and as expected, with the use of a coated combination of GRAS components, there have been no safety nor tolerance concerns detected with the GaRP formulations, including the subset of "3FDC" used in the psychological functioning study that was ultimately a trial that the Company terminated.

¹ <https://www.grandviewresearch.com/press-release/global-brain-health-supplements-market>

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Anatara Lifesciences Ltd

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Directors' Report

30 June 2023

Review of operations (continued)

GaRP-IBS Clinical Trial Design (continued)

The review of Company projects resulted in the described changes to enhance the GaRP-IBS trial and to the finalisation of the trial using the "3FDC" components of the overall GaRP complementary medicine formulation looking at potential influences on psychological functioning and wellbeing (As announced ASX 3 October 2022 and at AGM 11 November 2022). The GaRP complementary medicine includes a subset of 3 components formulated for release in the lower intestinal tract which are labelled "3FDC" in house as a reference term.
3FDC - Psychological functioning trial terminated

The psychological functioning study being conducted by the CSIRO Adelaide using 3FDC was in the process of recruiting ~100 patients with mild to moderate levels of depression, anxiety, or stress symptoms indicated by the Depression, Anxiety and Stress Scale (DASS-21).

During a review of all Anatara clinical trials, it became apparent that the sample size required to detect a signal in this study was likely to be higher than initially proposed to reach a statistically meaningful outcome. The Board of Anatara elected to halt the study on the balance of outcome probability rather than considering a commitment to significant future costs. As stated, there were no concerns around safety or tolerance with the 3FDC components.

The closure of the 3FDC trial was finalised in November 2022.

The GaRP-IBS trial has as secondary endpoints the Hospital Anxiety and Depression Scale (HADS) and Quality of Life (QOL) assessments. These will allow for preliminary analyses of the influence of the total GaRP components, in participants with gastrointestinal symptoms, on depression and anxiety. This anticipated insight regarding the relationship of anxiety and depressive symptoms with gut disorders (which is in keeping with the general interest in the gut-brain axis) may provide preliminary information about progressing the use of the full GaRP complementary medicine, which includes the 3FDC components, for these indications.

The Company takes this opportunity to again thank the participants and trial sites involved in the GaRP-IBS trial and the 3FDC Psychological Functioning trial.

Board and Management Changes

The extensive review of operations and activities that took place from early in FY2023 followed the management changes in June 2022 with Dr. David Brookes assuming the role of executive chair and Mr. John Michailidis joining as COO(Chief Operations Officer).

Mr. Nicholas Haslam was appointed as non-executive director on the 7th of December 2022 (ASX announcement: Board Changes 7 December 2022). As had been foreshadowed in the Annual Report, Ms Sue MacLeman retired as a non-executive director on the 7th of December 2022.

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Anatara Lifesciences Ltd

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Directors' Report

30 June 2023

Review of operations (continued) Ongoing corporate initiatives

In preparation for the GaRP interim trial results, Anatara is engaging with global pharma companies interested in expanding their portfolio of complementary medicines. The trial is garnering interest from global leaders in the GI field due to the strong evidence-based design of the GaRP trial.

The Company continues to actively assess other opportunities in the human healthcare space and is appraising projects suitable to add to the Company's portfolio.

There are also ongoing discussions for potential uses of Anatara's established products and know-how for animal health indications. The use of Anatara's products in animal health present a promising but challenging potential, particularly in the logistics of delivery and the variable efficacy seen so far. This has resulted in softened commercial interest from potential partners though we continue to discuss with interested parties the products for use in weanling pigs, poultry production and other indications. The global push for meat products free of antibiotics and animal husbandry not contributing to antimicrobial resistance provides an opportunity, especially with Europe leading the way with a ban on zinc oxide (ZnO) as an additive being put in place in June 2022.

Mucpharm Pty Ltd licence agreement

On the 10th March 2023, the Company announced an agreement with Mucpharm to licence technology from Anatara's portfolio for use in specific fields of interest, particularly mucin producing cancers and biofilms. The agreement provides Anatara with royalties on sales and sub-licensing.

Mucpharm is a specialised company focused on the treatment of mucin-containing and secreting conditions. It is developing the novel use of "BromAc", a combination of bromelain and acetylcysteine, in specific fields including cystic tumours.

Operational changes

The Flemington Road office was vacated after a decision not to renew the lease in June 2023. This was used as the hub for R&D which was no longer required with the trial established and related product being stored at a GMP facility.

The Company moved financial services to Adelaide based firm Perks early in 2023.

Financial position

The Company's cash balance as at 30 June 2023 was \$0.351 million (down from \$1.12 million as at 30 June 2022). The expenditure through the year was higher than anticipated due to trial activities and modifications. The company reports that \$923,236 was received from the Australian Taxation Office subsequent to year end under the Federal Government's Research and Development (R&D) tax incentive scheme for FY2023, in line with the Company's expectation.

The increased expenditure contributed to a loss for the year of \$2,023,188 (2022: \$2,532,293).

The Company announced (ASX Release: 21 Oct 2022) it had received firm commitments for approximately \$0.865m in a successful Placement and launched a 1-for-3 Entitlement Offer to raise \$0.832m. The Company subsequently announced (ASX: 24 Nov 2022) that the Entitlement Offer had closed with the uptake raising \$0.524m and that it would seek to place the shortfall of \$0.307m within three months. (*Taylor Collison Limited acted as Lead Manager and Candour Advisory Pty Ltd acted as Advisor to the Company*).

The Company announced on 21st February 2023 that the shortfall from the previous entitlement offer (prospectus 21st October 2022) had been placed in full to sophisticated and institutional investors raising an additional \$307,791.

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Anatara Lifesciences Ltd

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Directors' Report 30 June 2023

Financial position (continued)

The capital raise use was stated as reaching interim read-out in the form of a futility analysis on Stage 1 of the GaRP-IBS (Irritable Bowel Syndrome) trial involving up to 90 participants, with enrolment anticipated to be completed in Q1CY2023 and the analysis no later than Q2CY2023. These timelines were revised, with analysis anticipated in late Q3CY2023. Funds were also intended to further work on other opportunities to broaden Anatara's portfolio in human health.

Other items

Significant changes in state of affairs

Significant changes in the state of affairs of the Group during the financial year were as follows:

During the year, there was a total of 24,714,286 new shares and 12,357,163 free-attaching options pursuant to Tranche 1 and Tranche 2 of a Placement announced on 21 October 2022. In addition, there was a total of 14,991,156 new shares and 7,495,595 free-attaching options issued to eligible shareholders who subscribed for Entitlement Offer announced on the same date. A further 8,794,051 new shares and 4,397,026 free-attaching options were issued under a Shortfall Offer on 21 February 2023.

On 27 January 2023, the Group issued 68,871 ordinary shares as a result of exercise of performance rights.

Dividends paid or recommended

No dividends were declared or paid to members for the year ended 30 June 2023. The directors do not recommend that a dividend be paid in respect of the financial year.

Events after the reporting date

No matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

Likely future developments and results

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

Environment Regulation

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Director Information***Information on directors*

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

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Director Information (continued)****Information on directors (continued)**

| | |
|---|--|
| Ms Sue MacLeman | Non-Executive Director, resigned 7 December 2022 |
| Experience | <p>Sue MacLeman has more than 30 years' experience as a pharmaceutical, biotechnology and medical technology executive having held senior roles in corporate, medical, commercial and business development. Sue has served as CEO and Board member of several ASX, AIM and NASDAQ listed companies in the healthtech sector.</p> <p>She is current Chair of MTPConnect, a not-for-profit industry growth centre for the medtech, biotech and pharmaceutical sectors. She is also Chair of TALi Digital Ltd (ASX:TDI), and a non-executive director of Planet Innovation Holdings and Omico. Sue is appointed to several academic and government advisory boards.</p> <p>Her broad commercial and technical experience is underpinned by a Bachelor of Pharmacy from the University of Queensland, a Master of Laws from Deakin University and a Master of Marketing from Melbourne Business School. She is also a Fellow and Chair of the Health Forum at the Australian Academy of Technology and Engineering (ATSE) and Fellow/Graduate of Australian Institute of Company Directors (AICD).</p> |
| Other current public directorships | Tali Digital Ltd (ASX: TD1), since 6 September 2018 |
| Special Responsibilities | <p>Chair of Board</p> <p>Chair of the audit and risk management committee.</p> <p>Member of the remuneration and nominations committee.</p> |

Directorships held in other listed entities during the three years prior to the current year:

Palla Pharma Limited (ASX: PAL), until 21 April 2022 Oventus Medical Ltd (ASX: OVN), until 14 June 2022

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report

30 June 2023

Director Information (continued)**Information on directors (continued)**

| | |
|---|--|
| Mr Nicholas Haslam | Non-Executive Director, appointed 7 December 2022 |
| Experience | Nick is a chartered accountant with ten years of experience in professional services with M&A and restructuring at PwC, before undertaking leadership roles in professional sports and medical device companies. With respect to medical experience, Nick is formerly the Chief Executive Officer of Plasma Shield Limited, an Australian air decontamination company, as well as commercial manager of KangaTech Pty Ltd, an injury prevention business, with customers spread across Australia, the US, and Europe. |
| Other current public directorships | None |
| Special Responsibilities | Chair of the audit and risk management committee |

Directorships held in other listed entities during the three years prior to the current year:
None

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Director Information (continued)****Company secretary**

The company secretary is Mr Stephen Denaro, appointed to the position on 24 February 2014. Stephen has extensive experience in mergers and acquisitions, business valuations, accountancy services, and income tax compliance gained from positions as Company Secretary and Chief Financial Officer of various public companies and with major chartered accountancy firms in Australia and the United Kingdom. He provides company secretarial services for a number of start-up technology and ASX listed and unlisted public companies.

Stephen has a Bachelor of Business in accountancy, Graduate Diploma in Applied Corporate Governance and is a member of Chartered Accountants Australia & New Zealand and the Australian Institute of Company Directors.

Meetings of directors

During the financial year, 19 meetings of directors (including committees of directors) were held. Attendances by each director during the year were as follows:

*Dr David Brookes**Ms Sue MacLeman**Dr Jane Ryan**Mr Nicholas Haslam*

| Directors' Meetings | | Audit Committee | | Remuneration Committee | |
|---------------------------|-----------------|---------------------------|-----------------|---------------------------|-----------------|
| Number eligible to attend | Number attended | Number eligible to attend | Number attended | Number eligible to attend | Number attended |
| 13 | 13 | 3 | 3 | 3 | 3 |
| 8 | 7 | 1 | 1 | 2 | 2 |
| 13 | 13 | 3 | 3 | 3 | 3 |
| 5 | 5 | 2 | 2 | 1 | 1 |

Indemnification and insurance of officers and auditors**(a) Insurance of officers**

During the financial year, the Company Ltd paid a premium of \$30,250 to insure the directors and secretaries of the company and its Australian-based controlled entities, and the general managers of each of the divisions of the Group.

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

(b) Indemnity of auditors

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

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Proceedings on behalf of company**

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

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

Options**Unissued ordinary shares**

Unissued ordinary shares of Anatara Lifesciences Ltd under option and performance rights at the date of this report are as follows:

| Date options granted | Expiry date | Issue price of shares (\$) | Number under options |
|----------------------|-------------|----------------------------|----------------------|
| 26-11-2020 | 25-11-2023 | 0.2500 | 1,500,000 |
| 23-08-2023 | 18-08-2025 | 0.2256 | 20,000 |
| 16-11-2021 | 14-11-202 | 0.2226 | 1,575,000 |
| 29-11-2021 | 25-11-2025 | 0.2030 | 300,000 |
| 28-11-2022 | 11-12-2025 | 0.0700 | 7,495,595 |
| 19-12-2022 | 11-12-2025 | 0.0700 | 15,857,163 |
| 21-02-2023 | 11-12-2025 | 0.0700 | 4,397,026 |
| Total | | | 31,144,784 |

| Date performance rights granted | Expiry date | Number under performance rights |
|---------------------------------|-------------|---------------------------------|
| 31-08-2022 | 31-08-2025 | 206,612 |
| Total | | 206,612 |

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

Options exercised during the year

No ordinary shares of the Company were issued during the year ended 30 June 2023 from the exercise of issued options. Ordinary shares of the Company were issued during the year ended 30 June 2023 on the exercise of performance rights as follows:

| Date performance rights exercised | Number of shares issued |
|-----------------------------------|-------------------------|
| 27-01-2023 | 68,871 |
| Total | 68,871 |

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Directors' Report
30 June 2023****Non-audit Services**

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the Group are important. Details of the amounts paid or payable to the auditor (Grant Thornton Audit Pty Ltd) for audit and non-audit services provided during the year are set out below.

The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the *Corporations Act 2001* for the following reasons:

- all non-audit services are reviewed and approved by the audit committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: *Code of Ethics for Professional Accountants (including Independence Standards)* set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to the Grant Thornton Audit Pty Ltd and its related entities and other Grant Thornton network firms for non-audit services provided during the year ended 30 June 2023:

| | 2023 | 2022 |
|--|--------|--------|
| Tax compliance services | 38,000 | 45,835 |
| Total remuneration for taxation services | 38,000 | 41,835 |
| Total remuneration for non-audit services | 38,000 | 41,835 |
| Auditor's Independence Declaration | | |

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001* for the year ended 30 June 2023 has been received and can be found on page 22 of the consolidated financial report.

Rounding of Amounts

The Company is an entity to which ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191 applies and, accordingly, amounts in the consolidated financial statements and directors' report have been rounded to the nearest dollar.

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Anatara Lifesciences Ltd

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Directors' Report

30 June 2023

Remuneration report (audited)

The directors present the Company's 2023 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

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

(a) Key management personnel covered in this report

Dr David Brookes, Executive Chair

Ms Sue MacLeman, Non-Executive Director - Resigned 7 December 2022

Dr Jane Ryan, Non-Executive Director

Mr Nicholas Haslam, Non-Executive Director - Appointed 7 December 2022

Mr Simon Erskine, Chief Development Officer

Mr John Michailidis, Chief Operating Officer

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Remuneration report (audited) (continued)****(b) Remuneration policy and link to performance**

The remuneration and nominations committee of the Company is mainly comprised of independent non-executive directors. The committee reviews and determines the Company's remuneration policy and structure annually to ensure it remains aligned to business needs, and meets Company remuneration principles. In particular, the Board aims to ensure that remuneration practices are:

- Competitive and reasonable, enabling the Company to attract and retain key talent;
- Aligned to the Company's strategic and business objectives and the creation of shareholder value;
- Transparent and easily understood; and
- Acceptable to shareholders.

| Element | Purpose | Performance Metrics | Potential Value |
|-----------------------------|--|---|---|
| Fixed remuneration (FR) | Provide competitive market remuneration | Nil | Positioned at the market rate |
| Short-term incentives (STI) | Reward for in-year performance and retention | KPI achievement, determined by remuneration and nominations committee | CEO: 30% of FR |
| Long-term incentives (LTI) | Alignment to long-term shareholder value | KPI achievement, determined by remuneration and nominations committee | CEO: 300,000 unlisted 4 year options at \$0.2030 exercise price, vesting over a 3-year period from the grant date |

Assessing performance

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

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

Securities trading policy

The Company's securities trading policy applies to all directors and executives, see <https://anataralifesciences.com/investors/corporate-governance>.

It only permits the purchase or sale of company securities during certain periods:

- Product development and commercialisation.

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Directors' Report 30 June 2023

Remuneration report (audited) (continued)

(c) Elements of remuneration

(i) Fixed annual remuneration (FR)

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

(ii) Short-term incentives (STI)

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

The company's CEO and COO are entitled to short-term incentives in the form of cash bonus up to 40% and 30% of fixed remuneration, respectively, against agreed various key performance indicators (KPIs), including target EBITDA, appreciation in share price value, retention of key talent, and achievement of major project milestones. On an annual basis, KPIs are reviewed and agreed in advance of each financial year and include financial and non-financial company and individual performance goals that relate to:

- Operational management.
- Investor relations and shareholder value creation.
- R&D activities.

(iii) Long-term incentives (LTI)

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

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report**30 June 2023****Remuneration report (audited) (continued)****(d) Link between remuneration and Statutory performance indicators**

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

| | 2023 | 2022 | 2021 | 2020 | 2019 |
|--|-------------|-------------|-------------|-------------|-------------|
| Loss for the year attributable to owners (\$) | 2,023,188 | 2,532,293 | 1,995,874 | 3,364,644 | 2,868,272 |
| Basic loss per share (cents) | 2.07 | 3.56 | 3.18 | 6.77 | 5.80 |
| Share price at year-end (\$) | 0.03 | 0.06 | 0.16 | 0.13 | 0.26 |

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

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(e) Remuneration expenses for the year ended 30 June 2023

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

| | Short term | Post-employment | Long term | Share Based Payments | | Total |
|--------------------------------|----------------|-----------------|--------------------|----------------------|--------------------|----------------|
| | | Superannuation | Long service leave | Options | Performance rights | |
| 2023 | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-executive directors | | | | | | |
| Ms Sue MacLeman (1) | 27,000 | 2,835 | - | 6,412 | - | 36,247 |
| Dr Jane Ryan | 61,154 | 6,421 | - | 14,830 | - | 82,405 |
| Mr Nicolas Haslam (2) | 34,154 | 3,586 | | - | - | 37,740 |
| Executive director | | | | | - | |
| Dr David Brookes | 152,223 | 15,983 | - | 29,661 | | 197,867 |
| Other KMP | | | | | | |
| Mr Simon Erskine (3) | 213,222 | 21,404 | 584 | 8,832 | 69,780 | 313,822 |
| Mr John Michailidis | 107,500 | 11,288 | - | - | - | 118,788 |
| Total KMP compensation | 595,253 | 61,517 | 584 | 59,735 | 69,780 | 786,869 |

Notes

(1) Ms Sue MacLeman resigned on 7 December 2022.

(2) Mr Nicholas Haslam was appointed on 7 December 2022.

(3) Subsequent to year end, 1,611,176 performance rights have been issued to Mr Simon Erskine, as part of his final performance bonus of \$54,780. These performance rights have nil exercise price and expire on 1 August 2026.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report
30 June 2023**Remuneration report (audited) (continued)****(e) Remuneration expenses for the year ended 30 June 2023 (continued)**

| | Short term | Post-employment | Long term | Share Based Payments | | Total |
|--------------------------------|----------------|-----------------|--------------------|----------------------|--------------------|----------------|
| | | Superannuation | Long service leave | Options | Performance rights | |
| 2023 | | | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Non-executive directors | | | | | | |
| Ms Sue MacLeman (1) | 65,116 | 6,511 | - | 15,638 | - | 87,265 |
| Dr Jane Ryan | 61,096 | 6,109 | - | 15,638 | - | 82,843 |
| Executive director | | | | | | |
| Dr David Brookes | 108,019 | 10,802 | - | 31,275 | - | 150,096 |
| Other KMP | | | | | | |
| Mr Steven Lydeamore (2) | 384,227 | 39,500 | (8,471) | - | - | 415,256 |
| Dr Michael West (3) | 95,085 | 9,327 | (13,391) | - | - | 91,021 |
| Total KMP compensation | 713,543 | 72,249 | (21,862) | 62,551 | - | 826,481 |

Notes

(1) Dr David Brookes transitioned from Non-Executive Chair to Executive Chair on 24 June 2022.

(2) Mr Steven Lydeamore resigned on 24 June 2022.

(3) Dr Michael West resigned on 9 November 2021.

(f) Contractual arrangements with executive KMPs

Name: Dr David Brookes
Position: Executive Chair
Contract duration: Unspecified
Notice period: Unspecified
Fixed remuneration: \$150,000 per annum, plus 11% superannuation

Name: Mr Simon Erskine
Position: Chief Development Officer
Contract duration: Unspecified
Notice period: 3 months by either party
Fixed remuneration: \$220,000 per annum, plus 11% superannuation

Name: Mr John Michailidis
Position: Chief Operating Officer
Contract duration: Unspecified
Notice period: Unspecified
Fixed remuneration: \$8,000 per month, adjusted based on time commitment, plus 11% superannuation

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**Anatara Lifesciences Ltd**

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Directors' Report
30 June 2023**Remuneration report (audited) (continued)****(g) Non-executive director arrangements**

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

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

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

Base fees

| | |
|-------------------------------|-----------|
| Chair | \$150,000 |
| Other non-executive directors | \$60,000 |

(h) Additional statutory information

(i) Relative proportions of fixed vs variable remuneration expense

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in (e) above.

| | Fixed remuneration | | At risk - STI | | At risk - LTI | |
|--------------------------------|--------------------|------|---------------|------|---------------|------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | % | % | % | % | % | % |
| Non-executive directors | | | | | | |
| Ms Sue MacLeman (1) | 82 | 82 | - | - | 18 | 18 |
| Dr Jane Ryan | 82 | 81 | - | - | 18 | 19 |
| Mr Nicolas Haslam (2) | 100 | - | - | - | - | - |
| Executive director | | | | | | |
| Dr David Brookes | 85 | 79 | - | - | 15 | 21 |
| Other KMP | | | | | | |
| Mr Steven Lydeamore (3) | - | 100 | - | - | - | - |
| Dr Michael West (4) | - | 100 | - | - | - | - |
| Mr Simon Erskine | 75 | - | - | - | 25 | - |
| Mr John Michailidis | 100 | - | - | - | - | - |

Notes:

- (1) Ms Sue MacLeman resigned on 7 December 2022.
(2) Mr Nicholas Haslam was appointed on 7 December 2022.
(3) Mr Steven Lydeamore resigned on 24 June 2022.
(4) Dr Michael West resigned on 9 November 2021.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Directors' Report
30 June 2023**Remuneration report (audited) (continued)****(h) Additional statutory information (continued)**

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

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

| Grant Date | Vesting and exercised date | Expiry date | Exercise price (\$) | Value per option at grant date (\$) | Vested (%) |
|------------|----------------------------|-------------|---------------------|-------------------------------------|------------|
| 16-11-2021 | 16-11-2022 | 14-11-2025 | 0.2226 | 0.0748 | 100% |
| 16-11-2021 | 16-11-2023 | 14-11-2025 | 0.2226 | 0.0748 | 81% |
| 29-11-2021 | 25-11-2022 | 25-11-2025 | 0.2030 | 0.0708 | 100% |
| 29-11-2021 | 25-11-2023 | 25-11-2025 | 0.2030 | 0.0708 | 80% |
| 29-11-2021 | 25-11-2024 | 25-11-2025 | 0.2030 | 0.0708 | 53% |

The vesting criteria for the options to become exercisable is that the option holder remains an employee of the company during the vesting period

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

| Share Holdings | Balance at beginning of year (1) | Granted as remuneration | Exercised | Other Changes (2) | Balance at the end of year (3) |
|---------------------|----------------------------------|-------------------------|-----------|-------------------|--------------------------------|
| 30 June 2023 | No. | No. | No. | No. | No. |
| Shares | | | | | |
| Dr David Brookes | 300,000 | - | - | 1,864,286 | 2,164,286 |
| Ms Sue MacLeman (4) | 78,069 | - | - | - | 78,069 |
| Dr Jane Ryan | 183,078 | - | - | 142,858 | 325,936 |
| Mr Nicholas Haslam | - | - | - | - | - |
| Mr Simon Erskine | - | - | - | - | - |
| Mr John Michailidis | - | - | - | 499,999 | 499,999 |
| | | 561,147 | - | - | 2,507,143 |
| | | | | | 3,068,290 |

Notes:

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

(2) Other changes incorporates changes from the acquisition of shares.

(3) For a former KMP, the balance is at the date they cease to be a KMP.

(4) Ms Sue MacLeman resigned on 7 December 2022.

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Directors' Report
30 June 2023**Remuneration report (audited) (continued)**

| | Balance at beginning of year (1) | Granted as remuneration | Exercised | Other changes (2) | Balance at the end of year (3) | Vested and exercisable |
|---------------------|----------------------------------|-------------------------|-----------|-------------------|--------------------------------|------------------------|
| 30 June 2023 | No. | No. | No. | No. | No. | No. |
| Options | | | | | | |
| Dr David Brookes | 965,658 | - | - | 866,485 | 1,832,143 | 1,307,143 |
| Ms Sue MacLeman (4) | 572,548 | - | - | (347,548) | 225,000 | 225,000 |
| Dr Jane Ryan | 515,658 | - | - | 5,774 | 521,432 | 290,658 |
| Mr Nicholas Haslam | - | - | - | - | - | - |
| Mr Simon Erskine | 300,000 | - | - | - | 300,000 | 100,000 |
| Mr John Michailidis | - | - | - | 250,000 | 250,000 | 250,000 |
| | 2,353,864 | - | - | 774,711 | 3,128,575 | 2,172,801 |

Notes:

- (1) Balance may include options held prior to individuals becoming a KMP. For individuals who became a KMP during the year, the balance is at the date they became a KMP.
- (2) Other changes incorporate changes from the acquisition of shares or options.
- (3) For a former KMP, the balance is at the date they cease to be a KMP.
- (4) Ms Sue MacLeman resigned on 7 December 2022.

Performance Rights

| | Balance at beginning of year (1) | Granted as remuneration | Exercised | Other changes (2) | Balance at the end of year (3) |
|---------------------------|----------------------------------|-------------------------|-----------|-------------------|--------------------------------|
| 30 June 2023 | No. | No. | No. | No. | No. |
| Performance Rights | | | | | |
| Dr David Brookes | - | - | - | - | - |
| Ms Sue MacLeman (4) | - | - | - | - | - |
| Dr Jane Ryan | - | - | - | - | - |
| Mr Nicholas Haslam | - | - | - | - | - |
| Mr Simon Erskine (5)(6) | - | 206,612 | - | - | 206,612 |
| Mr John Michailidis | - | - | - | - | - |
| Total | - | 206,612 | - | - | 206,612 |

- (1) Balance may include rights held prior to individuals becoming a KMP. For individuals who became a KMP during the year, the balance is at the date they became a KMP.
- (2) Other changes incorporates changes from the acquisition of shares or options.
- (3) For a former KMP, the balance is at the date they cease to be a KMP.
- (4) Ms Sue MacLeman resigned on 7 December 2022.
- (5) On 31 August 2023, 206,612 performance rights with nil exercise price and an expiration date of 31 August 2025 were issued to Mr Simon Erskine as part of his performance bonus for the year ended 30 June 2022. The value of these performance rights was recognised in the statement of profit or loss in the previous financial year.
- (6) Subsequent to year end, 1,611,176 performance rights have been issued to Mr Simon Erskine, as part of his performance bonus of \$54,780. These performance rights have nil exercise price and expire on 1 August 2026.

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Directors' Report
30 June 2023

Remuneration report (audited) (continued)

(i) Other transactions with key management personnel


There are no other transactions with key management personnel of the Company.

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

The Company received more than 87 percent of favourable votes on its remuneration report for the 2022 financial year. The Company did not receive any specific feedback at the 2022 annual general meeting or throughout the year on its remuneration practices.

End of Audited Remuneration Report

This director's report, incorporating the remuneration report, is signed in accordance with a resolution of the Board of Directors.

Director: 
Dr David Brookes, Executive Chair

Melbourne

Dated this day of August 2023

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Corporate Governance Statement

30 June 2023

The Company and the board are committed to achieving and demonstrating the highest standards of corporate governance. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council.

The 2023 corporate governance statement is dated as at 30 June 2022 and reflects the corporate governance practices in place throughout the 2023 financial year.

A description of the Group's current corporate governance practices is set out in the Group's corporate governance statement which can be viewed at: <https://anataralifesciences.com/investors/corporate-governance/>.

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Auditor's Independence Declaration

To the Directors of Anatara Lifesciences Ltd

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Anatara Lifesciences Ltd for the year ended 30 June 2023, 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

J.L. Humphrey
Partner - Audit & Assurance

Adelaide, 23 August 2023

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Consolidated Statement of Profit or Loss and Other Comprehensive Income**For the Year Ended 30 June 2023**

| | 2023 | 2022 |
|--|--------------------|--------------------|
| Note | \$ | \$ |
| Other income | 6(a) 1,245,846 | 487,235 |
| General and administrative expenses | 6(b) (1,682,693) | (2,275,032) |
| Research and development expenses | 6(b) (1,602,231) | (747,181) |
| Operating loss | <u>(2,039,078)</u> | <u>(2,534,978)</u> |
| Finance income | 18,260 | 6,005 |
| Finance expenses | <u>(2,370)</u> | <u>(3,320)</u> |
| Finance income - net | <u>15,890</u> | <u>2,685</u> |
| (Loss) before income tax | <u>(2,023,188)</u> | <u>(2,532,293)</u> |
| Income tax expense | 7 - | - |
| (Loss) for the year | <u>(2,023,188)</u> | <u>(2,532,293)</u> |
| Other comprehensive income | | |
| Other comprehensive income for the year, net of tax | - | - |
| Total comprehensive (loss) for the year | <u>(2,023,188)</u> | <u>(2,532,293)</u> |
| Total comprehensive (loss) attributable to: | | |
| Owners of Anatara Lifesciences Ltd | <u>(2,023,188)</u> | <u>(2,532,293)</u> |
| (Loss) per share attributable to the ordinary equity holders of the company | | |
| From continuing operations: | | |
| Basic earnings per share (cents) | 22 (2.07) | (3.56) |
| Diluted earnings per share (cents) | 22 (2.07) | (3.56) |

The accompanying notes form part of these financial statements.

**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Consolidated Statement of Financial Position
As At 30 June 2023**

| | Note | 2023 \$ | 2022 \$ |
|--------------------------------------|------|------------------|------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 8 | 351,184 | 1,120,204 |
| Trade and other receivables | 9 | 1,004,078 | 508,525 |
| Other financial assets | | 50,000 | 50,000 |
| Other assets | | 10,853 | 22,011 |
| TOTAL CURRENT ASSETS | | 1,416,115 | 1,700,740 |
| NON-CURRENT ASSETS | | | |
| Property, plant and equipment | | 3,258 | 7,683 |
| Right-of-use assets | | - | 59,234 |
| TOTAL NON-CURRENT ASSETS | | 3,258 | 66,917 |
| TOTAL ASSETS | | 1,419,373 | 1,767,657 |
| LIABILITIES | | | |
| CURRENT LIABILITIES | | | |
| Trade and other payables | 10 | 474,462 | 301,938 |
| Employee benefits | 11 | 19,705 | 35,534 |
| Lease liabilities | | - | 20,656 |
| TOTAL CURRENT LIABILITIES | | 494,167 | 358,128 |
| NON-CURRENT LIABILITIES | | | |
| Lease liabilities | | - | 45,145 |
| Employee benefits | 11 | 665 | 81 |
| TOTAL NON-CURRENT LIABILITIES | | 665 | 45,226 |
| TOTAL LIABILITIES | | 494,832 | 403,354 |
| NET ASSETS | | 924,541 | 1,364,303 |
| EQUITY | | | |
| Issued capital | 12 | 21,368,718 | 19,908,471 |
| Reserves | 13 | 347,698 | 439,488 |
| Accumulated losses | | (20,791,875) | (18,983,656) |
| TOTAL EQUITY | | 924,541 | 1,364,303 |

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The accompanying notes form part of these financial statements.

**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2023**2023**

| | Note | Issued Capital \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
|---|-------|-------------------------|----------------|-----------------------------|-------------|
| Balance at 1 July 2022 | | 19,908,471 | 439,488 | (18,983,656) | 1,364,303 |
| (Loss) for the year | | - | - | (2,023,188) | (2,023,188) |
| Total comprehensive (loss) for the year | | - | - | (2,023,188) | (2,023,188) |
| Transactions with owners in their capacity as owners | | | | | |
| Issue of shares | 12 | 1,697,482 | - | - | 1,697,482 |
| Less: capital raising costs | 12 | (242,235) | 53,550 | - | (188,685) |
| Share based payment expense - options | 20(b) | - | 54,629 | - | 54,629 |
| Options forfeited/lapsed | 13 | - | (214,969) | 214,969 | - |
| Performance rights issued | 20 | - | 20,000 | - | 20,000 |
| Performance rights exercised | 20 | 5,000 | (5,000) | - | - |
| Total transactions with owners in their capacity as owners | | 1,460,247 | (91,790) | 214,969 | 1,583,426 |
| Balance at 30 June 2023 | | 21,368,718 | 347,698 | (20,791,875) | 924,541 |

2022

| | Note | Issued capital \$ | Reserves \$ | Accumulated losses \$ | Total \$ |
|---|------|-------------------------|----------------|-----------------------------|-------------|
| Balance at 1 July 2021 | | 19,755,634 | 678,492 | (16,604,008) | 3,830,118 |
| (Loss) for the year | | - | - | (2,532,293) | (2,532,293) |
| Total comprehensive (loss) for the year | | - | - | (2,532,293) | (2,532,293) |
| Transactions with owners in their capacity as owners | | | | | |
| Performance rights exercised | 20 | 157,837 | (157,837) | - | - |
| Less: capital raising costs | 12 | (5,000) | - | - | (5,000) |
| Share based payment expense - options | 20 | - | 71,478 | - | 71,478 |
| Options forfeited/lapsed | 13 | - | (152,645) | 152,645 | - |
| Total transactions with owners in their capacity as owners | | 152,837 | (239,004) | 152,645 | 66,478 |
| Balance at 30 June 2022 | | 19,908,471 | 439,488 | (18,983,656) | 1,364,303 |

The accompanying notes form part of these financial statements.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Consolidated Statement of Cash Flows
For the Year Ended 30 June 2023**

| | 2023 | 2022 |
|--|-----------------------|--------------------|
| Note | \$ | \$ |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Payments to suppliers and employees (inclusive of GST) | (3,071,976) | (2,994,648) |
| Interest received | 17,582 | 6,575 |
| Government grants and tax incentives | 771,898 | 736,477 |
| Other income | 24,600 | 18,720 |
| Net cash (used in) operating activities | 14 <u>(2,257,896)</u> | <u>(2,232,876)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Payments for property, plant and equipment | (1,726) | (6,561) |
| Payments for term deposits | - | (50,000) |
| Net cash (used in) investing activities | <u>(1,726)</u> | <u>(56,561)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Proceeds from issue of shares | 1,697,482 | - |
| Share issue transaction costs | (188,685) | (5,000) |
| Principal elements of finance lease payments | (18,195) | (17,436) |
| Net cash provided by/(used in) financing activities | <u>1,490,602</u> | <u>(22,436)</u> |
| Net (decrease) in cash and cash equivalents held | (769,020) | (2,311,873) |
| Cash and cash equivalents at beginning of year | 1,120,204 | 3,432,077 |
| Cash and cash equivalents at end of financial year | 8 <u>351,184</u> | <u>1,120,204</u> |

The accompanying notes form part of these financial statements.



Anatara Lifesciences Ltd

ABN: 41 145 239 872

Notes to the Consolidated Financial Statements For the Year Ended 30 June 2023

The consolidated financial report covers Anatara Lifesciences Ltd ("the Company") and its controlled entities ("the Group"). Anatara Lifesciences Ltd is a for-profit Company limited by shares, incorporated and domiciled in Australia.

The separate financial statements of the parent entity, Anatara Lifesciences Ltd, have not been presented within this financial report as permitted by the *Corporations Act 2001* and Australian Accounting Standards requirements.

The financial report was authorised for issue by the Directors on August 2023.

Comparatives are consistent with prior years, unless otherwise stated.

2 Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

(a) Compliance with IFRS

The financial statements of the Group also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

(b) Reporting basis and conventions

The financial statements, except for the cash flow information, have been prepared on an accruals basis and are based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

(c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the normal course of business. As disclosed in the financial statements, the Group incurred a loss of \$2,023,188 (2022: \$2,532,293) and had operating cash outflows of \$2,204,346 (2022: \$2,232,876) for the year ended 30 June 2023. As at 30 June 2023, the Group held cash and cash equivalents of \$351,184 (2022: \$1,120,204). In the process of approving the Group's internal forecast and business plan for upcoming financial years, the board has considered the cash position of the Group within the next 12 months from the date of this report. The Group's internal forecast and business plan for the upcoming financial year includes capital raising.

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

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

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

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****2 Basis of Preparation (continued)****(d) New and amended standards adopted by the Group**

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

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

3 Summary of Significant Accounting Policies

Significant accounting policies adopted in the preparation of these financial statements are presented below and are consistent with prior reporting periods unless otherwise stated.

(a) Basis for consolidation

A list of controlled entities is contained in Note 17 to the financial statements.

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the parent has control. Control is established when the parent is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for business combinations by the Group.

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

(b) Segment reporting

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

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**Anatara Lifesciences Ltd**

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****3 Summary of Significant Accounting Policies (continued)****(c) Foreign currency transactions and balances****Functional and presentation currency**

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

Transaction and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in profit or loss. Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement, within finance costs. All other foreign exchange gains and losses are presented in the consolidated statement of profit or loss on a net basis within other gains/(losses).

(d) Revenue and other income**Grant revenue**

Transactions involving government grants received are accounted for by applying AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. In relation to Research and Development tax incentive, as the estimate is able to be reliably measured, the research and development tax incentive is measured on an accruals basis.

Research and Development Tax Incentive

In relation to Research and Development tax incentive, as the estimate is able to be reliably measured, the research and development tax incentive is measured on an accruals basis.

(e) Income tax

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

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

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**Anatara Lifesciences Ltd**

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****3 Summary of Significant Accounting Policies (continued)****(e) Income tax (continued)**

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

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses. Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(f) Leases

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

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

(g) Impairment of non-financial assets

Intangible assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting year.

(h) Cash and cash equivalents

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

(i) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less loss allowance. See note 9 for further information about the Group's accounting for trade receivables and note 15(b) for a description of the Group's impairment policies.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****3 Summary of Significant Accounting Policies (continued)****(j) Financial instruments**

Financial instruments are recognised initially on the date that the Group becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification

On initial recognition, the Group classifies its financial assets into the following categories, those measured at:

- amortised cost
- fair value through profit or loss - FVTPL
- fair value through other comprehensive income - equity instrument (FVOCI - equity)
- fair value through other comprehensive income - debt investments (FVOCI - debt)

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

Recognition and derecognition

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

Measurement

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

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**Anatara Lifesciences Ltd**

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****3 Summary of Significant Accounting Policies (continued)****(j) Financial instruments (continued)****Financial assets (continued)***Debt instruments*

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

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

Impairment

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

(k) Trade and other payables

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

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****3 Summary of Significant Accounting Policies (continued)****(l) Employee benefits****Short-term obligations**

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

Other long-term employee benefit obligations

The Group also has liabilities for long service leave and annual leave that are not expected to be settled wholly within 12 months after the end of the year in which the employees render the related service. These obligations are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting year using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and years of service.

Expected future payments are discounted using market yields at the end of the reporting year of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

Share-based payments

Share-based compensation benefits are provided to employees via the "Employee Option Plan" ("EOP"). Information relating to these schemes is set out in note 20.

Employee options

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

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

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

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Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023**3 Summary of Significant Accounting Policies (continued)****(l) Employee benefits (continued)****Performance rights**

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

(m) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options which vest immediately are recognised as a deduction from equity, net of any tax effects.

(n) Loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the year, adjusted for bonus elements in ordinary shares issues during the year.

Diluted loss per share adjusts the basic earnings per share to take into account the after tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Goods and services tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payable are stated inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the consolidated statement of financial position.

Cash flows in the consolidated statement of cash flows are presented on a gross basis and the GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

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Notes to the Consolidated Financial Statements

For the Year Ended 30 June 2023

4 Critical Accounting Estimates and Judgments

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

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

Key estimates - estimation of R&D tax incentive income accrual - note 6(a)(i)

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

Key estimates - share based payments - note 20

Management has used judgements to assess the Group's share-based payments by determining the choice of option pricing model. The choice of model would result in option valuation that requires various underlying assumptions to determine the fair value of options at grant date.

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

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

5 Operating Segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Chair of the Company.

The Group has identified one reportable segment; that is, the research, development of oral solutions for gastrointestinal diseases and the commercialisation of the Detach® diarrhoea treatment for piglets. The segment details are therefore fully reflected in the body of the consolidated financial statements.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****6 Other Income and Expense Items****(a) Other Income**

| | Note | 2023 \$ | 2022 \$ |
|--|------|------------------|----------------|
| Other Income | | | |
| - Research and development tax incentive | (i) | 1,215,150 | 468,515 |
| - Other grants | | 24,600 | - |
| - Gain on lease modification | | 6,096 | - |
| - Other income | | - | 18,720 |
| Total other income | | 1,245,846 | 487,235 |

(i) R&D tax incentive

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

For the year ended 30 June 2023, the Group has recognised a receivable of \$923,236 (2022: \$479,984, offset by an overestimation from the prior period of \$11,469).

(b) Breakdown of expenses by nature

| | | 2023 \$ | 2022 \$ |
|--|-------|------------------|------------------|
| General and administrative expenses | | | |
| Accounting and audit fees | | 206,989 | 184,126 |
| Consulting fees | | 216,264 | 239,642 |
| Depreciation | | 24,763 | 24,677 |
| Employee benefits | | 687,639 | 1,118,048 |
| Insurance | | 64,106 | 62,468 |
| Investor relations | | 71,287 | 85,124 |
| Legal expenses | | 25,950 | 17,524 |
| Listing and share registry | | 69,253 | 66,414 |
| Occupancy costs | | 5,012 | 14,106 |
| Share-based payment expense | 20(b) | 54,629 | 71,471 |
| Superannuation | | 74,907 | 106,248 |
| Travel and entertainment | | 23,115 | 15,176 |
| Other expenses | | 158,779 | 270,008 |
| Total general and administrative expenses | | 1,682,693 | 2,275,032 |
| Research and development expenses | | | |
| Corporate and finance | | 107,353 | 19,000 |
| Project research and development | | 1,494,878 | 728,181 |
| Total research and development expenses | | 1,602,231 | 747,181 |

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****7 Income Tax Expense****(a) Reconciliation of income tax to accounting profit:**

| | 2023 | 2022 |
|---|--------------------|--------------------|
| | \$ | \$ |
| Loss from continuing operations before income tax expense | (2,023,188) | (2,532,293) |
| Tax at the Australian tax rate of 25.0% (2022: 25.0%) | (505,797) | (633,073) |
| Add: | | |
| Tax effect of: | | |
| - Accounting expenditure subject to R&D tax incentive | 530,595 | 269,261 |
| - Share-based payments | 13,658 | 17,868 |
| - Other items | 3,697 | - |
| | 42,153 | (345,944) |
| Less: | | |
| Tax effect of: | | |
| - R&D tax incentive | 303,788 | 117,129 |
| - Other items | - | 2,162 |
| Income tax attributable to parent entity | (261,635) | (465,235) |
| Tax losses and other timing differences for which no deferred tax asset is recognised | 261,635 | 465,235 |
| Income tax expense | - | - |

(b) Tax losses:

Deferred tax assets have not been recognised in respect of the following:

| | 2023 | 2022 |
|---|-------------------|------------|
| | \$ | \$ |
| Unused tax losses for which no deferred tax asset has been recognised | 11,609,599 | 11,632,951 |
| Potential tax benefit @ 25.0% (2022: 25.0%) | 2,902,400 | 2,658,238 |

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therein. Unused tax losses can be carried forward indefinitely subject to continuity of ownership and same business test rules.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****8 Cash and Cash Equivalents**

| | 2023 | 2022 |
|--|----------------|------------------|
| | \$ | \$ |
| Cash at bank and in hand | 351,184 | 1,120,204 |
| Total cash and cash equivalents | 351,184 | 1,120,204 |

(a) Reconciliation of cash

Cash and Cash equivalents reported in the consolidated statement of cash flows are reconciled to the equivalent items in the consolidated statement of financial position as follows:

| | 2023 | 2022 |
|--|----------------|------------------|
| | \$ | \$ |
| Cash and cash equivalents | 351,184 | 1,120,204 |
| Balance as per consolidated statement of cash flows | 351,184 | 1,120,204 |

(b) 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 3(h) for the Group's other accounting policies on cash and cash equivalents.

(c) Risk exposure

The Group's exposure to interest rate risk is discussed in note 15. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Trade and Other Receivables

| | 2023 | 2022 |
|--|------------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Research and Development Tax Incentive Refund | 923,236 | 479,984 |
| Other receivables | 80,842 | 28,541 |
| Total current trade and other receivables | 1,004,078 | 508,525 |

(a) Fair value of trade and other receivables

The carrying value of trade receivables is considered a reasonable approximation of fair value due to the short-term nature of the balances. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable in the financial statements.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****10 Trade and Other Payables**

| | 2023 | 2022 |
|---------------------------------------|----------------|----------------|
| | \$ | \$ |
| CURRENT | | |
| Accrued expenses | 357,677 | 115,133 |
| Trade payables | 78,831 | 152,626 |
| Other payables | 37,954 | 34,179 |
| Total trade and other payables | 474,462 | 301,938 |

Trade and other payables are unsecured, non-interest bearing and are normally settled within 30 days. The carrying value of trade and other payables is considered a reasonable approximation of fair value due to the short-term nature of the balances.

11 Employee Benefits

| | 2023 | 2022 |
|--|---------------|---------------|
| | \$ | \$ |
| CURRENT | | |
| Provision for employee benefits - annual leave | 19,705 | 22,156 |
| Provision for employee benefits - long service leave | - | 13,378 |
| Total current employee benefits | 19,705 | 35,534 |
| NON-CURRENT | | |
| Provision for employee benefits - long service leave | 665 | 81 |
| Total non-current employee benefits | 665 | 81 |

(a) Leave obligations

The leave obligations cover the Group's liabilities for long service leave and annual leave which are classified as either other long-term benefits or short-term benefits, as explained in note 3(l).

The current portion of this liability includes all of the accrued annual leave, the unconditional entitlements to long service leave where employees have completed the required year of service and also for those employees that are entitled to pro-rata payments in certain circumstances.

The majority of leave provision is presented as current, being \$19,705 (2022: \$35,534), since the Group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****12 Issued Capital**

| | 2023 | 2022 |
|--|--------------------------|--------------------------|
| | \$ | \$ |
| 119,923,985 (2022: 71,355,621) Ordinary shares | 22,535,542 | 20,833,060 |
| Share issue costs | (1,166,824) | (924,589) |
| Total issued capital | <u>21,368,718</u> | <u>19,908,471</u> |

(a) Movements in ordinary shares

| | Number of shares | Total \$ |
|---|---------------------------|--------------------------|
| Balance at 1 July 2021 | 70,238,523 | 19,755,634 |
| Exercise of performance rights with nil cash consideration (13-08-2021) | 449,781 | - |
| Exercise of performance rights with nil cash consideration (25-08-2021) | 331,204 | - |
| Transfer from reserves on exercise of performance rights (08-2021) | - | 106,994 |
| Exercise of performance rights with nil cash consideration (26-10-2021) | 297,489 | - |
| Transfer from reserves on exercise of performance rights (26-10-2021) | - | 45,000 |
| Exercise of performance rights with nil cash consideration (09-12-2021) | 38,624 | - |
| Transfer from reserves on exercise of performance rights (09-12-2021) | - | 5,843 |
| Less: Transaction costs arising on share issues | - | (5,000) |
| Balance at 30 June 2022 | <u>71,355,621</u> | <u>19,908,471</u> |
| Issue at \$0.035 pursuant to Placement - Tranche 1 (28-10-2022) | 10,703,343 | 374,617 |
| Issue at \$0.035 pursuant to Entitlement Offer (28-11-2022) | 14,991,156 | 524,691 |
| Issue at \$0.035 pursuant to Placement - Tranche 2 (16-12-2022) | 14,010,943 | 490,383 |
| Exercise of performance rights with nil cash consideration (27-01-2022) | 68,871 | - |
| Transfer from reserves on exercise of performance rights (27-01-2023) | - | 5,000 |
| Issue at \$0.035 pursuant to Shortfall Offer (21-02-2023) | 8,794,051 | 307,791 |
| Less: Transaction costs arising on share issues | - | (242,235) |
| Balance at 30 June 2023 | <u>119,923,985</u> | <u>21,368,718</u> |

(b) Ordinary shares

Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(c) Options and performance rights

Information relating to options and performance rights, including details of those issued, exercised, and lapsed during the financial year, and the outstanding balance as at the end of the reporting year is set out in note 13.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****13 Reserves****(a) Share-based payments reserve**

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

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

(b) Movement in options and performance rights

| | Note | Number of options | Number of performance rights | Total \$ |
|---|-------|----------------------|------------------------------------|----------------|
| Balance at 1 July 2021 | | 2,963,704 | 780,985 | 678,492 |
| Options issued during the year | | 2,160,000 | - | 71,478 |
| Options forfeited/lapsed during the year | | (246,000) | - | (152,645) |
| Issue of performance rights (2021-08-13) | | - | 336,113 | - |
| Performance rights exercised during the year | | - | (1,117,098) | (157,837) |
| Balance at 30 June 2022 | | 4,877,704 | - | 439,488 |
| Options expired/lapsed during the year | | (1,217,704) | - | (214,970) |
| Options forfeited during the year | | (265,000) | - | (5,903) |
| Issue of options to external consultants | (ii) | 3,500,000 | - | 53,550 |
| Share-based payment expenses of options issued in prior years | | - | - | 60,533 |
| Issue of performance rights (2022-08-31) | (i) | - | 275,483 | 20,000 |
| Performance rights exercised during the year | | - | (68,871) | (5,000) |
| Balance at 30 June 2023 | (iii) | 6,895,000 | 206,612 | 347,698 |

(i) On 31 August 2022, 275,483 performance rights have been issued to employees, as part of their performance bonus of \$20,000 recognised as expenses in the prior year.

(ii) The issue of 3,500,000 options to external consultants was approved by shareholders at the general meeting held in December 2022.

(iii) This number of options balance does not include options issued during the year that are not in relation to share based payments.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****13 Reserves (continued)****(b) Movement in options and performance rights (continued)***Fair value of options granted:*

See note 20(b)(ii) for details of fair value measurement of options issued during the year.

The model inputs for options granted to external consultants during the year ended 30 June 2023 included:

| 2023 | | Exercise price | No. of Options | Share price at grant date | Expected volatility | Dividend yield | Risk free interest rate | Fair Value grant date per option |
|------------------|------------------|----------------|----------------|---------------------------|---------------------|----------------|-------------------------|----------------------------------|
| Grant Date | Expiry Date | \$ | | \$ | | | | \$ |
| 16 December 2022 | 11 December 2025 | 0.0700 | 3,500,000 | 0.035 | 78.0 % | -% | 3.14% | 0.0153 |
| | | | 3,500,000 | | | | | |

14 Cash Flow Information**(a) Reconciliation of (loss) for the year to cashflows from operating activities**

Reconciliation of net (loss) to net cash provided by operating activities:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| (Loss) for the year | (2,023,188) | (2,532,293) |
| Non-cash flows in (loss): | | |
| - depreciation and amortisation | 6(b) 24,763 | 24,677 |
| - finance costs | 2,370 | 3,320 |
| - issue of performance rights | 20,000 | - |
| - (gain)/loss on lease modification | (6,096) | - |
| - share-based payments | 20 54,629 | 71,471 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | (495,553) | 264,034 |
| - (increase)/decrease in other assets | 7,316 | 15,112 |
| - increase/(decrease) in trade and other payables | 173,108 | (33,512) |
| - (increase)/decrease in other liabilities | (15,245) | (45,685) |
| Net cash inflow (outflow) from operations | <u>(2,257,896)</u> | <u>(2,232,876)</u> |

(b) Non-cash investing and financing activities

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

- Options/performance rights issued for no cash consideration - note 20.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****13 Reserves****(a) Share-based payments reserve**

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

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

(b) Movement in options and performance rights

| | Note | Number of options | Number of performance rights | Total \$ |
|---|-------|-------------------|------------------------------|----------------|
| Balance at 1 July 2021 | | 2,963,704 | 780,985 | 678,492 |
| Options issued during the year | | 2,160,000 | - | 71,478 |
| Options forfeited/lapsed during the year | | (246,000) | - | (152,645) |
| Issue of performance rights (2021-08-13) | | - | 336,113 | - |
| Performance rights exercised during the year | | - | (1,117,098) | (157,837) |
| Balance at 30 June 2022 | | 4,877,704 | - | 439,488 |
| Options expired/lapsed during the year | | (1,217,704) | - | (214,970) |
| Options forfeited during the year | | (265,000) | - | (5,903) |
| Issue of options to external consultants | (ii) | 3,500,000 | - | 53,550 |
| Share-based payment expenses of options issued in prior years | | - | - | 60,533 |
| Issue of performance rights (2022-08-31) | (i) | - | 275,483 | 20,000 |
| Performance rights exercised during the year | | - | (68,871) | (5,000) |
| Balance at 30 June 2023 | (iii) | 6,895,000 | 206,612 | 347,698 |

(i) On 31 August 2022, 275,483 performance rights have been issued to employees, as part of their performance bonus of \$20,000 recognised as expenses in the prior year.

(ii) The issue of 3,500,000 options to external consultants was approved by shareholders at the general meeting held in December 2022.

(iii) This number of options balance does not include options issued during the year that are not in relation to share based payments.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****13 Reserves (continued)****(b) Movement in options and performance rights (continued)***Fair value of options granted:*

See note 20(b)(ii) for details of fair value measurement of options issued during the year.

The model inputs for options granted to external consultants during the year ended 30 June 2023 included:

| 2023 | | Exercise price | No. of Options | Share price at grant date | Expected volatility | Dividend yield | Risk free interest rate | Fair Value grant date per option |
|------------------|------------------|----------------|----------------|---------------------------|---------------------|----------------|-------------------------|----------------------------------|
| Grant Date | Expiry Date | \$ | | \$ | | | | \$ |
| 16 December 2022 | 11 December 2025 | 0.0700 | 3,500,000 | 0.035 | 78.0 % | -% | 3.14% | 0.0153 |
| | | | 3,500,000 | | | | | |

14 Cash Flow Information**(a) Reconciliation of (loss) for the year to cashflows from operating activities**

Reconciliation of net (loss) to net cash provided by operating activities:

| | 2023 | 2022 |
|--|--------------------|--------------------|
| | \$ | \$ |
| (Loss) for the year | (2,023,188) | (2,532,293) |
| Non-cash flows in (loss): | | |
| - depreciation and amortisation | 6(b) 24,763 | 24,677 |
| - finance costs | 2,370 | 3,320 |
| - issue of performance rights | 20,000 | - |
| - (gain)/loss on lease modification | (6,096) | - |
| - share-based payments | 20 54,629 | 71,471 |
| Changes in assets and liabilities: | | |
| - (increase)/decrease in trade and other receivables | (495,553) | 264,034 |
| - (increase)/decrease in other assets | 7,316 | 15,112 |
| - increase/(decrease) in trade and other payables | 173,108 | (33,512) |
| - (increase)/decrease in other liabilities | (15,245) | (45,685) |
| Net cash inflow (outflow) from operations | <u>(2,257,896)</u> | <u>(2,232,876)</u> |

(b) Non-cash investing and financing activities

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

- Options/performance rights issued for no cash consideration - note 20.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****15 Financial Risk Management (continued)****(a) Market risk (continued)***Sensitivity analysis*

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +/-3.38% (2022: +/-1.21%), with effect from the beginning of the year. The use of 3.38% was determined based on analysis of the Reserve Bank of Australia cash rate change, on an absolute value basis, at 30 June 2023 and the previous four balance dates. The average cash rate at these balance dates was 1.31% (2022: 0.77%)

The average change to the cash rate between balance dates was 257.80% (2022: 157.03%). By multiplying these two values, the interest rate risk was derived. Loss sensitivity to movements in interest rates is reasonably consistent between 2023 and 2022 as increases in interest rates have been offset by a reduction in cash and cash equivalents. The Group's exposure to other classes of financial instruments with cash flow risk is not material.

The calculations are based on the financial instruments held at each reporting date. All other variables are held constant.

| | 2023 | 2022 |
|--------------------------------------|-----------------|-----------------|
| | +/-3.38% | +/-1.21% |
| Impact on loss for the period | \$ | \$ |
| Impact on other components of equity | 12,945 | 13,554 |

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

(i) Risk management

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

(ii) Impairment of financial assets

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

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****15 Financial Risk Management (continued)****(c) Liquidity risk**

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

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

(i) Maturities of financial liabilities

| | Less than 6 months | 6-12 months | Between 1 and 2 years | Between 2 and 5 years | Over 5 years | Total contractual cash flows | Carrying amount (assets)/ liabilities |
|------------------------|-----------------------|----------------|-----------------------------|-----------------------------|-----------------|------------------------------------|--|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| At 30 June 2023 | | | | | | | |
| Payables | 474,462 | - | - | - | - | 474,462 | 474,462 |
| Lease liabilities | - | - | - | - | - | - | - |
| Total | 474,462 | - | - | - | - | 474,462 | 474,462 |
| At 30 June 2022 | | | | | | | |
| Payables | 301,938 | - | - | - | - | 301,938 | 301,938 |
| Lease liabilities | 10,183 | 10,473 | 22,320 | 22,825 | - | 65,801 | 65,801 |
| Total | 312,121 | 10,473 | 22,320 | 22,825 | - | 367,739 | 367,739 |

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****16 Capital management****(a) Risk management**

The Group's objectives when managing capital are to:

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

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

As at 30 June 2023, the Group held cash and equivalents of \$351,184 (2022: \$1,120,204). The Group has put in place measures to reduce all non-critical expenditure.

(b) Dividends

No dividends were declared or paid to members for the year ended 30 June 2023 (2022: nil). The Group's franking account balance was nil at 30 June 2023 (2022: nil).

17 Interests in Subsidiaries

The Group's principal subsidiaries at 30 June 2023 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the Group, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

| | Principal place of business / Country of Incorporation | Principal place of business / Country of Incorporation | Principal place of business / Country of Incorporation |
|---------------------|---|---|---|
| Subsidiaries | | 2023 | 2022 |
| Sarantis Pty Ltd | Australia | 100 | 100 |

*The percentage of ownership interest held is equivalent to the percentage voting rights for all subsidiaries.

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**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****18 Events Occurring After the Reporting Date**

The consolidated financial report was authorised for issue on August 2023 by the board of directors.

The company reports that \$923,236 was received from the Australian Taxation Office subsequent to year end under the Federal Government's Research and Development (R&D) tax incentive scheme for FY2023, in line with the Company's expectation

On 31 August 2023, 206,612 performance rights with nil exercise price and an expiration date of 31 August 2025 were issued to Mr Simon Erskine as part of his performance bonus for the year ended 30 June 2022. The value of these performance rights was recognised in the statement of profit or loss in the previous financial year.

Subsequent to year end, 1,611,176 performance rights have been issued to Mr Simon Erskine, as part of his performance bonus of \$54,780. These performance rights have nil exercise price and expire on 1 August 2026.

Except for the above, no other matters or circumstances have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

19 Related Parties**(a) The Group's main related parties are as follows:**

Interests in subsidiaries are set out in note 17.

Key management personnel - refer to note 19(b).

Other related parties include close family members of key management personnel and entities that are controlled or significantly influenced by those key management personnel or their close family members.

(b) Key management personnel compensation

Key management personnel remuneration included within employee expenses for the year is shown below:

| | 2023 | 2022 |
|---|----------------|----------|
| | \$ | \$ |
| Short-term employee benefits | 595,253 | 713,543 |
| Post-employment benefits | 61,517 | 72,249 |
| Long-term benefits | 584 | (21,862) |
| Share-based payments | 129,515 | 62,551 |
| Total key management personnel compensation | 129,515 | 62,551 |

(c) Transactions with other related parties

During the 2022 financial year, the Group engaged a related party (Planet Innovation) for consulting services which amounted to \$28,340. These transactions were conducted at arm's length. No transactions with related parties occurred in 2023.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****20 Share-Based Payments****(a) Executive option plan**

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

| | 2023 | | 2022 | |
|-----------------------------------|---|-------------------|---|-------------------|
| | Average exercise price per share option | Number of options | Average exercise price per share option | Number of options |
| | \$ | No. | \$ | No. |
| As at 1 July | 0.48 | 4,877,704 | 0.48 | 2,963,704 |
| Granted during the year | - | - | 0.22 | 2,160,000 |
| Forfeited/lapsed during the year | 0.44 | (1,482,704) | 1.78 | (246,000) |
| As at 30 June | 0.23 | 3,395,000 | 0.30 | 4,877,704 |
| Vested and exercisable at 30 June | 0.24 | 2,520,000 | 0.36 | 2,717,704 |

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

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

| | Number | Grant Date | Vesting Date | Expiry Date | Exercise price |
|---------|------------------|------------------|------------------|------------------|----------------|
| Options | 1,500,000 | 26 November 2020 | 26 November 2020 | 25 November 2023 | 0.2500 |
| Options | 20,000 | 23 August 2021 | 23 August 2022 | 18 August 2025 | 0.2256 |
| Options | 900,000 | 16 November 2021 | 16 November 2022 | 14 November 2025 | 0.2226 |
| Options | 675,000 | 16 November 2021 | 16 November 2023 | 14 November 2025 | 0.2226 |
| Options | 100,000 | 29 November 2021 | 25 November 2022 | 25 November 2025 | 0.2030 |
| Options | 100,000 | 29 November 2021 | 25 November 2023 | 25 November 2025 | 0.2030 |
| Options | 100,000 | 29 November 2021 | 25 November 2024 | 25 November 2025 | 0.2030 |
| | 3,395,000 | | | | |

| | 2023 | 2022 |
|---|------|------|
| Weighted average remaining contractual life of options outstanding at end of period | 1.52 | 2.75 |

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****20 Share-Based Payments (continued)****(a) Executive option plan (continued)***(i) Vesting conditions*

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

(ii) Fair value of options granted

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

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

There were no options granted under EOP during the year ended 30 June 2023.

(b) Share-based payment arrangements

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

| | 2023 | 2022 |
|---|----------------|-------------|
| | \$ | \$ |
| Options issued under EOP | 60,533 | 71,471 |
| Performance pay (i) | - | 22,297 |
| Adjustment for previous share-based payments not vested | (5,904) | - |
| Total | 54,629 | 93768 |

(i) Performance pay

It was agreed that performance pay for selected employees for the year ended 30 June 2023 and 30 June 2022 would be paid in performance rights rather than cash. Performance rights to be issued to employees are long-term incentives under the Executive Option Plan (EOP). The performance rights for the 2023 financial year were granted on 1 August 2023.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****21 Auditors' Remuneration**

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

(a) Grant Thornton Audit Pty Ltd

| | 2023 | 2022 |
|--|----------------|----------------|
| | \$ | \$ |
| Audit and other assurance services | | |
| - auditing or reviewing the financial statements | 65,500 | 66,500 |
| Taxation services | | |
| - tax compliance services | 38,000 | 41,835 |
| Total auditor's remuneration | <u>103,500</u> | <u>108,335</u> |

22 Earnings Per Share**(a) Basic (loss) per share**

| | 2023 | 2022 |
|------------------------|--------|--------|
| | Cents | Cents |
| Basic (loss) per share | (2.07) | (3.56) |

(b) Diluted (loss) per share

| | 2023 | 2022 |
|--------------------------|--------|--------|
| | Cents | Cents |
| Diluted (loss) per share | (2.07) | (3.56) |

(c) Reconciliation of (loss) used in calculating basic and diluted loss per share

| | 2023 | 2022 |
|---|------------------|------------------|
| | \$ | \$ |
| (Loss) attributable to the ordinary equity holders of the company used in calculating (loss) per share: | | |
| From continuing operations | <u>2,023,188</u> | <u>2,532,293</u> |

(d) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS

| | 2023 | 2022 |
|--|-------------------|-------------------|
| | No. | No. |
| Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS | <u>97,917,397</u> | <u>71,134,813</u> |

On the basis of the Group's losses, the outstanding options as at 30 June 2023 are considered to be anti-dilutive and therefore were excluded from the diluted weighted average number of ordinary shares calculation.

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**Anatara Lifesciences Ltd**

ABN: 41 145 239 872

**Notes to the Consolidated Financial Statements
For the Year Ended 30 June 2023****23 Parent Entity**

The following information has been extracted from the books and records of the parent, Anatara Lifesciences Ltd ("the Company") and has been prepared in accordance with Australian Accounting Standards.

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

(a) Guarantees

The parent entity has not entered into any guarantees in relation to debts of its subsidiaries in the year ended 30 June 2023 (2022: nil).

(b) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2023 or 30 June 2022.

(c) Contractual commitments for the acquisition of property, plant and equipment

The parent entity did not have any commitments for the acquisition of property, plant or equipment in the year ended 30 June 2023 or 30 June 2022.

(d) Determining parent entity financial information*(i) Tax consolidation legislation*

Anatara Lifesciences Ltd and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation. The head entity, Anatara Lifesciences Ltd, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand-alone taxpayer in its own right. In addition to its own current and deferred tax amounts, Anatara Lifesciences Ltd also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

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

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group. Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Notes to the Consolidated Financial Statements For the Year Ended 30 June 2023

24 Contingencies

In the opinion of the Directors, the Company did not have any contingencies at 30 June 2023 (30 June 2022: Nil).

25 Statutory Information

The registered office and principal place of business of the company is:

Anatara Lifesciences Ltd
c/- Perks, Level 8, 81 Flinders Street
Adelaide SA 5000
Australia

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Anatara Lifesciences Ltd

ABN: 41 145 239 872

Directors' Declaration

The directors of the Company declare that:

1. the consolidated financial statements and notes set out on pages 23 - 52 are in accordance with the *Corporations Act 2001*, including:
 - a. comply with Australian Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the consolidated group's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and
2. in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Note 2(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

This declaration is made in accordance with a resolution of the Board of Directors.

Director

Dr David Brookes, Executive Chair

Dated this day of August 2023

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Adelaide SA 5001
T +61 8 8372 6666

Independent Auditor's Report

To the Members of Anatara Lifesciences Ltd

Report on the audit of the financial report

Opinion

We have audited the financial report of Anatara Lifesciences Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 30 June 2023 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

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

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

www.grantthornton.com.au

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Material uncertainty related to going concern

We draw attention to Note 2(c) in the financial statements, which indicates that the Group incurred a net loss of \$2,023,188 and operating cash outflows of \$2,257,896 during the year ended 30 June 2023, and as of that date, the Group held cash and cash equivalents of \$351,184. As stated in Note 2(c), these events or conditions, along with other matters as set forth in Note 2(c), indicate that a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Key audit matters

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

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

| Key audit matter | How our audit addressed the key audit matter |
|--|---|
| <p>Recognition of research and development tax incentive – Notes 3 (d), 6(a)(i), and 9(a)</p> <p>The Group receives a refundable tax offset of eligible expenditure under the research and development (R&D) tax incentive scheme. An R&D plan is filed with AusIndustry in the following financial year, and, based on this filing, the Group receives the incentive in cash.</p> <p>Management reviews the Group's total research and development expenditure to determine the potential claim under the R&D tax incentive legislation.</p> <p>The Group recognises R&D tax incentive rebate income on an accrual basis, meaning that a receivable is recorded at the balance date based on the estimated amount that is yet to be received from the Australian Taxation Office for the period 1 July 2022 to 30 June 2023.</p> <p>This area is a key audit matter due to the judgement and interpretation of the R&D tax legislation required by management to assess the eligibility of the R&D expenditure under the scheme.</p> | <p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> • Obtaining the R&D incentive calculations that have been prepared by management and reviewed by management's expert, and engaging an internal R&D Tax Expert to assist in assessing the reasonableness of the estimate; • Performing a review to ensure that any relevant legislation changes have been appropriately applied; • Comparing the nature of the R&D expenditure included in the current year estimate to the prior-year approved claim; • Comparing the estimates made in previous years to the amount of cash received after lodgement of the R&D tax claim; • Considering the nature of the expenses against the eligibility criteria of the R&D tax incentive scheme to assess whether the expenses included in the estimate are likely to meet the eligibility criteria; • Assessing the eligible expenditure used to calculate the estimate to ensure it is in accordance with expenditure recorded in the general ledger; • Testing a sample of expenditure items included in the estimate to supporting documentation to ensure they are appropriately recognised in the accounting records and that they are eligible expenditures; • Inspecting copies of relevant correspondence with AusIndustry and the ATO related to the claims; and • Reviewing the appropriateness of the relevant disclosures in the financial statements. |

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in the Directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Anatara Lifesciences Ltd, for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

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Responsibilities

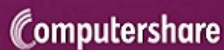
The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian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

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

J L Humphrey
Partner – Audit & Assurance

Adelaide, 23 August 2023

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**ANATARA LIFESCIENCES LIMITED****FULLY PAID ORDINARY SHARES (Total)**

Top Holders (Ungrouped) As Of 10/12/2023

Composition : FPO

| Rank | Name | Units | % Units |
|---|--|-------------------|--------------|
| 1 | RTL GROUP INVESTMENTS PTY LTD <THE RTL INVESTMENT A/C> | 12,542,857 | 10.46 |
| 2 | UBS NOMINEES PTY LTD | 8,494,808 | 7.08 |
| 3 | SCINTILLA STRATEGIC INVESTMENTS LIMITED | 6,357,142 | 5.30 |
| 4 | PARMA CORPORATION PTY LTD | 4,667,681 | 3.89 |
| 5 | MYENG PTY LTD | 3,580,211 | 2.99 |
| 6 | MR BERTRAND LALANNE | 3,300,000 | 2.75 |
| 7 | HIMSTEDT & CO PTY LTD <THE HIMSTEDT FAMILY A/C> | 3,142,857 | 2.62 |
| 8 | CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C> | 2,663,987 | 2.22 |
| 9 | MR MICHAEL ANDREW WHITING + MRS TRACEY ANNE WHITING <WHITING FAMILY S/F A/C> | 2,500,000 | 2.08 |
| 10 | SYMINGTON PTY LTD | 2,100,000 | 1.75 |
| 11 | MR SAMUEL FRANCIS HUNTER | 2,080,729 | 1.74 |
| 12 | OCTIFIL PTY LTD | 2,000,000 | 1.67 |
| 13 | MR BRENDAN PHYLAND | 1,894,042 | 1.58 |
| 14 | CANDOUR ASSET MANAGEMENT PTY LTD | 1,548,056 | 1.29 |
| 15 | GP SECURITIES PTY LTD | 1,500,000 | 1.25 |
| 15 | SLADE TECHNOLOGIES PTY LTD <EMBREY FAMILY SUPERFUND A/C> | 1,500,000 | 1.25 |
| 17 | LONGRIDGE PARTNERS PTY LTD | 1,400,000 | 1.17 |
| 18 | TOUCAN TRADING PTY LTD | 1,371,429 | 1.14 |
| 19 | DR DAVID LIONEL BROOKES + MRS ELISABETH BROOKES <DR DL BROOKES PERSNL S/F A/C> | 1,242,858 | 1.04 |
| 20 | BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP> | 1,096,345 | 0.91 |
| Totals: Top 20 holders of FULLY PAID ORDINARY SHARES (Total) | | 64,983,002 | 54.19 |
| Total Remaining Holders Balance | | 54,940,983 | 45.81 |

Selection Criteria: Address: Hidden Holder ID: Hidden Control Account: Included

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**ANATARA LIFESCIENCES LIMITED****FULLY PAID ORDINARY SHARES (Total)****Range of Units As Of 10/12/2023****Composition : FPO**

| Range | Total holders | Units | % Units |
|------------------|---------------|--------------------|---------------|
| 1 - 1,000 | 43 | 15,086 | 0.01 |
| 1,001 - 5,000 | 133 | 503,367 | 0.42 |
| 5,001 - 10,000 | 132 | 1,036,660 | 0.86 |
| 10,001 - 100,000 | 291 | 10,230,340 | 8.53 |
| 100,001 Over | 145 | 108,138,532 | 90.17 |
| Rounding | | | 0.01 |
| Total | 744 | 119,923,985 | 100.00 |

Unmarketable Parcels

| | Minimum Parcel Size | Holders | Units |
|--|---------------------|---------|-----------|
| Minimum \$ 500.00 parcel at \$ 0.0300 per unit | 16,667 | 384 | 2,581,182 |

Selection Criteria: Hide Unmarketable Parcels: Shown Control Account: Included

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