



Letter to shareholders

18th July 2018

ANR

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Dear Shareholder,

I am very pleased to write to Anatarata shareholders to outline the Company's future strategy. A major milestone was achieved in signing the exclusive global agreement for our first product, Detach, with Zoetis, a leading global animal health company, for the worldwide development, manufacturing, distribution and marketing of Detach for use in livestock and horses. Following on from this, the Company is committed to continuing its development of the human gastrointestinal program through to commercialisation.

The Board has concluded a thorough review of the human gastrointestinal program and is excited to advise the market of the Company's plan to leverage our scientific excellence and existing IP to build a diversified portfolio of high-quality human healthcare assets, which can be effectively partnered and brought to market as quickly as possible. We believe the right components are in place to build significant value for shareholders over the short, medium and longer term.

Anatarata will be focused on creating high value therapies to augment the treatment of significant unmet needs in the restoration of gut health in humans.

In summary:

- **ANATARA** is an Australian life sciences company with innovative assets in the animal health and human health sectors
- **ANATARA** announced on the 15th May 2018 it had out licensed its non-antibiotic scour treatment, Detach, to Zoetis, a world leading animal health company, for the worldwide development, manufacturing, distribution and marketing of the product in livestock and horses
- **ANATARA** intends to focus its attention on the development of its technology in human applications and following a thorough scientific and commercial review has selected a product candidate aimed at restoring and maintaining gut health
- **ANATARA** has elected to develop a product aimed at promoting gut health and managing the symptoms associated with gastrointestinal (GI) disorders such as inflammatory bowel disease (IBD) and irritable bowel syndrome (IBS), leveraging off the large amount of data that has been previously generated
- **ANATARA** is well funded for the next two years with no loan facilities nor liabilities and the Board believes it has the funds required to progress the development of its first human product through to 2020, at which time it expects the product will be suitable for partnering and/or licensing arrangements
- **ANATARA** has a Board and Management team with extensive industry experience, which will be evolved in line with the focus towards human healthcare. The Board will appoint a suitably qualified CEO in the near term
- **ANATARA** intends to retain ownership of its assets, where it is in the best interests of shareholders. However, it will also consider licensing and/or partnering arrangements if it is considered the best means to realise the optimal return on investment for an asset.

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Background

Animal Health opportunity has been partnered

- In 2014 Anantara Lifesciences listed on the ASX with the primary goal of developing Detach as a non-antibiotic to aid in the control of scour in piglets.
- In 2016, after the successful completion of field trials in Australia, Anantara submitted an application to the APVMA for marketing approval for Detach in Australia and the Board expects an approval in the near term.
- In May 2018, Anantara announced the exclusive licensing of Detach to Zoetis, a world leading animal health company, for the worldwide development, manufacturing, distribution and marketing of Detach in livestock and horses. As a result, Anantara no longer has to bear any costs associated with the development and registration of Detach for other species and other territories.

Human Health opportunity for partnering

Anantara intends to move its focus onto human applications of its technology with a lead candidate product having been selected, aimed at restoring and maintaining gut health. A provisional patent has been filed to protect this new product.

Gut Health

Focusing on Gut Health indications

Anantara's technology is based on decades of research into the biological activities of bromelain. Potential human applications include gastrointestinal diseases that involve inflammation and/or diarrhea, including childhood diarrhea, traveller's diarrhea and diarrhea associated with GI disorders such as IBD and IBS. After conducting a thorough review on each of these opportunities, our preferred indication (IBD/IBS) was selected based on market potential, competitive advantage, quality of supporting data, strength of intellectual property protection and speed to market.

Significant market opportunity

IBD is a global disease with accelerating incidence in newly industrialised countries. There are estimated to be over 5 million sufferers globally. IBS is a functional disorder characterised by abdominal pain, bloating and alternating constipation and diarrhea. It is the most commonly diagnosed gastrointestinal condition, affecting an estimated 11% of the global population. Patients have a poor quality of life and many turn to dietary supplements and complementary medicines in an attempt to relieve their symptoms. The market for GI and Digestive Health is estimated to be \$25B and is expected to grow to \$36B by 2021.

Scientific rationale

The gastrointestinal disorders of IBD and IBS share common disease characteristics including an altered microbiome, impaired intestinal function and mucosal damage. IBS has low grade inflammation while IBD is characterised by chronic inflammation. These disorders are currently treated with anti-inflammatories or a range of prescription medications aimed at treating the symptoms but these therapies are often inadequate with high treatment failure rates.

There is therefore a significant unmet medical need for products that can:

- re-establish the homeostasis of the microbiome,
- treat the inflammation, and
- repair the mucosal damage, which will in turn have the downstream effect of reducing disease associated diarrhea.

Gastrointestinal Reprogramming Product (GaRP)

Introducing GaRP, a microbiome-targeted dietary supplement

Anatara's GaRP is a microbiome-targeted multi-component dietary supplement that has been designed to address the primary underlying factors associated with gastrointestinal disorders. Our lead product candidate is being positioned as an adjunct to existing therapies, and it will not be replacing current prescription medications. Over the last 20 years the use of dietary supplements as adjuncts to prescription drugs has increased significantly.

GI disorders affect a significant proportion of the population at some stage of their life. Approximately 50% of IBS and 30-50% of IBD patients seek additional relief of their symptoms through the use of adjunct therapies - this approach is generally precipitated by the high failure rates of current prescription therapies. Increased education and more detailed evaluation of dietary supplements has led to health-care providers working with patients to develop individualised programs which include dietary supplements in the symptom management for GI disorders.

Developing a dietary supplement provides several regulatory and commercial advantages as it is less expensive than prescription medicines and has a less risky pathway to market, thereby accelerating market entry. Both the public and health care professionals alike understand the term 'dietary supplement' and with the right partner, marketing can be aimed at both the public and professionals. Unlike pharmaceuticals, demonstrating superiority to other products is not necessary. Marketing, sales, and medical affairs activities encourage health care professionals to recommend products to their patients. Therefore, finding and selecting the best marketing partner is critical to the success of a product such as GaRP and consequently this has and will continue to be a major focus for Anatara.

The design of GaRP has been enabled by leveraging published research in conjunction with the extensive body of knowledge generated in-house at Anatara. Bromelain is one of the main components of GaRP and therefore forms the basis of its acceptability as an effective dietary supplement.

Anatara has been actively working on the development of GaRP and has completed the dose selection of each formulation component. The Company is now in the process of generating *in vitro* data to support the effectiveness of GaRP in:

- Removing bacteria with pro-inflammatory properties;
- Reducing inflammation by reducing the release of pro-inflammatory cytokines;
- Reducing serotonin-induced diarrhea (important for IBS);
- Regenerating the integrity of the gastrointestinal tract; and
- Stimulating mucosal healing.

Additionally, the Company is conducting formulation development and plans on optimizing the human dose in pig efficacy studies in 2019.

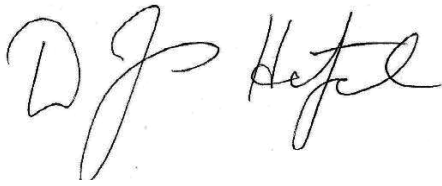
Prospects

Over recent weeks there has been a significant decline in the Company's share price. We believe this is the result of a misconception in the market of the benefits of the Zoetis agreement. We maintain that the Zoetis deal was exceptionally positive for the Company and the best possible outcome for us to create long term shareholder value. The deal is multi species (across livestock animals and horses) and international. These two characteristics make it a very attractive commercial agreement and one that the Company was very eager to move forward with. We believe the Zoetis agreement is a strong platform upon which the Company can build into this next phase of growth.

The Board is committed to continue working towards the long-term success of the Company, leveraging scientific excellence and existing IP to build a diversified portfolio of high-quality human healthcare assets, which can be effectively partnered and brought to market. We are confident that the refocused vision of addressing a significant unmet medical need in gut health in humans will enable the Company to build significant value for shareholders over the short, medium and longer term. It is our belief the right components are in place to build a valuable portfolio of assets for investors and potential partners.

I look forward to maintaining a dialogue with shareholders and thank you for your continued support.

Best regards,

A handwritten signature in black ink, appearing to read "Dr. Jay Hetzel". The signature is fluid and cursive, with the first name "Jay" being particularly prominent.

Dr. Jay Hetzel
For and on behalf of the Board

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