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botanix
PHARMACEUTICALS

ACN 009 109 755

ANNUAL REPORT

for the year ended 30 June 2017

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

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BOTANIX PHARMACEUTICALS LIMITED
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CORPORATE INFORMATION

Directors
Mr Graham Griffiths
Non-Executive Chairman

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Mr Robert Towner
Non-Executive Director

Company Secretary
Mr Simon Robertson

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ASX Code: BOT

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Auditor
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38 Station Street
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Level 1, 1275 Hay Street
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BOTANIX PHARMACEUTICALS LIMITED
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DIRECTOR'S REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Botanix Pharmaceuticals Limited and the entities it controlled during the period for the financial year ended 30 June 2017. In order to comply with the provisions of the Corporations Act 2001, the Directors' report as follows:

DIRECTORS

The names and details of Directors in office at any time during the financial year are:
Mr Graham Griffiths
Non-Executive Director and Chairman – (appointed 1 July 2016)

EXPERIENCE AND EXPERTISE

Mr Griffiths executive career spanned 39 years in technology based companies, including various senior executive sales, marketing and product development positions with multi-nationals in the USA and Asia Pacific region respectively. He was Managing Director of ASX listed company ipernica Ltd, a diversified technology and intellectual property commercialisation group and was responsible for the acquisition and commercialisation of Nearmap (ASX:NEA), a global geospatial mapping technology company.

His current non-executive directorships include Pointerra (manage, visualise and share massive 3D point clouds), NGIS (full service geospatial consulting agency), Fleetsu (enterprise telematics provider), indji Systems (platform to manage the impact of natural phenomena on utility assets) and iperative (specialist in monetising intellectual property). Mr Griffiths has a Bachelor of Business (Accounting) degree and is a Fellow of the Australian Institute of Company Directors.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Pointerra Limited (Appointed 30 June 2016)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Mr Matthew Callahan
Executive Director – (appointed 1 July 2016)

EXPERIENCE AND EXPERTISE

Mr Callahan is an experienced life sciences executive based in Philadelphia. He is the founding CEO of iCeutica Inc and Churchill Pharmaceuticals Inc and a co-inventor of some of the technologies that comprise the SoluMatrix Fine Particle Technology™ drug delivery platform that iCeutica uses to develop new Pharmaceuticals. iCeutica has developed three products to date that have received FDA approval. He has more than 20 year's legal, IP and investment management experience and is also a director of Orthocell Limited (ASX:OCC).

Mr Callahan has worked as an investment director for two venture capital firms investing in life sciences, clean technology and other sectors and was General Manager and General Counsel with Australian listed technology and licensing company ipernica Ltd, where he was responsible for the licensing programs that generated more than $120M in revenue.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Orthocell Limited [2006-present]

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

DIRECTORS' REPORT (CONTINUED)

Dr William Bosch
Executive Director – (appointed 1 July 2016)

EXPERIENCE AND EXPERTISE

Dr Bosch is a seasoned Pharmaceuticals executive with more than 25 years of experience in the industry, focusing on applications of drug delivery technology to Pharmaceuticals product development. Dr Bosch also works with iCeutica Inc. and is a co-inventor of the SoluMatrix™ technology and has been instrumental in the development and scale up of the platform and the development of the three FDA approved products that use that drug delivery technology.

Before iCeutica, he was Director of Pharmaceuticals Research at Elan Corporation where he managed the development activities for four commercial products that incorporate nanotechnology. Dr Bosch was a co-founder of NanoSystems LLC in 1995 and a co-inventor of NanoCrystal® Technology.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Mr Robert Towner
Non-Executive Director – (appointed 24 January 2014)

EXPERIENCE AND EXPERTISE

Mr Towner has over 20 years corporate advisory and executive experience in the financial markets.

Mr Towner's skills include maintaining board awareness of financial markets, corporate governance, capital structuring and working capital requirements. In addition, Mr Towner has considerable experience in public and private capital raising initiatives.

Mr Towner has demonstrated the ability to build a successful life science company. From 2004, Mr Towner was a founding Executive Director of ASX listed bioMD Limited. In 2011, Mr Towner played a major role in the merger of bioMD Limited with then-private Allied Health Care Limited to create Admedus Limited (ASX: AHZ), a diverse healthcare company with a market capitalisation of $200 million.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Managing Director – Triangle Energy (Global) Limited

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

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DIRECTORS' REPORT (CONTINUED)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Mr John Hannaford - B.Com (UWA), CA, F.Fin.

Mr Hannaford was a Non-Executive Director from 24 January 2014 to 1 July 2016.

Mr Phillip Wingate – B.Com (Curtin), CA

Mr Wingate was a Non-Executive Director from 27 November 2014 to 1 July 2016 and Company Secretary from 18 February 2014 to 1 July 2016)

COMPANY SECRETARY

Mr Simon Robertson – B.Bus, M Appl. Fin, CA

Company Secretary (Appointed 17 February 2017)

Mr Robertson gained a Bachelor of Business from Curtin University in Western Australia and Master of Applied Finance from Macquarie University in New South Wales. He is a member of the Institute of Chartered Accountants and the Governance Council of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publically listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

Mr Brett Tucker – B.Com (UWA), CA

Company Secretary (Appointed 1 July 2016: Resigned 17 February 2017)

Mr Tucker has acted as Company Secretary to a number of ASX listed and private companies and has been involved in numerous public corporate acquisitions and transactions. Mr Tucker is a Chartered Accountant with a strong corporate and compliance background gained from experience in an international accounting practice, working in both audit and taxation across a wide range of industries.

PRINCIPAL ACTIVITIES

Botanix Pharmaceuticals is a clinical stage medical dermatology company, which is dedicated to developing next generation therapeutics for the treatment of serious skin diseases. Our mission is to improve the lives of patients battling acne, psoriasis, and atopic dermatitis, by providing new treatment options for conditions that currently are inadequately addressed, or are treated with therapeutics that are burdened with side effects profiles. Botanix is harnessing the untapped potential of a synthetic active pharmaceutical ingredient, known as cannabidiol, which has a well-established safety profile.

Botanix has successfully completed its first-in-man studies with its lead acne product (BTX 1503) and has recently commenced a follow-on clinical trial in acne patients for the product which is planned to be completed in December 2017. The Company has an exclusive license to use a proprietary drug delivery system (Permetrex™) for direct skin delivery of active pharmaceuticals in all skin diseases and plans to progress the development of BTX 1503 for acne and its pipeline of other Permetrex™ enabled products alone, or in collaboration with partners.

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DIRECTORS' REPORT (CONTINUED)

RESULTS

The net loss attributable to members of the Company for the year ended 30 June 2017 is $4,773,098 (30 June 2016: $1,702,021). The net loss is attributable to the expenditure in relation to research and development technologies of the Company, due diligence costs associated with investment opportunities, and administration costs relating to an ASX Listed entity.

FINANCIAL POSITION

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Group has generated a comprehensive loss after tax for the year ended 30 June 2017 of $4,773,098 (30 June 2016: $1,702,021), had a net working capital surplus of $5,436,823 at 30 June 2017 (30 June 2016: $3,180,913) and experienced net cash outflows from operating activities for the year of $4,639,927 (2016: $6,688).

At 30 June 2017 the Group had a cash balance of $5,720,514 (30 June 2016: $3,651,986).

The Directors believe that there are sufficient funds to meet the Group's working capital requirements.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and have confidence in the Company's ability to raise additional funds if required.

DIVIDENDS

There were no dividends paid or declared during the year.

OPERATING AND FINANCIAL REVIEW

Clinical development

Lead product: BTX 1503 (for moderate to severe acne)

Acne is the most common skin disorder in the US affecting 40 to 50 million Americans and more than 250 million patients worldwide each year. Acne has multiple pathogenic pathways including overproduction of oils, inflammation, and bacterial infection, but currently the only product approved that has an effect on oil production (namely "Accutane" or "Roaccutane"), also carries significant side effects, including the risk of birth defects, lymphoma, and suicide risks. Unlike Accutane or Roaccutane, which are taken as a tablet, BTX 1503 is a topically applied product that offers localised delivery to only those areas on the skin with the disease. This local delivery, combined with the numerous published safety studies on BTX 1503's drug active ("synthetic cannabidiol"), suggests BTX 1503 will have a significantly better side effect profile than Accutane or Roaccutane.

BTX 1503 is targeting the prescription acne market that currently generates more than US$4.5 billion in annual sales. Supporting scientific data suggests that BTX 1503 may inhibit the excessive production of oil in the skin, which is the primary cause of acne, as well as potentially reducing inflammation and bacterial infection.

DIRECTORS' REPORT (CONTINUED)

Botanix has rapidly advanced its lead acne treatment product, BTX 1503 from early formulation development through to successful completion of its first human clinical study for its lead acne treatment product, BTX 1503, in Australia. The open label, Phase 1 study was designed to evaluate the safety, tolerability, and pharmacokinetics (i.e. concentration of drug detected in blood) of BTX 1503, when used in humans. Top line study data clearly demonstrated that BTX 1503 has an excellent safety profile, with little to no skin irritation, and no severe adverse events were recorded.

Data from the Phase 1 study also suggested that the Permetrex™ delivery technology ensures that the majority of the product is delivered across the outer layer of the skin and penetrates the skin tissue, with only small amount of drug being delivered into systemic circulation. The delivery performance of Permetrex™ is a key consideration to allow direct targeting of the relevant organs in the skin (greatly enhancing the probability of successfully treatment), while avoiding excess drug being deposited directly into the blood stream. Generation of this initial clinical data for BTX 1503 is a significant clinical milestone, which has been achieved within 12 months of listing.

Based on the data from this Phase 1 study, Botanix has now initiated a follow-up acne patient pilot study for BTX 1503, which commenced in August 2017. The Phase 1b acne study will enrol up to 20 patients and each patient will receive BTX 1503 treatment over a 4-week period, under close supervision of a dermatologist. Safety assessments, including local skin tolerability to BTX 1503 will be performed throughout the 4-week treatment period. Patients will also be monitored for treatment effects on lesion counts and for improvements in their acne, using an Investigator's Global Assessment ("IGA") of acne severity.

Following completion of this study, Botanix plans to file an Investigational New Drug ("IND") application with the US Food and Drug Administration ("FDA") allowing a multicentre Phase 2 safety and efficacy study for BTX 1503, which is expected to commence in the US in 1H CY2018.

Pipeline products: BTX 1204 and BTX 1701

Additionally, during the year Botanix also continued the development of two pipeline products that both utilise the Company's proprietary Permetrex™ delivery technology. The Company plans to advance the first of these products, BTX 1204, a novel clinical treatment for atopic dermatitis which also utilises synthetic cannabidiol as the pharmaceutical active, into first patient studies in 2H CY2017. Given the extensive pre-clinical and human studies completed by Botanix using both Permetrex™ and synthetic cannabidiol for its lead acne product, the Company plans to progress BTX 1204 directly into a Phase 1b study in dermatitis patients in Australia, across several dermatology sites. Dermatitis is a significant prescription product market with an estimated value of products sold each year exceeding US$4 billion.

The second pipeline product that the Company continued to progress during the quarter was BTX 1701, a development product for the treatment of mild acne. Botanix successfully completed a small patient study at a leading dermatology clinic in the US during 2Q CY2017. Preliminary results demonstrated positive safety outcomes and indicated that the daily application of BTX 1701 reduces oil levels on the skin and removes P. acnes, the bacteria responsible for the development of acne, from the surface of the skin more effectively than a leading facial cleanser product.

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BTX 1701 does not utilise synthetic cannabidiol, but instead employs an active which has been used in numerous FDA approved dermatology products, but never for the purpose identified by Botanix. The Company is currently reviewing the commercialisation options for BTX 1701 to choose whether to develop the product through the usual FDA approval process, or as an over-the-counter ("OTC") acne cleanser which would be provided by dermatologists to patients with mild to moderate acne. If developed as an OTC cleanser, the product would not require FDA approval for development and marketing. Botanix plans to commence a further patient study on BTX 1701 in 2H CY2017.

New pipeline products

The inherent flexibility of the Permetrex™ delivery technology and the broad potential of synthetic cannabidiol provides the opportunity for a number of new pipeline products that Botanix is currently investigating outside of acne, psoriasis, and dermatitis. The Company expects at least one of these products to enter early stage formulation development and testing in 2H CY2017 and will be progressed into first clinical studies in early CY2018. Botanix is also reviewing a number of opportunities to deliver existing marketed and approved drugs that have never been delivered topically (through the skin) as pipeline products, given that the development pathway is likely to be more efficient based on the existing safety database that exists for these drugs.

Business development and strategic partnerships (Permetrex™)

The Permetrex™ delivery technology provides further business development and potential revenue generating opportunities for Botanix. The technology has the potential to improve several existing marketed skin products that suffer from poor drug delivery challenges. Further, it also allows for the establishment of collaborative clinical development partnerships with other dermatology companies looking to advance their own compounds using the technology.

Throughout the year Botanix has undertaken several formulation development activities with other dermatology and pharmaceutical companies to utilise the Permetrex™ technology to solve problems that these companies have experienced attempting to deliver drug through the skin to treat various diseases. If the formulation work that Botanix undertakes is viewed as desirable by one or more of these collaborators, then the Company will undertake manufacturing of the new formulation to enable comparative clinical studies to be conducted to show the benefits of the Permetrex™ approach. Successful clinical outcomes versus the original formulation may then translate into a license opportunity for the Permetrex™ platform, which will deliver upfront payments, milestones, and royalties for Botanix on the collaborator's product.

The Company is also pursuing discussions with a number of potential corporate partners that have expressed interest in Botanix's pipeline products. Opportunities exist to collaborate with these partners to co-fund or license one or more pipeline products in exchange for upfront payments, development, and sales milestones, as well as royalties on eventual sales. This may provide the Company with the option to manage the risk of developing multiple products by itself, while accelerating the development timetable for these assets with larger and well-resourced partners.

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DIRECTORS' REPORT (CONTINUED)

Corporate

Botanix relisted on the ASX on 15 July 2016 after a reverse takeover of Bone Medical Limited and successfully raised A$3.5m in an oversubscribed offering at A$0.02 per share, and subsequently completed an oversubscribed placement on 19 May 2017 raising A$7.4m at A$0.055 per share. The recent capital raising placement facilitated the introduction of some well-regarded institutional and family office investors to the share register, and allowed for the accelerated development of the Company's product pipeline. At 30 June 2017, the company had A$5.7m in cash and expects to receive an R&D tax concession return of more than A$1.5m in 4Q CY2017.

Botanix invested approximately A$3.65m on R&D activities, primarily associated with the Phase 1 study for the Company's BTX 1503 acne product and ongoing preparations for the Phase 1b and Phase 2 studies of that product. Botanix's significant investment into clinical product development, rather than administrative overheads highlights a clear focus on prudent cash management.

Forecast expenditure for the coming quarter is estimated to be A$2.2m with approximately $2.0m planned to be spent on further clinical development associated with BTX 1503, BTX 1204 and BTX 1701. Successful completion of the BTX 1503 Phase 1b study will represent a significant milestone, acting to further de-risk the Company's overall clinical program. Patient studies for both BTX 1204 and BTX 1701 will likewise provide important validation of the potential for these new therapies and represent significant value inflection points for the Company.

Botanix has established a strong board led by Chairman Mr Graham Griffiths, along with Executive Directors Matt Callahan and Dr Bill Bosch, as well as Mr Rob Towner who all have a proven record in building and developing successful pharmaceutical businesses. In the last 12 months, the Botanix team has been boosted by the engagement of a number of very experienced staff members with significant dermatology experience including Dr Michael Thurn (COO) and Mark Davis (VP of Clinical Regulatory Affairs). Combination of the Board, executive management and a world class scientific advisory board led by Professor James Leyden and Professor Diane Thiboutot, Botanix is now very well placed to rapidly develop and commercialise its pipeline of dermatology clinical products, as well as engage partners and collaborators in transactions around the Permetrex™ skin delivery technology.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as mentioned in the Review of Operations, no significant changes in the state of affairs of the Consolidated Entity occurred during the financial year.

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There have been matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

ENVIRONMENTAL REGULATION

The Directors have considered compliance with the National Greenhouse and Energy Reporting Act 2007 which requires entities to report annual greenhouse gas emissions and energy use. For the year ended 30 June 2017 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

DIRECTORS' REPORT (CONTINUED)

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of $12,710 excluding GST (2016: $11,500) to insure the Directors and secretary of the Company.

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 the Company, 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 wilful 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.

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

As at the date of this report, the interests of the Directors in ordinary shares and unlisted options of the Company were:

	Shares		Options	
Director	**Held Directly**	**Held Indirectly**	**Held Directly**	**Held**
Matthew Callahan	-	70,588,321	-	-
Graham Griffiths(	-	3,500,000	-	4,053,990
William Bosch	15,300,000	-	-	8,107,979
Mr Robert Towner	-	1,499,972	-	4,053,990
Total	**15,300,000**	**74,558,293**	**-**	**16,215,959**

MEETINGS OF DIRECTORS

The number of meetings of the Company's Directors held during the year and the numbers of meetings attended by each Director are:

Board of Directors	**Meetings Attended**	**Meetings Eligible to Attend**
Graham Griffiths[(1)]	5	5
Matthew Callahan[(1)]	5	5
William Bosch[(1)]	5	5
Mr Robert Towner	4	5

[(1)] Director Appointed 1 July 2016.

The Company has formed a Nomination and Remuneration Committee and an Audit Committee. No separate meetings of the Committees were held during the year. During the year the business of the Committees was conducted ty the full Board in conjunction with Board meetings.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED)

This report outlines the remuneration arrangements in place for Directors and key management personnel of the Company for the year ended 30 June 2017. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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

- Remuneration Policy
- Remuneration Governance
- Remuneration Structure
- Non-Executive Remuneration
- Executive Service agreements
- Performance-Based Remuneration
- Additional information
- Additional disclosures relating to key management personnel

The information provided includes remuneration disclosures that are required under Accounting Standard AASB 124 "Related Party Disclosures". These disclosures have been transferred from the Financial Report.

This remuneration report details the remuneration arrangements for key management personnel ("KMP") who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company, and includes the following specified executives in the Company:

Key Management Personnel

Directors:

Mr Graham Griffiths	Non-Executive Chairman (appointed 1 July 2016)
Mr Matthew Callahan	Executive Director (appointed 1 July 2016)
Dr William Bosch	Executive Director (appointed 1 July 2016)
Mr Robert Towner	Non-Executive Director (appointed 24 January 2014, resigned as Chairman on 1 July 2016)

Executive

Dr Michael Thurn	Chief Operating Officer (appointed 14 February 2017)

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration Policy

The Company recognises the importance of structuring the remuneration packages of its Directors' and Executives so as to attract and retain people with the qualifications, skills and experience to help the company achieve the required objectives. However, the Company understands that whilst it is still in its current phase, a prudent position must be observed in the total remuneration expense.

All remuneration paid to Directors and Executives is valued at the cost to the Company and expensed. Options are valued using the Black-Scholes methodology.

Remuneration Governance

The Board has established a Remuneration Committee which provides advice on remuneration and incentive policies and practices and specific recommendations on remuneration packages and other terms of employment for Executive Directors, other senior Executives and Non-Executive Directors.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non-Executive Director and Executive remuneration is separate and distinct.

Non-Executive Director Remuneration

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. Non-Executive Directors' fees and payments are reviewed annually by the Board. The Chairman's fees are determined independently to the fees of Non-Executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions relating to determination of his own remuneration.

The total amount paid to Non-Executive Directors is determined by the board from time to time for presentation to and resolution by shareholders in General Meeting. The current approved maximum aggregate remuneration payable to Non-Executive Directors is $300,000 per year.

The Directors are paid a set amount per year and apart from reimbursement of expenses incurred on the company's behalf, are not eligible for any additional payments.

Long-term performance incentives comprise options granted in order to align the objectives of directors with shareholders and the Company. The issue of options to Directors requires shareholder approval.

Executive Remuneration

Remuneration packages for the Executive Directors and senior Executives are designed by, and approved by the Board. The remuneration policy, setting the terms and conditions for the Executive Directors and other senior Executives, was developed by, and approved by the board.

Senior Executives when employed receive a fixed salary, and from time to time, options and bonus payments based on the achievement of specified individual performance criteria.

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DIRECTORS' REPORT (CONTINUED)

Performance-Based Remuneration

There is no correlation between the company's performance and remuneration paid to its Executive Directors, Non-Executive Directors, Senior Executive and employees. When the board deems it appropriate to, equity based remuneration may be granted to Directors and Executives (subject to shareholder approval if appropriate).

Assessing performance and claw-back of remuneration

The remuneration committee is responsible for assessing performance against KPIs and determining any STI and LTI to be paid. To assist in this assessment, the committee may receive detailed reports on performance from management which are based on independently verifiably data such as financial measures, market share and data from independently run surveys.

In the event of serious misconduct or a material misstatement in the company's financial statements, the remuneration committee may cancel or defer performance-based remuneration and may also claw back performance-based remuneration paid in previous financial years.

Relationship between the remuneration policy and Company performance

The remuneration policy has been tailored to increase goal congruence between shareholders, Directors and Executives.
The Company operates an Employee Securities Incentive Plan ("ESIP") for eligible participants of the Group.

Under the ESIP the Company may, at the discretion of the Directors, offer eligible participants securities on the terms and conditions stated in an offer letter. A security granted under the ESIP may be a plan share, option, performance right or other convertible security as defined in the ESIP. The securities may only be granted to eligible participants after the Board considers the person's seniority, position, length of service, potential contribution and any other matters which the Board considers relevant.

A participant in an equity based remuneration plan operated by the Company must not enter into a transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the equity based remuneration plan.

Security based payment arrangements granted to date
Options

In accordance with the provisions of the ESIP, executives and senior employees have been granted options to purchase ordinary shares at an exercise price determined by the Board with regard to the market value of the shares when the options were issued.

Each share option converts into one ordinary share of the Company on exercise. No amounts were paid to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry.

To date options granted vest progressively over the life of the options. Options granted under the ESIP expire within thirty six months of issue. Unvested options expire immediately on the resignation of the eligible participant, unless otherwise determined by the Board.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Executive Service Contracts
There were three service agreements in place throughout the year.

Executive Directors

Mr Matthew Callahan
The Company has a consultancy agreement with Bocca Consulting Pty Ltd for providing consulting of a Key Employee (Mr Callahan). The Term of the agreement is three (3) year term (effective 1 July 2016), unless terminated earlier in accordance with the agreement.

Under the terms of the present contract, as disclosed to the ASX on 13 May 2016.

- The total consultancy fee payable to Bocca Consulting in respect of 30 hours of consultancy services per month (Minimum Time Commitment), is a salary of US$100,000 per annum (GST exclusive)
- Commencing in 2017, the consultancy fee will be reviewed 4 weeks before every annual general meeting of the Company
- The consideration payable to Bocca Consulting for any consultancy services performed in excess of the Minimum Time Commitment is an additional consultancy fee of US$150 per hour (GST exclusive)
- Termination by the Company or Bocca Consulting has notice period of 6 months

Dr William Bosch
Dr Bosch is engaged as a consultant of the Company pursuant to a consultancy agreement between the Company and Dr Bosch. The Term of the agreement is three (3) year term (effective 1 July 2016), unless terminated earlier in accordance with the agreement.

Under the terms of the present contract, as disclosed to the ASX on 13 May 2016.

- The total consultancy fee payable to Dr Bosch in respect of 30 hours of consultancy services per month (Minimum Time Commitment), is a salary of US$100,000 per annum (GST exclusive).
- Commencing in 2017, the consultancy fee will be reviewed 4 weeks before every annual general meeting of the Company.
- The consideration payable to Dr Bosch for any consultancy services performed in excess of the Minimum Time Commitment is an additional consultancy fee of US$150 per hour (GST exclusive).
- Termination by the Company or Dr Bosch has notice period of 6 months.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Chief Operating Officer

Mr Michael Thurn
Dr. Thurn is engaged as a consultant of the Company pursuant to a consultancy agreement between the Company and Dr. Thurn. The Term of the agreement is one (1) year term (effective 1 February 2017), unless terminated earlier in accordance with the agreement.
Under the terms of the present agreement,

- The total consultancy fee payable to Dr Thurn in respect of 3 days of consultancy services per week (Minimum Time Commitment), is a fee of AUD$16,000 per month (GST exclusive).
- The consideration payable to Dr Thurn for any consultancy services performed in excess of the Minimum Time Commitment is an additional consultancy fee of AUD$1,200 per day (GST exclusive).
- Termination by the Company or Dr Thurn has notice period of 1 month.

Non-Executive Directors
Upon appointment to the Board, all Non-Executive Directors enter into a service agreement with the Company in the form of a letter of appointment. The letter summarises the policies and terms, including compensation, relevant to the office of Director.

The key terms of the Non-Executive Director service agreements are as follows:

- Term of agreement – ongoing subject to annual review.
- Directors' Fees of $55,000 per annum plus statutory superannuation.
- Chairman Fees of $50,000 per annum plus statutory superannuation.
- There is no notice period stipulated to terminate the contract by either party.

<u>Use of remuneration consultants</u>
No Remuneration consultants were engaged during the financial year ending 30 June 2017.

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DIRECTOR'S REPORT

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the key management personnel (as defined in AASB 124 *Related Party Disclosures)* of Botanix Pharmaceuticals Limited are set out in the following table.

Key Management Personnel of Botanix Pharmaceuticals Limited

2017	Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees $	Non-Monetary $	Superannuation $	Options $	Total $	Remuneration consisting of options %
Non-Executive Directors						
G. Griffiths [(1)]	50,000	-	-	19,142	69,142	28%
M Callahan [(1)]	132,816	-	-	-	132,816	-
W. Bosch [(1)]	132,816	-	-	38,284	171,100	22%
R. Towner [(3)]	55,000	-	5,225	19,142	79,367	24%
Executives						
M. Thurn[(4)]	130,312	-	-	19,237	149,549	13%
Total	500,944	-	5,225	95,805	601,974	16%

[(1)] Directors all appointed 1 July 2016.
[(2)] Mr Phillip Wingate and Mr John Hannaford resigned as Non-Executive Director effective 1 July 2016.
[(3)] Mr Rob Towner was Non-Executive Chairman during the period to 30 June 2016. Mr Towner continued as Non-Executive Director subsequent to the Botanix acquisition transaction completing.
[(4)] Appointed 1 February 2017

DIRECTORS' REPORT (CONTINUED)

2016	Short Term Benefits		Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees $	Non-Monetary $	Superannuation $	Options $	Total $	Remuneration consisting of options %
	Non-Executive Directors					
G. Griffiths [1]	-	-	-	-	-	-
M Callahan [1]	-	-	-	-	-	-
W. Bosch [1]	-	-	-	-	-	-
R. Towner [3]	55,000	-	5,225	-	60,225	-
J. Hannaford [2]	40,000	-	3,800	-	43,800	-
P. Wingate [2]	40,000	-	3,800	-	43,800	-
Total	135,000	-	12,825	-	147,825	-

[1] Directors all appointed 1 July 2016.
[2] Mr Phillip Wingate and Mr John Hannaford resigned as Non-Executive Director effective 1 July 2016.
[3] Mr Rob Towner was Non-Executive Chairman during the period to 30 June 2016.Mr Towner continued as Non-Executive Director subsequent to the Botanix acquisition transaction completing.

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DIRECTOR'S REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shareholdings of Key Management Personnel

The movement in the number of ordinary shares of Botanix Pharmaceuticals Limited held, directly, indirectly or beneficially, by each Director and Key Management Personnel, including their personally-related entities for the year ended 30 June 2017 is as follows:

Directors	Held at 1 July 2016	Other Movements during the year	Options Exercised	Held at 30 June 2017
G. Griffiths	2,500,000	1,000,000[1]	-	3,500,000
M. Callahan	70,588,321	-	-	70,588,321
W. Bosch	15,300,000	-	-	15,300,000
R. Towner	1,499,972	-	-	1,499,972
J. Hannaford [2]	4,249,942	(4,249,942)[2]	-	-
P. Wingate [2]	399,998	(399,998)[2]	-	-
Total	**94,538,233**	**(3,649,940)**	**-**	**90,888,293**

[1] Acquired during the financial year on market
[2] Mr Hannaford and Mr Wingate resigned as Non-Executive Director effective 1 July 2016, movement during the year is final director's interest on resignation date.

Option holdings of Key Management Personnel

The movement in the number of options of Botanix Pharmaceuticals Limited held, directly, indirectly or beneficially, by each Director and Key Management Personnel, including their personally-related entities for the year ended 30 June 2017 is as follows:

Directors	Held at 1 July 2017	Granted as Compensation	Options Exercised	Other Movements during the year	Held at 30 June 2017	Vested and Exercisable at 30 June 2017
G. Griffiths	-	4,053,990	-		4,053,990	-
M. Callahan	-	-	-		-	-
W. Bosch	-	8,107,979	-		8,107,979	-
R. Towner	2,054,961	4,053,990	-	(2,054,961)	4,053,990	-
J. Hannaford [1]	599,990	-	-	(599,990)	-	-
Executives						
M. Thurn	-	6,486,384	-	-	6,486,384	-
Total	**2,654,951**	**22,702,343**	**-**	**(2,654,951)**	**22,702,343**	**-**

[1] Other movement during the year resulting from expiry of options
[1] Mr Hannaford resigned as a Non-Executive Director effective 1 July 2016. Other movement is the final director's interest on resignation date.

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DIRECTORS' REPORT (CONTINUED)

The options granted to Directors in the year 30 June 2017 were for nil consideration as remuneration, exercisable at $0.0675 options with an expiry date of 30 November 2019.They vested progressively over 3 years on 30 November of each year. The value per option was $0.0269.

They were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	16,215,959
Grant date share price	$0.045
Exercise price	$0.0675
Expected volatility	110%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.91%

The options granted to the Chief Operating Officer in the year 30 June 2017 were for nil consideration as remuneration, exercisable at $0.053 options with an expiry date of 8 May 2018. The value per option was $0.02007 vesting on 8 May 2018.

They were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	2,162,128
Grant date share price	$0.051
Exercise price	$0.053
Expected volatility	105%
Option life	1 year
Dividend yield	0.00%
Interest rate	1.56%

The options granted to the Chief Operating Officer in the year 30 June 2017 were for nil consideration as remuneration, exercisable at $0.070 options with an expiry date of 8 May 2020. The value per option was $0.02998 vesting on 8 May 2020. They vested progressively over 3 years on 8 May of each year.

They were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	4,324,256
Grant date share price	$0.051
Exercise price	$0.070
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.80%

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DIRECTORS' REPORT (CONTINUED)

Shares issued to Key Management Personnel on Exercise of Compensation Options
No shares were issued to directors on exercise of compensation options during the year.

Remuneration Consultants
The Board did not use the services of remuneration consultants during the year in determining the compensation for Directors and Executives.

Other transactions with Key Management Personnel
Transactions with other key management personnel are made on normal commercial terms and conditions and at market rates.

	2017	**2016**
	$	**$**
Payments to director-related parties:		
Cornerstone Corporate Pty Ltd (i)	-	23,100
Austin 4 Pty Ltd (ii)	**6,000**	16,200

i. Cornerstone Corporate Pty Ltd (Mr Robert Towner – Non-Executive Director)
The Company had an agreement with Cornerstone Corporate to provide corporate administration services to the Company commencing from 1st February 2014 and terminated 31 January 2016. A total amount of $23,100 (GST Inclusive) was paid to Cornerstone Corporate for advisory services for the year ended 30 June 2016. There was no amounts paid to Cornerstone Corporate during the year ended 30 June 2017

ii. Austin 4 Pty Ltd (Mr Robert Towner – Non-Executive Director)
The Company entered into an agreement with Austin 4 to provide corporate administration services to the Company commencing from 1st February 2016. A total amount of $3,300 (GST Inclusive) was paid to Austin 4 for advisory services for the year ended 30 June 2017 (2016: $16,500 (GST Inclusive)). This agreement has now terminated.

iii. Loans from related parties
Upon completion of the Botanix acquisition a payment in cash of $181,667 and the issue 3,416,642 shares at a deemed $0.024 ($81,530) to be paid by Botanix Pharmaceuticals Limited as consideration of loans payable to related parties of Botanix Pharmaceuticals Inc, including Executive Director, Mr Matthew Callahan. As at 30 June 2016 the shares had been issued (on 30 June 2016) the cash portion was paid on 4 July 2016.

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DIRECTORS' REPORT (CONTINUED)

Loans to Key Management Personnel
No loans have been made to key management personnel, including their personally related parties, of Botanix Pharmaceuticals Limited.

Voting and comments made at the Company's 2016 Annual General Meeting
The Company received more than 75% of "yes" votes on its remuneration report for the 2016 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

*************END OF AUDITED REMUNERATION REPORT*************

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

Other than as disclosed elsewhere in this report, there are no likely developments in the operations of the Company that were not finalised at the date of this report.

AUDITOR

BDO Audit (WA) Pty Ltd continues in office in accordance with Section 327 of the *Corporation Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2017 has been received and can be found on page 22.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

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 are important.

The Directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

During the previous financial year, the auditors provided Independent Accountant Report services to the Group of $31,620 in relation to the Botanix Pharmaceuticals Limited Prospectus dated 13 May 2016 and Supplementary Prospectus dated 24 June 2016.

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DIRECTORS' REPORT (CONTINUED)

SHARE OPTIONS

Shares under Option

At the date of this report there are unissued shares under option outstanding.

Date Granted	Expiry Date	Exercise Price	Number of shares under option
30 June 2016	30 June 2019	$0.030	13,000,000
1 December 2016	1 December 2019	$0.068	16,215,959
19 January 2017	19 January 2018	$0.045	3,369,327
19 January 2017	19 January 2020	$0.057	6,738,652
8 May 2017	8 May 2018	$0.053	2,837,793
8 May 2017	8 May 2020	$0.070	5,684,584
Total			**47,846,315**

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.

No ordinary shares were issued as a result of the exercise of share options during the current year (2016: nil).

Signed in accordance with a resolution of the Directors.



Matthew Callahan
Executive Director

20 September 2017

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DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF BOTANIX PHARMACEUTICALS LIMITED

As lead auditor of Botanix Pharmaceuticals Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Botanix Pharmaceuticals Limited and the entities it controlled during the period.



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 20 September 2017

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation, other than for the acts or omissions of financial services licensees.

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017	For the period 13 August 2015 to 30 June 2016
		$	$
Interest income	3	46,501	
Total revenue		**46,501**	**-**
Employee expenses		(379,899)	-
Finance expenses		(3,225)	(484)
Consulting expenses		-	(58,917)
Listing expense		-	(1,399,492)
Other expenses		(80,944)	(41,265)
Professional Consulting expense		(428,093)	(115,780)
Travel expense		(165,718)	(92,439)
Research and Development expenses		(3,650,525)	-
Share based payments	11	(100,977)	-
Total expenses	4	**(4,809,381)**	**(1,708,377)**
Loss before income tax expense		**(4,762,880)**	**(1,708,377)**
Income tax benefit	5	-	-
Loss after income tax for the year		**(4,762,880)**	**(1,708,377)**
Other Comprehensive Income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		(10,218)	6,356
Other Comprehensive income for the period, net of tax		(10,218)	6,356
Total Comprehensive Loss for the year attributed to members of Botanix Pharmaceuticals Limited		**(4,773,098)**	**(1,702,021)**
Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited			
Basic and diluted loss per share (cents)	14	(1.10)	(1.08)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 $	2016 $
ASSETS			
Current Assets			
Cash & cash equivalents	6	5,720,514	3,651,986
Trade and other receivables	7	186,909	44,754
Total Current Assets		**5,907,423**	**3,696,740**
Total Assets		**5,907,423**	**3,696,740**
LIABILITIES			
Current Liabilities			
Trade and other payables	8	470,600	515,826
Total Current Liabilities		**470,600**	**515,826**
Total Liabilities		**470,600**	**515,826**
Net Assets		**5,436,823**	**3,180,914**
EQUITY			
Contributed equity	9	11,631,844	4,716,525
Reserves	10	267,387	166,410
Foreign currency translation reserve		19,067	6,356
Accumulated losses	10	(6,481,475)	(1,708,377)
Total Equity		**5,436,823**	**3,180,914**

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 1 July 2016		**4,716,525**	**(1,708,377)**	**166,410**	**6,356**	**3,180,914**
Total comprehensive loss for the year						
Loss for the year		-	(4,773,098)	-	-	(4,773,098)
Total other comprehensive income		-	-	-	12,711	12,711
Total comprehensive loss for the year		-	(4,773,098)	-	12,711	(1,579,473)
Transaction with equity holders:						
Ordinary shares issued net of costs	9	6,915,319	-	-	-	6,915,319
Options issued during the year	10		-	100,977	-	100,977
Balance at 30 June 2017		**11,631,844**	**(6,481,475)**	**267,387**	**19,067**	**5,436,823**

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 13 August 2015		**-**	**-**	**-**	**-**	**-**
Total comprehensive loss for the year						
Loss for the year		-	(1,708,377)	-	-	(1,708,377)
Total other comprehensive income		-	-	-	6,356	6,356
Total comprehensive loss for the year		-	(1,708,377)	-	6,356	(1,702,021)
Transaction with equity holders:						
Ordinary shares issued net of costs	9	4,882,935	-	-	-	4,882,935
Options issued during the year	10	(166,410)	-	166,410	-	-
Balance at 30 June 2016		**4,716,525**	**(1,708,377)**	**166,410**	**6,356**	**3,180,914**

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2017

	Note	2017	For the period 13 August 2015 to 30 June 2016
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		31,277	-
Research and Development		(3,550,312)	-
Payments to suppliers and employees		(1,117,667	(6,688)
Finance costs		(3,225)	-
Net cash (used in) operating activities	15	**(4,639,927)**	**(6,688)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Cash acquired on acquisition		-	404,034
Net cash provided by investing activities		**-**	**404,034**
CASHFLOWS FROM FINANCING ACTIVITIES			
Capital raising costs		(562,187)	(179,360)
Proceeds from issue of shares & other equity securities	9	7,452,309	3,434,000
Repayment of borrowings		(181,667)	-
Net cash provided by financing activities		**6,708,455**	**3,254,640**
Net increase in cash held		2,068,528	3,651,986
Cash and cash equivalents at beginning of financial year		3,651,986	-
Cash and cash equivalents at end of financial year	6	**5,720,514**	**3,651,986**

The above Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: REPORTING ENTITY

Botanix Pharmaceuticals Limited (the "Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2017 comprises the Company and its subsidiaries (collectively referred to as the "Group").

A description of the nature of the Company's operations and its principal activities is included in the Directors' Report which does not form part of this financial report.

NOTE 2: BASIS OF PREPARATION

This General Purpose Financial Report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (including Australian Interpretations) and the *Corporations Act 2001*.

The Financial Statements and Notes of the Company comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the Financial Statements and Notes comply with International Financial Reporting Standards.

Botanix Pharmaceuticals Limited is a company limited by shares. The financial report is presented in Australian currency. Botanix Pharmaceuticals Limited is a for-profit entity.

This Financial Report was approved by the Board of Directors on 20 September 2017.

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

Critical Accounting Estimates and Significant Judgments

The directors evaluate estimates and judgments incorporated in the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

(i) Deferred tax assets

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

(ii) Patent and development costs

Expenditure on research activities are recognised as an expense in the period in which it is incurred. Development costs are accounted for using the cost model whereby capitalised costs are amortised on a straight-line basis over the estimated useful lives.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Critical Accounting Estimates and Significant Judgments (Continued)

(iii) Impairment

The investments held by the parent entity in its subsidiaries continue to be impaired as of 30 June 2017 as the board has acknowledged it yet to commercialise the company's projects and the decision was previously made to write down the assets carrying value.

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

(v) Share based payments

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

NOTE 3: REVENUE

	Note	2017	For the period 13 August 2015 to 30 June 2016
		$	$
Interest		46,501	-
		46,501	**-**

Accounting policy

Interest income is recognised on a time proportion basis using the effective interest method. All revenue is stated net of the amount of goods and services tax (GST).

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: EXPENSES

Loss before Income Tax includes the following specific expenses:

	Note	2017	For the period 13 August 2015 to 30 June 2016
		$	$
Listing expense		-	1,399,492
Professional fees		428,093	115,780
Employee Expenses		379,899	-
Research and development		3,650,525	-
Share based payments		100,977	-

NOTE 5: INCOME TAX

(a) Income tax expense		
Current tax expense	-	-
Income tax expense	-	-
	-	-
(b) Reconciliation of tax expense to net profit before tax		
Loss before tax	(4,762,880)	(1,708,377)
Tax at the statutory rate of 27.5% (2016: 30%)	(1,312,584)	(512,513)
Tax effect of:		
Non-deductible expenses	1,031,664	419,848
Expenditure deductible for tax purposes	-	(14,840)
Effect of tax losses and tax offsets not recognised as deferred tax assets	280,920	107,505
Income tax benefit	-	-
(c) Unrecognised deductible temporary differences		
Tax losses	334,525	107,505
Other deferred amounts	(53,603)	-
	280,922	**107,505**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: INCOME TAX (CONTINUED)

No deferred tax asset is recognised in the statements of financial position as it is not probable that the Group will derive tax profits in the future to allow utilisation of the income tax benefits represented by the deferred tax asset. If tax profits are derived in future years, the tax losses and other tax benefits will be able to be offset against this income subject to the Company continuing to meet the relevant statutory tests.

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority.

Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

Botanix Pharmaceuticals Limited has not elected to consolidate the Group under the Tax Consolidation Regime, however, the Company may elect to do so in the future.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: CASH AND CASH EQUIVALENTS

	2017 $	2016 $
Cash at bank	5,720,514	3,651,986
Total cash and cash equivalents[1]	**5,720,514**	**3,651,986**

[1] Cash at bank is subject to floating interest rates at an effective interest rate of 1%.

NOTE 7: TRADE AND OTHER RECEIVABLES

Current:		
Other receivables[1]	162,535	38,015
Prepaid expenses[2]	24,374	6,739
Total trade and other receivables (net of GST)	**186,909**	**44,754**

[1] Other receivables are non-trade receivables, are non-interest bearing and have an average term of 3 months and generally receivable from the ATO for GST.

[2] Prepaid expenses relate to expenditure which have been pre-paid at year end and settle within 12 months.

The above amounts do not bear interest and their carrying amount is equivalent to their fair value. No trade and other receivables were impaired during the current year.

Accounting policy
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 8: TRADE AND OTHER PAYABLES

	2017 $	2016 $
Current:		
Trade payables [(1)]	453,600	456,206
Sundry payables & accrued expenses	17,000	59,620
	470,600	**515,826**

[(1)] Trade payables are non-interest bearing and are normally settled on 30-day terms.

Accounting policy
These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are recognised initially at fair value and subsequently at amortised cost. The amounts are unsecured.

NOTE 9: CONTRIBUTED EQUITY

(b) Issued and Paid Up Capital

	2017 Number	2017 $	2016 Number	2016 $
Fully paid ordinary shares	**543,111,296**	**11,631,844**	**405,514,770**	**4,716,525**

(b) Movements in fully paid shares on issue		
Balance as at 1 July 2016	405,514,770	4,716,525
Capital raise at $0.02 per share[1]	3,300,000	66,000
Capital raising – tranche 1	97,932,890	5,386,309
Capital raising – tranche 2	36,363,636	2,000,000
Capital raising costs	-	(536,990)
Balance as at 30 June 2017	**543,111,296**	**11,631,844**
Opening balance	4,444,445	1
Botanix Pharmaceuticals Inc. shares eliminated on completion of Botanix Pharmaceuticals Limited acquisition	(4,444,445)	-
Balance as at 1 July 2015	257,796,569	-
Consolidation (1 for every 3 and one third held)	(180,458,441)	-
Consideration shares – Vendor[2]	156,476,642	1,628,295
Capital raise at $0.02 per share	171,700,000	3,434,000
Capital raising costs - cash	-	(179,360)
Capital raising costs – equity settled [3]	-	(166,410)
Balance as at 30 June 2016[2]	**405,514,770**	**4,716,525**

2017
[1] A further 3,300,000 Shares were issued in the first week of July to bring the total shares issued under the Prospectus dated 13 May 2016 and Supplementary Prospectus dated 24 June 2016 to 175,000,000, raising $3,500,000 before costs.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: CONTRIBUTED EQUITY (CONTINUED)

2016

[2] Includes the 153,060,000 shares issued as consideration for 100% of the issued capital of Botanix Pharmaceuticals Inc. and a further 3,416,642 shares issued as satisfaction of the loans as per the Supplementary Prospectus dated 24 June 2016.

[3] The valuation of the issue of these securities is disclosed in Note 11: Share Based Payments.

(c) Issued Options		
Unlisted Options	**47,846,315**	**267,387**
(d) Movements in options on issue		
Balance as at 1 July 2016	**22,540,856**	**166,410**
Add: Issue of Director Options	16,215,959	84,457
Add: Issue of Employee Options	18,630,356	16,520
Less: Expiry of Unlisted Options on 31 December 2016	(9,540,856)	-
Balance as at 30 June 2016	**47,846,315**	**267,387**

Ordinary Shares

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

Capital Risk Management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to progress development of its technologies toward commercialisation, so as to provide returns to shareholders and to maintain an optimal capital structure to reduce cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets.

The Group monitors capital on the basis of available working capital. The Group relies upon investment funding and equity raising in order to meet its working capital requirements so it may develop its technologies to a stage whereby future commercial benefits can be derived.

Accounting policy

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: RESERVES & ACCUMULATED LOSSES

	2017 $	2016 $
Share based payments reserve	267,387	166,410
	292,179	**166,410**
Share based payments reserve		
Balance at beginning of year	166,410	-
Issue of Director Options	84,457	166,410
Issue of Employee Options	16,520	-
Balance at end of year	**267,387**	**166,410**
Foreign currency translation reserve		
Balance at beginning of year	6,356	-
Effect for foreign currency translation during the year	12,711	6,356
Balance at end of year	**19,067**	**6,356**

Share Based Payments Reserve

The share based payments includes the following:

- Items recognised as expenses on valuation of employee and director share options but not exercised.
- Options issued to non-related parties in exchange for cash or services but not yet exercised.

Foreign Currency Translation Reserve

The foreign currency translation reserve includes the following:

- Effect of foreign currency translation of foreign subsidiary at year end

	2017 $	2016 $
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(1,708,377)	-
Net loss for the year – continuing operations	(4,773,098)	(1,708,377)
Balance at end of year	**(6,481,475)**	**(1,708,377)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SHARE BASED PAYMENTS

Employee Securities Incentive Plan ("ESIP")
The ESIP was approved by shareholders on 14 June 2016 at a General Meeting. In accordance with the provisions of the ESIP, the executives and senior employees may be granted options to purchase ordinary shares at an exercise price determined by the Board with regard to the market value of the shares when it resolves to offer the options. The options may only be granted to eligible participants after the Board considers the person's seniority, position, length of service, potential contribution and any other matters which the Board considers relevant.

Each share option converts into one ordinary share of the Company on exercise. No amounts are paid or payable to the Company by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of expiry. The number of options granted are determined by the Board.

Description	2017 Number	Weighted Average Exercise Price	2016 Number	Weighted Average Exercise Price
Options				
Opening balance	**22,540,856**	0.0699	**9,540,856**	0.0526
Issued during the period remuneration	**34,846,315**	0.0625	-	-
Issued during the period to Advisors	**-**	-	**13,000,000**	0.0173
Exercised during the period	**-**	-	**-**	-
Expired during the period	**(9,540,856)**	(0.1243)	**-**	-
Balance at 30 June	**47,846,315**	0.0081	**22,540,856**	0.0699

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

	2017 $	2016 $
Share-based payments:		
Recognised Directly in Equity		
16,215,959 Unlisted Options issued to Directors	84,457	-
18,630,356 Unlisted Options issued to Employees	16,520	-
13,000,000 (post-consolidation) Unlisted Options issued to Directors	-	166,410
Total Share Based Payments	**100,977**	**166,410**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SHARE BASED PAYMENTS (CONTINUED)

2017

(i) Options (valued at $0.0269) vesting on 30 November each year for 3 years, were issued to the Directors were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	16,215,959
Grant date share price	$0.0675
Exercise price	$0.045
Expected volatility	110%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.91%

(ii) Options (valued at $0.02007) vesting on 8 May 2018, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	2,837,784
Grant date share price	$0.051
Exercise price	$0.053
Expected volatility	105%
Option life	1 year
Dividend yield	0.00%
Interest rate	1.56%

(iii) Options (valued at $0.02998) vesting on 8 May each year for 3 years, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	5,684,584
Grant date share price	$0.051
Exercise price	$0.070
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.80%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SHARE BASED PAYMENTS (CONTINUED)

2017

(iv) Options (valued at $0.01823) vesting on 19 January 2018, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	3,369,327
Grant date share price	$0.045
Exercise price	$0.045
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.56%

(v) Options (valued at $0.02714) vesting on 18 January each year for 3 years, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	6,738,652
Grant date share price	$0.045
Exercise price	$0.057
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.80%

2016

(i) Options (valued at $0.0128) were issued to the Advisors were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	13,000,000
Grant date share price	$0.02
Exercise price	$0.03
Expected volatility	119%
Option life	2 years
Dividend yield	0.00%
Interest rate	1.88%

The expected price volatility is based on the historic volatility (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicity available information.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: SHARE BASED PAYMENTS (CONTINUED)

Accounting policy

Equity Settled Compensation

The Group operates an equity-settled share-based payment employee option scheme and, subject to shareholder approval, provides options to Directors from time to time. The fair value of the option to which Directors and employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of options is ascertained using an appropriate pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the options granted shall be based on the number of options that eventually vest.

NOTE 12: RELATED PARTY TRANSACTIONS

(a) Parent Entities

The parent entity of the Group is Botanix Pharmaceuticals Limited. The ultimate Australian parent entity in the group is Botanix Pharmaceuticals Limited which at 30 June 2017 owns 100% of the issued ordinary shares of Botanix Pharmaceuticals Inc. (incorporated in Delaware, United States of America) and 100% of the issued ordinary shares of Bone Limited (incorporated in Jersey, Channel Islands).

(b) Subsidiaries

Interests in subsidiaries are set out in Note 20 Subsidiaries**.**

(c) Loans Due to Subsidiaries

Loans between entities in the wholly owned Group are not interest bearing are payable upon demand.

(d) Key Management Personnel Compensation

The aggregated compensation paid to Directors and Key Management Personnel of the Group is as follows:

	2017 $	2016 $
Short term employee benefits	**500,944**	135,000
Post-employment benefits	**5,225**	12,825
Non-monetary benefits	**-**	-
Share based payment	**95,805**	-
	601,974	147,825

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Other transactions with Key Management Personnel

Transactions with other key management personnel are made on normal commercial terms and conditions and at market rates.

	2017 $	2016 $
Payments to director-related parties:		
Cornerstone Corporate Pty Ltd (i)	-	23,100
Austin 4 Pty Ltd (ii)	**3,300**	16,500

i. Cornerstone Corporate Pty Ltd (Mr Robert Towner – Non-Executive Director)

The Company entered into an agreement with Cornerstone Corporate to provide corporate administration services to the Company commencing from 1st February 2014 and terminated 31 January 2016. A total amount of $23,100 (GST Inclusive) was paid to Cornerstone Corporate for advisory services for the year ended 30 June 2016. There was no amount payable to Cornerstone Corporate at 30 June.

ii. Austin 4 Pty Ltd (Mr Robert Towner – Non-Executive Director)

The Company entered into an agreement with Austin 4 to provide corporate administration services to the Company commencing from 1st February 2016. A total amount of $3,300 (GST Inclusive) was paid to Austin 4 for advisory services for the year ended 30 June 2017 (2016: $16,500 (GST Inclusive)). This agreement has now terminated.

iii. Ventnor Capital Pty Ltd (Mr John Hannaford – Non-Executive Director)

The Company entered into an agreement with Ventnor Capital Pty Ltd, a Company of which Mr John Hannaford is a Director, to provide the Company with company secretarial services, office accommodation and accounting services to the Company commencing from February 2014. A total amount of $167,944 (GST Inclusive) was paid to Ventnor Capital for the above services for the year ended 30 June 2016. A total amount of $42,365 (GST Inclusive) was payable to Ventnor Capital at 30 June 2016.

iv. Loans from related parties

Upon completion of the Botanix acquisition a payment in cash of $181,667 and the issue 3,416,642 shares at a deemed $0.024 ($81,530) to be paid by Botanix Pharmaceuticals Limited as consideration of loans payable to related parties of Botanix Pharmaceuticals Inc. including Executive Director, Mr Matthew Callahan. As at 30 June 2016 the shares had been issued (30 June 2016) and the cash portion remains payable (paid subsequent to year end).

(f) Loans to Key Management Personnel

No loans have been made to key management personnel, including their personally related parties, of Botanix Pharmaceuticals Limited.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: FINANCIAL RISK MANAGEMENT

The Group's activities are exposed to a variety of financial risks: market risk (including interest rate risk, currency risk, credit risk and liquidity risk). The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. Risk management is carried out by the Board of Directors.

Financial Risk

The main risks the Group is exposed to through financial instruments are market risk (including currency risk, interest rate risk, liquidity risk, and credit risk.

The Group holds the following financial instruments:

	2017 $	2016 $
Financial assets		
Cash and cash equivalents	5,720,514	3,651,986
Other receivables	186,909	44,754
Total financial assets	**5,907,423**	**3,696,740**
Financial liabilities		
Trade and other payables	470,600	515,826
Total financial liabilities	**470,600**	**515,826**

(a) Market Risk

(i) *Foreign Exchange Risk*

The group operates internationally and is exposed to foreign exchange risk arising mainly from its exposure to the United States dollar. The Group may also be exposed to one-off transactional flows which occur on an ad hoc basis in other foreign exchange currencies.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency, and changes in value of convertible note liability and convertible note derivative. The risk is measured using sensitivity analysis and cashflow forecasting. The Group does not hedge any foreign exchange risks.

Foreign exchange risk is managed by the Board with an overall responsibility to minimising its effect on the expenditure of the Group.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

Group Sensitivity

The carrying amounts of the Group's financial assets and liabilities are all denominated in Australian dollars.

(ii) Cash flow interest rate risk

The Group's main interest rate risk arises from interest bearing cash deposits.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

		2017		2016	
		%	$	%	$
Financial assets					
Cash assets	Floating rate*	**2.15%**	**5,720,514**	1%	3,651,986

The Group invests surplus cash in at call or term deposit accounts with internationally recognised financial institutions. Interest rate risk is managed by the selection of term deposit interest rates and terms that reflect management's market expectations, to terms not exceeding 12 months. Funds are only held at call when it is reasonably expected that those amounts will be required prior to existing term deposits reaching maturity.

Group Sensitivity

If the weighted average interest rates had changed on the instruments in the above tables by plus/minus 75 basis points the effect to the Groups post-tax loss for the year would have been $42,900 (2016:$27,390) lower/higher.

The method used to arrive at the possible change of 75 basis points was conservatively based on the analysis of the absolute nominal change of the Reserve Bank of Australia (RBA) monthly issued cash rate. Historical rates indicate that for the past five financial years, there was a bias towards a decrease in interest rate ranging between 0 to 50 basis points. It is considered that 75 basis points is a 'reasonably possible' estimate as it more than accommodates for the maximum variations inherent in the interest rate movement over the past five years.

(b) Credit Risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions as well as receivables for subsidiaries. The Board manages credit risk by ensuring that the banks and financial institutions where cash and deposits are held are independently rated parties with a minimum rating of 'A'.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 47. The credit quality of financial assets that are neither past due or impaired can be assessed by reference to historical information about counterparty default risk. All financial assets are with customers with no history of default and have been customers for greater than six months.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk and Liquidity Risk Management

Prudent liquidity risk management implies maintaining sufficient cash to support the activities of the Company. The Group manages liquidity risk by continuously monitoring forecasted and actual cash flows.

The Board monitors rolling forecasts of the Company's liquidity on the basis of expected cash flow.

Maturities of financial liabilities

The tables below analyse the Group's and the parent entity's financial liabilities based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 6 months	6 - 12 months	Greater than 12 months	Total contractual Cashflows	Carrying Amount
	$	$	$	$	$
Group - At 30 June 2017					
Financial liabilities	470,600	-	-	470,600	470,600

	Less than 6 months	6 - 12 months	Greater than 12 months	Total contractual Cashflows	Carrying Amount
	$	$	$	$	$
Group - At 30 June 2016					
Financial liabilities	515,826	-	-	515,826	515,826

(d) Fair Value Estimation

The Group does not have any financial assets or financial liabilities measured at fair value.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

Accounting policy:

(i) 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 that entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars which is Botanix Pharmaceuticals Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each reporting date presented are translated at the closing rate at the date of that statements of financial position;
- Income and expenses for each Statement of Profit or Loss and Other Comprehensive Income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to shareholders equity. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the Profit or Loss, as part of the gain or loss on sale where applicable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: LOSS PER SHARE

	2017	For the period 13 August 2015 to 30 June 2016
	$	$
Continuing operations		
Basic and diluted profit & (loss) per share – cents		
Loss used in the calculation of basic and diluted loss per share	(4,762,880)	(1,708,377)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	434,195,513	157,746,253
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	434,195,513	157,746,253

Options outstanding during the year have not been taken into account in the calculation of the weighted average number of ordinary shares as they are not considered dilutive.

Accounting policy
Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: OPERATING CASH FLOW INFORMATION

	2017	For the period 13 August 2015 to 30 June 2016
	$	$
Loss for the year	(4,762,880)	(1,708,377)
Adjustments for:		
Non-cash finance costs		
Share based payments	100,977	1,399,492
Share issued to settle loans	-	81,531
Changes in assets and liabilities:		
(Increase) in trade and other receivables	(142,155)	(13,077)
Increase in trade and other payables	164,131	233,743
Net cash flows used in operations	**(4,639,927)**	**(6,688)**

NOTE 16: PARENT ENTITY DISCLOSURES

As at 30 June 2017, and throughout the year then ended, the parent company of the Group was Botanix Pharmaceuticals Limited.

Financial position

	2017	2016
Assets		
Current assets	6,249,927	3,952,880
Total assets	**6,249,927**	**3,952,880**
Liabilities		
Current liabilities	813,104	607,104
Total liabilities	**813,104**	**607,104**
Net Assets	**5,436,823**	**3,345,776**
Equity		
Issued capital	10,573,924	3,658,605
Accumulated losses	(5,404,488)	(479,239)
Reserves		
Share-based payments	267,387	166,410
Total Equity	**5,436,823**	**3,345,776**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: PARENT ENTITY DISCLOSURES (CONTINUED)

Financial performance

	2017 $	2016 $
Loss for the period	(4,925,249)	(748,101)
Other comprehensive income	-	-
Total comprehensive loss	(4,925,249)	(748,101)

NOTE 17: SEGMENT INFORMATION

AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes by the chief operating decision maker.

The Group's chief operation decision makers have been identified as the Board of Directors. Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of directors.

The Board of Directors reviews the financial and operating performance of the primarily from a Transactional, Research and Development and a corporate perspective.

The segment report for the reporting period ending 30 June 2017 is as follows:

2017	Research & Development $	Corporate $	Consolidated $
Segment Performance			
Other income	-	-	-
Net other costs	**(3,650,525)**	**(1,122,573)**	**(4,773,098)**
Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income	**(3,650,525)**	**(1,222,573)**	**(4,773,098)**
Segment Assets			
Total assets as per statement of financial position	-	5,907,423	5,907,423
Segment Liabilities			
Total liabilities as per statement of financial position	398,962	71,638	470,600

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17: SEGMENT INFORMATION (CONTINUED)

2016	Research & Development $	Corporate $	Consolidated $
Segment Performance			
Other income	-	-	-
Net other costs	(174,697)	(1,533,680)	(1,708,377)
Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income	(174,697)	(1,533,680)	(1,708,377)
Segment Assets			
Total assets as per statement of financial position	-	3,696,740	3,696,740
Segment Liabilities			
Total liabilities as per statement of financial position	217,961	297,865	515,826

Accounting policy

Operating segments are reported in a manner that is consistent with the internal reporting provided to the Board of directors. The Board, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the strategic steering committee.

NOTE 18: AUDITOR'S REMUNERATION

	2017 $	For the period 13 August 2015 to 30 June 2016 $
Amounts payable to auditor		
Audit and review services - payable to BDO Audit (WA) Pty Ltd	31,855	33,705
BDO - Non-audit services[(i)]	-	31,620
	31,855	**65,325**

(f) There audit firm provided Independent Expert Report and Independent Accountant Report services during the year.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2017 %
Botanix Pharmaceuticals Inc.	Delaware, United States of America	Ordinary	100
Bone Limited	Jersey, Channel Islands	Ordinary Preference	100 100

The proportion of ownership interest is equal to the proportion of voting power held.

NOTE 20: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matters or circumstances have arisen since the end of the period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial years.

NOTE 21: CONTINGENT LIABILITIES

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2017.

NOTE 22: OTHER ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

(a) Principles of Consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Botanix Pharmaceuticals Limited (parent entity) as at 30 June 2017 and the results of all subsidiaries for the year then ended. Botanix Pharmaceuticals Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group 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 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.

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

Investments in subsidiaries are accounted for at cost less impairment in the individual financial statements of Botanix Pharmaceuticals Limited.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: OTHER ACCOUNTING POLICIES (CONTINUED)

(b) Impairment of Assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or group of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(c) Financial Assets

(i) Classification

The only type of financial assets held by the Group is loans and receivables.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Loans and receivables are included within trade and other receivables (Note 7) in the consolidated statement of financial position.

(iii) Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

(iv) Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

(v) Impairment

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: OTHER ACCOUNTING POLICIES (CONTINUED)

(d) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statements of financial position are stated inclusive of the amount of GST receivable or payable. Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statements of financial position.

(e) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(f) New accounting standards and interpretations

In the year ended 30 June 2017, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change is necessary to Group accounting policies.

(g) Standards and Interpretations not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2017. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on the Group's business and, therefore, no change necessary to Group accounting policies.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22: OTHER ACCOUNTING POLICIES (CONTINUED)

AASB 9 *Financial Instruments*

AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.

The effective date is for annual reporting periods beginning on or after 1 January 2018.
The entity is yet to undertake a detailed assessment of the impact of AASB 9. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2019.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 replaces AASB 118: Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations. In summary, AASB 15:

- establishes a new revenue recognition model;
- changes the basis for deciding whether revenue is to be recognised over time at a point in time;
- provides a new and more detailed guidance on specific topics (eg multiple element arrangements, variable pricing, rights of return and warranties); and
- expands and improves disclosures about revenue.

The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2018.

AASB 16 *Leases*

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred.

A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the consolidated entity.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 23 to 51, and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance, as represented by the results of its operations, changes in equity and its cash flows, for the year ended on that date; and

ii. complying with Australian Accounting Standards, Corporations Regulations 2001 and other mandatory professional reporting requirements;

b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

c) the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration is made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the year ended 30 June 2016.

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

On behalf of the Board



Matthew Callahan
Executive Director

20 September 2017

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INDEPENDENT AUDITOR'S REPORT

To the members of Botanix Pharmaceutical Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Botanix Pharmaceutical Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, 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:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and

(ii) 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 Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

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

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Measurement of Share Based Payments

Key audit matter	How the matter was addressed in our audit
Botanix Pharmaceuticals Ltd awarded share based payments, in the form of share options, to eligible executives and employees as detailed in Note 11. The Group performed calculations to record the related share based payment expense in accordance with AASB 2 Share Based Payments in the consolidated statement of profit or loss and other comprehensive income. Due to the complex and judgmental estimates used in determining the valuation of the share based payments, we consider the Group's calculation of the share based payment expense to be a key audit matter. The Group uses assumptions in respect of future market and economic conditions.	Our audit procedures in respect of this area included but were not limited to the following: • Assessing the assumptions and model used to measure and value the share-based payments relating to the options; • Involving our valuation specialists to assess the assumptions used in the Group's calculation being the share price of the underlying equity, risk free rate and volatility; • Considering the vesting conditions of the options; and • Assessing the adequacy of the disclosure in the financial report (refer Note 2 and Note 11).

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the 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.

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In preparing the financial report, the directors are responsible for assessing the ability of the group 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 has 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 (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 20 of the directors' report for the year ended 30 June 2017.

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

Responsibilities

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

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth, 20 September 2017

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Botanix Pharmaceuticals Limited (the "Company") is responsible for the corporate governance of the Company. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

This statement sets out the main corporate governance practices in place throughout the financial year in accordance with 3rd edition of the ASX Principles of Good Corporate Governance and Best Practice Recommendations.

This Statement was approved by the Board of Directors and is current as at [xx September 2017].

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: A listed entity should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

The Company has complied with this recommendation.

The Board has adopted a formal charter that details the respective Board and management functions and responsibilities. A copy of this Board charter is available in the corporate governance section of the Company's website at www.botanixpharma.com

ASX Recommendation 1.2: A listed entity should undertake appropriate checks before appointing a person or putting forward to security holders a candidate for election as a Director and provide security holders with all material information relevant to a decision on whether or not to elect or re-elect a Director.

The Company has complied with this recommendation.

The Company did not elect any new Directors during the year.

Information in relation to Directors seeking reappointment is set out in the Directors report and Notice of Annual General Meeting.

ASX Recommendation 1.3: A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.

The Company has complied with this recommendation.

The Company maintains written agreements with each of its Directors and senior executives setting out their roles and responsibilities.

ASX Recommendation 1.4: The company secretary of a listed company should be accountable directly to the Board, through the chair, on all matters to do with the proper functioning of the Board.

The Company has complied with this recommendation.

The Company Secretary is engaged by the Company to manage the proper function of the Board. The Company Secretary reports directly to the Chair and is accountable to the Board.

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 1.5: A listed entity should:

- **Have a diversity policy which includes the requirement for the Board to set measurable objectives for achieving gender diversity and assess annually the objectives and the entity's progress to achieving them;**
- **disclose the policy or a summary of it;**
- **disclose the measurable objectives and progress towards achieving them; and**
- **disclose the respective proportions of men and women on the Board and at each level of management and the company as a whole.**

The Company has not complied with this recommendation.

The Company has not adopted an express policy specifically addressing the achievement of gender diversity. Due to the current limited size of the Board, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. Furthermore, the Company has not set any objectives for achieving gender diversity. Should a gender diversity policy be considered appropriate for the Company in the future due to increases in size of the organisation, the policy will specifically deal with the objectives for achieving diversity.

The Company's corporate code of conduct provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.

The Group currently has no female board members, senior executives or other employees.

ASX Recommendation 1.6: A listed entity should disclose the process for evaluating the performance of the Board, its committees and individual Directors.

The Company has complied with this recommendation.

The Board reviews its performance annually, as well as the performance of individual Committees and individual directors (including the performance of the Chairman as Chairman of the Board)

Full details of the process for performance evaluation of the Board and individual Directors is available on the Company's website at www.botanixpharma.com

A performance review was undertaken during the reporting period.

ASX Recommendation 1.7: A listed entity should have and disclose a process for periodically evaluating the performance of its senior executives and disclose in relation to each reporting period where a performance evaluation was undertaken in accordance with a process.

The Company has complied with this recommendation.

The Executive Director reviews the performance of the senior executives (including the Executive Director/Chief Scientific Officer). The Executive Director conducts a performance evaluation of the senior executives by meeting with each senior executive on a yearly basis to review performance against the senior executive's responsibilities as outlined in his or her contract with the Company and against key performance indicators (KPI's) set for the senior executive set by the Executive Director or the Board.

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CORPORATE GOVERNANCE STATEMENT

The performance of Executive Director will be reviewed by Chainman of the Company. The Chairman will conduct a performance evaluation of the Executive Director annually to review performance against KPIs set for the previous year, and to establish KPIs for the forthcoming year.

A performance review was undertaken during the reporting period.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

ASX Recommendation 2.1: The Board of a listed entity should establish a Nomination Committee:

- **With at least three members the majority of which are independent Directors;**
- **chaired by an independent director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

The Company has partly complied with this recommendation.

The Board has established a Nomination and Remuneration Committee. Currently, Mr. Robert Towner (Chair) and Mr. Matt Callahan serve on the Nomination and Remuneration Committee. Mr Brett Tucker (previous Company Secretary) was a member of the Committee until his resignation on 17 February 2017).

The Board considers that the composition of the Committee is appropriate given the current size and stage of development of the Company.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.botanixpharma.com

No separate meetings of the Nomination and Remuneration Committee were held during the year. The business of the Nomination and Remuneration Committee was conducted by the full Board in conjunction with Board meetings.

ASX Recommendation 2.2: A listed entity should have and disclose a Board skills matrix setting out the mix of skills and diversity that the Board currently has or is looking to achieve in its membership.

The Company has complied with this recommendation.

On a collective basis the Board's skills matrix indicates the mix of skills, experience and expertise that are considered necessary at Board level for optimal performance of the Board. The matrix reflects the Board's objective to have an appropriate mix of industry and professional experience including skills such as leadership, governance, strategy, finance, risk, IT, HR, policy development, international business and customer relationship. External consultants may be brought it with specialist knowledge to address areas where this is an attribute deficiency in the Board.

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 2.3: A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and provide details in relation to the length of service of each Director.

The Company has complied with this recommendation.

Mr Graham Griffiths is considered to be an independent Directors.

Mr Robert Towner is considered an independent Director as he no longer receives fees other than as a Director of the Company. Fees, other than Directors fee, received during the year are not considered to be material and have not impacted on Mr Towner's ability to bring an independent judgement to bear on issues before the Board.

Mr Mathew Callahan and Mr William Bosch are Executive Directors and are not considered independent Directors as they are employed in an executive capacity.

Details of the appointment dates of the Directors are included in the Directors Report forming part of the Annual Financial Statements.

ASX Recommendation 2.4: The majority of the Board of a listed entity should be independent Directors.

The Company has not complied with this recommendation.

As in ASX recommendation 2.3, the majority of the Board is not considered to be independent.

The Board considers that its current composition is appropriate given the current size and stage of development of the Company and allows for the best utilisation of the experience and expertise of its members.

Directors having a conflict of interest in relation to a particular Item of business must absent themselves from the Board meeting before commencement of discussion on the topic.

ASX Recommendation 2.5: The Chair of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

The Company has complied with this recommendation.

The Chairperson, Mr. Graham Griffiths is considered to be an independent Director.

Mr. Mathew Callahan is Executive Director of the Company.

ASX Recommendation 2.6: A listed entity should have a program for inducting new Directors and provide appropriate professional development opportunities.

The Company has complied with this recommendation.

There were no new Directors appointed during the reporting period

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CORPORATE GOVERNANCE STATEMENT

Upon appointment to the Board new Directors will be provided with Company policies and procedures will be provided an opportunity to discuss the Company's operations with senior management and the Board.

The Company encourages its Directors to participate in professional development opportunities presented to the Company and provides appropriate industry information to its Board members on a regular basis.

PRINCIPLE 3: ACT ETHICALLY AND RESPONSIBLY

ASX Recommendation 3.1: A listed entity should establish a code of conduct and disclose the code or a summary of the code.

The Company has complied with this recommendation.

The Company has established a code of conduct that sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behaviour expected from Directors and employees.
A copy of the Company's code of conduct is available in the corporate governance section of the Company's website at www.botanixpharma.com.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should establish an audit committee:

- **With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

The Company has partly complied with this recommendation.

The Board has established an Audit Committee. Currently, Mr. Graham Griffiths (Chair) and Mr. Matt Callahan serve on the Audit Committee. Mr Brett Tucker (previous Company Secretary) was a member of the committee until his resignation on 17 February 2017).

The Board considers that the composition of the Committee is appropriate given the current size and stage of development of the Company.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.botanixpharma.com

No separate meetings of the Audit Committee were held during the year. The business of the Audit Committee was conducted by the full Board in conjunction with Board meetings.

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 4.2: The Board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Company partly complies with this recommendation.

The Board has received a written assurance from the Chairman and Company Secretary in respect to the half year financial statements and form the Executive Director and Company Secretary in respect to the full year financial statements that to the best of their knowledge and belief, that the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively. The Board notes that due to its nature, the internal control assurance provided can only be reasonable rather than absolute. This is due to such factors as the need for judgement, the use of testing on a sample basis, the inherent limitations in internal control and because much of the evidence is persuasive rather than conclusive and therefore is not and cannot be designed to detect all weaknesses in internal control procedures.

Given the size and nature of the Company's operations the Board has not received the assurance in respect of the quarterly cash flow statements believing that the provision of the assurance for the half and full year financial statements is sufficient.

ASX Recommendation 4.3: A listed entity should ensure that the external auditor attends its Annual General Meeting and is available to answer questions from security holders relevant to the audit.

The Company has complied with this recommendation.

The external auditor attends the Annual General Meeting and is available to answer questions from shareholders relevant to the audit and financial statements. The external auditor will also be allowed a reasonable opportunity to answer written questions submitted by shareholders to the auditor as permitted under the Corporations Act.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: A listed entity should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

The Company has complied with this recommendation.

The Company has established a continuous disclosure policy which is designed to guide compliance with ASX Listing Rule disclosure requirements and to ensure that all Directors, senior executives and employees of the Company understand their responsibilities under the policy. The Board has designated the Chairman, other Board Members and the Company Secretary as the persons responsible for ensuring that all required price sensitive information is disclosed to the ASX as required.

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CORPORATE GOVERNANCE STATEMENT

In accordance with the Company's continuous disclosure policy, all information provided to ASX for release to the market is posted to its website at www.botanixpharma.com after ASX confirms an announcement has been made.

A copy of the continuous disclosure policy is available in the corporate governance section of the Company's website at www.botanixpharma.com.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

ASX Recommendation 6.1: A listed entity should provide information about itself and its governance to investors via its website.

The Company has complied with this recommendation.

The Company's website at www.botanixpharma.com contains information about the Company's projects, Directors and management and the Company's corporate governance practices, policies and charters. All ASX announcements made to the market, including annual and half year financial results are posted on the website as soon as they have been released by the ASX. The full text of all notices of meetings and explanatory material, the Company's Annual Report and copies of all investor presentations are posted on the website.

ASX Recommendation 6.2: A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.

The Company has complied with this recommendation.

The Company's Executive Chairman and Executive Director are the Company's main contacts for investors and potential investors and make themselves available to discuss the Company's activities when requested. In addition to announcements made in accordance with its continuous disclosure obligations Company, from time to time, prepares and releases general investor updates about the Company.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's mailing list.

ASX Recommendation 6.3: A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.

The Company has complied with this recommendation.

The Company encourages participation of shareholders at any general meetings and its Annual General Meeting each year. Shareholders are encouraged to lodge direct votes or proxies subject to the adoption of satisfactory authentication procedures if they are unable to attend the meeting.

The full text of all notices of meetings and explanatory material are posted on the Company's website at www.botanixpharma.com

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 6.4: A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security register electronically.

The Company has complied with this recommendation.

Contact with the Company can be made via an email address provided on the website and investors can subscribe to the Company's mailing list.

The Company's share register provides a facility whereby investors can provide email addresses to receive correspondence from the Company electronically and investors can contact the share register via telephone, facsimile or email.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

ASX Recommendation 4.1: The Board of a listed entity should have a committee to oversee risk:

- **With at least three members, all of whom are non-executive Directors and a majority of which are independent Directors;**
- **chaired by an independent director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

The Company has not complied with this recommendation.

Given the size Company and its operations the board as a whole is responsible to oversee the Company's risk management framework.

Management is responsible for developing, maintaining and improving the Company's risk management and internal control system. Management provides the board with periodic reports identifying areas of potential risks and the safeguards in place to efficiently manage material business risks. These risk management and internal control systems are in place to protect the financial statements of the entity from potential misstatement, and the Board is responsible for satisfying itself annually, or more frequently as required, that management has developed a sound system of risk management and internal control.

A copy of the Company's risk management policy, incorporating the framework, is available in the corporate governance section of the Company's website at www.botanixpharma.com

ASX Recommendation 7.2: The Board or a committee of the Board, of a listed entity should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and disclose in relation to each reporting period whether such a review was undertaken.

The Company has complied with this recommendation.

The Board has conducted a review of the Company's Risk Management Framework during the reporting period.

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 7.3: A listed entity should disclose if it has an internal audit function and if it does not have an internal audit function that fact and the processes it employs for evaluating and continually improving the effectiveness of risk management and internal control processes.

The Company has complied with this recommendation.

Given the Company's current size and level of operations it does not have an internal audit function. The Board oversees the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements and monitors the quality of the accounting function.

ASX Recommendation 7.4: A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and if it does how it manages or intends to manage those risks.

The Company has complied with this recommendation.

The Company has exposure to economic risks, including general economy wide economic risks and risks associated with the economic cycle which impact on the price and demand for minerals which affects the sentiment for investment in exploration companies.

There will a requirement in the future for the Company to raise additional funding to pursue its business objectives. The Company's ability to raise capital may be effected by these economic risks.

Company has in place risk management procedures and processes to identify, manage and minimise its exposure to these economic risks where appropriate.

The Board currently considers that the Company does not have any material exposure to environmental risk.

The Board currently considers that the Company does not have any material exposure to social sustainability risk. The Company's Corporate Code of Conduct outlines the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all Directors, executives and employees. The code sets out the principles covering appropriate conduct in a variety of contexts and outlines the minimum standard of behavior expected from employees when dealing with stakeholders.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

ASX Recommendation 8.1: The Board of a listed entity should establish a remuneration committee:

- **With at least three members the majority of which are independent Directors;**
- **chaired by an independent Director; and**
- **disclose the charter of the committee, the members of the committee and the number of times the committee met throughout the period and member attendance at those meetings.**

The Company has partly complied with this recommendation.

The Board has established a Nomination and Remuneration Committee. Currently, Mr. Robert Towner (Chair) and Mr. Matt Callahan serve on the Nomination and Remuneration Committee. Mr Brett

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CORPORATE GOVERNANCE STATEMENT

Tucker (previous Company Secretary) was a member of the Committee until his resignation on 17 February 2017).

The Board considers that the composition of the Committee is appropriate given the current size and stage of development of the Company.

A copy of the committee's charter is available in the corporate governance section of the Company's website at www.botanixpharma.com

No separate meetings of the Nomination and Remuneration Committee were held during the year. The business of the Nomination and Remuneration Committee was conducted by the full Board in conjunction with Board meetings.

ASX Recommendation 8.2: A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

The Company has complied with this recommendation.

Mr Graham Griffiths and Mr Robert Towner are paid a fixed annual fee for their service to the Company as a Non-Executive Director. Non-Executive Directors may, subject to shareholder approval, be granted options.

Executives of the Company typically receive remuneration comprising a base salary component and other fixed benefits based on the terms of their employment agreements with the Company and potentially the ability to participate in bonus arrangements and may, subject to shareholder approval if appropriate, be granted options. To date the executive directors have been paid a fixed fee and no additional payments.

ASX Recommendation 8.3: A listed entity which has an equity based remuneration scheme should have a policy on whether participants are permitted to enter into transactions which limit the economic risk of participating in the scheme and disclose the policy or a summary of that policy.

The Company has complied with this recommendation.

A participant in an equity based remuneration plan operated by the Company must not enter into a transaction (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the equity based remuneration plan.

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ASX ADDITIONAL INFORMATION

The Shareholder information set out below was applicable as at 19 September 2017:

Additional information required by the ASX Limited Listing Rules not disclosed elsewhere in this Annual Report is set out below.

SHAREHOLDINGS

The issued capital of the Company at 19 September 2017 is 543,111,296 ordinary fully paid shares (including escrow shares – shown separately below). All ordinary shares carry one vote per share.

TOP 20 SHAREHOLDERS AS AT 19 SEPTEMBER 2017 FULLY PAID ORDINARY SHARES – NO ESCROW

No.	Holder Name	Holding	% IC
1	CITICORP NOMINEES PTY LIMITED	11,785,875	3.05%
2	MR TIMOTHY PANGBOURNE BIRD	8,000,000	2.07%
3	NUTSVILLE PTY LTD <INDUST ELECTRIC CO S/F A/C>	6,088,310	1.57%
4	MR OSAGIE IMASOGIE	6,000,000	1.55%
5	MR RAFFAELE DE MARIA	5,327,504	1.38%
6	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>"	5,050,000	1.31%
7	T T NICHOLLS PTY LTD <TT NICHOLLS P/L S/F A/C>	5,000,000	1.29%
8	ENERVIEW PTY LTD	5,000,000	1.29%
9	MR BRENDAN PAUL COOPER	4,610,686	1.19%
10	PERSHING AUSTRALIA NOMINEES PTY LTD <ARGONAUT ACCOUNT>	4,500,000	1.16%
11	MR GREGORY PETER WILSON	4,399,929	1.14%
12	DEAD KNICK PTY LTD	4,250,000	1.10%
13	MRS SARAH CAMERON	4,000,000	1.03%
14	TISIA NOMINEES PTY LTD <HENDERSON FAMILY A/C>	4,000,000	1.03%
15	ZANYA NOMINEES PTY LTD <JLS SUPERANNUATION A/C>	3,900,000	1.01%
16	WASHINGTON H SOUL PATTINSON AND COMPANY LIMITED	3,690,000	0.95%
17	MR JOSHUA LEIGH SWEETMAN	3,600,000	0.93%
18	MR ANTHONY NICHOLAS JONES	3,521,505	0.91%
19	MR GRAHAM JOHN GRIFFITHS &MRS JILLIAN GRIFFITHS<GRIFFITHS PRIVATE S/F A/C>	3,500,000	0.91%
20	SWEET AS DEVELOPMENTS PTY LTD<SWEETMAN MCNICKLE FAMILY A/C>	3,500,000	0.91%
	Totals	**99,723,809**	**25.78%**

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ASX ADDITIONAL INFORMATION (CONTINUED)

TOP 20 SHAREHOLDERS AS AT 19 SEPTEMBER FULLY PAID ORDINARY SHARES – ESCROW (24 MONTHS FROM RE-QUOTATION)

Holder Name	Holding	% IC
SHENASABY INVESTMENTS PTY LTD	70,588,321	45.11%
CAPERI PTY LTD	70,588,321	45.11%
DR HENRY WILLIAM BOSCH	15,300,000	9.78%
Totals	**156,476,642**	**100.00%**

COMBINED DISTRIBUTION

Shares Range	No. of Holders	No. of Shares
1 – 1,000	75	12,122
1,001 – 5,000	41	119,646
5,001 – 10,000	212	1,922,133
10,001 – 100,000	1,218	52,278,336
100,001 and over	556	488,779,059
	2,102	**543,111,296**
Number holding less than a marketable parcel at $0.049 per share	331	2,084,263

Shareholders by Location	No. of Holders	No. of Shares
Australian holders	2,057	516,600,966
Overseas holders	45	26,510,310
	2,102	**543,111,296**

SUBSTANTIAL SHAREHOLDERS AS AT 19 SEPTEMBER 2017

Holder Name	Holding
SHENASABY INVESTMENTS PTY LTD	70,588,321
CAPERI PTY LTD	70,588,321

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ASX ADDITIONAL INFORMATION (CONTINUED)

UNLISTED EQUITY SECURITIES

1. Options Range and number of holders

	Unlisted options At $0.03 Expiring 30 June 2019 Escrowed to 15 July 2018	Unlisted options At $0.0675 Expiring 1 Dec 2019 Vesting progressively over 3 years	Unlisted options At $0.045 Expiring 19 Jan 2018 Vesting 18 July 2017	Unlisted options At $0.057 Expiring 19 Jan 2020 Vesting progressively over 3 years	Unlisted options At $0.053 Expiring 8 May 2018 Vesting on 8 May 2018	Unlisted options At $0.068 Expiring 8 May 2020 Vesting progressively over 3 years
Over 100,001	6	3	4	4	2	2
Total Holders	6	3	4	4	**2**	**2**
Number of Options	**13,000,000**	**16,215,959**	**3,369,327**	**6,738,652**	**2,837,793**	**6,684,584**

2. Option Holders with greater than 20% (other than issued pursuant on an employee incentive scheme)

Holder	Number
ARGONAUT INVESTMENTS PTY LTD (0.03 Expiring 30 June 2019)	12,000,000

3. Voluntary Escrow

There are currently no holders with shares in voluntary escrow.

4. Voting Rights

Ordinary Shares
On a show of hands, every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Options
Options carrying no voting rights. Options convert to one ordinary share upon exercise

5. On-Market Buy Back
There is currently no on-market buyback program for any of the Company's listed securities.

ADMISSION REQUIREMENT - CASH

During the period the Company has used the cash and assets in a way which is consistent with is business objectives.

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