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„.Rules 4.3A

Appendix 4E
Final report

Name of entity

Botanix Pharmaceuticals Limited

ABN

70 009 109 755

Financial year ended ('current period')

30 June 2020

('comparative period')

30 June 2019

For announcement to the market

				$AUD
Other income from continuing operations	Down	7.3%	to	180,578
Loss from ordinary activities after tax attributable to members	Down	1.8%	to	(16,730,708)
Net loss for the period attributable to members	Down	2.0%	to	(16,731,182)

Dividends (distributions)	Amount per security	Franked amount per security
Interim dividend	Nil	- ¢
Final dividend	Nil	- ¢
Previous corresponding period	Nil	- ¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution)	N/A	

Net Tangible Assets per share	**30 June 2020**	**30 June 2019**
Net tangible asset backing per ordinary security (cents per share)	2.43	0.08

The above results should be read in conjunction with the notes
and commentary contained in the Annual Report lodged with this report.

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Annual meeting

The annual meeting will be held as follows:

Place	TBA
Date	On or before 30 November 2020
Time	TBA
Approximate date the annual report will be sent to shareholders	On or before 30 October 2020

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the [+]accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on [+]accounts to which one of the following applies.

(Tick one)

☑	The [+]accounts have been audited.	☐	The [+]accounts have been subject to review.
☐	The [+]accounts are in the process of being audited or subject to review.	☐	The [+]accounts have *not* yet been audited or reviewed.

Sign here: S L Robertson. Date: 31 August 2020

Print name: Simon Robertson

Company Secretary

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botanix
PHARMACEUTICALS

ACN 009 109 755

ANNUAL REPORT

for the year ended 30 June 2020

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CORPORATE INFORMATION

Directors
Mr Vince Ippolito
Executive Chairman and President

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Dr Michael Thurn
Executive Director

Dr Stewart Washer
Non-Executive Director

Company Secretary
Mr Simon Robertson

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Australian Securities Exchange Limited
Level 40, Central Park
152 – 158 St George's Terrace
PERTH WA 6000

ASX Code: BOT

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Automic Registry Services
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Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers
NAB
100 St Georges Terrace
Perth WA 6000

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

DIRECTORS' 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 2020. 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 or up to the date of this report:

Mr Vince Ippolito
Executive Chairman – (appointed 18 July 2019)

EXPERIENCE AND EXPERTISE

Mr Ippolito has more than 30 years of experience in the pharmaceuticals industry, including more over 20 years' experience in dermatology. He most recently served as President and Chief Operating Officer of Dermavant Sciences, a specialty biopharmaceutical company that is commercialising products which treat inflammatory skin diseases and medical dermatologic conditions. Mr Ippolito also sits on the Board of Suneva Medical, a privately held regenerative aesthetics company.

Prior to his role at Dermavant Sciences, Mr Ippolito served as the Chief Commercial Officer and Executive Vice President of Anacor Pharmaceuticals, a dermatology-based biopharmaceutical company. During his time at Anacor he was responsible for building the marketing and sales functions, and developing the company's product portfolio, as well as playing a key role in the US$5.2bn sale to Pfizer.

Earlier in his career, Mr Ippolito launched multiple new dermatology products during his tenure at Medicis Pharmaceutical Corporation, an industry-leading dermatology company. Mr. Ippolito served in multiple key executive roles, including Chief Commercial Officer, General Manager of Dermatology products, Senior Vice President of North American Sales and Executive Vice President, Sales and Marketing. Mr Ippolito played a key role in the sale of Medicis to Valeant for US$2.6bn in 2012 and he went on to serve as Senior Vice President, General Manager, Aesthetics.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

DIRECTORS' REPORT (CONTINUED)

Mr Matthew Callahan
Executive Director – (Appointed 1 July 2016, resigned 23 August 2019 and re-appointed 10 February 2020)

EXPERIENCE AND EXPERTISE

Mr Callahan is an experienced life sciences executive based in Philadelphia. He is a founder of Botanix and co-inventor of many of the Company's Permetrex™ enabled products. Matt was the founding CEO of Churchill Pharmaceuticals and developed Yonsa® through FDA approval and subsequent sale to Sun Pharmaceuticals. He was also founding CEO of drug delivery company iCeutica Inc which developed 4 FDA approved products and was sold to Iroko Pharmaceuticals. He has more than 25 years legal, IP and investment management experience.

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 (now Nearmap ASX:NEA), where he was responsible or the licensing programs that generated more than $120M in revenue.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Orthocell Limited (appointed 30 May 2006, Resigned 23 October 2019. Re-appointed 10 February 2020)
Emerald Clinics (appointed 19 March 2018)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

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

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DIRECTORS' REPORT (CONTINUED)

Dr Michael Thurn
Executive Director – (appointed 12 February 2019)

EXPERIENCE AND EXPERTISE

Dr Thurn has over two decades of experience in the life sciences and biotechnology industry and has accumulated extensive knowledge in drug regulation, drug discovery, pre-clinical and clinical development across dermatology in Australia and the United States. He has held various senior executive, managerial and Board positions in both listed and private companies and brings unique experience, highly relevant technical knowledge and complementary skillset to the Botanix Board.

Previously, Dr Thurn has worked with the Therapeutic Goods Administration in Australia, led the clinical development of a topical acne treatment through to completion of Phase 2 clinical trial and also led Spinifex Pharmaceuticals, which was sold to Novartis in a $700m transaction.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Nil

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

Dr Stewart Washer
Interim Non-Executive Chairman (appointed 21 February to 18 July 2019)
Non-Executive Director – (appointed 18 July 2019)

EXPERIENCE AND EXPERTISE

Dr Washer has CEO and Board experience in medical biotech and cannabinoid companies. He is currently the Executive Chairman of Emerald Clinics (ASX:EMD), real world evidence medical data company with Openly COVID monotoring, Chairman of Orthocell (ASX:OCC), regenerative medicine company, Founding Chairman and current Director of Cynata Therapeutics (ASX:CYP), stem cell therapies.

Dr Washer has held a number of Board positions in the past, including Chairman of Hatchtech that was sold in 2015 for A$279m and was a Director of iCeutica that was sold to US private equity investors. He was a founder of AusCann (ASX:AC8). He was also a Senator with Murdoch University and was a Director of AusBiotech Ltd.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Orthocell (appointed 7 April 2014)
Cynata Therapeutics (appointed 28 February 2017)
Emerald Clinics Limited (appointed 19 March 2018)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Zelira Therapeutics (appointed 17 November 2016, resigned 2 December 2019)

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DIRECTORS' REPORT (CONTINUED)

Mr Robert Towner
Non-Executive Director – (resigned 10 February 2020)

EXPERIENCE AND EXPERTISE

Rob Towner has over 25 years' corporate advisory and executive experience in the energy and biotechnology sectors, specifically, in business and project development, financial markets, corporate governance, organisation structuring and working capital requirements.
In March 2004, Rob founded and was executive director of ASX listed bioMD Limited playing an integral role in the merger of bioMD with unlisted public company Allied Medical Limited in 2011, now known as Admedus Limited.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Triangle Energy (Global) Limited (appointed 9 July 2014) (Managing Director)
State Gas limited (Appointed 10 October 2017)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

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 Chartered Accountants Australia and New Zealand and the Governance Council of Australia. Mr Robertson currently holds the position of Company Secretary for a number of publicly listed companies and has experience in corporate finance, accounting and administration, capital raisings and ASX compliance and regulatory requirements.

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DIRECTORS' REPORT (CONTINUED)

PRINCIPAL ACTIVITIES

Botanix Pharmaceuticals Limited (ASX:BOT) is a clinical stage synthetic cannabinoid pharmaceutical company with a targeted pipeline of dermatology and antimicrobial products. We have attracted a world-class team and significant capital to support the progression of our products. We are moving quickly, but never at the expense of our rigorous commitment to ethical research and development (R&D) and the highest clinical standards mandated by the US Food and Drug Administration (FDA). Our goal is to unlock the true potential of synthetic cannabinoids for people around the world, with an evidence-first approach.

Botanix has generated strong scientific support for the anti-inflammatory and antimicrobial mechanisms of action of synthetic cannabinoids with application in the development of novel dermatology and bacteria fighting applications.

There have been no new chemical entities (NCE's) in topical drugs approved for acne in more than two decades and resistance to available antibiotics remains a significant global issue, with no new classes of antibiotics approved in more than three decades. When bacteria survive exposure to antibiotics that would normally eliminate them, these surviving bacteria grow and spread resistance, leading to the emergence of 'superbugs'. New treatments in dermatology and anti-microbials are needed now.

RESULTS

The net loss attributable to members of the Company for the year ended 30 June 2020 is $16,730,708 (30 June 2019: $17,039,221). The net loss is attributable primarily to the expenditure in relation to advancing our clinical research and development activities.

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 2020 of $16,730,709 (30 June 2019: $17,076,073), had a net working capital surplus of $23,399,281 at 30 June 2020 (30 June 2019: $603,006) and experienced net cash outflows from operating activities for the year of $17,358,586 (30 June 2019: $13,140,723).

At 30 June 2020 the Group had a cash balance of $24,645,185 (30 June 2019: $4,704,457).

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.

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DIRECTORS' REPORT (CONTINUED)

DIVIDENDS

There were no dividends paid or declared during the year.

OPERATING AND FINANCIAL REVIEW AND FUTURE PROSPECTS

OPERATIONAL REVIEW

Overview

For the 12 months ending 30 June 2020, Botanix has continued to progress its pipeline of synthetic cannabinoid products, focused on the treatment of serious skin diseases and for antimicrobial applications. The Company has increased focus on its antimicrobial platform, with the recent initiation of a Phase 2a clinical study of BTX 1801 for the prevention of surgical site infections. The Company has also continued to progress key dermatology programs, including BTX 1503 (acne) and BTX 1702 (rosacea).

Clinical development

Botanix's clinical development pipeline includes three advanced clinical programs which are leveraging synthetic cannabidiol in the topical treatment of serious skin diseases and for antimicrobial applications. Botanix also has an active discovery chemistry program to identify, synthesise, and test novel chemical entities that are structurally related to naturally occurring cannabinoids. In addition, Botanix has an exclusive license to use a proprietary drug delivery system called Permetrex™, for direct skin delivery of pharmaceuticals

Antimicrobial platform

Botanix initiated its antimicrobial platform development in mid 2019 with the release of data from studies showed that synthetic cannabidiol is a potent antimicrobial against gram positive bacteria including *Staphylococcus Aureus* ("*staph*"), and *Methicillin Resistant Staphylococcus Aureus* ("*MRSA*" or "*golden staph*") and that these bacteria do not form resistance to synthetic cannabidiol.

In October 2019, Botanix was awarded a new Innovation Connections Grant of A$50,000, from the Federal Government's department of AusIndustry. The grant accelerated Botanix's medicinal chemistry program targeting the creation of new synthetic and patentable analogs of CBD and investigate the antimicrobial activity of synthetic cannabidiol. This program is being conducted in collaboration with The University of Queensland's Institute for Molecular Bioscience. Botanix has continued to explore other opportunities for its synthetic cannabidiol and novel cannabinoid analog development assets. These include addressing other bacterial infections, enabling different routes of drug administration and synthesising new cannabinoids with improved bioavailability and potency.

In April 2020, Botanix was granted Qualified Infectious Disease Product (QIDP) designation from the US Food and Drug Administration (FDA) for its first antimicrobial drug candidate BTX 1801. The major incentive afforded to a product with QIDP status, is an additional five years of regulatory exclusivity, which is applied in addition to the standard regulatory protection that comes with approval of a New Drug Application (NDA).

Botanix recently initiated the planned BTX 1801 Phase 2a clinical study patient enrolment in Western Australia which had been on hold due to COVID-19 related restrictions. The study is planned to complete in 4Q CY2020. The BTX 1801 study is ideal to establish proof of efficacy of BTX 1801, before moving into pivotal studies for FDA registration. Alongside preparation for this clinical study, Botanix has also continued to progress its FDA 'fast-track' status application for BTX 1801.

DIRECTORS' REPORT (CONTINUED)

Dermatology platform

BTX 1503 (acne)
In October 2019, Botanix released results from the BTX 1503 Phase 2 clinical study, which evaluated the safety and efficacy of BTX 1503, in patients with moderate to severe acne. The strength and statistical significance of the Australian data, combined with the overall safety and efficacy, provided confidence to proceed with the FDA end-of-Phase 2 meeting to inform the study design and preparations of the BTX 1503 Phase 3 clinical study. The FDA end-of-Phase 2 meeting was held in early July 2020 (outlined further below).

BTX 1702 (rosacea)
In September 2019, Botanix completed BTX 1702 formulation development and pre-clinical studies, for the treatment of papulopustular rosacea. The Company received ethics approval for its BTX 1702 Phase 1b clinical study in December 2019. The 6-week randomised, double-blind, vehicle-controlled study is designed to evaluate the safety and tolerability of BTX 1702 in patients with moderate to severe papulopustular rosacea. The BTX 1702 rosacea program is poised to commence recruitment once COVID-19 travel and clinical study conduct restrictions are eased across Australia and New Zealand.

Prioritisation of platforms and development resources:
In March 2020, Botanix released clinical data from its Phase 2 study evaluating the safety and efficacy in patients with moderate atopic dermatitis. While BTX 1204 was safe and well-tolerated, BTX 1204 did not achieve statistical significance in the primary and secondary endpoints. In April 2020, the Company conducted a review of its dermatology and antimicrobial platforms in light of the BTX 1204 Phase 2 study results, the COVID-19 restrictions and the prevailing economic climate. As a result of the review, Botanix announced the suspension of the BTX 1204 (atopic dermatitis) and BTX 1308 (psoriasis) clinical development programs.

Corporate

Botanix expended approximately A$20m on R&D activities, primarily associated with the Botanix's dermatology clinical programs (BTX 1503, BTX 1204 and BTX 1702) and pre-clinical development and clinical exploration of its antimicrobial platform (BTX 1801). Botanix remains focused on investing in the development of key clinical programs, rather than administrative overheads, highlighting the clear priority on prudent cash management. The Company received an R&D tax incentive of A$7.6m in January 2020 and at 30 June 2020, Botanix held A$24.6m in cash.

In July 2019, Botanix appointed Mr Vince Ippolito as Executive Chairman of Botanix, in addition to President of Botanix. In August 2019, Botanix completed a A$40m US-led institutional placement, to fund its key clinical development programmes and accelerate its broader commercialisation strategy.

In October 2019, Botanix executed of a synthetic CBD supply agreement with Purisys – the world's leading and most advanced synthetic cannabinoid manufacturer. The supply agreement provides Botanix with a commercial supply of synthetic CBD for clinical and commercial activity and included pricing preferences for Botanix and supply exclusivity in target skin disease indications.

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.

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DIRECTORS' REPORT (CONTINUED)

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 Indirectly**
Mr Vince Ippolito	-	-	29,994,914	3,000,000
Mr Matthew Callahan	-	70,738,307	-	-
Dr William Bosch	16,000,000	-	4,863,490	-
Dr Michael Thurn	200,000	2,346,497	16,186,028	2,000,000
Dr Stewart Washer	-	-	-	8,863,490
Total	**16,200,000**	**73,084,804**	**51,044,432**	**13,863,490**

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 Meetings		Audit Committee Meetings	
Board of Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Mr Vince Ippolito	7	7	-	-
Mr Matthew Callahan	6	6	2	2
Dr William Bosch	7	7	-	-
Dr Michael Thurn	7	7	-	-
Dr Stewart Washer	7	5	2	2
Mr Robert Towner	2	2	-	-

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

EVENTS SINCE THE END OF THE FINANCIAL YEAR

In early July 2020, Botanix successfully completed its FDA end-of-Phase 2 meeting with the FDA for BTX 1503. It provided the opportunity for Botanix to gain guidance and feedback from the FDA as to the pathway required to support an NDA submission for BTX 1503. The FDA highlighted the excellent safety profile and allowed several waivers that are normally required for dermatology drug registration. The FDA also provided feedback on the development program and agreement was reached on the required co-primary efficacy endpoints for Phase 3 studies. The Phase 3 study timetable is under review, pending completion of the BTX 1702 rosacea Phase 2 clinical study and lifting of COVID-19 restrictions.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not impacted financially on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

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DIRECTORS' REPORT (CONTINUED)

There are no other matters or circumstances which have arisen since the end of the period which significantly affect 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 2020 the Directors have assessed that there are no current reporting requirements, but may be required to do so in the future.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of $126,554 excluding GST (2019: $50,000) 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. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

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 2020. The information contained in this report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

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 as at 30 June 2020

Directors:

Mr Vince Ippolito	President/Executive Chairman of the Company (appointed President 20 May 2019, Executive Chairman 18 July 2019)
Dr Stewart Washer	Non-Executive Director (appointed 21 February 2019)
Mr Matthew Callahan	Executive Director (Appointed 1 July 2016, resigned 23 August 2019 and re-appointed 10 February 2020)
Dr William Bosch	Executive Director (appointed 1 July 2016)
Dr Michael Thurn	Executive Director (appointed 12 February 2019)
Mr Robert Towner	Non-Executive Director (appointed 24 January 2014)

Executives:

Dr Stephane Levy	Chief Medical Officer (appointed 7 July 2018, Resigned 16 March 2020)
Mr Richard Peterson	Chief Financial Officer (appointed 20 August 2019, resigned 15 May 2020)

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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

During the year remuneration issues were considered by the full Board. This included consideration of remuneration and incentive policies and practices and specific matters relation to remuneration packages and other terms of employment for Executive Directors, other senior Executives and Non-Executive Directors.

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 by the Board.

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, bonus payments based on the achievement of specified individual performance criteria and from time to time, options.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Performance-Based Remuneration

Where appropriate the Board may set key performance indicators for Executive Directors and employees which provide for the payment of bonuses if partially or fully met. There is no direct correlation between the Company's performance and remuneration paid to Executive Directors and employees.

When the Board deems it appropriate to, equity-based remuneration may be granted to Directors, employees and consultants (subject to shareholder approval if appropriate).

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. In considering grants under the ESIP 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 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 or agreed to be 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.

Options granted may vest on issue or progressively over the life of the options as decided by Directors when making an offer under the ESIP. Options granted under the ESIP usually expire within forty-eight 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)

Key Management Personnel Executive Service Contracts

Executive Chairman

Mr Vince Ippolito
Following Mr Ippolito's appointment as President of Botanix in May 2019, Mr Ippolito was subsequently appointed as Executive Chairman of Botanix on 18 July 2019.

The term of Mr Ippolito's employment was agree to be for three years and will automatically renew for successive periods of one year unless either party gives the other party 60 days' written notice prior to the end of the initial (or renewal) period. Mr Ippolito's initial salary was US$400,000 (AUD$583,000) per annum which was reduced by agreement to US$300,000 (AUD$437,000) on 15 April 2020. He will also be eligible to receive an annual bonus dependent on certain objective performance goals and targets being attained.

Botanix may terminate Mr Ippolito's employment with or without cause at any time by written notice. Additionally, Mr Ippolito can terminate his employment for good reason at any time by giving written notice or voluntarily without good reason by giving 30 days' notice.

Further information on Mr Ippolito's terms of employment, including termination benefits, can be found in the Company's Notice of Meeting lodged on ASX on 22 May 2020.

Executive Directors

Mr Matthew Callahan
The Company has a consultancy agreement with Thylacine 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 2018), unless terminated earlier in accordance with the agreement.

Under the terms of the present contract:

- The total consultancy fee payable to Thylacine Consulting in respect of 30 hours of consultancy services per month (Minimum Time Commitment), is a salary of US$100,000 (AUD$146,000) per annum (GST exclusive)
- The consideration payable to Thylacine Consulting for any consultancy services performed in excess of the Minimum Time Commitment is an additional consultancy fee of US$150 (AUD$220) per hour (GST exclusive)
- Termination by the Company or Thylacine Consulting has a 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 initial Term of the agreement is three (3) year term (effective 1 July 2016), unless terminated earlier in accordance with the agreement. This agreement has been extended for a further two (2) year period.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Dr William Bosch (continued)
Under the terms of the contract:

- 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 (AUD$146,000) per annum (GST exclusive)
- 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 (AUD$220) per hour (GST exclusive).
- Termination by the Company or Dr Bosch has notice period of 6 months.

Dr 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 was three (3) years term (effective 5 November 2019), unless terminated earlier in accordance with the agreement.

Under the terms of the present agreement:

- The total consultancy fee payable to Dr Thurn for consultancy services, is a fee of US$35,000 per month (GST exclusive).
- Under the agreement Mr Thurn was paid an additional amount of $50,000 and is eligible to receive an annual cash bonus on a percentage of "Target Bonus" which shall be equal to 15% of the Consultancy fee for the applicable year determined by the extent of attainment of performance targets and other reasonable criteria established by the Board and Mr Thurn.
- Termination by the Company or Dr Thurn has notice period of 3 months.

Chief Medical Officer
Dr Stephane Levy (resigned 16 March 2020)
Dr. Levy was engaged as an employee of the Company pursuant to an employment agreement between the Company and Dr. Levy. The Term of the agreement was for three (3) year term (effective 7 July 2018), unless terminated earlier in accordance with the agreement. Dr Levy resigned on 16 March 2020.

Under the terms of the agreement:

- The total salary payable to Dr Levy in respect as a full-time employee is US$325,000 (AUD$474,000) plus employment insurances.
- Dr Levy was entitled to a cash bonus effective 1 January 2018 and each subsequent year during his employment term. The cash bonus was based on a percentage equal to 30% of the base salary for the applicable year.
- Termination by the Company or Dr Levy had a notice period of 30 days.

Mr Richard Peterson (20 August 2019 and resigned on 15 May 2020)
Mr Peterson was engaged as an employee of the Company pursuant to an employment agreement between the Company and Mr Peterson. The Term of the agreement was for three (3) year term (effective 20 August 2019), unless terminated earlier in accordance with the agreement. The contact was terminated by mutual agreement with effect from 15 May 2020.

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Mr Richard Peterson (continued)
Under the terms of the present agreement:

- The total salary payable to Mr Peterson in respect as a full-time employee is US$340,000 (AUD$503,000) plus employment insurances.
- Mr Peterson was entitled to a cash bonus effective 20 August 2019 and each subsequent year during his employment term. The cash bonus is based on a percentage equal to 30% of the base salary for the applicable year.
- Mr Peterson received an initial sign on payment of US$100,000(AUD$146,000) upon employment
- Termination by the Company or Mr Peterson had a notice period of 6 Months. Under the terms of the agreement Mr Peterson received a termination payment of US$170,000 (AUD$248,000).

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.

Mr Washer receives base fee of $50,000 plus statutory superannuation per annum as a Non-executive Director. Previously as Interim Chairman Mr Washer received fee of $100,000 plus statutory superannuation per annum.

No termination amounts are payable under the agreements.

Use of remuneration consultants
No Remuneration consultants were engaged during the financial year ending 30 June 2020.

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DIRECTORS' REPORT

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

2020	Short Term Benefits				Post-Employment Benefits		Share Based Payments		
Key Management Personnel	Salary and Fees $	Bonus $	Non-Monetary/ Insurances $	Leave Movements	Superannuation $	Severance Payment $	Options $	Total $	Performance Based %
Directors									
Mr V Ippolito[1]	573,513	93,779	46,323	74,523	20,025	-	1,300,688	2,108,851	62
Dr S. Washer[2]	59,062		-	-	5,611	-	113,612	178,285	64
Mr M. Callahan	257,399		-	-	-	-	-	257,399	-
Dr W. Bosch	140,724		-	-	-	-	10,877	151,601	7
Dr M. Thurn	410,000	50,000	-	-	-	-	464,289	924,289	50
Mr R. Towner	33,458		-	-	3,179	-	-	36,637	-
Executives									
Dr S Levy[3]	344,525	127,490	38,792	(25,637)	16,532	-	47,381	549,083	9
Mr R Peterson[4]	528,020	103,532	31,648	-	20,562	253,902	110,426	1,048,090	11
Total	2,346,701	374,801	116,763	48,886	65,909	253,902	2,047,273	5,254,235	39

1. Mr Vince Ippolito was appointed to the position of President of the Company on 20 May 2019 and subsequently appointed Executive Chairman on 18 July 2019.
2. Dr Stewart Washer was appointed Interim Non-Executive Director from 21 February to 18 July 2019 and from 18 July 2019 as a Non-Executive Director
3. Dr Stephane Levy resigned on 2 March 2020.
4. Mr Richard Peterson was appointed Chief Financial Officer on 20 August 2019 and resigned on 15 May 2020.

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DIRECTORS' REPORT (CONTINUED)

2019	Short Term Benefits				Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees $	Bonus $	Non-Monetary/Insurances $	Leave Provision Movement	Superannuation $	Options $	Total $	Remuneration consisting of options %
Directors								
Dr S. Washer[1]	35,119	-	-	-	3,336	51,889	90,344	57
Mr M. Callahan	281,119	-	-	-	-	-	281,119	-
Dr W. Bosch	140,362	-	-	-	-	39,672	180,034	22
Dr M. Thurn[2]	375,000	-	-	-	-	80,504	455,504	18
Mr R. Towner	55,000	-	-	-	5,225	19,836	80,061	24
Mr G. Griffiths	37,083	-	-	-	3,523	19,836	60,442	32
Executives								
Mr V Ippolito[3]	40,867	-	8,296	19,164	1,016	182,197	251,540	72
Dr S Levy[4]	470,375	56,770	45,372	23,991	4,644	71,447	672,599	11
Total	1,434,925	56,770	53,668	43,155	17,744	465,381	2,070,643	22

1. Dr Stewart Washer was appointed Interim Non-Executive Director from 21 February to 18 July 2019 and from 18 July 2019 as a Non-Executive Director
2. Dr Michael Thurn was appointed to the position of Executive Director 12 February 2019
3. Mr Vince Ippolito was appointed to the position of President of the Company on 20 May 2019 and subsequently appointed Executive Chairman on 18 July 2019
4. Dr Stephane Levy was appointed to the position of Chief Medical Officer on 7 July 2018

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DIRECTORS' 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 2020 is as follows:

	Held at 1 July 2019	Other Movements during the year	Options Exercised	Held at 30 June 2020
Directors				
Mr V Ippolito	-	-	-	-
Dr S Washer	-	-	-	-
Mr M Callahan	70,738,307	-	-	70,738,307
Dr W Bosch	15,500,000	-	500,000	16,000,000
Dr M Thurn	2,296,608	-	249,889	2,546,497
Mr R Towner[1]	749,986	(749,986)(1)	-	-
Executives				
Dr S Levy	-	-	-	-
Mr R Peterson	-	-	-	-
Total	**89,284,901**	**(749,986)**	**749,889**	**89,284,804**

[1] Balance held at date of ceasing to be a Director

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

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 2020 is as follows:

Name and Grant date	Held at 01-Jul-19	Granted as Compensation	Options exercised	Options Expired or Cancelled	Other[1]	Held at 30-Jun-2020	Vested and Exercisable	Unvested
Directors								
Mr V Ippolito								
30/6/2020	-	17,994,914	-	-	-	17,994,914	-	17,994,914
18/7/2019	-	12,000,000	-	-	-	12,000,000	7,500,000	4,500,000
20/5/2019	3,000,000	-	-	-	-	3,000,000	3,000,000	-
Dr W Bosch								
30/6/2020	-	4,863,490	-	-	-	4,863,490	-	4,863,490
1/12/2016	8,107,979	-	(500,000)	(7,607,979)	-	-	-	-
Dr M Thurn								
30/6/2020	-	11,186,028	-	-	-	11,186,028	-	11,186,028
18/7/2019	-	5,000,000	-	-	-	5,000,000	1,250,000	3,750,000
5/12/2018	1,000,000	-	(1,000,000)	-	-	-	-	-
5/12/2018	2,000,000	-	-	-		2,000,000	666,666	1,333,333
8/5/2017	2,882,837	-	-	(2,882,837)	-	-	-	-
Dr S Washer								
30/6/2020	-	4,863,490	-	-	-	4,863,490	-	4,863,490
21/2/2019	4,000,000	-	-	-	-	4,000,000	1,333,333	2,666,667
21/2/2019	1,000,000	-	-	(1,000,000)	-	-	-	-

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DIRECTORS' REPORT (CONTINUED)

Name and Grant date	Held at 01-Jul-19	Granted as Compensation	Options exercised	Options Expired or Cancelled	Other[1]	Held at 30-Jun-2020	Vested and Exercisable	Unvested
Mr R Towner								
1/12/2016	4,053,990	-	(4,053,990)	-	-	-	-	-
Dr S Levy								
18/3/2019	333,333	-	-	(333,333)	-	-	-	
18/3/2019	666,667	-	-	(444,445)	(222,222)	-	-	-
5/12/2018	1,333,333	-	(1,333,333)	-	-	-	-	-
5/12/2018	2,666,667	-	-	(1,777,778)	(888,889)	-	-	--
Mr R Peterson								
3/9/2019	-	5,000,000	-	(4,166,667)	(833,333)	-	-	-
13/6/2019	150,000	-	-	-	(150,000)	-	-	-
Total	**31,194,806**	**60,907,922**	**(6,887,323)**	**(18,213,039)**	**(2,094,444)**	**64,907,922**	**13,749,999**	**51,157,992**

[1] Balance held at date of employment or ceasing to be a Director or employee

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DIRECTORS' REPORT (CONTINUED)

REMUNERATION REPORT (AUDITED) (CONTINUED)

Terms and conditions of the share-based payment arrangements

Options
The number of options over ordinary shares in the Company provided as remuneration to key management personnel is show above. The options carry no dividend or voting rights. The terms and conditions of each grant of options affecting remuneration in the current or a future reporting period are as follows:

Grant date	Vesting and exercise date	Expiry date	Exercise price	Fair value per option at grant date	% Vested
30/6/2020	Vesting on 15/4/2021	30/6/2022	$0.0551	$0.015	0%
11/6/2019	Progressively over quarterly from 11/9/2019	11/9/2023	$0.26	$0.15588	25%
3/9/2019	Progressively over quarterly from 3/9/2019	3/9/2023	$0.220	$0.13251	17%
18/7/2019	Progressively over quarterly from 18/7/2019	18/7/2023	$0.251	$0.12622	33%
18/7/2019	Vested upon issue	18/7/2023	$0.251	$0.12622	100%
13/6/2019	Vested upon issue	13/6/2020	$0.139	$0.02439	100%
5/12/2018	Vested on 5/12/2019	5/12/2019	$0.080	$0.02969	100%
20/5/2019	Vested upon issue	20/5/2023	$0.1150	$0.06073	100%
21/2/2019	Vested on 11/2/2020	21/2/2020	$0.100	$0.0347	100%
21/2/2019	Progressively over 3 years at each anniversary starting from 21/2/2019	21/2/2022	$0.133	$0.04587	33%
5/12/2018	Progressively over 3 years at each anniversary starting on 5/12/2018	5/12/2021	$0.106	$0.04453	33%
8/5/2017	Progressively over 3 years at each anniversary starting from 8/5/2017	8/5/2020	$0.070	$0.02998	100%
18/3/2019	Progressively over 3 years at each anniversary starting on 18/3/2019	18/3/2022	$0.153	$0.04331	33%
18/3/2019	Vested on 8/3/2020	18/3/2020	$0.118	$0.02951	100%
1/12/2016	Progressively over 3 years at each anniversary starting on 1/12/2016	30/11/2019	$0.0675	$0.0269	100%

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DIRECTORS' REPORT

REMUNERATION REPORT (AUDITED) (CONTINUED)

Shares issued to Key Management Personnel on Exercise of Compensation Options
4,553,990 shares were issued to Key Management Personnel 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
There were no other related party transactions in the year ended 30 June 2020.

Loans to Key Management Personnel
No loans have been made to or received from Key Management Personnel, including their personally related parties.

Voting and comments made at the Company's 2019 Annual General Meeting
The Company received more than 75% of "yes" votes on its remuneration report for the 2019 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 2020 has been received and can be found on page 25.

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.

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DIRECTORS' REPORT (CONTINUED)

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.

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
5 December 2018	5 December 2021	$0.106	5,111,223
21 February 2019	21 February 2022	$0.133	4,000,000
18 March 2019	18 March 2022	$0.153	222,222
18 April 2019	18 April 2022	$0.146	111,112
20 May 2019	20 May 2023	$0.115	3,000,000
13 June 2019	13 June 2022	$0.139	150,000
18 July 2019	18 July 2023	$0.251	17,000,000
11 September 2019	11 September 2023	$0.26	125,000
3 September 2019	3 September 2023	$0.22	1,333,333
30 June 2020	30 June 2020	$0.0551	41,339,667
Total			**72,392,557**

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

During the current year 11,006,315 ordinary shares were issued as a result of the exercise of share options (2019: 16,603,546).

Signed in accordance with a resolution of the Directors.



Vince Ippolito
Executive Chairman
31 August 2020

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BOTANIX PHARMACEUTICALS LTD.

As lead auditor of Botanix Pharmaceuticals Ltd for the year ended 30 June 2020, 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 Ltd and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 31 August 2020

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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.

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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 2020

	Note	2020 $	2019 $
Revenue from continuing operation			
Interest income	4	180,578	125,461
Fee income		-	69,347
Total revenue from continuing operations		**180,578**	**194,808**
Other income			
Research and Development incentive scheme		**7,563,856**	**4,616,539**
Employee expenses		(5,923,671)	(2,372,800)
Finance expenses		(50,982)	(11,206)
Other expenses		(780,821)	(385,822)
Depreciation		(102,280)	(1,581)
Professional Consulting expense		(1,338,479)	(1,130,929)
Travel expense		(86,579)	(508,198)
Research and Development expenses		(13,698,993)	(16,630,237)
Foreign exchange gain/loss		(165,107)	26,412
Fair value on foreign exchange forward contract		-	(20,444)
Share based payments	14	(2,328,231)	(815,753)
Total expenses	6	**(24,475,143)**	**(21,850,558)**
Loss before income tax expense		**(16,730,709)**	**(17,039,211)**
Income tax benefit	7		-
Loss after income tax for the year		**(16,730,708)**	**(17,039,211)**
Other Comprehensive Income for the year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		(474)	(36,862)
Other Comprehensive income for the period, net of tax		(474)	(36,862)
Total Comprehensive Loss for the year attributed to members of Botanix Pharmaceuticals Limited		**(16,731,183)**	**(17,076,073)**
Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited			
Basic and diluted loss per share (cents)	17	**(1.79)**	(2.24)

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 2020

	Note	2020 $	2019 $
ASSETS			
Current Assets			
Cash & cash equivalents	8	24,645,185	4,704,457
Trade and other receivables	9	130,644	483,270
Prepayments		1,470	-
Total Current Assets		**24,777,299**	**5,187,727**
Non-current Assets			
Plant and equipment	10	92,325	12,209
Right-of-use asset	3	352,718	-
Other financial assets		88,730	-
Total Non-current Assets		**533,773**	**12,209**
Total Assets		**25,311,072**	**5,199,936**
LIABILITIES			
Current Liabilities			
Trade and other payables	11(A)	1,176,942	4,484,575
Lease liabilities	5	124,328	-
Provisions	11(B)	76,748	100,146
Total Current Liabilities		**1,378,018**	**4,584,721**
Non-Current Liabilities			
Lease liabilities	5	296,296	-
Total Non-Current Liabilities		**296,296**	**-**
Total Liabilities		**1,674,314**	**4,584,721**
Net Assets		**23,636,758**	**615,215**
EQUITY			
Contributed equity	12	71,414,355	33,889,883
Reserves	13	3,497,612	1,269,358
Foreign currency translation reserve		(12,001)	(11,527)
Accumulated losses	13	(51,263,208)	(34,532,499)
Total Equity		**23,636,758**	**615,215**

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 2020

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 1 July 2019		**33,889,883**	**(34,532,499)**	**1,269,358**	**(11,527)**	**615,215**
Total comprehensive loss for the year						
Loss for the year		-	(16,730,709)	-	-	(16,730,709)
Total other comprehensive income		-	-	-	(474)	(474)
Total comprehensive loss for the year		-	(16,730,709)	-	(474)	(16,731,183)
Transaction with equity holders:						
Ordinary shares issued net of costs	12	37,524,472	-	-	-	37,524,472
Share based payments	13	-	-	2,228,254	-	2,228,254
Balance at 30 June 2020		**71,414,355**	**(51,263,208)**	**3,497,612**	**(12,001)**	**23,636,758**

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 1 July 2018		**33,299,239**	**(17,493,288)**	**453,605**	**25,335**	**16,284,891**
Total comprehensive loss for the year						
Loss for the year		-	(17,039,211)	-	-	(17,039,211)
Total other comprehensive income		-	-	-	(36,862)	(36,862)
Total comprehensive loss for the year		-	(17,039,211)	-	(36,862)	(17,076,073)
Transaction with equity holders:						
Ordinary shares issued net of costs	12	590,644	-	-	-	590,644
Share based payments	13	-	-	815,753	-	815,753
Balance at 30 June 2019		**33,889,883**	**(34,532,499)**	**1,269,358**	**(11,527)**	**615,215**

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 2020

	Note	2020	2019
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		180,578	121,994
Fees received		-	69,347
R&D tax concession received		7,563,856	4,616,539
Payments to suppliers and employees		(25,052,038)	(17,937,397)
Finance costs		(50,982)	(11,206)
Net cash (used) in operating activities	18	**(17,358,586)**	**(13,140,723)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(90,051)	(13,287)
Payment for security deposit – Lease US		(61,140)	-
Net cash (used) in investing activities		**(151,191)**	**(13,287)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares & other equity securities	12	40,489,795	(26,756)
Capital raising costs		(3,158,734)	595,402
Repayment of lease liability		(23,079)	-
Net cash provided by financing activities		**37,307,982**	**568,646**
Net (decrease)/increase in cash held		19,798,205	(12,585,364)
Cash and cash equivalents at beginning of financial year		4,704,457	17,263,408
Foreign exchange adjustment		142,523	26,413
Cash and cash equivalents at end of financial year	8	**24,645,185**	**4,704,457**

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 2020 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.

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) Impairment

The investments held by the parent entity in its subsidiaries continue to be impaired as of 30 June 2020 as the board has acknowledged it is 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2: BASIS OF PREPARATION (CONTINUED)

Critical Accounting Estimates and Significant Judgments (Continued)

(ii) 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: RIGHT-OF USE LEASE ASSETS

Carrying value

	2020 Premises $	2019 Premises $
Cost	431,899	-
Accumulated depreciation	(90,392)	-
Foreign exchange adjustment	11,211	-
Carrying value as at 30 June	352,718	-

Reconciliation

	2020 Premises $	2019 Premises $
Opening Balance	-	-
Additions	431,899	-
Depreciation expense	(90,392)	-
Foreign exchange adjustment	11,211	-
Closing Balance	352,718	-

Accounting policy

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. There is no initial Impact on retained earnings under this approach. The Group has not restated comparatives for the 2019 reporting period.

As at 30 June 2020, the Group had no non-cancellable operating lease commitments. The Group leases premises in Philadelphia in the United States of America. From 1 July 2019, where the Company is a lessee, the Group recognised a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

NOTE 4: REVENUE AND OTHER INCOME

	2020 $	2019 $
Interest	180,578	125,461
Fee income	-	69,347
	180,578	**194,808**
Research and development incentive scheme	7,563,856	4,616,539
Total revenue and other income	**7,744,434**	**4,811,347**

Accounting policy

The Group has adopted AASB 15 Revenue from Contracts with Customers (AASB 15). There is no quantitative impact upon adoption as the Group has not commercialised its products and generate revenue. Interest income is recognised on a time proportion basis using the effective interest method. All other income is recognised when fees in respect of services rendered and earned, usually when services have been provided to customers. Fee income is stated net of the amount of Goods and Services Tax (GST).

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs and grants relating to assets are regarded as a reduction in asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised as income of the period in which it becomes receivable.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5: LEASE LIABILITIES

	30 June 2020	
	Premises	Total
	$	$
Current Liabilities	124,328	124,328
Non-Current Liabilities	296,296	296,296
Fair value as at 30 June 2020	420,624	420,624

Reconciliation

	30 June 2020	
	Premises	Total
1 July 2019	$	$
Opening Balance	-	-
Additions	431,899	431,899
Payments made	(64,652)	(64,652)
Finance Expenses	41,573	41,573
Foreign exchange adjustment	11,804	11,804
Closing Balance	420,624	420,624

AASB 16 has been adopted during the year, refer note 3 for details. The Company has received 4 months rent free from date of signing at 1 November 2019. This has caused the increase in the lease liability.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6: EXPENSES

Loss before Income Tax includes the following specific expenses:

	Note	2020	2019
		$	$
Corporate advisors		216,345	249,374
Corporate investor advisory		367,316	400,485
Other professional fees		621,124	481,070
Finance expenses		50,982	11,206
Employee Expenses		5,923,671	2,372,800
Research and development		13,698,993	16,630,237
Share based payments		2,328,231	815,753
Other expenses		780,821	385,822

NOTE 7: INCOME TAX

	2020	2019
(a) Income tax expense	$	$
Current tax expense	-	-
Income tax expense	-	-
	-	-

(b) Reconciliation of tax expense to net profit before tax

Loss before tax	(16,730,708)	(17,039,210)
Tax at the statutory rate of 30% (2019: 27.5%)	(5,019,213)	(4,685,783)
Tax effect of:		
Difference between Australian and US tax rates	238,842	42,026
Non-deductible expenses	4,740,295	4,597,809
Income not assessable	(2,266,157)	(1,269,548)
Effect of tax losses and tax offsets not recognised as deferred tax assets	2,306,233	1,315,496
Income tax benefit	-	-

(c) Movement in unrecognised deductible temporary differences

Tax losses	2,458,168	1,437,514
Other deferred amounts	(151,935)	(122,017)
	2,306,233	**1,315,497**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: 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 8: CASH AND CASH EQUIVALENTS

	2020 $	2019 $
Cash at bank	24,645,185	4,704,457
Total cash and cash equivalents [1]	24,645,185	4,704,457

[1] Cash at bank is subject to floating interest rates at an effective interest rate of 0.89%.

NOTE 9: TRADE AND OTHER RECEIVABLES

Current:		
Other receivables [1]	130,644	483,270
Total trade and other receivables (net of GST)	**130,644**	**483,270**

[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.

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
AASB 9 *Financial Instruments* (AASB 9) replaces the provisions of AASB 139 *Financial Instruments: Recognition and Measurement* (AASB 139) that relate to the recognition, classification and measurement of financial assets (include trade and other receivables), financial liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. It eliminates the previous AASB 139 categories for financial assets of held to maturity, loans and receivables and available for sale.

The adoption of AASB 9 Financial Instruments from 1 July 2018 did not give rise to any material transitional adjustments. From 1 July 2018, trade and other receivables continue to recognise at fair value initially and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). Trade and other receivables met both criteria.

Trade receivables are generally due for settlement within 30 days.

Impairment – Trade receivables

From 1 July 2018, the group assesses on a forward-looking basis the expected credit loss associated with its trade and other receivables carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade and other receivables, the group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	2020 $	2019 $
Opening balance	12,208	-
Acquisition of computer equipment	18,599	13,822
Acquisition of furniture	72,854	
Less: deprecation	(11,894)	(1,581)
Less: adjustment for foreign exchange differences	558	(32)
	92,325	**12,209**

Accounting policy
Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight-line basis so as to write down the net cost or fair value of each asset over its expected useful life to its estimated residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. The estimated useful life of the property, plant and equipment as at reporting date is 5 years.

NOTE 11: (A) CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	2020 $	2019 $
Current:		
Trade payables [(1)]	1,009,791	4,117,064
Sundry payables & accrued expenses	167,161	367,511
	1,176,942	**4,484,575**

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

Accounting policy
The classification and measurement of financial liabilities in accordance with AASB 9 remains largely unchanged from AASB 139.

Trade and other payables continue to be recognised initially at fair value and subsequently at amortised cost.

The amounts are unsecured These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11: (B) CURRENT LIABILITIES - PROVISIONS

	2020 $	2019 $
Annual leave provision	76,748	100,146
	76,748	**100,146**

Accounting policy
Other long-term employee benefit obligations
The liability for annual leave which is not expected to be settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to the expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

NOTE 12: CONTRIBUTED EQUITY

(a) Issued and Paid Up Capital

	2020 Number	2020 $	2019 Number	2019 $
Fully paid ordinary shares	**972,698,044**	**71,414,355**	**774,028,204**	**33,889,883**

(b) Movements in fully paid shares on issue

Balance as at 1 July 2019	774,028,204	33,889,883
Placement at $0.21 per share	190,476,191	40,000,000
Exercise of options at $0.0675 expiring 1 December 2019	7,256,650	489,795
Exercise of options at $0.1067 expiring 1 December 2019	936,999	99,978
Capital raising costs	-	(3,065,301)
Balance as at 30 June 2020	**972,698,044**	**71,414,355**
Balance as at 1 July 2018	757,424,658	33,299,239
Exercise of options at $0.03 expiring 30 June 2019	4,100,000	123,000
Exercise of options at $0.057 expiring 19 January 2020	3,603,546	205,402
Exercise of options at $0.03 expiring 30 June 2019	8,000,000	240,000
Exercise of options at $0.03 expiring 30 June 2019	900,000	27,000
Capital raising costs	-	(4,758)
Balance as at 30 June 2019	**774,028,204**	**33,889,883**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: CONTRIBUTED EQUITY (CONTINUED)

(c) Issued Options

	Number
Unlisted Options	**72,392,557**

(d) Movements in options on issue

Balance as at 1 July 2019	47,470,235
Add: Options issued	66,839,667
Less: Exercise of Options	(11,006,315)
Less: Expiry and cancellation of Options	(30,911,030)
Balance as at 30 June 2020	**72,392,557**

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 value 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13: RESERVES & ACCUMULATED LOSSES

	2020	2019
	$	$
Share based payments reserve	3,497,612	1,269,358
	3,497,612	**1,269,358**
Share based payments reserve		
Balance at beginning of year	1,269,358	453,605
Share based expense	2,328,231	815,753
Exercise of options under cashless exercise facility	(99,977)	-
Balance at end of year	**3,497,612**	**1,269,358**
Foreign currency translation reserve		
Balance at beginning of year	(11,527)	25,335
Effect for foreign currency translation during the year	(474)	(36,862)
Balance at end of year	**(12,001)**	**(11,527)**

Share Based Payments Reserve

The share-based payments include the following:

- Items recognised as expenses on valuation of employee, consultant and director share options.
- 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

	2020	2019
	$	$
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(34,532,499)	(17,493,288)
Net loss for the year – continuing operations	(16,730,709)	(17,039,211)
Balance at end of year	**(51,263,208)**	**(34,532,499)**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS

Employee Securities Incentive Plan ("ESIP")
The ESIP was originally approved by shareholders on 14 June 2016 and re-approved on 19 November 2018. In accordance with the provisions of the ESIP, Directors, employees and consultants 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.

Options on issue at 30 June 2020

Description	2020 Number	Weighted Average Exercise Price	2019 Number	Weighted Average Exercise Price
Options				
Opening balance	**47,470,235**	(0.1268)	**40,197,776**	(0.1482)
Issued during the period for remuneration	**66,839,667**	(0.1260)	**25,900,000**	0.1143
Exercised during the period	**(11,006,315)**	(0.7020)	**(16,603,546)**	(0.0359)
Expired and cancelled during the period	**(30,911,030)**	(0.1200)	**(2,023,995)**	(0.0570)
Balance at 30 June	**72,392,557**	(0.1155)	**47,470,235**	(0.1268)

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

	2020 $	2019 $
Total Value of Share Based Payments expense	2,328,231	815,753

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

2020

6 million Options (valued at $0.12622 per option) vesting immediately were issued to Executive Chairman, Vincent Ippolito. 6 million options were issued to Executive Chairman, Vincent Ippolito and 5 million options were issued to Executive Director, Michael Thurn vesting quarterly over 3 years commencing on the issue date being 18 July 2019. Unvested options will expire if Mr Ippolito or Mr Thurn cease to be engaged by the Group.

$1,711,000 has been recorded as an expense in the year for the issue of these options.

The Options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	17,000,000
Grant date share price	$0.225
Exercise price	$0.251
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

8 million options (valued at $0.13251 per option) vesting quarterly over 3 years from the issue date being 3 September 2019 were issued to Employees. Unvested options will expire if employees cease to be employed by the Group.

$110,426 has been recorded as an expense in the year for the issue of these options.

The Options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	8,000,000
Grant date share price	$0.225
Exercise price	$0.220
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

2020

500,000 options (valued at $0.15588 per option) vesting quarterly over 3 years from issue date 11 September 2019 were issued to an Employee. Unvested options will expire if employees cease to be employed by the Group.

$19,485 has been recorded as an expense in the year for the issue of these options.

The options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	500,000
Grant date share price	$0.265
Exercise price	$0.260
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

41,339,667 options (valued at $0.015 per option) vesting on 15 April 2021 were issued to Directors and the Company Secretary on 30 June 2020. Unvested options will expire if the Director or Company Secretary ceases to be engaged by the Group.

$2,152 has been recorded as an expense in the year for the issue of these options.

The options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	41,339,667
Grant date share price	$0.041
Exercise price	$0.0551
Expected volatility	85%
Option life	2 years
Dividend yield	0.00%
Interest rate	0.23%

$2,328,233 was expensed in the current period in relation to vesting of Share Based Payments issued in the current and prior periods.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15: 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 2020 owns 100% of the issued ordinary shares of Botanix Pharmaceuticals Inc. (incorporated in Delaware, United States of America).

(b) Subsidiaries

Interests in subsidiaries are set out in Note 19 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:

	2020 $	2019 $
Short term employee benefits	2,887,151	1,615,569
Post-employment benefits	319,811	17,744
Share based payment	2,047,273	465,381
	5,254,235	**2,098,694**

(e) Other transactions with Key Management Personnel

There were no related party transactions in the year ended 30 June 2020.

(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 16: 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:

	2020 $	2019 $
Financial assets		
Cash and cash equivalents	24,645,185	4,704,457
Other receivables	130,644	483,270
Total financial assets	**24,775,829**	**5,187,727**
Financial liabilities		
Trade and other payables	1,176,942	4,484,575
Lease liability	420,624	-
Total financial liabilities	**1,597,566**	**4,484,575**

(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. From time to time, the Group will enter into forward foreign exchange contracts to lock in attractive rates for the US dollar for working capital purposes.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market Risk (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:

		2020		2019	
		%	$	%	$
Financial assets					
Cash	Floating rate	0.96	22,835,009	0.4	3,879,488

[1] Excludes any cash accounts with 0%

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 $184,839 (2019: $125,461) 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

(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 50. 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.

(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 2020					
Financial liabilities	1,236,063	65,207	296,296	1,597,566	1,597,566

	Less than 6 months	6 - 12 months	Greater than 12 months	Total contractual Cashflows	Carrying Amount
	$	$	$	$	$
Group - at 30 June 2019					
Financial liabilities	4,484,575	-	-	4,484,575	4,484,575

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16: FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Fair Value Estimation

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

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 17: LOSS PER SHARE

	2020	2019
	$	$
Continuing operations		
Basic and diluted loss per share – cents	(1.79)	(2.24)
Loss used in the calculation of basic and diluted loss per share	(16,730,708)	(17,039,210)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	936,370,835	760,484,299
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	936,370,835	760,484,299

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 18: OPERATING CASH FLOW INFORMATION

	2020 $	2019 $
Loss for the year	(16,730,708)	(17,039,211)
Adjustments for:		
Share based payments	2,328,231	815,753
Depreciation	102,280	1,581
Fair value on foreign exchange forward contract	-	20,444
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	351,156	(56,633)
Increase/(Decrease) in trade, other payables and provisions	(3,409,545)	3,117,343
Net cash flows used in operations	**(17,358,586)**	**(13,140,723)**

NOTE 19: PARENT ENTITY DISCLOSURES

As at 30 June 2020, and throughout the year then ended, the parent company of the Group was Botanix Pharmaceuticals Limited.

Financial position

	2020 $	2019 $
Assets		
Current assets	24,321,097	5,816,115
Total assets	**24,321,097**	**5,816,115**
Liabilities		
Current liabilities	1,067,354	5,637,903
Total liabilities	**1,067,354**	**5,637,903**
Net Assets	**23,253,743**	**178,212**
Equity		
Issued capital	70,356,436	32,831,960
Accumulated losses	(50,600,305)	(33,752,511)
Reserves		
Share-based payments	3,497,612	1,098,763
Total Equity	**23,253,743**	**178,212**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19: PARENT ENTITY DISCLOSURES (CONTINUED)

Financial performance

	2020 $	2019 $
Loss for the period	(16,730,708)	(17,039,211)
Total comprehensive loss	(16,731,182)	(17,076,073)

NOTE 20: SEGMENT INFORMATION

For management purposes, the Group is organised into one main operating segment, being the research and development dermatology and antimicrobial products. The chief operating decision makers of the Group are the Executive Directors.

All the Group's activities are interconnected and all significant operating decisions are based on analysis of the Group as one segment. The financial results of the segment are the equivalent of the financial statements as a whole. At 30 June 2020, all revenues and material assets are considered to be derived and held in one geographical area being Australia with the exception of the Non-current financial assets which are held in the United States."

NOTE 21: AUDITOR'S REMUNERATION

	2020 $	2019 $
Amounts payable to auditor		
Audit and review services - payable to BDO Audit (WA) Pty Ltd	35,000	34,658
Advisory services – payable to BDO Advisory (WA) Pty Ltd	2,000	1,750
	37,000	**36,408**

NOTE 22: SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2020 %	Equity Holding 2019 %
Botanix Pharmaceuticals Inc.	Delaware, United States of America	Ordinary	100	100

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

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23: EVENTS OCCURRING AFTER THE REPORTING PERIOD

In early July 2020, Botanix successfully completed its FDA end-of-Phase 2 meeting with the FDA for BTX 1503. It provided the opportunity for Botanix to gain guidance and feedback from the FDA as to the pathway required to support an NDA submission for BTX 1503. The FDA highlighted the excellent safety profile and allowed several waivers that are normally required for dermatology drug registration. The FDA also provided feedback on the development program and agreement was reached on the required co-primary efficacy endpoints for Phase 3 studies. The Phase 3 study timetable is under review, pending completion of the BTX 1702 rosacea Phase 2 clinical study and lifting of COVID-19 restrictions.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not impacted financially on the Company up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

Other than the already mentioned there are no other matters or circumstances which 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 24: CONTINGENT LIABILITIES AND COMMITMENTS

The Directors are not aware of any non-cancellable commitments as at 30 June 2020 not reflected in the financial statements.

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2020.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: 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 2020 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.

(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) 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: OTHER ACCOUNTING POLICIES (CONTINUED)

(d) New accounting standards and interpretations

In the year ended 30 June 2020, 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.

(e) 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 2020. 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.

(f) Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Company based on known information. This consideration extends to the impact research and development activities, supply chain, staffing and geographic regions in which the Company operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the company unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 26 to 55, 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 2020 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 2020.

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

On behalf of the Board



Vince Ippolito
Executive Chairman
31 August 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Botanix Pharmaceuticals Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Botanix Pharmaceuticals Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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 (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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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Share Based Payments

Key audit matter	How the matter was addressed in our audit
During the year, Botanix Pharmaceuticals Ltd awarded share based payments, in the form of share options, to eligible executives, directors, consultants and employees. 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, and associated disclosure 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: • Reviewing relevant supporting documentation to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Reviewing relevant supporting documentation and accounting of share-based payments in relation to employees who have resigned during the period; • Considering the appropriateness of the valuation methodology used by management to measure and value the share-based payments; • Involving our internal valuation specialists to assess the reasonableness of the volatility rate used in the valuation; • Assessing the allocation of the share-based payment expense over management's expected vesting period; and • Assessing the adequacy of the related disclosures in the financial report

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 2020, 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.

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Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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:

https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 22 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Botanix Pharmaceuticals Ltd, for the year ended 30 June 2020, 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

BDO

Jarrad Prue

Director

Perth, 31 August 2020

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

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 28 August 2020.

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 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 considers the character, industry and relevant experience, education and skill set, as well as interests and associations of candidates for appointment to the Board and conducts appropriate checks to verify the suitability of the candidate, prior to their appointment.

The Company elected an Executive Chairman, Vince Ippolito during the year. Mr Mathew Callahan took a leave of absence from the Board in August 2019 and was re-appointed in February 2020.

The Company ensures all 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 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 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.

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 adopted a Diversity Policy which is available in the corporate governance section of the Company's website at www.botanixpharma.com

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 (2019: Nil), no female senior executive (2019: 1). The Company has 1 female employees representing 77% of the total number of employees including Directors.

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

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). The review include the performance of executive Directors.

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 performance of executive Directors as is considered as part of the Board evaluation process.

The President/Executive Chairman (and where appropriate other Executive Directors) oversee the performance of the Company's senior executives on an ongoing basis. This evaluation was be based on specific criteria, including the business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and against any individual Key Performance Indicators set for senior executives either collectively or on an individual basis.

Performance reviews were undertaken during the reporting period.

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CORPORATE GOVERNANCE STATEMENT

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.**

During the year the Company had an established Nomination and Remuneration Committee until the resignation of Robert Towner. Mr Matthew Callahan served on the committee.

In June 2020 the Board resolved that, given the size and current operation of the Company, the Board as a whole would be responsible for nomination and remuneration matters.

No separate meetings of the Committee, when constituted, 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.

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 management and international business operations. External consultants may be brought it with specialist knowledge to address areas where this is an attribute deficiency in the Board.

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.

Dr Stewart Washer and, until his resignation, Mr Robert Towner are/were considered to be independent Directors.

Mr Vincent Ippolito, Mr Mathew Callahan, Mr William Bosch and Mr Michael Thurn 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.

While the Company does not presently have a majority of independent directors 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.

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CORPORATE GOVERNANCE STATEMENT

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.

On 18 July 2019 Mr Vince Ippolito became Executive Chairman and Dr Washer stepped down to a non-executive Director.

The Board has formed the view that, given the size and nature of the business of the Company, and the knowledge and experience Mr Ippolito brings to the Company, Mr Ippolito is the most appropriate person to hold the position of Chairman of the Company even though he is not independent by reason of being an Executive Director.

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

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 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.**

During the year the Company had an established Audit Committee. Dr Stewart Washer and Mr Matthew Callahan served on the Audit Committee until June 2020 when the Board resolved that the whole Board would be responsible for matters previously undertaken but the Audit Committee.

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CORPORATE GOVERNANCE STATEMENT

While the Committee had as only two members the Board considered that the composition of the Committee was appropriate given the size and stage of development of the Company.

Details of meetings of the Audit Committee held during the year, while constituted, are set out in the Directors Report included in the Financial Statements.

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 Board has received a written assurance from the President/Executive Chairman and Company Secretary in respect to the half year financial statements ended 31 December 2019 and full year financial statements for the year ended 30 June 2020 that to the best of their knowledge and belief, 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 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 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

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responsible for ensuring that all required price sensitive information is disclosed to the ASX as required.

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'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's 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 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

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.

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.

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CORPORATE GOVERNANCE STATEMENT

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.**

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

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.

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.

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CORPORATE GOVERNANCE STATEMENT

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 affected 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 Board had a constituted Nomination and Remuneration Committee until the resignation of Robert Towner.

In June 2020 the Board resolved that, given the size and current operation of the Company, the Board as a whole would be responsible for nomination and remuneration matters.

No separate meetings of the Committee, when constituted, 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.

Non-Executive Directors 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, may be granted options.

Executives of the Company typically receive remuneration comprising a base salary component and other 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.

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CORPORATE GOVERNANCE STATEMENT

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.

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 25 August 2020

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 is 972,698,044 ordinary fully paid shares.

1. TOP 20 SHAREHOLDERS

No.	Holder Name	Holding	% IC
1	SHENASABY INVESTMENTS PTY LTD <THE SHENASABY A/C>	70,738,307	7.27%
2	CAPERI PTY LTD <CAPERI A/C>	59,573,784	6.12%
3	DR HENRY WILLIAM BOSCH	16,000,000	1.64%
4	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	10,000,000	1.03%
5	SWEET AS DEVELOPMENTS PTY LTD <SWEETMAN MCNICKLE FAMILY A/C>	9,815,455	1.01%
6	CITICORP NOMINEES PTY LIMITED	9,307,982	0.96%
7	MR KA KIAN LIM	9,263,000	0.95%
8	ZENITH PACIFIC LIMITED	9,000,000	0.93%
9	CITICORP NOMINEES PTY LIMITED	8,584,545	0.88%
10	MR KA KIAN LIM	7,756,446	0.80%
11	ZENITH PACIFIC LIMITED	7,672,000	0.79%
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	7,315,893	0.75%
13	T T NICHOLLS PTY LTD <TT NICHOLLS P/L S/F A/C>	7,000,000	0.72%
14	MR MICHAEL WILLIAM GAULE	6,384,494	0.66%
15	SPLENDID STUFF PTY LTD	6,242,156	0.64%
16	J & N WESTON INVESTMENTS PTY LTD <WESTON SUPER FUND A/C>	5,650,000	0.58%
17	MR STEPHANE NICOLAS FAYD'HERBE <FAYD'HERBE FAMILY A/C>	5,625,000	0.58%
18	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	5,435,688	0.56%
19	MR BRENDAN PAUL COOPER	5,373,413	0.55%
20	ARGONAUT INVESTMENTS PTY LTD <ARGONAUT INVEST NO 3 A/C>	5,000,000	0.51%
	Totals	271,738,163	27.94%

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ASX ADDITIONAL INFORMATION (CONTINUED)

2. COMBINED DISTRIBUTION

Shares Range	No. of Holders	No. of Shares
1 – 1,000	122	21,853
1,001 – 5,000	1,060	3,808,494
5,001 – 10,000	1,242	10,321,918
10,001 – 100,000	3,780	145,492,127
100,001 and over	1,234	813,053,652
	7,438	**972,698,044**
Number holding less than a marketable parcel at $0.23 per share	2,022	10,132,265

3. SUBSTANTIAL SHAREHOLDERS

Holder Name	Holding
SHENASABY INVESTMENTS PTY LTD	70,738,307
CAPERI PTY LTD	59,573,784

4. UNLISTED EQUITY SECURITIES

Options Range and number of holders

	Unlisted options At $0.106 Expiring 5 Dec 2021	Unlisted options At $0.133 Expiring 8 21 Feb 2022	Unlisted options At $0.153 Expiring 13 March 2022	Unlisted options At $0.146 Expiring18 April 2022
Over 100,001	7	1	1	1
Total Holders	**7**	**1**	**1**	**1**
Number of Options	**5,111,223**	**4,000,000**	**222,222**	**111,111**

Options Range and number of holders

	Unlisted options At $0.139 Expiring 13 June 2022	Unlisted options At $0.0551 Expiring 130 June 2022	Unlisted options At $0.115 Expiring 20 May 2023	Unlisted options At $0.251 Expiring 18 Jul 2023
Over 100,001	1	5	1	2
Total Holders	**1**	**5**	**1**	**2**
Number of Options	**150,000**	**41,339,667**	**3,000,000**	**17,000,000**

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ASX ADDITIONAL INFORMATION (CONTINUED)

4. UNLISTED EQUITY SECURITIES (continued)

Options Range and number of holders

	Unlisted options At $0.22 Expiring 30 Sept 2023	Unlisted options At $0.26 Expiring 11 Sept 2023
Over 100,001	2	1
Total Holders	**2**	**1**
Number of Options	**1,333,333**	**125,000**

5. VOLUNTARY ESCROW

There are currently no holders with shares in voluntary escrow.

6. 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

7. ON-MARKET BUY BACK

There is currently no on-market buyback program for any of the Company's listed securities.

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