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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 2021

('comparative period')

30 June 2020

For announcement to the market

				$AUD
Other income from continuing operations	Down	36.8%	to	114,038
Loss from ordinary activities after tax attributable to members	Down	80.1%	to	(3,334,001)
Net loss for the period attributable to members	Down	79.6%	to	(3,405,015)

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 2021**	**30 June 2020**
Net tangible asset backing per ordinary security (cents per share)	2.14	2.43

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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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.

Date: 27 August 2021

Name of authorised officer authorising lodgement: Simon Robertson
Company Secretary

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botanix
PHARMACEUTICALS

ACN 009 109 755

ANNUAL REPORT

for the year ended 30 June 2021

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONTENTS

CORPORATE INFORMATION 1
DIRECTORS' REPORT 2
AUDITOR'S INDEPENDENCE DECLARATION 21
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME 22
CONSOLIDATED STATEMENT OF FINANCIAL POSITION 23
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY 24
CONSOLIDATED STATEMENT OF CASH FLOWS 25
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 26
DIRECTORS' DECLARATION 50
INDEPENDENT AUDITOR'S REPORT 51
CORPORATE GOVERNANCE STATEMENT 54
ASX ADDITIONAL INFORMATION 64

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CORPORATE INFORMATION

Directors
Mr Vincent Ippolito
Executive Chairman and President

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Dr Stewart Washer
Non-executive Director

Company Secretary
Mr Simon Robertson

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PERTH WA 6000

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BDO Audit (WA) Pty Ltd
38 Station Street
SUBIACO WA 6008

Bankers
NAB
100 St Georges Terrace
PERTH WA 6000

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DIRECTORS' REPORT (CONTINUED)

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Botanix Pharmaceuticals Limited and the entity it controlled during the period for the financial year ended 30 June 2021. 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 the date of this report are:

Mr Vincent 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

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. r Callahan 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 US private equity investors. He has more than 25 years legal, IP and investment management experience.

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DIRECTORS' REPORT (CONTINUED)

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)
Emyria Limited (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

Dr Stewart Washer
Non-executive Director – (appointed 21 February 2019)

EXPERIENCE AND EXPERTISE
Dr Washer has CEO and board experience in medical biotech and cannabinoid companies. He is currently the executive chairman of Emyria Limited (ASX: EMD), clinical drug development and care delivery company, chairman of Orthocell Limited (ASX: OCC), regenerative medicine company and founding chairman and current director of Cynata Therapeutics Limited (ASX: CYP), stem cell therapies.

Dr Washer has held a number of board positions in the past, including chairman of Hatchtech Pty Ltd 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 Limited (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 Limited (appointed 28 February 2017)
Emyria Limited (appointed 19 March 2018)

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DIRECTORS' REPORT (CONTINUED)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

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

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.

PRINCIPAL ACTIVITIES

Botanix is a dermatology focused company based in Perth (Australia) and Philadelphia (USA) committed to the development of pharmaceutical products that are underpinned by science and supported by well-controlled randomised clinical trials. The Company has two separate development platforms, dermatology and antimicrobial products, both of which currently leverage the unique anti-inflammatory, immune modulating and antimicrobial properties of cannabinoids, particularly synthetic cannabidiol. Botanix has an exclusive license to use a proprietary drug delivery system (Permetrex™) for direct skin delivery of active pharmaceuticals in all skin diseases, which it utilises in its existing development programs and is being explored with a number of other product opportunities.

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.

The Company is developing a pipeline of product candidates with recent positive data from its BTX 1801 Phase 2a antimicrobial study and Phase 1b rosacea clinical study currently enrolling patients. Following a successful meeting with the FDA, the Company has also confirmed a drug development plan for the BTX 1503 acne Phase 3 program to support registration. In addition, Botanix plans to advance its BTX 1204A atop dermatitis program to a proof of concept canine study in Q3 CY2021 following encouraging early data from a recent pilot study.

RESULTS AND 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.

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DIRECTORS' REPORT (CONTINUED)

The Group has generated a comprehensive loss after tax for the year ended 30 June 2021 of $3,334,001 (30 June 2020: $16,730,709). The net loss is attributable primarily to the expenditure in relation to advancing our clinical research and development activities. The Group had a net working capital surplus of $20,572,296 at 30 June 2021 (30 June 2020: $23,399,281) and experienced net cash outflows from operating activities for the year of $2,968,023 (30 June 2020: $17,358,586).

At 30 June 2021 the Group had a cash balance of $21,554,906 (30 June 2020: $24,645,185).

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

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

DIVIDENDS

There were no dividends paid or declared during the year.

OPERATING AND FINANCIAL REVIEW AND FUTURE PROSPECTS

OPERATIONAL REVIEW

Overview

For the 12 months ending 30 June 2021, Botanix has continued to progress its pipeline of synthetic cannabidiol ("CBD") products, focused on the treatment of serious skin diseases and antimicrobial applications. The Company's Antimicrobial platform has made significant progress, with preparations underway to progress into a Phase 2b study of BTX 1801 for the prevention of surgical site infections in haemodialysis patients to prevent life-threatening bloodstream infections. The Company has continued its progress across its dermatology platform, including BTX 1503 (acne), BTX 1702 (rosacea) and also initiated a new canine pilot study of BTX 1204A (atopic dermatitis).

Clinical development

Botanix's clinical development pipeline includes three advanced clinical programs which leverage synthetic CBD in the topical treatment of serious skin diseases and for antimicrobial applications. Botanix also has an active discovery 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 that provided evidence of synthetic CBD's potent antimicrobial activity against gram-positive bacteria including Staphylococcus Aureus ("Staph"), and Methicillin-Resistant Staphylococcus Aureus ("MRSA" or "golden staph"). Notably, the data showed that these bacteria do not form resistance to synthetic CBD.

In December 2020, Botanix announced that all study participants completed the BTX 1801 antimicrobial Phase 2a clinical study. The double-blind, vehicle-controlled Phase 2a clinical study, which commenced in August 2020, was designed to evaluate the safety and local tolerability of the two formulations of BTX 1801 to decolonise Staph and MRSA from the nose of healthy adults.

DIRECTORS' REPORT (CONTINUED)

In February 2021, Botanix announced positive top-line data for the BTX 1801 Phase 2a clinical study. Results showed both ointment and gel formulations of BTX 1801 met the study endpoints. Firstly, BTX 1801 was safe and well tolerated, with all 66 enrolled participants successfully completing the study. The incidence of adverse events was low, mild in severity and occurred at similar rates across the different treatment groups with no severe events reports. Secondly, efficacy of both ointment and gel formulations at the primary endpoint of Day 12 was demonstrated. Importantly, the bacterial killing effect was demonstrated to be a sustained in a proportion of patients without further treatment for up to 3 weeks and none of the analysed bacteria developed resistance to BTX 1801 during the 28-day study period.

Following the success of the Phase 2a Study, Botanix launched the next phase of the BTX 1801 development program in May 2021, following an extensive assessment of clinical data generated to date and a comprehensive review of market opportunities. Botanix identified its next target indication – nasal decolonisation of Staph in patients undergoing haemodialysis treatment in order to reduce the incidence of life-threatening bloodstream infections.

Haemodialysis patients undergoing dialysis regularly (3 to 5 times per week), are at a high risk of bloodstream infections, due to their treatment requiring frequent use of catheters – which in the first year are central lines with direct access to the patient's heart. Despite the significant health risks, the treatment to prevent bloodstream infections are essentially limited to the application of antiseptics at the catheter site[1,2]. Other issues with the use of antiseptics include the potential degradation of the catheter's plastic construction and potential to cause patient toxicities[2]. Limited current preventative measures mean there is an urgent need and significant market opportunity for novel approaches to prevent bloodstream infections in haemodialysis patients.

Plans to progress BTX 1801 into a Phase 2b study are well advanced and the Company plans to initiate the study in humans over a 3 month period to demonstrate the prolonged effectiveness of intermittent treatment with BTX 1801 (reflecting the treatment cadence for haemodialysis patients). Botanix intends to leverage a range of existing US Food and Drug Administration ("FDA") programs (e.g. Qualified Infection Disease Product, Fast Track and Limited Population Pathway for Antimicrobial and Antifungal Drugs status) to accelerate BTX 1801 development, reduce clinical costs and increase the exclusivity period.

During the year, Botanix's research data from its antimicrobial program was published in Nature Research's Communication Biology, a leading peer-reviewed biological sciences journal. The research describes for the first-time that synthetic CBD can also kill a select group of Gram-negative bacteria, including bacteria responsible for gonorrhoea, meningitis and legionnaires disease. In addition, the new data also demonstrated the potential to develop novel structural analogs of cannabinoids with increased antimicrobial activity providing a foundation for the development of a whole new class of antimicrobials. This research was further supported by a publication from a leading South American academic group, BioRxiv, which supported the discovery of synthetic CBD's ability to kill a select group of Gram-negative bacteria.

[1] CDC recommends the use of antiseptics greater than 0.5% chlorhexidine with alcohol, 70% alcohol, or 10% povidone-iodine.
[2] 'Hemodialysis Central Venous Catheter Scrub-the-Hub Protocol', CDC, 2016, https://www.cdc.gov/dialysis/prevention-tools/scrub-protocols.html

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DIRECTORS' REPORT (CONTINUED)

Dermatology platform
BTX 1702 (rosacea)

In March 2021, Botanix received ethics approval for its expanded BTX 1702 Phase 1b clinical study for the treatment of papulopustular rosacea. Following ethics approval, the Company launched the BTX 1702 Phase 1b rosacea clinical study in June 2021.

The study is a randomised, double blind, vehicle-controlled study in patients with moderate to severe papulopustular rosacea and will investigate the safety and tolerability of two different concentrations of BTX 1702 along with a vehicle (control) arm in adults over an 8-week treatment period. The study plans to enrol approximately 120 patients in 12 dermatology clinical sites across Australia and New Zealand.

Currently, under COVID related restrictions, sites are recruiting in Australia and in New Zealand and additional sites are being reviewed to potentially speed recruitment, if lockdowns continue sporadically throughout the planned study duration.

The BTX 1702 clinical study has been designed to enable increased data capture, as well as to provide additional insights to support Botanix's broader dermatology platform. This includes universal use of advanced Canfield imaging technology to support clinical assessments and improve patient tracking, as well as centralised review of each investigator's ratings for patient inclusion and some endpoint assessments. The Company believes that these process and technology improvements to the study design will greatly enhance quality of the study data and help reduce the potential for site-to-site variability.

Papulopustular rosacea is a highly visible and distressing chronic inflammatory skin disease, characterised by intensely inflamed skin and acne-like breakouts across the face. The disease affects more than 16m Americans and up to 415m people worldwide[3]. Women are more likely to have rosacea than men and more than 85% of patients are over the age of 30 years old[4].

BTX 1503 (acne)

In July 2020, Botanix achieved an important drug development milestone, with the completion of a successful End of Phase 2 meeting ('EOP2 Meeting') for BTX 1503 with the FDA. The FDA highlighted the excellent safety profile of synthetic BTX 1503, by allowing several waivers for studies that are normally required for dermatology drug registration. Following the EOP2 Meeting with the FDA, the Company has confirmed a drug development plan for the BTX 1503 acne Phase 3 program to support registration. Given the overlap in disease characteristics between rosacea and acne, the BTX 1702 study will provide significant supporting information for the BTX 1503 program. The Company plans to proceed with the clinical development of BTX 1503 pending the completion of the BTX 1702 rosacea clinical study.

BTX 1204A (atopic dermatitis)

In May 2021, the Company announced encouraging results of the BTX 1204A pilot study in canines with atopic dermatitis. BTX 1204A is based on a new higher dose formulation of synthetic CBD in a novel Permetrex™ formulation – which was used in the successful BTX 1801 Phase 2a study. Canine atopic dermatitis is clinically and immunologically similar to human atopic dermatitis, and so this study serves as an excellent surrogate for human disease.

[3] Gether L, Overgaard LK, Egeberg A, Thyssen JP. Incidence and prevalence of rosacea: a systematic review and meta-analysis. *Br J Dermatol* 2018 Feb 25. Boi: 10.1111/bjd.16481
[4] www.rosacea.org/patients/all-about-rosacea

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DIRECTORS' REPORT (CONTINUED)

Botanix has received ethics approval to commence the proof-of-concept canine study and is currently initiating the study which, if successful, provides potential opportunities for partnering the product for animal health applications and may support progression to a Phase 2b study in humans in 2022.

Corporate

Botanix invested A$6.6m on R&D activities, primarily associated with Botanix's dermatology clinical programs (e.g. BTX 1503, BTX 1702 and BTX 1204A) and pre-clinical development and clinical exploration of its antimicrobial platform (e.g. 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$6.9m in February 2021 and on 30 June 2021, Botanix held A$21.6m in cash.

In March 2021, Botanix announced the expansion of the management team with three new hires from the US with deep expertise in drug development and commercialisation. Dr Clarence Young was appointed Chief Medical Officer, Anthony Robinson joined Botanix as Vice President of Development and Lynda Berne was appointed as Head of Commercial. The expanded team underpins Botanix's plan to develop its pipeline, accelerate development and scale-up commercial capabilities.

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.

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 Vincent Ippolito	-	-	29,994,914	3,000,000
Mr Matthew Callahan	-	70,738,307	-	-
Dr William Bosch	16,000,000	-	4,863,490	-
Dr Stewart Washer	-	-	-	8,863,490
Total	**16,000,000**	**70,738,307**	**34,858,404**	**11,863,490**

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	
Board of Directors	**Number of meetings held**	**Attended**
Mr Vincent Ippolito	8	8
Mr Matthew Callahan	8	8
Dr William Bosch	8	8
Dr Stewart Washer	8	8
Dr Michael Thurn (resigned 26 February 2021)	5	3

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DIRECTORS' REPORT (CONTINUED)

EVENTS SINCE THE END OF THE FINANCIAL YEAR

There are no matters or circumstances which have arisen since the end of the year 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 2021 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 $175,000 excluding GST (2020: $126,554) to insure the Directors and officers 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 2021. 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 for the year ended 30 June 2021

Directors:

Mr Vincent Ippolito	President/Executive Chairman of the Company
Mr Matthew Callahan	Executive Director
Dr William Bosch	Executive Director
Dr Stewart Washer	Non-executive Director
Dr Michael Thurn	Executive Director (resigned 26 February 2021)

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.

DIRECTORS' REPORT (CONTINUED)

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 non-executive Directors are paid a set amount per year and receive reimbursement of expenses incurred on the company's behalf., Non-executive Directors may also receive consultancy fees, at normal commercial rates, where appropriate expertise and time commitment is required, such additional amounts being approved by the Board.

Long-term performance incentives comprise options granted in order to align the objectives of non-executive Directors with shareholders and the Company. The issue of options to non-executive 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.

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 fixed 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.

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DIRECTORS' REPORT (CONTINUED)

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, Directors, 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.

Key Management Personnel Executive Service Contracts

Executive Chairman

Mr Vincent Ippolito
Mr Ippolito was appointed 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 agreed 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$553,647) per annum which was reduced by agreement to US$300,000 (AUD$401,735) on 15 April 2020 for a 12-month period after which it reverted to US$400,000 (AUD$553,647). Mr Ippolito is also eligible to receive an annual bonus dependent on certain objective performance goals and targets being attained which was focused on timely completion of the BTX 1801 Phase 2 Study and certain corporate, organizational and staffing goals.

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

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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 was originally for a three (3) year term (effective 1 July 2018), unless terminated earlier in accordance with the agreement. The term of the agreement has been extended for a further two (2) years.

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$133,940) 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$201) 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 and was extended for a further two (2) year period. The term of the agreement has been extended for a further two (2) years.

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$133,940) 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$201) per hour (GST exclusive).
- Termination by the Company or Dr Bosch has notice period of 6 months.

Dr Michael Thurn (resigned 26 February 2021)
Dr. Thurn was 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 agreement:

- The total consultancy fee payable to Dr Thurn for consultancy services, was a fee of US$35,000 per month (GST exclusive).
- Under the agreement Mr Thurn was 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 which was focused on timely completion of the BTX 1801 Phase 2 Study, other study approvals and certain corporate and regulatory goals.
- Termination by the Company or Dr Thurn had a notice period of 3 months.

Non-executive Directors

DIRECTORS' REPORT (CONTINUED)

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 AUD$50,000 plus statutory superannuation per annum as a non-executive Director.

No termination amounts are payable under the agreements.

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DIRECTORS' REPORT (CONTINUED)

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REMUNERATION REPORT (AUDITED) (CONTINUED)

Remuneration of Key Management Personnel

Details of the remuneration of the Directors and the Key Management Personnel (as defined in AASB 124 *Related Party Disclosures)* of Botanix Pharmaceuticals Limited are set out in the following tables:

Key Management Personnel of Botanix Pharmaceuticals Limited

2021	Short Term Benefits				Post-Employment Benefits	Share Based Payments		
Key Management Personnel	Salary and Fees $	Bonus $	Non-Monetary/ Insurances $	Leave Movements	Superannuation $	Options $	Total $	Performance Based %
Directors								
Mr V Ippolito	396,157	132,238[2]	15,410	6,232	11,726	443,444	1,005,207	57
Mr M. Callahan	228,226	-	-	-	-	-	228,226	-
Dr W. Bosch	106,042	-	-	-	-	72,922	178,964	40.1
Dr S. Washer	43,539	-	-	-	4,136	112,994	160,669	70.1
Dr M. Thurn[1]	210,000	63,000[2]	-	-	-	(103,905)	169,095	(24)
Total	983,964	195,238	15,410	6,232	15,862	525,455	1,742,161	-

1. Resigned 26 February 2021.
2. Represents on target achievement of bonus (100%)

DIRECTORS' REPORT (CONTINUED)

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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	46,353	74,523	20,025	-	1,300,688	2,108,851	66
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	56
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	32
Mr R Peterson[4]	528,020	103,532	31,648	-	20,562	253,902	110,426	1,048,090	20
Total	2,346,701	374,801	116,763	48,886	65,909	253,902	2,047,273	5,254,235	-

1. Mr Vincent 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.

DIRECTORS' REPORT (CONTINUED)

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 2021 is as follows:

	Held at 1 July 2020	Other Movements during the year	Held at 30 June 2021
Directors			
Mr V Ippolito	-	-	-
Mr M Callahan	70,738,307	-	70,738,307
Dr W Bosch	16,000,000	-	16,000,000
Dr S Washer	-	-	-
Dr M Thurn	2,546,497	(2,546,497)[1]	-
Total	**89,284,804**	(2,546,497)	**86,738,307**

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

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DIRECTORS' REPORT (CONTINUED)

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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 2021 is as follows:

Name and Grant date	Held at 01-Jul-20	Granted as Compensation	Options Exercised	Options Lapsed	Options Expired or Cancelled	Held at 30-Jun-2021	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	10,000,000	2,000,000
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	-
Dr M Thurn								
30/6/2020	11,186,028	-	-	(11,186,028)[1]	-	-	-	-
18/7/2019	5,000,000	-	-	(2,500,000)[1]	(2,500,000)[2]	-	-	-
5/12/2018	2,000,000	-	-	(666,666)[1]	(1,333,334)[2]	-	-	-
Dr S Washer								
30/6/2020	4,863,490	-	-	-	-	4,863,490	4,863,490	-
21/2/2019	4,000,000	-	-	-	-	4,000,000	2,666,666	1,333,334
Total	**64,907,922**	**-**	**-**	**(14,352,694)**	**(3,833,334)**	**46,721,894**	**43,388,560**	**3,333,334**

[1] Lapsed on resignation as service conditions not met

[2] Balance held at date of ceasing to be a Director and subsequently lapsed

DIRECTORS' REPORT (CONTINUED)

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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 on issue at 30 June 2021 is shown 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	Vested on 15/4/2021 based on continued service	30/6/2022	$0.0551	$0.015	100%
18/7/2019	Progressively over quarterly from 18/7/2019 based on continued service	18/7/2023	$0.251	$0.12622	83%
20/5/2019	Vested upon issue	20/5/2023	$0.1150	$0.06073	100%
21/2/2019	Progressively over 3 years at each anniversary starting from 21/2/2019 based on continued service	21/2/2022	$0.133	$0.04587	66%

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DIRECTORS' REPORT (CONTINUED)

Shares issued to Key Management Personnel on Exercise of Compensation Options
207,424 shares were issued to a member of the 2020 Key Management Personnel on exercise of 888,889 compensation options during the year exercisable at $0.106 utilising the cashless exercise facility available.

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 2021.

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 2020 Annual General Meeting
The Company received more than 92% of "yes" votes on its remuneration report for the 2020 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 2021 has been received and can be found on page 21.

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.

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	1,166,668
21 February 2019	21 February 2022	$0.133	4,000,000
20 May 2019	20 May 2023	$0.115	3,000,000
18 July 2019	18 July 2023	$0.251	12,000,000
30 June 2020	30 June 2022	$0.0551	30,153,639
Total			**50,320,307**

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 444,030 ordinary shares were issued as a result of the exercise of 1,944,555 share options with a weighted average exercise price of $0.107 (2020: 8,193,649 ordinary shares on issue of 11,006,315 options with a weighted average exercise price of $0.072).

Signed in accordance with a resolution of the Directors.

Vincent Ippolito
Executive Chairman
26 August 2021

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BOTANIX PHARMACEUTICALS LIMITED

As lead auditor of Botanix Pharmaceuticals Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 26 August 2021

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 2021

	Note	2021 $	2020 $
Revenue from continuing operation			
Interest income	4	103,788	170,578
Cashflow boost	4	10,250	10,000
Total revenue from continuing operations		**114,038**	**180,578**
Other income			
Research and Development incentive scheme	4	**6,876,948**	**7,563,856**
Employee expenses		(1,675,119)	(5,923,671)
Finance expenses		(55,941)	(50,982)
Other expenses		(410,576)	(780,821)
Depreciation		(16,425)	(11,888)
Professional Consulting expense		(918,940)	(1,338,479)
Travel expense		(28,631)	(86,579)
Research and Development expenses		(6,571,399)	(13,698,993)
Foreign exchange gain/loss		(1,770)	(165,107)
Depreciation on Right of Use Asset		(77,799)	(90,392)
Share based payments	14	(568,387)	(2,328,231)
Total expenses	6	**(10,324,987)**	**(24,475,143)**
Loss before income tax expense		**(3,334,001)**	**(16,730,709)**
Income tax benefit	7	-	-
Loss after income tax for the year		**(3,334,001)**	**(16,730,709)**
Other Comprehensive Loss for the year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		(71,014)	(474)
Other Comprehensive income for the period, net of tax		(71,014)	(474)
Total Comprehensive Loss for the year attributed to members of Botanix Pharmaceuticals Limited		**(3,405,015)**	**(16,731,183)**
Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited			
Basic loss per share (cents)	17	**(0.34)**	(1.79)
Diluted loss per share (cents)	17	**(0.34)**	(1.79)

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 2021

	Note	2021 $	2020 $
ASSETS			
Current Assets			
Cash & cash equivalents	8	21,554,906	24,645,185
Trade and other receivables	9	45,387	130,644
Prepayments		9,921	1,470
Total Current Assets		**21,610,214**	**24,777,299**
Non-current Assets			
Plant and equipment	10	76,392	92,325
Right-of-use asset	3	201,243	352,718
Other financial assets		62,371	88,730
Total Non-current Assets		**340,006**	**533,773**
Total Assets		**21,950,220**	**25,311,072**
LIABILITIES			
Current Liabilities			
Trade and other payables	11(A)	804,881	1,176,942
Lease liabilities	5	147,146	124,328
Provisions	11(B)	85,891	76,748
Total Current Liabilities		**1,037,918**	**1,378,018**
Non-Current Liabilities			
Lease liabilities	5	112,172	296,296
Total Non-Current Liabilities		**112,172**	**296,296**
Total Liabilities		**1,150,090**	**1,674,314**
Net Assets		**20,800,130**	**23,636,758**
EQUITY			
Contributed equity	12	71,475,764	71,414,355
Reserves	13	4,004,590	3,497,612
Foreign currency translation reserve	13	(83,015)	(12,001)
Accumulated losses	13	(54,597,209)	(51,263,208)
Total Equity		**20,800,130**	**23,636,758**

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 2021

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 1 July 2020		**71,414,355**	**(51,263,208)**	**3,497,612**	**(12,001)**	**23,636,758**
Total comprehensive loss for the year						
Loss for the year		-	(3,334,001)	-	-	(3,334,001)
Total other comprehensive loss		-	-	-	(71,014)	(71,014)
Total comprehensive loss for the year		-	(3,334,001)	-	(71,014)	(3,405,015)
Transaction with equity holders:						
Ordinary shares issued net of costs	12	61,409	-	(61,409)	-	-
Share based payments	13	-	-	568,387	-	568,387
Balance at 30 June 2021		**71,475,764**	**(54,597,209)**	**4,004,590**	**(83,015)**	**20,800,130**

	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 loss		-	-	-	(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**

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 2021

	Note	2021	2020
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		103,788	180,578
Cashflow boost received		10,250	-
R&D tax concession received		6,876,948	7,563,856
Payments to suppliers and employees		(9,903,068)	(25,052,038)
Finance costs		(55,941)	(50,982)
Net cash used in operating activities	18	**(2,968,023)**	**(17,358,586)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(8,281)	(90,051)
Payment for security deposit – Lease US		-	(61,140)
Net cash used in investing activities		**(8,281)**	**(151,191)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Proceeds from issue of shares & other equity securities	12	-	40,489,795
Capital raising costs		-	(3,158,734)
Repayment of lease liability		(125,502)	(23,079)
Net cash (used in)/provided by financing activities		**(125,502)**	**37,307,982**
Net (decrease)/increase in cash held		(3,101,806)	19,798,205
Cash and cash equivalents at beginning of financial year		24,645,185	4,704,457
Foreign exchange adjustment		11,527	142,523
Cash and cash equivalents at end of financial year	8	**21,554,906**	**24,645,185**

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 2021 comprises the Company and its subsidiary (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.

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.

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 subsidiary continue to be impaired as of 30 June 2021 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

	2021 Premises $	2020 Premises $
Cost	431,899	431,899
Accumulated depreciation	(211,953)	(90,392)
Foreign exchange adjustment	(18,703)	11,211
Carrying value as at 30 June	201,243	352,718

Reconciliation

	2021 Premises $	2020 Premises $
Opening Balance	352,718	-
Additions	-	431,899
Depreciation expense	(121,561)	(90,392)
Foreign exchange adjustment	(29,914)	11,211
Closing Balance	201,243	352,718

Accounting policy

As at 30 June 2021, 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4: REVENUE AND OTHER INCOME

	2021 $	2020 $
Interest	103,788	170,578
Cashflow boost	10,250	10,000
	114,038	**180,578**
Research and development incentive scheme	6,876,948	7,563,856
Total revenue and other income	**6,990,986**	**7,744,434**

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

	2021 Premises $	2020 Premises $
Current Liabilities	147,146	124,328
Non-Current Liabilities	112,172	296,296
Closing balance as at 30 June	259,318	420,624

Reconciliation

	2021 Premises $	2020 Premises $
Opening Balance	420,624	-
Additions	-	431,899
Payments made – principal and interest	(170,507)	(64,652)
Finance Expenses	45,005	41,573
Foreign exchange adjustment	(35,804)	11,804
Closing Balance	259,318	420,624

NOTE 6: EXPENSES

Loss before Income Tax includes the following specific expenses:

	2021 $	2020 $
Corporate advisors	235,189	216,345
Corporate investor advisory	117,663	367,316
Other professional fees	419,764	621,124
Finance expenses	55,941	50,982
Employee Expenses	1,675,119	5,923,671
Research and development	6,571,399	13,698,993
Share based payments	568,387	2,328,231
Other expenses	681,525	780,821

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: INCOME TAX

	2021	2020
(a) Income tax expense	**$**	**$**
Current tax expense	-	-
Income tax expense	-	-
	-	-

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

Loss before tax	(3,334,001)	(16,730,708)
Tax at the statutory rate of 30% (2020: 30%)	(1,000,200)	(5,019,213)
Tax effect of:		
Difference between Australian and US tax rates	103,536	238,842
Non-deductible expenses	2,505,598	4,740,295
Income not assessable	(2,063,084)	(2,266,157)
Effect of tax losses and tax offsets not recognised as deferred tax assets	454,150	2,306,233
Income tax benefit	-	-

(c) Movement in unrecognised deductible temporary differences

Tax losses	656,000	2,458,168
Other deferred amounts	(201,850)	(151,935)
	454,150	**2,306,233**

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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7: INCOME TAX (CONTINUED)

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.

NOTE 8: CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at bank	21,554,906	24,645,185
Total cash and cash equivalents [(1)]	21,554,906	24,645,185

[(1)] Cash and cash equivalents are subject to floating interest rates at an effective weighted average interest rate of 0.10% including non-interest bearing accounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 9: TRADE AND OTHER RECEIVABLES

Current:

	2021	2020
	$	$
Other receivables [(1)]	45,387	130,644
Total trade and other receivables (net of GST)	**45,387**	**130,644**

[(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

Trade and other receivables are recognised 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

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

	2021 $	2020 $
Opening balance	92,325	12,208
Acquisition of computer equipment	8,281	18,599
Acquisition of furniture	-	72,854
Less: deprecation	(16,425)	(11,894)
Less: adjustment for foreign exchange differences	(7,789)	558
	76,392	**92,325**

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

	2021 $	2020 $
Current:		
Trade payables [(1)]	652,091	1,009,791
Sundry payables & accrued expenses	152,790	167,151
	804,881	**1,176,942**

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

Accounting policy
Trade and other payables are 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

	2021 $	2020 $
Annual leave provision	85,891	76,748
	85,891	**76,748**

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

	2021 Number	2021 $	2020 Number	2020 $
Fully paid ordinary shares	**973,142,074**	**71,475,764**	**972,698,044**	**71,414,355**

(b) Movements in fully paid shares on issue	**Number**	**$**
Balance as at 1 July 2020	972,698,044	71,414,355
Exercise of options at $0.1060 expiring 5 December 2021	444,030	61,409
Balance as at 30 June 2021	**973,142,074**	**71,475,764**
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**

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12: CONTRIBUTED EQUITY (CONTINUED)

(c) Issued Options

	Number
Unlisted Options	**50,320,307**

(d) Movements in options on issue

Balance as at 1 July 2020	72,392,557
Add: Options issued	-
Less: Exercise of Options	(1,944,555)
Less: Expiry and cancellation of Options	(20,127,695)
Balance as at 30 June 2021	**50,320,307**

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

	2021 $	2020 $
Share based payments reserve	4,004,590	3,497,612
	4,004,590	**3,497,612**
Share based payments reserve		
Balance at beginning of year	3,497,612	1,269,358
Share based expense	568,387	2,328,231
Exercise of options under cashless exercise facility	(61,409)	(99,977)
Balance at end of year	**4,004,590**	**3,497,612**
Foreign currency translation reserve		
Balance at beginning of year	(12,001)	(11,527)
Effect for foreign currency translation during the year	(71,014)	(474)
Balance at end of year	**(83,015)**	**(12,001)**

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 effect of foreign currency translation of foreign subsidiary at year end

	2021 $	2020 $
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(51,263,208)	(34,532,499)
Net loss for the year – continuing operations	(3,334,001)	(16,730,709)
Balance at end of year	**(54,597,209)**	**(51,263,208)**

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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 2021

Description	2021 Number	Weighted Average Exercise Price	2020 Number	Weighted Average Exercise Price
Options				
Opening balance	**72,392,557**	(0.1155)	**47,470,235**	(0.1268)
Issued during the period for remuneration	-		66,839,667	(0.1260)
Exercised during the period	(1,944,555)	(0.107)	(11,006,315)	(0.0702)
Expired and cancelled during the period	(20,127,695)	(0.123)	(30,911,030)	(0.1200)
Balance at 30 June	**50,320,307**	(0.113)	**72,392,557**	(0.1155)

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

	2021 $	2020 $
Total Value of Share Based Payments expense	568,387	2,328,231

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14: SHARE BASED PAYMENTS (CONTINUED)

2021

No options were issued as compensation during the year.

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 2020 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 2020 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 2020 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 2020 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%

$568,387 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 2021 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 22 Subsidiaries**.**

(c) Loans Due to Subsidiaries

Loans between entities in the wholly owned Group are not interest bearing and 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:

	2021 $	2020 $
Short term employee benefits	1,200,844	2,887,151
Post-employment benefits	15,862	319,811
Share based payment	525,455	2,047,273
	1,742,161	**5,254,235**

(e) Other transactions with Key Management Personnel

There were no related party transactions in the year ended 30 June 2021.

(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:

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	21,554,906	24,645,185
Other receivables	45,387	130,644
Total financial assets	**21,600,293**	**24,775,829**
Financial liabilities		
Trade and other payables	804,881	1,176,942
Lease liability	259,318	420,624
Total financial liabilities	**1,064,199**	**1,597,566**

(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:

		2021		2020	
		%	$	%	$
Financial assets					
Cash[1]	Floating rate	0.11	19,600,000	0.96	22,835,009

(1) Excludes any non-interest bearing accounts.

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 $161,662 (2020: $184,839) 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 41 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 2021					
Financial liabilities	887,705	75,023	119,419	1,082,147	1,064,199

	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	88,180	334,937	1,659,180	1,597,566

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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) 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.

(ii) 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

	2021	2020
	$	$
Continuing operations		
Basic loss per share – cents	(0.34)	(1.79)
Diluted loss per share – cents	(0.34)	(1.79)
Loss used in the calculation of basic and diluted loss per share	(3,334,001)	(16,730,708)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	972,935,266	936,370,835
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	972,935,266	936,370,835

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

	2021 $	2020 $
Loss for the year	(3,334,001)	(16,730,709)
Adjustments for:		
Share based payments	568,387	2,328,231
Depreciation and amortisation	94,224	102,280
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	85,107	351,157
Increase/(Decrease) in trade, other payables and provisions	(381,740)	(3,409,545)
Net cash flows used in operations	**(2,968,023)**	**(17,358,586)**

NOTE 19: PARENT ENTITY DISCLOSURES

As at 30 June 2021, and throughout the year then ended, the parent company of the Group was Botanix Pharmaceuticals Limited.

Financial position

	2021 $	2020 $
Assets		
Current assets	21,426,265	24,321,097
Total assets	**21,426,265**	**24,321,097**
Liabilities		
Current liabilities	626,135	1,067,354
Total liabilities	**626,135**	**1,067,354**
Net Assets	**20,800,130**	**23,253,743**
Equity		
Issued capital	70,417,844	70,356,436
Accumulated losses	(53,622,305)	(50,600,305)
Reserves		
Share-based payments	4,004,591	3,497,612
Total Equity	**20,800,130**	**23,253,743**

Financial performance

	2021 $	2020 $
Loss for the period	(2,183,597)	(16,677,156)
Total comprehensive loss	(2,183,597)	(16,677,630)

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 2021, 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

	2021 $	2020 $
Amounts payable to auditor		
Audit and review services - payable to BDO Audit (WA) Pty Ltd	37,944	35,000
Advisory services – payable to BDO Advisory (WA) Pty Ltd	-	2,000
	37,944	**37,000**

NOTE 22: SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2021 %	Equity Holding 2020 %
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

NOTE 23: EVENTS OCCURRING AFTER THE REPORTING PERIOD

There are no 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 2021 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 2021.

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 2021 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.

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 25: OTHER ACCOUNTING POLICIES (CONTINUED)

(d) New accounting standards and interpretations

In the year ended 30 June 2021, 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 2021. 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 22 to 49, 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 2021 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 2021.

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

On behalf of the Board



Vincent Ippolito
Executive Chairman
26 August 2021

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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 subsidiary (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, 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 2021 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 Limited recognised a share based payment expense in relation to share options granted to eligible executives, directors, consultants and employees in previous financial periods. The Group performed calculations to record the continued vesting of the related share based payment expense in accordance with AASB 2 *Share Based Payment* in the consolidated statement of profit or loss and other comprehensive income. The Group also recognised a reversal of share based payment expense in relation to options that lapsed in the current year, as the underlying service condition was not satisfied. Due to the complex judgements and estimates used in determining the valuation of the share based payments and the appropriate vesting expense, we consider the Group's calculation of the share based payment expense and associated disclosures to be a key audit matter.	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; • 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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

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 9 to 19 of the directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Botanix Pharmaceuticals Ltd, for the year ended 30 June 2021, 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, 26 August 2021

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BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Botanix Pharmaceuticals Limited ("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 4th 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 25 August 2021.

PRINCIPLE 1: LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

ASX Recommendation 1.1: A listed entity should have and disclose a board charter setting out:

- **(a) the respective roles and responsibilities of its board and management; and**
- **(b) those matters expressly reserved to the board and those delegated to management**

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

ASX Recommendation 1.2: A listed entity should:

- **(a) undertake appropriate checks before appointing a director or senior executive or putting someone forward for election as a director; and**
- **(b) provide security holders with all material information in its possession 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 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 has in place written agreements with each Director and senior executive.

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 Board Charter provides for the Company Secretary to be accountable directly to the Board through the Chair.

ASX Recommendation 1.5: A listed entity should:

- **(a) have and disclose a diversity policy;**
- **(b) through its board or a committee of the board set measurable objectives for achieving gender diversity in the composition of its board, senior executives and workforce generally; and**
- **(c) disclose in relation to each reporting period:**

CORPORATE GOVERNANCE STATEMENT

(1) **the measurable objectives set for that period to achieve gender diversity;**
(2) **the entity's progress towards achieving those objectives; and**
(3) **either:**
  (A) **the respective proportions of men and women on the board, in senior executive positions and across the whole workforce (including how the entity has defined "senior executive" for these purposes); or**
  (B) **if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under that Act.3.**

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 Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not practical. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The Group currently has no female board members (2020: Nil), no female senior executives (2020: Nil). The Company has 1 female employee representing 17% of the total number of employees including Directors.

ASX Recommendation 1.6: A listed entity should:

(a) **have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and**
(b) **disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The Board reviews its performance annually, as well as the performance of individual committees and individual Directors (including the performance of the Chair as Chair of the Board). The review includes the performance of executive Directors.

A performance review was undertaken during the reporting period.

ASX Recommendation 1.7: A listed entity should:

(a) **have and disclose a process for evaluating the performance of its senior executives at least once every reporting period; and**
(b) **disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.**

The performance of executive Directors 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 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 which may be set for senior executives either collectively or on an individual basis.

Performance reviews were undertaken during the reporting period on the above basis.

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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

(a) have a nomination committee which:

(1) has at least three members, a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(1) the charter of the committee;

(2) the members of the committee; and

(3) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a nomination committee, disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

Due to the size and nature of the existing Board and the magnitude of the Company's operations, the Company does not currently have a Nomination Committee. The full Board considers Board composition and identifies and assesses candidates to fill any casual vacancy which may arise from time to time. The Board considers that at this stage no efficiencies or other benefits would be gained by establishing a separate nomination committee.

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 in with specialist knowledge to address areas where this is an attribute deficiency in the Board.

ASX Recommendation 2.3: A listed entity should disclose:

(a) the names of the directors considered by the board to be independent directors;

(b) if a director has an interest, position or relationship of the type described in Box 2.3 (Factors relevant to assessing the independence of a director) but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest, position or relationship in question and an explanation of why the board is of that opinion; and

(c) the length of service of each director.

Dr Stewart Washer is considered to be an independent Director.

Mr Vincent Ippolito, Mr Mathew Callahan and Dr William Bosch are executive Directors and are not considered independent Directors as they are employed in an executive capacity.

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

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CORPORATE GOVERNANCE STATEMENT

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.

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.

Mr Vincent Ippolito is the Executive Chairman.

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 for periodically reviewing whether there is a need for existing directors to undertake professional development to maintain the skills and knowledge needed to perform their role as directors effectively.
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 executives 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 articulate and disclose its values.
The Board has approved a statement of values and charges the Directors with the responsibility of inculcating those values across the Company.

A copy of the Company's statement of values is available on the Company's website www.botanixpharma.com.

ASX Recommendation 3.2: A listed entity should:

- **(a) have and disclose a code of conduct for its directors, senior executives and employees; and**
- **(b) ensure that the board or a committee of the board is informed of any material breaches of that 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 executives and employees.

The Code of Conduct contains a procedure tor reporting material breaches of the code.

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CORPORATE GOVERNANCE STATEMENT

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.

ASX Recommendation 3.3: A listed entity should:

(a) **have and disclose a whistleblower policy; and**

(b) **ensure that the board or a committee of the board is informed of any material incidents reported under that policy.**

The Board has adopted a Whistleblower Protection Policy to ensure concerns regarding unacceptable conduct including breaches of the Company's Code of Conduct can be raised on a confidential basis, without fear of reprisal, dismissal or discriminatory treatment. The purpose of this policy is to promote responsible whistle blowing about issues where the interests of others, including the public, or of the organisation itself are at risk.

The policy contains a procedure for reporting material breaches of the policy.

A copy of the Company's Whistleblower Protection Policy is available on the Company's website, www.botanixpharma.com.

ASX Recommendation 3.4: A listed entity should:

(a) **have and disclose an anti-bribery and corruption policy; and**

(b) **ensure that the board or a committee of the board is informed of any material breaches of that policy.**

The Board has adopted an Anti-Bribery and Anti-Corruption Policy for the purpose of setting out the responsibilities in observing and upholding the Company's position on bribery and corruption and providing information and guidance to those working for the Company on how to recognise and deal with bribery and corruption issues.

The policy contains a procedure tor reporting material breaches of the policy.

A copy of the Company's Anti-Bribery and Anti-Corruption Policy is available on the Company's website, www.botanixpharma.com .

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

ASX Recommendation 4.1: The Board of a listed entity should:

(a) **have an audit committee which:**

(1) **has at least three members, all of whom are non-executive Directors and a majority of whom are independent directors; and**

(2) **is chaired by an independent director, who is not the chair of the board,**

and disclose:

(1) **the charter of the committee;**

(2) **the relevant qualifications and experience of the members of the committee; and**

(3) **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) **if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner**

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CORPORATE GOVERNANCE STATEMENT

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity that a separate Audit Committee required.

The full Board carries out the duties that would ordinarily be assigned to the Audit Committee.

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 (or equivalent) 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 the assurance required by ASX Recommendation 4.2 in respect of the financial statements for the half year ended 31 December 2020 and the full year ended 30 June 2021. The Board has formed the view that, given the size and nature of the business of the Company, such a process is not required in relation to the Company's quarterly cash flow reports.

ASX Recommendation 4.3: A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor
Periodic corporate reports that are not audited or reviewed by the auditor, are circulated to members of the Board at the discretion of the President/Executive Chairman prior to release for comment. Board members may provide the President/Executive Chairman (or in his absence, the Company Secretary) with verbal or written contribution into each announcement circulated, prior to its release.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

ASX Recommendation 5.1: A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under ASX Listing Rule 3.1.
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.

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.

Information in relation to the Company's continuous disclosure requirements is set out in the Company's Continuous Disclosure Policy available at www.botanixpharma.com.

ASX Recommendation 5.2: A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.
The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. When the confirmation of a release is received from the ASX the Company Secretary promptly forwards a copy to the Board.

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CORPORATE GOVERNANCE STATEMENT

ASX Recommendation 5.3: A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.
The Board has appointed the Company Secretary as the person responsible for communicating with ASX and overseeing and coordinating the timely disclosure of information to ASX. The Company Secretary releases any new and substantive presentation to the ASX Market Announcements Platform ahead of the presentation, a copy of which is available on the Company's website, www.botanixpharma.com when released.

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, half year and quarterly reports 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 Company's website.

ASX Recommendation 6.2: A listed entity should have an investor relations program that facilitates effective two-way communication with investors.
The Company's President/Executive Chairman and another of its executive Directors 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 the 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 electronic mailing list.

ASX Recommendation 6.3: A listed entity should disclose how it facilitates and encourages 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 ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.
The Company will conduct a poll at meetings of security holders to decide each resolution.

ASX Recommendation 6.5: 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 electronic 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 7.1: The Board of a listed entity should

(a) **have a committee or committees to oversee risk, each of which:**
   (1) **has at least three members, all of whom are non-executive Directors and a majority of whom are independent directors; and**
   (2) **is chaired by an independent director, who is not the chair of the board, and disclose:**
   (1) **the charter of the committee;**
   (2) **the relevant qualifications and experience of the members of the committee; and**
   (3) **in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or**

(b) **if it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.**

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:

(a) **review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the board; and**

(b) **disclose, in relation to each reporting period, whether such a review has taken place.**

A review of the Company's Risk Management Framework and Policy was carried out by the Board during the reporting period to satisfy itself that it continues to be sound and applicable to the Company's activities.

ASX Recommendation 7.3: A listed entity should disclose:

(a) **if it has an internal audit function, how the function is structured and what role**

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it performs; or

(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, 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 environmental and social risks and if it does, how it manages or intends to manage those risks.

The Company identifies and manages material exposure to environmental and social risks in a manner consistent with its Risk Management Framework and Policy.

Environmental: While the Board currently considers that the Company does not have any material exposure to environmental risk it is committed to carrying out its activities in a way that provides a safe and healthy workplace, protects the environment and conserves energy and natural resources.

Social: The Board recognises that a failure to manage community and stakeholder expectations may lead to disruption to the Company's operations. The Company's 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 employees, clients and stakeholders.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBILY

ASX Recommendation 8.1: The Board of a listed entity should

(a) have a remunerate committee which:

(1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and

(2) is chaired by an independent director,

and disclose:

(1) the charter of the committee;

(2) the members of the committee; and

(3) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or

(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Board as a whole performs the function of a remuneration committee which includes setting the Company's remuneration structure, determining eligibilities to incentive schemes, assessing performance and remuneration of senior management and determining the remuneration and incentives of the Board.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity requiring the operation of a separate remuneration committee.

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CORPORATE GOVERNANCE STATEMENT

The Board may obtain external advice from independent consultants in determining the Company's remuneration practices, including remuneration levels, where considered appropriate.

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, 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 under the Company's Employee Securities Incentive Plan.

ASX Recommendation 8.3: A listed entity which has an equity-based remuneration scheme should:

(a) **have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme; and**

(b) **disclose that policy or a summary of it.**

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 limits 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 24 August 2021

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 973,142,074 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>	52,573,784	5.40%
3	Citicorp Nominees Pty Limited	22,275,914	2.29%
4	Dr Henry William Bosch	16,000,000	1.64%
5	HSBC Custody Nominees (Australia) Limited	14,245,448	1.46%
6	BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient Drp>	10,137,934	1.04%
7	Zero Nominees Pty Ltd	10,000,000	1.03%
8	Zenith Pacific Limited	9,000,000	0.92%
8	Moffatt Investments Pty Ltd <Matthew Moffatt Family A/C>	9,000,000	0.92%
9	Mr Joshua Leigh Sweetman & Mrs Caroline Sweetman <Lackacash Family A/C>	8,527,939	0.88%
10	Zanya Nominees Pty Ltd <JLS Superannuation A/C>	8,284,545	0.85%
11	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	7,500,000	0.77%
12	Mr Stephane Nicolas Fayd'herbe <Fayd'herbe Family A/C>	7,113,141	0.73%
13	Netwealth Investments Limited <Wrap Services A/C>	7,045,064	0.72%
14	Splendid Stuff Pty Ltd	6,242,156	0.64%
15	J & N Weston Investments Pty Ltd <Weston Super Fund A/C>	5,400,000	0.55%
16	J P Morgan Nominees Australia Pty Limited	5,287,302	0.54%
17	Alpha Matilda Trading Pty Ltd <Alpha Matilda Superfund A/C>	4,901,008	0.50%
18	Dr John Clifford Philpott	4,835,000	0.50%
19	Rollo Corp Property Holdings Pty Ltd <Rollo Corp Property A/C>	4,550,000	0.47%
20	T T Nicholls Pty Ltd <Tt Nicholls P/L S/F A/C>	4,536,009	0.47%
	Total	**288,193,551**	**29.61%**

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ASX ADDITIONAL INFORMATION (CONTINUED)

2. COMBINED DISTRIBUTION

Shares Range	No. of Holders	No. of Shares
1 – 1,000	146	23,904
1,001 – 5,000	1,345	5,012,335
5,001 – 10,000	1,657	13,343,246
10,001 – 100,000	3,934	148,835,078
100,001 and over	1,258	805,927,511
	8,340	**973,142,074**
Number holding less than a marketable parcel at $0.078 per share	1,863	7,180,187

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 21 Feb 2022	Unlisted options At $0.115 Expiring 20 May 2023	Unlisted options At $0.251 Expiring 18 Jul 2023
Over 100,001	3	1	1	1
Total Holders	**3**	**1**	**1**	**1**
Number of Options	**1,166,668**	**4,000,000**	**3,000,000**	**12,000,000**

Options Range and number of holders

	Unlisted options At $0.0551 Expiring 30 June 2022
Over 100,001	4
Total Holders	**4**
Number of Options	**30,153,639**

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ASX ADDITIONAL INFORMATION (CONTINUED)

1. VOLUNTARY ESCROW

There are currently no holders with shares in voluntary escrow.

2. 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

3. ON-MARKET BUY BACK

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

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