ACN 009 109 755

ANNUAL REPORT

for the year ended 30 June 2022

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

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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

Mr Danny Sharp
Non-executive Director

Company Secretary
Mr Simon Robertson

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NAB
100 St Georges Terrace
PERTH WA 6000

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 entities it controlled during the period for the financial year ended 30 June 2022, 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. Mr 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.

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 Bill Bosch is an accomplished pharmaceutical executive with more than 30 years of experience and industry leadership in pharmaceutical R&D. Dr. Bosch served as CSO of iCeutica where he was the principal architect of SoluMatrix™ drug delivery technology, used in four FDA-approved prescription drug products. Earlier in his career Dr. Bosch was a pioneer in the application of nanotechnology to pharmaceutical product development. He served as a co-founder of NanoSystems LLC in 1995 and co-inventor of NanoCrystal® Technology, leading to the successful development and FDA approval of seven prescription drug products for a variety of indications and routes of administration.

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 Limited (appointed 7 April 2014)
Cynata Therapeutics Limited (appointed 28 February 2017)
Emyria Limited (appointed 19 March 2018)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS
Zelira Therapeutics Limited (appointed 17 November 2016, resigned 2 December 2019)

DIRECTORS' REPORT (CONTINUED)

Mr Danny Sharp
Non-executive Director – (appointed 22 March 2022)

Mr Sharp is an investment banker with more than 30 years' experience in capital markets globally, advising the boards of technology and healthcare-based organisations. He also has a significant network of institutional and private wealth investors globally. Mr Sharp is an immediate past Corporate Finance Executive Director of Canaccord Genuity and has previously spearheaded the Corporate Finance departments at both Shaw and Partners and Lodge Partners.

He is currently a Non-Executive Director of health informatics company Alcidion Group Ltd (ASX: ALC) and on the Investment Committee of the Baker Heart and Diabetes Institute Foundation. He holds a Bachelor of Economics and Law and is a CFA Charter Holder.

OTHER CURRENT DIRECTORSHIPS OF LISTED COMPANIES

Alcidion Group Ltd (Appointed 1 September 2021)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Nil

COMPANY SECRETARY

Mr Simon Robertson – B.Bus, M Appl. Fin, CA
Company Secretary (appointed 17 February 2017)

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

PRINCIPAL ACTIVITIES

Botanix is a dermatology company based in Philadelphia and Phoenix (USA) which is committed to the development of pharmaceutical products that are underpinned by science and supported by well-controlled randomised clinical trials. The Company has a mature dermatology pipeline with its first product, Sofpironium Bromide for the treatment of primary axillary hyperhidrosis planned to be filed for FDA in 3Q CY2022, and a series of other products in late-stage clinical studies for the treatment of rosacea, dermatitis and acne. Botanix is also developing a topical antimicrobial product for the eradication of bacteria, initially in patients undergoing hemodialysis.

Botanix leverages its proprietary drug delivery system (Permetrex™) for direct skin delivery of active pharmaceuticals in all skin diseases, which is utilised in its existing development programs and is being explored with a view to being utilized in a number of other product opportunities. To learn more please visit: http://www.botanixpharma.com/

Sofpironium Bromide gel 15% (Sofpironium Bromide), the first and only new chemical entity developed to treat "primary axillary hyperhidrosis" – a medical condition which results in excessive underarm

DIRECTORS' REPORT (CONTINUED)

sweating. Prior to acquisition Sofpironium Bromide achieved statistical significance in all primary and secondary endpoints and was found to have a favourable safety profile in Phase 3 pivotal studies and in a 48-week safety study.

Botanix plans to submit a New Drug Approval (NDA) for Sofpironium Bromide in the 2H 2022 with an FDA anticipated approval in 2H 2023 (assuming a 12-month review process).

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.

The Group has generated a comprehensive loss after tax for the year ended 30 June 2022 of $12,982,549 (30 June 2021: $3,405,015). The net loss is attributable primarily to the expenditure in relation to advancing our clinical research and development activities and costs incurred on Sofpironium Bromide post acquisition. The Group had a net working capital surplus of $4,615,560 at 30 June 2022 (30 June 2021: $20,572,296) and experienced net cash outflows from operating activities for the year of $11,184,056 (30 June 2021: $2,968,023).

At 30 June 2022 the Group had a cash balance of $7,285,653 (30 June 2021: $21,554,906).

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

The 12 months reporting period ending on 30 June 2022 (FY22) has been a transformative period for the company with the acquisition of the late-stage dermatology asset, Sofpironium Bromide gel 15% ("Sofpironium Bromide"). Positive data from pivotal phase 3 clinical studies have been incorporated in a New Drug Application (NDA) which is being readied this quarter to be submitted to the FDA for approval in the United States. This acquisition transitions Botanix from being an early stage drug development company, reliant on the success of multiple clinical studies being conducted on its pipeline, to a commercial stage company preparing to launch its first dermatology product and to generate revenue. From a risk and value perspective, the Directors believe this positions the company for significant growth and value inflection over the coming 12-14 months as FDA approval is pursued and commercialisation of Sofpironium Bromide begins.

During the reporting period, Botanix also has continued to progress its pipeline of dermatology products, focused on the treatment of serious skin diseases and new solutions for bacterial infections.

DIRECTORS' REPORT (CONTINUED)

Botanix's dermatology pipeline is well advanced, with rosacea (BTX 1702) Phase 1/2 clinical study and the canine dermatitis pilot study (BTX 1204A) fully enrolled and on target for completion in Q3 2022. The Company's antimicrobial platform has also made significant progress, with the submission of ethics approval for the planned Phase 2 study and the successful receipt of Qualified Infectious Disease Product (QIDP) designation from the FDA which potentially provides an extra 5 years of regulatory exclusivity on approval to BTX1801 and enables much smaller and more focused clinical trials to be conducted for FDA approval.

Sofprionium Bromide New Drug Approval (NDA) filing with FDA for 3Q CY 2022

Botanix's lead asset is Sofpironium Bromide, a topically applied gel for the treatment of primary axillary hyperhidrosis (a medical condition which causes excessive underarm sweating). Phase 3 clinical studies have been completed where primary and secondary efficacy endpoints were achieved with a high degree of statistical significance. The company is in the final stages of preparing a New Drug Application (NDA) which is expected to be submitted to the FDA in 3Q CY2022.

Statistically significant data and successful studies

In May 2022, Botanix acquired the rights for a novel product called Sofpironium Bromide, the first and only chemical entity developed to treat excessive underarm sweating ("primary axillary hyperhidrosis").

Sofpironium Bromide is formulated into a gel that blocks sweating at the point of application, by binding to the receptor and thereby blocking the sweat signal. It is delivered to the underarms using a patented applicator similar to a roll on commonly used in antiperspirants, that allows the patient to avoid direct contact with the drug on their hands. The drug is designed to be hydrolized by the body as it passes through into the blood stream (rather than traveling around the body and affecting other organs), which helps to minimise the side effects of the drug compared to other compounds in the class.

Positive results from Phase 3 clinical studies have been completed with approximately 85% of patients using the gel experiencing a clinically meaningful improvement in their condition. More than 700 patients were enrolled in the two Phase 3 studies and approximately 300 patients participated in a separate 48-week safety study of Sofpironium Bromide. There were no treatment related serious adverse events in any of the studies and adverse events were transient and mild to moderate in nature. Based on these studies, the Company believes that Sofpironium Bromide has the potential to be the best in class treatment for axillary hyperhidrosis, as existing therapies are less than ideal, either because of the lack of efficacy, an unfavourable side effect profile, the risk of drug exposure, or pain from invasive injection procedures or severing of the nerves through surgery.

De-risked asset and large market opportunity

Sofpironium Bromide is a de-risked asset as the drug has already been approved in Japan by the Japanese equivalent of the FDA and was recently launched by Botanix's partner Kaken Pharmaceutical Co., Ltd- (Ecclock® Sofpironium Bromide 5%). Kaken's most recent reported quarterly sales show a significant increase in prescriptions and revenue quarter on quarter, and provide a significant indication of the unmet need for new treatments for hyperhidrosis and the potential for the products commercialisation in the US and other international markets.

DIRECTORS' REPORT (CONTINUED)

In the US alone, there are approximately 7.3 million subjects who suffer from severe primary axillary hyperhidrosis which is the patient population in which the successful Phase 3 studies were conducted. Of those subjects, approximately 3.7 million subjects are actively seeking treatment. Even assuming a modest 1% penetration of this population at the current price of competitive treatments (ie approximately US$7,200 per annum), this provides a market opportunity of more than US$280 million per annum for Sofpironium Bromide.[1]

Filing for FDA approval

Botanix is currently working to complete the final parts of the NDA submission which is now expected to be submitted to the FDA in 3Q CY2022 (having accelerated that submission from 2H CY 2022), with an anticipated approval in 2023 (assuming the usual 12-month review process).

Pipeline Clinical Development

The Company's product pipeline also includes Phase 1b and 2 dermatology and antimicrobial programs which leverage the Company's novel skin delivery technology (Permetrex™), along with the unique anti-inflammatory and antimicrobial properties of synthetic cannabidiol (CBD).

BTX 1702: Phase 2 study for Papulopustular Rosacea

Recently, Botanix announced that the rosacea (BTX 1702) Phase 1/2 clinical study is now fully enrolled and on track for completion in Q3 CY2022. The study is investigating the safety and tolerability of two different concentrations of BTX 1702 against a vehicle (placebo) in 120 adults over an eight-week treatment period at 16 dermatology sites across Australia and New Zealand. The study also aims to examine the change in inflammatory lesion counts from baseline at days 15, 29 and 57, the proportion of patients with Investigator's Global Assessment (IGA) treatment success, the change in Clinician's Erythema Assessment (CEA) scale as well as a number of other imaging and patient reported outcomes.

The study has been designed to enable increased data capture and to provide additional insights to support Botanix's broader dermatology platform. This includes use of advanced Canfield imaging technology in all sites to support clinical assessment and improve patient tracking, as well as centralised review of each clinical investigator's ratings for patient inclusion and some endpoint assessments. This study is strategically important for the Company's wider clinical development as it will provide some endpoint assessments for quality control and consistency. Data readout will follow the completion of the study in 3Q CY2022.

BTX 1204A: Canine atopic dermatitis

Botanix also announced on 7 July 2022 that the canine dermatitis (BTX 1204A) pilot study is now fully enrolled and on track for completion in Q3 CY2022.

[1] Source. 1.Reports and Data, "Hyperhidrosis Treatment Market By Treatment Type, By Disease Type, By End-User, By Regional Outlook, and Segment Forecasts, 2022.

DIRECTORS' REPORT (CONTINUED)

Following promising data from a pilot study in canines completed in CY2021 over a 28-day period, Botanix launched its larger BTX 1204A proof of concept study in late 2021, with receipt of ethics approval and the initiation of sites across Australia and New Zealand.

Given the similarity in disease between humans and canines, further positive outcomes of this study will support progress towards a late-stage Phase 2b clinical study in humans. Additionally, successful results have the potential to broaden licensing and partnering opportunities in the canine dermatitis application, facilitating product development and commercialisation.

BTX 1801 for bacterial infections

In April 2022, Botanix announced that the United States Food and Drug Administration (FDA) Office of Antimicrobial Products has granted Qualified Infectious Disease Product (QIDP) status for the Botanix novel cannabidiol antibacterial product, BTX 1801.

Previously the FDA had granted QIDP designation for BTX 1801 specifically for the prevention of post-surgical infections. This new status covers the usage of BTX 1801 for the "reduction of risk of S. aureus bloodstream infections in colonised patients on central venous catheter-dependent hemodialysis" and is the first designation ever granted for nasal decolonisation agent for patients suffering from hemodialysis.

On top of the standard regulatory exclusivity that comes with FDA approval of a New Drug Application (NDA), the most significant incentive afforded to products with QIDP status is an additional 5 years of regulatory exclusivity, and during this period generics must not enter the market.

During FY2022, Botanix presented at the 32nd European Congress of Clinical Microbiology and Infectious Diseases (ECCMID), which took place in in Lisbon, Portugal on 23–26 April 2022. This prestigious event is attended by renowned experts from across the globe in the areas of infectious diseases, infection control and clinical microbiology providing widespread exposure and significant potential future commercial opportunities for the Company's pioneering products. The Company guaranteed two presentations, with the following topics 'The Antimicrobial profile of BTX-1801: a new synthetic cannabidiol active against Gram-positive bacteria associated with serious infections' and 'The Bactericidal activity of BTX 1801: a synthetic cannabidiol with potent activity versus Staphylococcus aureus' which were well received.

Botanix has submitted an application for ethics approval for the planned Phase 2 study and plans to initiate the study in 2H CY2022.

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' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN THE SHARES AND OPTIONS OF THE COMPANY

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

	Shares		Options	
Director	**Held Directly**	**Held Indirectly**	**Held Directly**	**Held Indirectly**
Mr Vincent Ippolito	5,286,493	-	12,000,000	3,000,000
Mr Matthew Callahan	-	70,738,307	-	-
Dr William Bosch	16,321,551	-	-	-
Dr Stewart Washer	-	321,511	-	5,000,000(1)
Mr Danny Sharp	-	-	5,000,000	-
Total	**21,608,044**	**71,059,858**	**17,000,000**	**8,000,000**

[1] Options to be issued subject to shareholder approval with an exercise price of $0.102 expiring 3 years from the date of issue.

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
Mr Danny Sharp (appointed 22 March 2022)	3	3

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 12 September 2022 the Company Issued 106,080,609 shares and 53,030,464 attaching options with an exercise price of $0.09 and expiring 18 months from their date of issue to new and existing institutional and sophisticated investors in a placement of 113,636,364 fully paid ordinary shares ("New Shares") at A$0.066 per new share to raise up to $7.5m in gross proceeds in an oversubscribed placement ("Placement"). Subject to shareholder approval Directors have agreed to subscribe for 1,515,151 shares each in the Placement (total 7,575,757 New Shares). Directors will not be issued attaching options.

On 7 July 2022 the Company issued 6,091,310 ordinary shares on the exercise of 30,153,639 options exercised prior to the end of the year. The options were exercised utilising the cashless exercise facility in the Employee Securities Incentive Plan.

Subsequent to the end of the year the Company secured and drew down a $1.85m drawdown facility provided by Radium Capital secured against its expected R&D refund.

Other than the matters above 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.

DIRECTORS' REPORT (CONTINUED)

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 2022 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 $202,800 excluding GST (2021: $175,000) 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 2022. 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 2022

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
Mr Danny Sharp	Non-executive Director (appointed 22 March 2022)
Mr Howard McKibbon	Chief Commercial Officer (appointed 1 April 2022)

Remuneration Policy

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

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

Remuneration Governance

DIRECTORS' REPORT (CONTINUED)

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. Certain Directors are eligible to receive a bonus based on meeting objectives related to clinical studies advancement and completion, investor relations and business development activities and corporate strategy and development. The outcome of these milestones and payment of bonuses is at the complete discretion of the Board.

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.

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.

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

	2018	2019	2020	2021	2022
(Loss) for the year attributable to owners	($11,005,545)	($17,076,073)	($16,731,183)	($3,405,015)	($12,982,549)
Basic earnings per share (cents)	(2.26)	(2.24)	(1.79)	(0.34)	(1.35)
Share price	$0.11	$0.18	$0.04	$0.08	$0.06
Total KMP incentives as a percentage of loss	23%	22%	46 %	41%	21%
Dividends paid	-	-	-	-	-

<u>Security based payment arrangements granted to date</u>

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.

DIRECTORS' REPORT (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

2022	**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	551,093	151,550[3]	17,362	(65,413)	13,139	41,299	709,030	27.2
Mr M. Callahan	347,959	-	-	-	-	-	347,959	-
Dr W. Bosch	203,537	-	-	-	-	-	203,537	-
Dr S. Washer	55,000	-	-	-	5,477	69,048	129,525	53.3
Mr D Sharp[1]	17,604	-	-	-	-	32,061	49,665	64.6
Executive								
Mr H. McKibbon[2]	125,718	-	10,247	9,671	3,771	57,999	207,406	28.0
Total	1,300,911	151,550	27,609	(55,742)	22,387	200,407	1,647,122	

[1] Appointed 22 March 2022

[2]Appointed 1 April 2022. Remuneration is from the point of employment and determination that Mr McKibbon met the definition of a KMP, with any transactions prior to this excluded

[3]Represents on target achievement of bonus (100%) based on meeting objectives related to clinical studies advancement and completion, investor relations and business development activities and corporate strategy and development.

DIRECTORS' REPORT (CONTINUED)

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)

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 2022 is as follows:

	Held at 1 July 2021	Other Movements during the year	Held at 30 June 2022
Directors			
Mr V Ippolito[1]	-	-	-
Mr M Callahan	70,738,307	-	70,738,307
Dr W Bosch [2]	16,000,000	-	16,000,000
Dr S Washer[2]	-	-	-
Mr D Sharp	-	-	-
Mr Howard McKibbon	-	-	-
Total	**86,738,307**	**-**	**86,738,307**

[1] On 7 July 2022 Mr Ippolito was issued 5,286,493 shares on the exercise of 17,994,914 options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan

[2] On 7 July 2022 Dr Bosch and Dr Washer were each issued 321,551 shares on the exercise of 4,863,490 options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan

DIRECTORS' REPORT (CONTINUED)

Option holdings of Key Management Personnel

The movement in the number of options of Botanix Pharmaceuticals Limited held, directly, indirectly or beneficially, by each Director and Key Management Personnel, including their personally-related entities for the year ended 30 June 2022 is as follows:

Name and Grant date	Held at 01-Jul-21	Granted as Compensation	Options Exercised	Options Lapsed	Options Expired or Cancelled	Held at 30-Jun-2022	Vested and Exercisable	Unvested
Directors								
Mr V Ippolito								
30/6/2020	17,994,914	-	-	-	-	17,994,914(1)	17,994,914	-
18/7/2019	12,000,000	-	-	-	-	12,000,000	12,000,000	-
20/5/2019	3,000,000	-	-	-	-	3,000,000	3,000,000	-
Dr W Bosch								
30/6/2020	4,863,490	-	-	-	-	4,863,490(1)	4,863,490	-
Dr S Washer								
30/6/2020	4,863,490	-	-	-	-	4,863,490(1)	4,863,490	-
21/2/2019	4,000,000	-	-	-	(4,000,000)	-	-	-
22/3/2022	-	5,000,000[2]	-	-	-	5,000,000	-	5,000,000
Mr D Sharp								
21/3/2022	-	5,000,000	-	-	-	5,000,000	-	5,000,000
Mr H McKibbon								
23/3/2022	500,000[3]	10,000,000	-	-	-	10,500,000	-	10,500,000
Total	**47,221,894**	**20,500,000**	**-**	**-**	**(4,000,000)**	**63,221,894**	**42,761,894**	**20,500,000**

DIRECTORS' REPORT (CONTINUED)

[1] Exercised prior to the end of the year. On 7 July 2022 Mr Ippolito was issued 5,286,493 shares and Dr Bosch and Dr Washer were each issued 321,551 shares on the exercise of the options utilising the cashless exercise facility in the Employee Securities Incentive Plan

[2] The company has agreed, subject to shareholder approval, to issue Dr Washer a total of 5,000,000 options with an exercise price of $0.102 expiring 3 years from the date of grant. At the date of agreement, the fair value per option was $0.031

[3] Held at time of determination that Mr McKibbon met the definition of a KMP

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 2022 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	27,721,894[1]	Vested on 15/4/2021	30/6/2022	$0.0551	$0.015	100%
18/7/2019	12,000,000	Progressively on quarterly basis over 3 years from issue based on continued service	18/7/2023	$0.251	$0.12622	100%
20/5/2019	3,000,000	Vested upon issue	20/5/2023	$0.1150	$0.06073	100%
22/3/2022	1,000,000	Vesting 10 business days prior to expiry date based on continued service	22/3/2023	$0.071	$0.027	0%
22/3/2022	4,000,000	Progressively over 3 years, 33.33% at each anniversary starting from 22/3/2022 based on continued service	22/3/2025	$0.094	$0.037	0%
22/3/2022	10,000,000	2,640,000 12 months from date of issue, 2,680,000 24 months from date of issue, 2,680,000 36 months from date of issue, 2,000,000 on attainment of milestones based on continued service	14/4/2025	$0.072	$0.037	0%
22/3/2022[2]	5,000,000	1,000,000 on issue, 2,000,000 12 months from date of issue, 2,000,000 months from date of issue based on continued service	3 years from date of grant	$0.102	$0.031	0%

[1] Exercised prior to the end of the year. On 7 July 2022 Mr Ippolito was issued 5,286,493 shares and Dr Bosch and Dr Washer were each issued 321,551 shares on the exercise of the options utilising the cashless exercise facility in the Employee Securities Incentive Plan.
[2] The company has agreed, subject to shareholder approval, to issue Mr Washer a total of 5,000,000 options with an exercise price of $0.102 expiring 3 years from the date of grant. At the date of agreement, the fair value per option was $0.031.

DIRECTORS' REPORT (CONTINUED)

10 million options (valued at $0.037 per option) were granted to Mr Howard McKibbon on 22 March 2022 (issued 14 April 2022) vesting as follows:

- 2,640,000 options vest after 12 months continued employment from issue date
- 2,680,000 options vest after 24 months continued employment from issue date
- 2,680,000 options vest after 36 months continued employment from issue date
- 666,666 options vest on the date of first launch in the USA of Sofpironium Bromide following FDA approval
- 666,666 options vest on the date of achieving cumulative sales revenue of USD50,000,000 of Sofpironium Bromide
- 666,667 options will vest on the date of closing the acquisition of a new FDA approved asset for launch by Botanix in late 2023

Unvested options will expire if Mr McKibbon ceases to be engaged by the Group.

The probability of achieving non market related vesting hurdles has been assessed as 100%.

$57,999 has been recorded as an expense in the 2022 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	10,000,000
Grant date share price	$0.071
Exercise price	$0.072
Expected volatility	80%
Option life	3 years
Dividend yield	Nil
Interest rate	1.88%

5 million options (valued at $0.03099 per option) were granted to Dr Stewart Washer on 22 March 2022, which remain unissued at reporting date and subject to shareholder approval. 1M options vest immediately and 2M options vest at both 12 and 24 months respectively from grant date.

$56,202 has been recorded as an expense in the 2022 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	5,000,000
Grant date share price	$0.071
Exercise price	$0.102
Expected volatility	80%
Option life	3 years
Dividend yield	Nil%
Interest rate	1.88%

1 million options (valued at $0.02718 per option) were granted to Director, Mr Danny Sharp on 22 March 2022 (issued 22 March 2022) vesting 10 business days prior to the expiry date being 22 March 2023. Unvested options will expire if Mr Sharp ceases to be engaged by the Group.

$7,372 has been recorded as an expense in the 2022 year for the issue of these options.

DIRECTORS' REPORT (CONTINUED)

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

	Unlisted options
Number of options in series	1,000,000
Grant date share price	$0.078
Exercise price	$0.071
Expected volatility	80%
Option life	1 year
Dividend yield	Nil
Interest rate	1.35%

4 million options (valued at $0.03741 per option) were granted to Director, Mr Danny Sharp on 22 March 2022 (issued 22 March 2022) vesting 33.33% at 12, 24 and 36 months respectively from issue date. Unvested options will expire if Mr Sharp ceases to be engaged by the Group.

$24,689 has been recorded as an expense in the 2022 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	4,000,000
Grant date share price	$0.078
Exercise price	$0.094
Expected volatility	80%
Option life	3 years
Dividend yield	Nil%
Interest rate	1.88%

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 salary is US$400,000 (AUD$580,636). Mr Ippolito is also eligible to receive an annual bonus of up to 30% of base salary dependent on certain objective performance goals and targets being attained as set by the Board.

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.

DIRECTORS' REPORT (CONTINUED)

Executive Directors

Mr Matthew Callahan
The Company has a consultancy agreement with Thylacine Consulting Pty Ltd for providing consulting of a Key Employee (Mr Callahan). The Term of the agreement 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$145,159) 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$218) 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$145,159) 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$218) per hour (GST exclusive).
- Termination by the Company or Dr Bosch has notice period of 6 months.

Executive

Mr Howard McKibbon

Mr McKibbon was appointed Chief Commercial Officer on 1 April 2022.

The term of Mr McKibbon'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 McKibbon's base salary is US$365,000 (AUD$529,907). Mr McKibbon is also eligible to receive an annual bonus of up to 30% of base salary dependent on certain objective performance goals and targets being attained as set by the Board.

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

DIRECTORS' REPORT (CONTINUED)

If Mr McKibbon's employment is terminated by the Company without cause or by Mr McKibbon with cause Mr McKibbon will be entitled to receive a payment equivalent to 9 months base salary and a pro-rata portion of annual bonus unless agreed otherwise between the Company and Mr Mckibbon.

Non-executive Directors

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

Mr Washer receives base fee of AUD$55,000 plus statutory superannuation per annum as a non-executive Director.

Mr Sharp receives a base fee of AUD$65,000 per annum inclusive of superannuation, as a non-executive Director.

No termination amounts are payable under the agreements.

Shares issued to Key Management Personnel on Exercise of Compensation Options
30,153,639 compensation options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issued on 7 July 2022.

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 2022.

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 2021 Annual General Meeting
The Company received more than 92% of "yes" votes on its remuneration report for the 2021 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*.

DIRECTORS' REPORT (CONTINUED)

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 2022 has been received and can be found on page 23.

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.

ON-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

<u>Shares under Option</u>

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

Date Granted	Expiry Date	Exercise Price	Number of shares under option
20 May 2019	20 May 2023	$0.115	3,000,000
18 July 2019	18 July 2023	$0.251	12,000,000
7 October 2021	7 October 2024	$0.089	10,000,000
22 March 2022	22 March 2023	$0.071	1,000,000
22 March 2022	22 March 2025	$0.094	4,000,000
14 April 2022	14 April 2025	$0.72	10,000,000
Total			**40,000,000**

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 no ordinary shares were issued as a result of the exercise of share options (2021: 444,030 ordinary shares on issue of 1,944,555 options with a weighted average exercise price of $0.107).

Signed in accordance with a resolution of the Directors.

Vince Ippolito

Vincent Ippolito
Executive Chairman
16 September 2022

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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 2022, I declare that, to the best of my knowledge and belief, there have been:

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

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

Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth

16 September 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Note	2022 $	2021 $
Revenue from continuing operation			
Interest income	3	37,374	103,788
Cashflow boost	3	-	10,250
Total revenue from continuing operations		**37,374**	**114,038**
Other income			
Research and Development incentive scheme	3	**2,754,835**	**6,876,948**
Employee expenses		(3,221,580)	(1,675,119)
Finance expenses		(37,440)	(55,941)
Other expenses		(775,454)	(410,576)
Depreciation of plant and equipment		(18,433)	(16,425)
Professional Consulting expense		(1,061,327)	(918,940)
Travel expense		(112,491)	(28,631)
Research expenses		(10,292,507)	(6,571,399)
Foreign exchange gain/(loss)		15,536	(1,770)
Amortisation on Right of Use Asset		(125,066)	(77,799)
Share based payments	16	(334,196)	(568,387)
Total expenses	4	**(15,962,958)**	**(10,324,987)**
Loss before income tax expense		**(13,170,749)**	**(3,334,001)**
Income tax benefit	5	-	-
Loss after income tax for the year		**(13,170,749)**	**(3,334,001)**
Other Comprehensive income (Loss) for the year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		188,200	(71,014)
Other Comprehensive income/(loss) for the period, net of tax		188,200	(71,014)
Total Comprehensive Loss for the year attributed to members of Botanix Pharmaceuticals Limited		**(12,982,549)**	**(3,405,015)**
Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited			
Basic loss per share (cents)	19	**(1.35)**	(0.34)
Diluted loss per share (cents)	19	**(1.35)**	(0.34)

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

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2022

	Note	2022 $	2021 $
ASSETS			
Current Assets			
Cash & cash equivalents	6	7,285,653	21,554,906
Inventory	7	3,044,347	-
Trade and other receivables	8	140,824	45,387
Prepayments		30,392	9,921
Total Current Assets		**10,501,216**	**21,610,214**
Non-current Assets			
Plant and equipment	9	91,418	76,392
Intangible assets	10	3,295,246	-
Right-of-use asset	11	87,847	201,243
Other financial assets		61,706	62,371
Total Non-current Assets		**3,536,217**	**340,006**
Total Assets		**14,037,433**	**21,950,220**
LIABILITIES			
Current Liabilities			
Trade and other payables	12(A)	5,667,708	804,881
Lease liabilities	13	122,414	147,146
Provisions	12(B)	95,534	85,891
Total Current Liabilities		**5,885,656**	**1,037,918**
Non-Current Liabilities			
Lease liabilities	13	-	112,172
Total Non-Current Liabilities		**-**	**112,172**
Total Liabilities		**5,885,656**	**1,150,090**
Net Assets		**8,151,777**	**20,800,130**
EQUITY			
Contributed equity	14	71,475,764	71,475,764
Reserves	15	4,338,786	4,004,590
Foreign currency translation reserve	15	105,185	(83,015)
Accumulated losses	15	(67,767,958)	(54,597,209)
Total Equity		**8,151,777**	**20,800,130**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Note	Contributed Equity $	Accumulated Losses $	Reserves $	Translation Reserve $	Total $
Balance at 1 July 2021		**71,475,764**	**(54,597,209)**	**4,004,590**	**(83,015)**	**20,800,130**
Total comprehensive loss for the year						
Loss for the year		-	(13,170,749)	-	-	(13,170,749)
Total other comprehensive profit		-	-	-	188,200	188,200
Total comprehensive loss for the year		-	(13,170,749)	-	188,200	(12,982,549)
Transaction with equity holders:						
Ordinary shares issued net of costs	14	-	-	-	-	-
Share based payments	16	-	-	334,196	-	334,196
Balance at 30 June 2022		**71,475,764**	**(67,767,958)**	**4,338,786**	**105,185**	**8,151,777**

	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		61,409	-	(61,409)	-	-
Share based payments		-	-	568,387	-	568,387
Balance at 30 June 2021		**71,475,764**	**(54,597,209)**	**4,004,590**	**(83,015)**	**20,800,130**

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

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	Note	2022	2021
		$	$
CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		37,374	103,788
Cashflow boost received		-	10,250
R&D tax concession received		2,754,835	6,876,948
Payments to suppliers and employees		(13,938,824)	(9,903,068)
Finance costs		(37,440)	(55,941)
Net cash used in operating activities	20	**(11,184,055)**	**(2,968,023)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(7,208)	(8,281)
Payment for intangibles		(2,914,662)	-
Net cash used in investing activities		**(2,921,870)**	**(8,281)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(152,412)	(125,502)
Net cash used in by financing activities		**(152,412)**	**(125,502)**
Net (decrease)/increase in cash held		(14,258,337)	(3,101,806)
Cash and cash equivalents at beginning of financial year		21,554,906	24,645,185
Foreign exchange adjustment		(10,916)	11,527
Cash and cash equivalents at end of financial year	6	**7,285,653**	**21,554,906**

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

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 2022 comprises the Company and its subsidiaries (collectively referred to as the "Group").

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

NOTE 2: BASIS OF PREPARATION

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

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

Botanix Pharmaceuticals Limited is a company limited by shares. The financial report is presented in Australian currency. The financial report has been prepared on a historical cost basis.

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.

Going Concern

This report is prepared on the going concern basis which assumes the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business. The financial statements for the year ended 30 June 2022 have been prepared on the basis that the group is a going concern and therefore, contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business.

During the year the group recorded a net loss after tax of $13,170,749 (30 June 2021: $3,334,001). The Group had a net working capital surplus of $4,615,560 at 30 June 2022 (30 June 2021: $20,572,296) and experienced net cash outflows from operating activities for the year of $11,184,055 (30 June 2021: $2,968,023).

On 2 September 2022 The Company announced that it has received firm commitments from new and existing institutional and sophisticated investors for the placement of 113,636,364 fully paid ordinary shares at A$0.066 per new share to raise up to $7.5m in gross proceeds in an oversubscribed placement.

The Group's ability to continue as a going concern is principally dependent upon its ability to secure ongoing funds by raising capital from equity markets or by other means, and by managing cash flows in line with available funds, and/or the successful development of its pharmaceutical projects and generation of revenues therefrom.

These conditions indicate a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The Directors are confident of the ability of the Company to potentially raise capital as and when needed. The Directors are satisfied there are sufficient funds to meet the Group's working capital requirements as at the date of this report. The Directors have reviewed the business outlook and the assets and liabilities of the Group and are of the opinion that the going concern basis of accounting is appropriate as they believe the Group will continue to be successful in securing the additional funds as and when the need to raise funds arises.

Should the entity not be able to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability or classification of recorded asset amounts, nor the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

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.

Critical Accounting Estimates and Significant Judgments (Continued)

(i) 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.

(ii) Amortisation of intangible assets

The consolidated entity determines the estimated useful lives and related amortisation charges for its finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down. Intangible assets commence amortisation from the point they are considered to be ready for intended use, which also requires estimation and judgement.

(iii) Provision for impairment of inventories

The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account sales expectations, the ageing of inventories and other factors that affect inventory obsolescence.

(iv) Impairment of intangible assets

An impairment loss is required to be recognised where an asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The determination of recoverable amount for the purposes of impairment testing incorporates a number of key estimates and assumptions.

(v) *Acquisition of Sofpironium Bromide*

During the year, the Group acquired the assets and liabilities associated with the dermatology asset Sofpironium Bromide, as disclosed in Note 25.

Acquired research and development intangible assets, which are still under development and have not yet obtained approval, are recognised as an intangible asset as the probability that future economic benefits will flow to the entity is assumed for separately acquired intangible assets.
Following initial recognition of the expenditure as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete, and the asset is available for use. It is amortised over the period of expected future benefit. During the period of development, the asset is tested for impairment annually.

Contingent consideration in connection with the purchase of individual assets outside of business combinations is recognised as a financial liability only when the consideration is contingent upon future events that are beyond the entity's control. In cases where the payment of contingent consideration is within the entity's control, the liability is recognised only as from the date the contingent payment crystallises.

NOTE 3: REVENUE AND OTHER INCOME

	2022	**2021**
	$	**$**
Interest	37,374	103,788
Cashflow boost	-	10,250
	37,374	**114,038**
Research and development incentive scheme	2,754,835	6,876,948
Total revenue and other income	**2,792,209**	**6,990,986**

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.

NOTE 4: EXPENSES

Loss before Income Tax includes the following specific expenses:

	2022	2021
	$	$
Corporate advisors	305,479	235,189
Corporate investor advisory	323,227	117,663
Other professional fees	338,779	419,764
Finance expenses	37,440	55,941
Employee Expenses	3,221,580	1,675,119
Research and development	10,292,507	6,571,399
Share based payments	334,196	568,387
Other expenses	1,109,750	681,525

NOTE 5: INCOME TAX

(a) Income tax expense	2022 $	2021 $
Current tax expense	-	-
Income tax expense	-	-
	-	-

(b) Reconciliation of tax expense to net profit before tax		
Loss before tax	(13,170,749)	(3,334,001)
Tax at the statutory rate of 30% (2021: 30%)	(3,951,225)	(1,000,200)
Tax effect of:		
Difference between Australian and US tax rates	241,284	103,536
Non-deductible expenses	4,075,406	2,505,598
Income not assessable	(826,450)	(2,063,084)
Effect of tax losses and tax offsets not recognised as	460,985	454,150
Income tax benefit	-	-

(c) Movement in unrecognised deductible temporary differences		
Tax losses	562,995	656,000
Other deferred amounts	(102,009)	(201,850)
	460,985	**454,150**

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

Accounting policy

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

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

NOTE 6: CASH AND CASH EQUIVALENTS

	2022	2021
	$	$
Cash at bank	7,285,653	21,554,906
Total cash and cash equivalents (1)	**7,285,653**	**21,554,906**

(1) Cash and cash equivalents are subject to floating interest rates at an effective weighted average interest rate of 03% including non-interest bearing accounts.

NOTE 7: INVENTORY

	2022	2021
	$	$
Sofpironium Bromide	2,600,895	-
Packaging	443,452	-
Total inventory	**3,044,347**	**-**

Accounting policy

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

NOTE 8: TRADE AND OTHER RECEIVABLES

Current:

	2022	2021
	$	**$**
Other receivables [(1)]	140,824	45,387
Total trade and other receivables (net of GST)	**140,824**	**45,387**

(0) 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.

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2022 $	2021 $
Opening balance	76,392	92,325
Acquisition of computer equipment	7,208	8,281
Acquisition of other assets	20,264	-
Less: deprecation	(18,433)	(16,425)
Less: adjustment for foreign exchange differences	5,987	(7,789)
	91,418	**76,392**

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 10: INTANGIBLE ASSETS

	2022 $	2021 $
Sofpironium Bromide Licences		
Opening balance	-	-
Acquisition Sofpironium Bromide Licences (refer note 25)	3,295,246	-
Less: amortisation	-	-
	3,295,246	**-**

Accounting policy

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

NOTE 11: RIGHT-OF USE LEASE ASSETS

Carrying value

	2022 Premises $	2021 Premises $
Cost	431,899	431,899
Accumulated depreciation	(337,019)	(211,953)
Foreign exchange adjustment	(7,033)	(18,703)
Carrying value as at 30 June	87,847	201,243

Reconciliation

	2022 Premises $	2021 Premises $
Opening Balance	201,243	352,718
Additions	-	-
Depreciation expense	(125,066)	(121,561)
Foreign exchange adjustment	11,670	(29,914)
Closing Balance	87,847	201,243

As at 30 June 2022, the Group had no non-cancellable operating lease commitments. The Group leases premises in Philadelphia in the United States of America. From 1 July 2019, where the Company is a lessee, the Group recognised a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

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

NOTE 12: (A) CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2022 $	2021 $
Current:		
Trade payables [1]	4,681,837	652,091
Sundry payables & accrued expenses	985,871	152,790
	5,667,708	**804,881**

[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.

NOTE 12: (B) CURRENT LIABILITIES – PROVISIONS

	2022	2021
	$	$
Annual leave provision	95,534	85,891
	95,534	**85,891**

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 13: LEASE LIABILITIES

	2022	2021
	Premises	Premises
	$	$
Current Liabilities	122,414	147,146
Non-Current Liabilities	-	112,172
Closing balance as at 30 June	**122,414**	**259,318**

Reconciliation

	2022	2021
	Premises	Premises
	$	$
Opening Balance	259,318	420,624
Additions	-	-
Payments made – principal and interest	(179,737)	(170,507)
Finance Expenses	27,326	45,005
Foreign exchange adjustment	15,507	(35,804)
Closing Balance	122,414	259,318

NOTE 14: CONTRIBUTED EQUITY

(a) Issued and Paid Up Capital

	2022 Number	2022 $	2021 Number	2021 $
Fully paid ordinary shares	**973,142,074**	**71,475,764**	**973,142,074**	**71,475,764**

(b) Movements in fully paid shares on issue	**Number**	**$**
Balance as at 1 July 2021	973,142,074	71,475,764
Placement/Exercise of options	-	-
Balance as at 30 June 2022[1]	**973,142,074**	**71,475,764**
Balance as at 1 July 2020	972,698,044	71,414,355
Exercise of options	444,030	61,409
Balance as at 30 June 2021[1]	**973,142,074**	**71,475,764**

[1] 30,153,639 options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issue on 7 July 2022

(c) Issued Options

	Number
Unlisted Options	**70,153,639**

(d) Movements in options on issue

Balance as at 1 July 2021	50,320,307
Add: Options issued	25,000,000[1]
Less: Exercise of Options	-[2]
Less: Expiry and cancellation of Options	(5,166,668)
Balance as at 30 June 2022	70,153,639

[1]5 million options (valued at $0.03099 per option) were granted to Dr Stewart Washer on 22 March 2022, which remain unissued at reporting date and subject to shareholder approval.

[2]30,153,639 options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issue on 7 July 2022. The exercise of these options has not been reflected in the table above.

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.

NOTE 15: RESERVES & ACCUMULATED LOSSES

	2022	2021
	$	$
Share based payments reserve	4,338,786	4,004,590
	4,338,786	**4,004,590**
Share based payments reserve		
Balance at beginning of year	4,004,590	3,497,612
Share based expense	334,196	568,387
Exercise of options under cashless exercise facility	-	(61,409)
Balance at end of year	**4,338,786**	**4,004,590**
Foreign currency translation reserve		
Balance at beginning of year	(83,015)	(12,001)
Effect for foreign currency translation during the year	188,200	(71,014)
Balance at end of year	**105,185**	**(83,015)**

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 subsidiaries at year end

	2022 $	2021 $
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of year	(54,597,209)	(51,263,208)
Net loss for the year – continuing operations	(13,170,749)	(3,334,001)
Balance at end of year	**(67,767,958)**	**(54,597,209)**

NOTE 16: 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 and 26 October 2021. 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 2022

Description	2022 Number	Weighted Average Exercise Price	2021 Number	Weighted Average Exercise Price
Options				
Opening balance	**50,320,307**	0.113	**72,392,557**	0.1155
Issued during the period for remuneration	25,000,000[1]	0.082	-	
Exercised during the period[2]	-	-	(1,944,555)	0.107
Expired and cancelled during the period	**(5,166,668)**	0.127	(20,127,695)	0.123
Balance at 30 June	**70,153,639[3]**	0.10	**50,320,307**	0.113

[1] 5 million options (valued at $0.03099 per option) were granted to Dr Stewart Washer on 22 March 2022, which remain unissued at reporting date and subject to shareholder approval

[2] 30,153,639 options exercised prior to the end of the year utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issue on 7 July 2022. The exercise of these options has not been reflected in the table above.

[3] Weighted average exercise period 1.00 year (2021:1.26 years).

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

	2022 $	2021 $
Total Value of Share Based Payments expense	334,196	568,387

10 million Options (valued at $0.02976 per option) were issued to Employees and Consultants on 7 October 2021 vesting 33.33% at 12, 24 and 36 months respectively from the issue date. Unvested options will expire if employees or contractors cease to be employed/engaged by the Group.

$132,031 has been recorded as an expense in the 2022 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	10,000,000
Grant date share price	$0.067
Exercise price	$0.089
Expected volatility	80%
Option life	3 years
Dividend yield	Nil
Interest rate	0.23%

10 million options (valued at $0.037 per option) were granted to Mr Howard McKibbon on 23 March 2022 (issued 14 April 2022) vesting as follow:

- 2,640,000 options vest after 12 months continued employment from issue date
- 2,680,000 options vest after 24 months continued employment from issue date
- 2,680,000 options vest after 36 months continued employment from issue date
- 666,666 options vest on the date of first launch in the USA of Sofpironium Bromide following FDA approval
- 666,666 options vest on the date of achieving cumulative sales revenue of USD50,000,000 of Sofpironium Bromide
- 666,667 options will vest on the date of closing the acquisition of a new FDA approved asset for launch by Botanix in late 2023

Unvested options will expire if Mr McKibbon ceases to be engaged by the Group.

The probability of achieving non market related vesting hurdles has been assessed as 100%.

$57,999 has been recorded as an expense in the 2022 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	10,000,000
Grant date share price	$0.071
Exercise price	$0.072
Expected volatility	80%
Option life	3 years
Dividend yield	Nil
Interest rate	1.88%

5 million options (valued at $0.03099 per option) were granted to Dr Stewart Washer on 22 March 2022, which remain unissued at reporting date and subject to shareholder approval. 1M options vest immediately and 2M options vest at both 12 and 24 months respectively from grant date.

$56,202 has been recorded as an expense in the 2022 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	5,000,000
Grant date share price	$0.071
Exercise price	$0.102
Expected volatility	80%
Option life	3 years
Dividend yield	Nil
Interest rate	1.88%

1 million options (valued at $0.02718 per option) were granted to Director, Mr Danny Sharp on 22 March 2022 (issued 22 March 2022) vesting 10 business days prior to the expiry date being 22 March 2023. Unvested options will expire if Mr Sharp ceases to be engaged by the Group.

$7,372 has been recorded as an expense in the 2022 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	1,000,000
Grant date share price	$0.078
Exercise price	$0.071
Expected volatility	80%
Option life	1 years
Dividend yield	Nil
Interest rate	1.35%

4 million options (valued at $0.03741 per option) were granted to Director, Mr Danny Sharp on 22 March 2022 (issued 22 March 2022) vesting 33.33% at 12, 24 and 36 months respectively from issue date. Unvested options will expire if Mr Sharp ceases to be engaged by the Group.

$24,689 has been recorded as an expense in the 2022 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	4,000,000
Grant date share price	$0.078
Exercise price	$0.094
Expected volatility	80%
Option life	3 years
Dividend yield	Nil%
Interest rate	1.88%

$55,903 was expensed in the current period in relation to vesting of Share Based Payments issued in prior periods.

Accounting Policy

Equity-settled and cash-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.

from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

2021

No options were issued as compensation during the year.

NOTE 17: 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 2022 owns 100% of the issued ordinary shares of Botanix Pharmaceuticals Inc. (incorporated in Delaware, United States of America) and Botanix SB Inc. (incorporated in Delaware, United States of America)

b) Subsidiaries

Interests in subsidiaries are set out in Note 24 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:

	2022	2021
	$	$
Short term employee benefits	1,424,328	1,200,844
Post-employment benefits	22,387	15,862
Share based payment (Note 16)	200,407	525,455
	1,647,122	**1,742,161**

(e) Other transactions with Key Management Personnel

There were no related party transactions in the year ended 30 June 2022.

(f) Loans to Key Management Personnel

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

NOTE 18: 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:

	2022	2021
	$	$
Financial assets		
Cash and cash equivalents	7,285,653	21,554,906
Other receivables	140,824	45,387
Total financial assets	**7,426,477**	**21,600,293**
Financial liabilities		
Trade and other payables	5,667,708	804,881
Lease liability	122,414	259,318
Total financial liabilities	**5,790,122**	**1,064,199**

(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.

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:

		2022		2021	
		%	**$**	**%**	**$**
Financial assets					
Cash[1]	Floating rate	0.03	5,109,603	0.11	19,600,000

[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 $38,322 (2021: $161,662) lower/higher.

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

(b) Credit Risk

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

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised on page 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 2022					
Financial liabilities	5,764,295	32,195	-	5,796,490	5,790,122

	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

(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.

NOTE 19: LOSS PER SHARE

	2022	2021
	$	$
Continuing operations		
Basic loss per share – cents	(1.35)	(0.34)
Diluted loss per share – cents	(1.35)	(0.34)
Loss used in the calculation of basic and diluted loss per share	(13,170,749)	(3,334,001)
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	973,142,074	972,935,266

Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	973,142,074	972,935,266

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.

NOTE 20: OPERATING CASH FLOW INFORMATION

	2022 $	2021 $
Loss for the year	(13,170,749)	(3,334,001)
Adjustments for:		
Share based payments	334,196	568,387
Depreciation and amortisation	143,499	94,224
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(96,795)	85,107
(Increase) in Inventories	(3,044,347)	-
Increase/(Decrease) in trade, other payables and provisions	4,650,141	(381,740)
Net cash flows used in operations	**(11,184,055)**	**(2,968,023)**

Non-cash financing activities

Issue of shares on exercise of options utilising cashless exercise facility	-	61,409

NOTE 21: PARENT ENTITY DISCLOSURES

As at 30 June 2022, and throughout the year then ended, the parent company of the Group was Botanix Pharmaceuticals Limited.

Financial position

	2022 $	2021 $
Assets		
Current assets	6,038,618	20,651,085
Non-Current Assets	12,100,353	5,510,685
Less Provision for impairment Assets (loans to subsidiaries)	(7,228,277)	(4,735,504)
Total assets	**10,910,694**	**21,426,265**
Liabilities		
Current liabilities	2,758,917	626,135
Total liabilities	**2,758,917**	**626,135**
Net Assets	**8,151,777**	**20,800,130**
Equity		
Issued capital	70,417,844	70,417,844
Accumulated losses	(66,604,853)	(53,622,305)
Share-based payments	4,338,786	4,004,591
Total Equity	**8,151,777**	**20,800,130**

Financial performance

	2022 $	2021 $
Loss for the period	(12,982,548)	(2,183,597)
Total comprehensive loss	(12,982,548)	(2,183,597)

NOTE 22: 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. At 30 June 2022, with the acquisition of Sofpironium Bromide, all revenues and material assets are considered to be derived and held in two geographical areas being Australia and United States as set out below:

	Australia 2022 $	United States 2022 $	Total 2022 $
Revenue from continuing operations	37,374	-	37,374
Other Revenue	2,754,835	-	2,754,835
Expenditure on continuing operations	8,243,418	4,927,331	13,170,749
Current Assets	6,038,619	4,462,598	10,501,216
Non-Current Assets	-	3,536,217	3,536,217
Total Assets	6,038,619	7,998,815	14,037,433
Current Liabilities	3,317,287	2,568,369	5,885,656
Total Liabilities	3,317,287	2,568,369	5,885,656
Net Assets	2,721,332	5,430,446	8,151,777

NOTE 23: AUDITOR'S REMUNERATION

	2022 $	2021 $
Amounts payable to auditor		
Audit and review services - payable to BDO Audit (WA) Pty Ltd	**47,500**	**37,944**

NOTE 24: SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2022 %	Equity Holding 2021 %
Botanix Pharmaceuticals Inc.	Delaware, United States of America	Ordinary	100	100
Botanix SB Inc.	Delaware, United States of America	Ordinary	100	-

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

NOTE 25: ACQUISITION OF SOFPIRONIUM BROMIDE.

On 4 May 2022 the Company announced that it had acquired a 100% interest Sofpironium Bromide gel 15% (SB), a dermatology asset developed to treat "primary axillary hyperhidrosis" – a medical condition which results in excessive underarm sweating.

Consideration
Consideration paid or payable for the acquisition is as follows:

Initial Consideration:

	$
Initial payment for assets	4,354,768
Reimbursement for Sofpironium Bromide	672,935
Agreed costs reimbursed	947,734
Legal fees	364,156
Total	**6,339,593**

Contingent consideration and other payments

The acquisition also includes contingent consideration and payments, for which no amounts have been recognised in the financial statements as follows:

- US$2M if a positive "Day-74 letter" is received from FDA after NDA filing (which letter notifies the applicant if any deficiencies in the NDA filing are identified by FDA during the initial review phase);
- If FDA approval is received before 30 September 2023 Botanix will pay US$4M, which is reduced down to zero, if the NDA is approved after 17 February 2024;
- Botanix will pay a milestone payment of US$4M if marketing approval is received from an international regulatory authority in the European Union/United Kingdom;
- Botanix will pay a milestone payment of US$4M for marketing approval is received for a new indication, from an international regulatory authority in the USA or European Union/United Kingdom;
- Botanix will pay one-time sales milestone payments once Net Sales exceed US$75 million for the first time in a year. Such milestones are payable on incremental annual Net Sales amounts and are capped at US$160 million. Botanix would only pay this aggregate of milestones, if Net Sales to Botanix amounted to more than US$1.8 billion, which is contingent upon sales performance of the product and is not guaranteed; and
- Botanix will also pay royalties that in the aggregate start at 12% and rise to 20%, above $500M of annual Net Sales.

Accounting standard applied
The acquisition does not meet the definition of a business in accordance with AASB 3 Business Combinations. As such the acquisition has been accounted for as an asset acquisition whereby fair value of consideration is allocated to net identifiable asset acquired on a relative fair value basis.

The fair value of the consideration paid and allocation to net identifiable assets is as follows:

	$
Fair value of consideration paid:	
Cash	6,339,593
Fair value of net identifiable assets acquired:	
Inventory	3,044,347
Intangible assets	3,295,246
	6,339,593

NOTE 26: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 12 September 2022 the Company Issued 106,080,609 shares and 53,030,464 attaching options with an exercise price of $0.09 and expiring 18 months from their date of issue to new and existing institutional and sophisticated investors in a placement of 113,636,364 fully paid ordinary shares ("New Shares") at A$0.066 per new share to raise up to $7.5m in gross proceeds in an oversubscribed placement ("Placement"). Subject to shareholder approval Directors have agreed to subscribe for 1,515,151 shares each in the Placement (total 7,575,757 New Shares). Directors will not be issued attaching options.

On 7 July 2022 the Company issued 6,091,310 ordinary shares on the exercise of 30,153,639 options exercised prior to the end of the year. The options were exercised utilising the cashless exercise facility in the Employee Securities Incentive Plan.

Subsequent to the end of the year the Company secured and drew down a $1.85m drawdown facility provided by Radium Capital secured against its expected R&D refund.

Other than the matters above 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.

NOTE 27: CONTINGENT LIABILITIES AND COMMITMENTS

Contingent payments resulting from the acquisition of Sofpironium bromide are set out in Note 25.

Other than set out in Note 25 the Directors are not aware of any non-cancellable commitments as at 30 June 2022 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 2022.

NOTE 28: OTHER ACCOUNTING POLICIES

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

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Botanix Pharmaceuticals Limited (parent entity) as at 30 June 2022 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 goodwill and other indefinite life 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.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(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.

(d) Asset acquisition

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

(e) Research and Development

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Capitalised development costs will be amortised once ready for use on a straight-line basis over the period of their expected benefit, being their finite life.

(f) New accounting standards and interpretations

In the year ended 30 June 2022, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting year.

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

(g) Standards and Interpretations not yet adopted

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the year ended 30 June 2022. 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.

DIRECTORS' DECLARATION

In the Directors' opinion:

a) the financial statements and notes set out on pages 28 to 55, and the Remuneration Report in the Directors' Report are in accordance with the *Corporations Act 2001,* including:

i. giving a true and fair view of the Group's financial position as at 30 June 2022 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 2022.

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

On behalf of the Board

Vince Ippolito

Vincent Ippolito
Executive Chairman
16 September 2022

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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 Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, 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 2022 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.

Material uncertainty related to going concern

We draw attention to Note 2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Acquisition accounting – Sofpironium Bromide

Key audit matter	*How the matter was addressed in our audit*
As disclosed in Note 25 of the financial report, the group acquired the assets and liabilities associated with the dermatology compound Sofpironium Bromide during the year. The Group accounted for the transaction as an asset acquisition, after consideration and assessment of AASB 3 *Business Combinations* ("AASB 3"). The accounting for this acquisition is a key audit matter due to the significant value of the acquisition and the significant judgements and assumptions made by management, including: • Determination of the purchase consideration for the acquisition; • Assessment of the fair value of the assets acquired and liabilities assumed; and • Determination that the acquisition did not meeting the definition of a business combination in accordance with AASB 3 and therefore constituted an asset acquisition.	Our audit procedures included, but were not limited to: • Reviewing key executed transaction documents to understand the key terms and conditions of the acquisition; • Evaluating management's determination of whether the transaction constituted a business or asset acquisition; • Assessing the identification of assets acquired and liabilities assumed for completeness and management's assessment of the associated fair values; • Verifying the transaction settlement date to supporting documentation; • Evaluating management's determination of the fair value of purchase consideration, including assessment of contingent and deferred amounts payable under the agreement;

Key audit matter	*How the matter was addressed in our audit*
Refer to Note 28 (d) of the financial report for a description of the accounting policy and Note 2 for the significant estimates and judgements applied to these arrangements.	• Verifying the transaction consideration to supporting documentation; and • Assessing the appropriateness of the related disclosures in Notes 2, 25 and 28 (d) to the financial report.

Accounting for Share-Based Payments

Key audit matter	*How the matter was addressed in our audit*
During the financial year ended 30 June 2022, the Group issued options to employees, consultants and key management personnel, as disclosed in Note 16 of the annual report. The Group performed calculations to record the related share-based payment expense in accordance with AASB 2 *Share Based Payment* in the consolidated statement of profit or loss, other comprehensive income and consolidated statement of financial position. Refer to Note 16 of the annual report for a description of the accounting policy and Note 2 for the significant estimates and judgements applied to these arrangements. Due to the complex judgements and estimates used in determining the valuation of the share-based payments and the appropriate vesting of the expense, we consider the Group's calculation of the share based payment expense and associated disclosures to be a key audit matter.	Our procedures included, but were not limited to: • Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements; • Evaluating management's determination of the fair value of the share-based payments granted, considering the appropriateness of the valuation models used and assessing the valuation inputs; • Involving our valuation specialists to assess the reasonableness of certain assumptions used in management's calculations; • Assessing the allocation of the share-based payment expense over the relevant vesting period; and • Assessing the adequacy of the related disclosures in Notes 2 and 16 to 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 2022, 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.

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 at:

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 21 of the directors' report for the year ended 30 June 2022.

In our opinion, the Remuneration Report of Botanix Pharmaceuticals Limited, for the year ended 30 June 2022, 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

16 September 2022

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 a 15 September 2022.

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:**

(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 3 female employee representing 27% 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 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.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

CORPORATE GOVERNANCE STATEMENT

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 and Mr Danny Sharp are s considered to be an independent Directors.

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.

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.

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**

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 2021 and the full year ended 30 June 2022. 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.

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.

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**

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 remuneration 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.

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.

ASX ADDITIONAL INFORMATION

The Shareholder information set out below was applicable as at 15 September 2022

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 1,085,293,993 ordinary fully paid shares.

1. TOP 20 SHAREHOLDERS

Position	Holder Name	Holding	%
1	Shenasaby Investments Pty Ltd <The Shenasaby A/C>	70,738,307	6.52%
2	Caperi Pty Ltd <Caperi A/C>	52,573,784	4.84%
3	Citicorp Nominees Pty Limited	31,398,199	2.89%
4	Dr Henry William Bosch	16,321,551	1.50%
5	HSBC Custody Nominees (Australia) Limited	14,496,330	1.34%
6	BNP Paribas Nominees Pty Ltd <IB Au Noms Retailclient DRP>	13,269,551	1.22%
7	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	13,000,000	1.20%
8	Zenith Pacific Limited	12,000,000	1.11%
9	Moffatt Investments Pty Ltd <Matthew Moffatt Family A/C>	10,000,000	0.92%
10	Mr Gary Charles Jones & Mrs Stephanie May Jones <G & S Jones Super Fund A/C>	9,000,000	0.83%
11	J P Morgan Nominees Australia Pty Limited	8,916,534	0.82%
12	Lightview Asset Pty Ltd	8,527,939	0.79%
13	Zanya Nominees Pty Ltd <JLS Superannuation A/C>	8,284,545	0.76%
14	Mr Stephane Nicolas Fayd'herbe <Fayd'herbe Family A/C>	7,113,141	0.66%
15	Merrill Lynch (Australia) Nominees Pty Limited	6,638,078	0.61%
16	Splendid Stuff Pty Ltd	6,242,156	0.58%
17	343 Pty Ltd <343 Capital A/C>	5,797,675	0.53%
18	Rollo Corp Property Holdings Pty Ltd <Rollo Corp Property A/C>	5,727,576	0.53%
19	J & N Weston Investments Pty Ltd <Weston Super Fund A/C>	5,700,000	0.53%
20	BNP Paribas Noms Pty Ltd <DRP>	5,477,606	0.50%
	Total	**311,222,972**	**22.68**

ASX ADDITIONAL INFORMATION (CONTINUED)

2. COMBINED DISTRIBUTION

Shares Range	No. of Holders	No. of Shares
1 – 1,000	159	26,691
1,001 – 5,000	1,117	4,138,288
5,001 – 10,000	1,534	12,313,138
10,001 – 100,000	3,607	138,450,303
100,001 and over	1,348	930,365,573
	7,765	**1,085,293,99**

Number holding less than a marketable parcel at $0.067 per share: 1,884

3. SUBSTANTIAL SHAREHOLDERS

Holder Name	Holding
Shenasaby Investments Pty Ltd	70,738,307

4. UNLISTED EQUITY SECURITIES

Options Range and number of holders

	Unlisted options At $0.115 Expiring 20 May 2023	Unlisted options At $0.251 Expiring 18 Jul 2023	Unlisted options At $0.251 Expiring 17 Oct 2024	Unlisted options At $0.251 Expiring 22 Mar 2023
Over 100,001	1	1	6	1
Total Holders	**1**	**1**	**6**	**1**
Number of Options	**3,000,000**	**12,000,000**	**10,000,000**	**1,000,000**

Options Range and number of holders

	Unlisted options At $0.0551 Expiring 22 March 2025	Unlisted options At $0.251 Expiring 22 Mar 2023
Over 100,001	1	1
Total Holders	**1**	**1**
Number of Options	**4,000,000**	**10,000,000**

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.