

Appendix 4D

Half-yearly report
Botanix Pharmaceuticals Limited
ABN 70 009 109 755

1. Company details

Name of entity:	Botanix Pharmaceuticals Limited
ABN:	70 009 109 755
Reporting period:	For the half-year ended 31 December 2022
Previous period:	For the half-year ended 31 December 2021

2. Results for announcement to the market

	31 Dec 2022	31 Dec 2021	% change
Revenues from ordinary activities	407,009	23,900	1,603%
Profit (Loss) from continuing operations after tax attributable to the owners of Botanix Pharmaceuticals Limited	(4,596,985)	(6,508,794)	29.4%
Profit (Loss) for the half-year attributable to the owners of Botanix Pharmaceuticals Limited	(4,792,086)	(6,490,223)	26.2%

3. Net tangible assets per security

	31 Dec 2022 Cents	31 Dec 2021 Cents
Net tangible asset per ordinary security	<u>0.72</u>	<u>1.48</u>

4. Dividends

No dividends were paid during the current or previous financial years and no dividends have been declared subsequent to the financial year end and up to the date of this report.

5. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

6. Foreign entities

Not applicable.

7. Gain or loss of control over entities

There were no entities over which control was gained or lost during the half-year ended 31 December 2022.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Botanix Pharmaceuticals Limited for the half-year ended 31 December 2021 is attached.

10. Signed



Vince Ippolito
Executive Chairman

Date: 28 February 2023



ACN 009 109 755

HALF YEAR REPORT

for the half year ended 31 December 2022

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

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This financial report covers Botanix Pharmaceuticals Limited ("Botanix" or the "Company") and its subsidiaries. The financial report is presented in Australian dollars.

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CORPORATE INFORMATION

Directors

Mr Vince Ippolito
Executive Chairman

Mr Matthew Callahan
Executive Director

Dr William Bosch
Non-Executive Director

Dr Stewart Washer
Non-Executive Director

Mr Danny Sharp
Non-Executive Director

Company Secretary

Mr Simon Robertson

Home Securities Exchange:

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

ASX Code: BOT

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6007
Telephone: (08) 9324 2099

Registered Office

D2 661 Newcastle Street,
Leederville WA 6007
Telephone: (08) 6555 2945
Facsimile: (08) 6210 1153

Email: info@botanixpharma.com

Website: www.botanixpharma.com

Solicitors

Gilbert + Tobin
Level 16, Brookfield Place
Tower 2
123 St Georges Terrace
PERTH WA 6000

Auditor

BDO Audit (WA) Pty Ltd
Level 9, Mia Yellagonga Tower 2
5 Spring Street
Perth WA 6000

Bankers

NAB
100 St Georges Terrace
Perth WA 6000

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

DIRECTORS' REPORT FOR THE SIX MONTHS ENDED 31 DECEMBER 2022

The Directors of Botanix Pharmaceuticals Limited (Botanix, the Company or Group) present the following report for the half-year ended 31 December 2022:

DIRECTORS

The Directors in office at any time during the half year and until the date of this report, unless otherwise stated, are set out below:

Mr Vince Ippolito

Executive Chairman and President

Dr William Bosch

Executive Director

Mr Matthew Callahan

Executive Director

Dr Stewart Washer

Non-Executive Director

Mr Danny Sharp

Non-Executive Director

PRINCIPAL ACTIVITIES

Botanix Pharmaceuticals Limited (ASX: BOT) is a dermatology company based in Philadelphia and Phoenix (US) which is progressing its lead product Sofpironium Bromide for the treatment of primary axillary hyperhidrosis, through FDA approval. A mid-cycle review for the product is expected in Q1 CY2023 with approval on track for Q3 CY2023. Sofpironium Bromide is positioned to be a leading first line and second line therapy and represents a safe and effective new option for patients.

The Company also has a pipeline of other products in late-stage clinical studies for the treatment of moderate to severe rosacea (successful Phase 1b/2 study in 4Q 2022), dermatitis and acne respectively. Botanix is also developing a topical antimicrobial product for the eradication of bacteria on the skin surface, initially in patients who are undergoing hemodialysis.

Sofpironium Bromide is the first and only new chemical entity developed to treat "primary axillary hyperhidrosis" – a medical condition which results in excessive underarm 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.

RESULTS

The Company incurred a net loss after income tax for the six months ended 31 December 2022 of \$4,596,985 (2021: \$6,508,794) as a result of the continued advancement of its lead dermatology asset Sofpironium Bromide and its clinical pipeline which has delivered strong results to date. During the half, Botanix spent \$5.1 million in direct costs on its research and development program.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS

OPERATIONS

Overview

For the six-month reporting period ending on 31 December 2022 (H1 FY23), Botanix has made significant progress with its Sofpironium Bromide lead asset which was successfully submitted for FDA approval and received a positive Day 74 Letter from FDA indicating that the file was complete and appropriate for review. During the period, the Company also reported positive data from its BTX 1702 Phase 1b/2 rosacea study conducted in Australia and New Zealand. The Company also advanced preparations for its antimicrobial study for BTX 1801.

Sofpironium Bromide

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.

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 hydrolyzed 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.

DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS

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 penetration of this population at the current price of competitive treatments (i.e., approximately US\$7,200 per annum), this provides a significant market opportunity for Sotfipironium Bromide.¹

Botanix submitted an NDA application for FDA approval for Sotfipironium Bromide in September 2022 which received a positive Day 74 Letter from FDA in December 2022 confirming that the file was complete and appropriate for review. FDA also confirmed that no advisory board meeting was going to be required for the product and that a mid-cycle review would occur in 1Q CY2023, with confirmation of approval still set for 3Q CY2023. The mid-cycle review is a meeting conducted by FDA of its internal review groups to identify if there are any significant remaining issues to be addressed in the review of Sotfipironium Bromide. This represents a critical de-risking opportunity for Botanix and is eagerly awaited this quarter.

The FDA approval for Sotfipironium Bromide is on track for 3Q 2023 and commercial preparation work is ramping up to support the launch of the product following approval. Botanix's management team and Board have successfully launched more than 25 dermatology products between them, and have an unrivalled track record in commercializing products and exiting dermatology companies to larger partners.

During the period, Botanix also released an update from the independent market research conducted by leading consultancy Triangle Insights. Triangle conducted a project where it surveyed physicians, payers (insurance companies) and patients on a blinded basis, concerning the successful Phase 3 clinical data generated for Sotfipironium Bromide and a range of positioning, usage, pricing and access questions. A presentation was released on 18 November 2022 and is available through the [Botanix Investor Centre](#).

Takeaways from the research conducted by Triangle include:

- Patients generally self-manage their symptoms for months or years before approximately 80% of patients present to a dermatologist for assistance;
- typical patients start with prescription antiperspirants as first line therapy, with about 60% of more severe patients progressing to a stronger second line therapy such as Qbrexa wipes or other oral tablets. More serious patients may progress to Botox injections or surgery;

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.

BOTANIX PHARMACEUTICALS LIMITED

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DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS

- all of the survey respondents identified efficacy and access as two key unmet needs in the hyperhidrosis treatment market, with side effects of the stronger second- and third-line therapies presenting a concern also;
- physicians rated Sofpironium Bromide very highly over competitive products such as Qbrexa and Botox noting the excellent efficacy, no need for the patient to touch the drug when applying it and the side effect profile;
- patients also rated Sofpironium Bromide highly noting the efficacy, side effect profile, ease of use and once daily convenience; and finally
- payers were assured by the clinical efficacy and safety profile of Sofpironium Bromide and the need for additional options for hyperhidrosis patients in the market.

Pipeline development

Botanix's clinical development pipeline includes dermatology and antimicrobial programs which leverage the Company's novel skin delivery technology (Permetrex™), utilizing proprietary drug mechanisms of action such as the anti-inflammatory and antimicrobial properties of synthetic cannabidiol (CBD).

In October 2022, Botanix announced the successful completion of the BTX 1702 clinical study for papulopustular rosacea. There were no serious adverse events observed during the Study and all arms were safe and well tolerated. For the exploratory efficacy endpoints, both doses of BTX 1702 showed clinically positive results, with the 10% dose showing superior results. Botanix is working to finalize the clinical study report and close out activities at the various clinical sites in Australia and New Zealand before beginning the preparation of regulatory documents for a pre-IND meeting with FDA.

The Company is currently conducting formulation work and animal studies to complete the data package for ethics approval for the BTX 1801 development program, following the announcement of positive data from the Phase 2a study. The drug product is designed to kill Staph aureus and MRSA in the noses of haemodialysis patients, in order to help prevent life-threatening bloodstream infections that occur when those bacteria exit the nose and enter the catheter that these patients have implanted in their chests.

Corporate

During the period, Botanix welcomed the investment of \$5 million by Antares Capital as part of a \$7.5 million placement. Antares is a dedicated asset management business, that manages more than \$33.4bn on behalf of Australian investors with significant experience in the healthcare sector. Antares engaged extensively with Botanix while researching a possible investment in the company. Botanix also completed a Shareholder Purchase Plan (SPP) to existing holders bringing the raising to a total of \$5.96 million in 4Q CY2022. Total capital raised during the period was \$13,460,513 before costs.

BOTANIX PHARMACEUTICALS LIMITED

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DIRECTORS' REPORT (CONTINUED)

REVIEW OF OPERATIONS AND RESULTS

Botanix was also pleased to announce during the period that Chief Commercial Officer, Dr Howie McKibbon has been appointed Chief Operating Officer, reflecting a broadening role as Botanix moves rapidly towards becoming a revenue generating Company following the anticipated approval of Sofpironium Bromide in 3Q 2023. Dr McKibbon has more than 20 years of leadership experience in the pharmaceutical industry, including working as Senior-Vice President, Sales and Marketing at Anacor Pharmaceuticals; Senior Vice-President, Worldwide Commercial Operations at Dermavant Science; and Vice-President, Dermatology and Immunology at Medicis Pharmaceuticals. Howie has launched 15 products including 11 in dermatology, and managed over 30 dermatology products and also played a significant role in two of the world's largest dermatology acquisitions with combined valuations of \$7.8 billion.

EVENTS SINCE THE END OF THE FINANCIAL PERIOD

Subsequent to 31 December 2022, there are no other matters or circumstances which have arisen since the end of the period which significantly affect or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

The Auditor's Independence Declaration is set out on page 8 and forms part of the Directors' Report for the half year ended 31 December 2022.

Signed in accordance with a resolution of the Directors.



Vince Ippolito

Executive Chairman

28 February 2023

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

As lead auditor for the review of Botanix Pharmaceuticals Limited for the half-year ended 31 December 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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
28 February 2023

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2022

	Note	Consolidated 31 December 2022 \$	Consolidated 31 December 2021 \$
Revenue from continuing operations			
Sales revenue		387,997	-
Cost of sales		(344,348)	-
Gross profit		43,649	-
Other revenue			
Interest revenue		19,012	23,900
Research and Development incentive scheme		3,669,439	-
Total other revenue		3,688,451	23,900
Expenses			
Employee benefits expense		(886,900)	(1,342,011)
Finance expense		(76,672)	(19,976)
Foreign exchange gains		72,704	14,207
Research and development expense		(5,090,828)	(4,180,007)
Professional consultant expense		(1,248,302)	(519,182)
Share based payments	6	(735,330)	(88,557)
Amortisation of Right of Use assets		(6,727)	(62,012)
Depreciation of Plant and Equipment		(10,101)	(9,020)
Other expenses		(346,929)	(326,136)
Total expenses		(8,329,085)	(6,532,694)
Loss before income tax expense		(4,596,985)	(6,508,794)
Income tax benefit		-	-
Loss after income tax for the half year		(4,596,985)	(6,508,794)
Other Comprehensive loss for the half year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		(195,101)	18,571
Other Comprehensive loss for the period, net of tax		(195,101)	18,571
Total Comprehensive Loss for the half year attributed to members of Botanix Pharmaceuticals Limited		(4,792,086)	(6,490,223)
Basic and diluted Loss per share for the half year attributable to members of Botanix Pharmaceuticals Limited (cents):			
Basic profit/loss per share (cents)		(0.45)	(0.67)
Diluted profit/loss per share (cents)		(0.45)	(0.67)

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

BOTANIX PHARMACEUTICALS LIMITED

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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Note	Consolidated 31 December 2022 \$	Consolidated 30 June 2022 \$
ASSETS			
Current Assets			
Cash & cash equivalents		8,715,755	7,285,653
Inventory		3,081,908	3,044,347
Trade and other receivables	2	314,530	140,824
Prepayments		258,091	30,392
Total Current Assets		12,370,284	10,501,216
Non-Current Assets			
Plant and Equipment		74,321	91,418
Intangible assets	3	8,261,315	3,295,246
Right-of-use asset		22,233	87,847
Other financial assets		61,348	61,706
Total Non-Current Assets		8,419,217	3,536,217
Total Assets		20,789,501	14,037,433
LIABILITIES			
Current Liabilities			
Trade and other payables	4	3,878,397	5,667,708
Lease liabilities		32,422	122,414
Provisions		103,330	95,534
Total Current Liabilities		4,014,149	5,885,656
Non-Current Liabilities			
Total Non-Current Liabilities		-	-
Total Liabilities		4,014,149	5,885,656
Net Assets		16,775,352	8,151,777
EQUITY			
Contributed equity	5	83,974,287	71,475,764
Share based payment reserves	6	5,255,924	4,338,786
Reserves	7	(89,916)	105,185
Accumulated losses	7	(72,364,943)	(67,767,958)
Total Equity		16,775,352	8,151,777

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

BOTANIX PHARMACEUTICALS LIMITED

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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2022

	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Translation Reserve	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	71,475,764	(67,767,958)	4,338,786	105,185	8,151,777
Total comprehensive profit for the period					
Loss for the half year	-	(4,596,985)	-	-	(4,596,985)
Total other comprehensive income/loss	-	-	-	(195,101)	(195,101)
Total comprehensive loss for the period	-	(4,596,985)	-	(195,101)	(4,792,086)
Transactions with owners in their capacity as equity holders:					
Proceeds from issued capital	13,460,613	-	-	-	13,460,613
Transaction costs from issued capital	(962,090)	-	181,808	-	(780,282)
Share based payments	-	-	735,330	-	735,330
Balance at 31 December 2022	83,974,287	(72,364,943)	5,255,924	(89,916)	16,775,352
Balance at 1 July 2021	71,475,764	(54,597,209)	4,004,590	(83,015)	20,800,130
Total comprehensive loss for the period					
Loss for the half year	-	(6,508,794)	-	-	(6,508,794)
Total other comprehensive income/loss	-	-	-	18,571	18,571
Total comprehensive loss for the period	-	(6,508,794)	-	18,571	(6,490,223)
Transactions with owners in their capacity as equity holders:					
Share based payments	-	-	88,557	-	88,557
Balance at 31 December 2021	71,475,764	(61,106,003)	4,093,147	(64,444)	14,398,464

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

BOTANIX PHARMACEUTICALS LIMITED

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CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2022

	31 December 2022	31 December 2021
	\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES		
Receipt from customers	241,033	-
Interest received	18,266	23,900
Research and Development	(7,137,206)	(3,527,207)
Payments to suppliers & employees	(2,442,416)	(1,106,061)
Finance costs	(79,449)	(19,976)
R&D tax concession received	3,669,439	-
Net cash used in operating activities	(5,730,333)	(4,629,344)
CASHFLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(4,900)	(6,843)
Payment for intangible assets	(5,107,490)	-
Net cash used in financing activities	(5,112,390)	(6,843)
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	13,460,604	-
Transaction costs paid from the issue of shares	(823,984)	-
Proceeds from loan	1,849,236	-
Repayment of borrowings	(1,849,236)	-
Repayment of principle portion of lease liability	(89,992)	(72,153)
Net cash provided by / (used in) financing activities	12,546,628	(72,153)
Net increase/(decrease) in cash held	1,703,904	(4,708,340)
Cash and cash equivalents at beginning of period	7,285,653	21,554,906
Foreign exchange adjustment	(273,802)	(588)
Cash and cash equivalents at end of period	8,715,755	16,845,978

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

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

- The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.
- The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Botanix Pharmaceuticals Limited as at 30 June 2022 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the company during the period 1 July 2022 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

New Accounting Policies

The Group has adopted the following new accounting policies since 30 June 2022.

Borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

New Critical Accounting Estimates and Significant Judgments

The Group has adopted the following new estimates and judgments since 30 June 2022.

Share based payments - vesting period

During the current period the Group granted rights to Key Management Personnel, as disclosed in Note 6. The Group has made an assessment on the timing and probability of the achievement of non-market based vesting hurdles in assessing the ongoing vesting of the value of the equity instruments granted.

Capitalisation of internally developed project development

Distinguishing the research and development phases of a new project development and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. The Directors have considered the development phase of the Sofpironium Bromide project and acknowledge that regulatory approval has not yet been received, however, the Directors have made a judgment that the Company meets the technical feasibility criteria. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Basis of Accounting

The half-year financial report has been prepared on the basis of historical cost, except where stated. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The half-year financial report has been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (continued)

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 period ended 31 December 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 period, the Group recorded a net loss after tax of \$4,596,985 (31 December 2021: \$6,508,794). The Group had a net working capital surplus of \$8,356,136 at 31 December 2022 (30 June 2022: \$4,615,560) and experienced net cash outflows from operating activities for the year of \$5,730,333 (31 December 2021: \$4,629,344).

On 2 September 2022, the Company announced that it had received firm commitments from new and existing institutional and sophisticated investors for the placement of 113.6 million fully paid ordinary shares at A\$0.066 per new share to raise up to \$7.5m in gross proceeds in an oversubscribed placement.

On 31 October 2022, the Company announced that it had secured a commitment via an institutional placement for \$5m and issued 79.4m fully paid ordinary shares at A\$0.063 and on 29 November 2022, the Company announced that it raised A\$1m via a share placement plan.

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.

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.

Segment Reporting

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

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2022 that have been applied by the Company. The 30 June 2022 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2022.

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 2: TRADE AND OTHER RECEIVABLES

	31 December 2022	30 June 2022
	\$	\$
Current:		
Trade receivables ⁽¹⁾	147,710	-
Other receivables ⁽²⁾	166,820	140,824
	314,530	140,824

⁽¹⁾ Trade receivables relate to royalties receivable for the quarter ending 31 December 2022.

⁽²⁾ 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.

NOTE 3: INTANGIBLE ASSETS

	31 December 2022	30 June 2022
	\$	\$
At cost	8,261,315	3,295,246
	8,261,315	3,295,246

	Acquisition costs	Development costs	Total
	\$	\$	\$
Balance at 1 July 2022	3,295,246	-	3,295,246
Additions ⁽¹⁾	3,406,756	-	3,406,756
Additions from internal development	-	1,559,313	1,559,313
Balance at 31 December 2022	6,702,002	1,559,313	8,261,315

⁽¹⁾ As part of the acquisition of Sofpironium Bromide, the Company paid US\$2m based on a positive “Day-74 letter” being received from the FDA after NDA filing being resolution of an uncertain event in the variable consideration as disclosed at 30 June 2022.

	Acquisition costs	Development costs	Total
	\$	\$	\$
Balance at 1 July 2021	-	-	-
Additions	3,295,246	-	3,295,246
Additions from internal development	-	-	-
Balance at 30 June 2022	3,295,246	-	3,295,246

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 4: TRADE AND OTHER PAYABLES

	31 December 2022	30 June 2022
	\$	\$
Current:		
Trade payables ⁽¹⁾	2,656,671	4,681,837
Sundry payables & accrued expenses	1,221,726	985,871
	3,878,397	5,667,708

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

NOTE 5: CONTRIBUTED EQUITY

	31 December 2022	31 December 2022	30 June 2022	30 June 2022
	Number	\$	Number	\$
Fully paid ordinary shares	1,187,481,068	83,974,287	973,142,074	71,475,764

Movements in fully paid shares on issue	Number	\$
Balance as at 1 July 2022	973,142,074	71,475,764
Exercise of options ⁽¹⁾	6,091,310	-
Placement ⁽²⁾	106,060,609	7,000,000
Placement ⁽³⁾	79,365,080	5,000,000
Share purchase plan ⁽⁴⁾	15,246,240	960,513
Shares issued to Directors ⁽²⁾	7,575,755	500,000
Less: transaction costs ⁽⁵⁾	-	(962,089)
Balance as at 31 December 2022	1,187,481,068	83,974,287

⁽¹⁾ 30,153,639 options exercised prior 30 June 2022 utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issued on 7 July 2022.

⁽²⁾ On 12 September, Botanix completed a placement to raise \$7,500,000, of which the directors subscribed for \$500,000 (subject to shareholder approval which was received in December 2022). Botanix issued 113,636,364 shares at \$0.066 per share. In addition, Botanix issued 53,030,464 unlisted free attaching options (Options) on the basis of 1 new Option for 2 new shares. The Directors did not receive Options as part of their subscription. The Options have an exercise price of \$0.09 and an expiry date of 12 March 2024.

⁽³⁾ On 31 October, Botanix completed a placement to raise \$5,000,000. Botanix issued 79,365,080 shares at \$0.063 per share.

⁽⁴⁾ On 30 November, Botanix completed a Share Purchase Plan to raise \$960,513. Botanix issued 15,246,240 shares at \$0.063 per share.

⁽⁵⁾ As part of the placement (note ⁽²⁾) the Company issued 10,000,000 options to the lead manager for the placement completed in September 2022. The valuation of these options was \$181,807.

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 6: SHARE BASED PAYMENT RESERVES

The share-based payments include the following:

- Items recognised as expenses on valuation of employee and director share options and performance rights (\$735,330); and
- Options issued to lead manager as part of capital raising costs (\$181,808).

	31 December 2022	31 December 2021
	\$	\$
Share based payment reserve	5,255,924	4,093,147
Balance at 1 July	4,338,786	4,004,590
Add: Share based payments	735,330	88,557
Add: Share based payments as capital raising costs	181,808	-
Balance at 31 December	5,255,924	4,093,147

(a) Issued Options	31 December 2022	31 December 2021
	Number	Number
Unlisted Options	55,000,000	59,153,639
Movements in options on issue		
Balance as at 1 July	75,153,639	50,320,307
Exercised / cancelled during the period	(30,153,639)	(1,166,668)
Add: Options to directors and KMP	-	10,000,000
Add: Options issued to lead manager	10,000,000	-
Balance as at 31 December	55,000,000	59,153,639

No options were exercised during the period.

10 million options vesting immediately, were issued to the lead manager for the placement completed in September 2022. The value of these options was capitalised as a cost of raising capital as per Note 5. The options expire on 12 September 2024. The exercise price and value of options are:

6m options with an exercise price of \$0.08 per option valued at \$0.021 per option

2m options with an exercise price of \$0.10 per option valued at \$0.017 per option

2m options with an exercise price of \$0.13 per option valued at \$0.012 per option

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 6: SHARE BASED PAYMENT RESERVES (continued)

	Unlisted options	Unlisted options	Unlisted options
Number of options in series	6,000,000	2,000,000	2,000,000
Grant date share price	\$0.066	\$0.066	\$0.066
Exercise price	\$0.079	\$0.099	\$0.132
Expected volatility	65%	65%	65%
Option life	2 years	2 years	2 years
Dividend yield	0.00%	0.00%	0.00%
Interest rate	3.22%	3.22%	3.22%

(b) Issued Performance Rights	31 December 2022	31 December 2021
	Number	Number
Unlisted Performance Rights	19,000,000	-
Movements in performance rights on issue		
Balance as at 1 July	-	-
Add: Performance Rights s issued	19,000,000	-
Balance as at 31 December	19,000,000	-

19 million performance rights (PRs) were issued during the period, of which 13 million PRs were issued to the Directors and 6 million to KMP. The PRs have an expiry date of 30 November 2026 and a nil exercise price.

\$503,220 has been recorded as an expense in the half year for the issue of these PRs.

The PRs were valued at the share price on grant date:

	Directors	KMP
Number of PRs in series	13,000,000	6,000,000
Fair value per right	\$0.063	\$0.057
Grant date	23 Nov 2022	29 Dec 2022

\$735,330 was expensed in the current period in relation to vesting of Share Based Payments issued in prior periods and options and performance rights granted during the current period as disclosed above.

The vesting conditions of these PRs are:

1/3 vested on receipt of Day 74 letter (received in December 2022); 1/3 vested on mid-cycle review (expected in Q3 FY22) and 1/3 vested of FDA approval (expected 1H FY24).

The Directors are of the opinion that that the mid-cycle review and approval will be received within the expected timeframes. The fair values have been determined accordingly over the estimated vesting period above.

BOTANIX PHARMACEUTICALS LIMITED

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2022

NOTE 7: RESERVES & ACCUMULATED LOSSES

Foreign Currency Translation Reserve

The foreign currency translation reserve includes the following:

Effect of foreign currency translation of foreign subsidiary at period end

	31 December 2022	30 June 2022
(a) Foreign currency translation reserve	\$	\$
Balance at beginning of period	105,185	(83,015)
Effect for foreign currency translation during the period	(195,101)	188,200
Balance at end of period	(89,916)	105,185

(b) Accumulated Losses

Movements in accumulated losses were as follows:

Balance at beginning of period	(67,767,958)	(54,597,209)
Net (loss) for the period – continuing operations	(4,596,985)	(13,170,749)
Balance at end of period	(72,364,943)	(67,767,958)

NOTE 8: SEGMENT REPORTING

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. The financial results of the segment are the equivalent of the financial statements as a whole. At 31 December 2022, 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	United States	Total
31 December 2022	\$	\$	\$
Revenue from continuing operations	-	387,997	387,997
Cost of sales	-	(344,348)	(344,348)
Other Revenue	3,669,439	-	3,669,439
 Expenditure on continuing operations	 3,826,420	 4,502,666	 8,329,086
Current Assets	6,845,966	5,524,318	12,370,284
Non-Current Assets	447,762	7,971,455	8,419,217
Total Assets	7,293,728	13,495,773	20,789,501
 Total Liabilities	 1,551,974	 2,462,175	 4,014,149
 Net Assets	 5,741,754	 11,033,598	 16,775,352

BOTANIX PHARMACEUTICALS LIMITED**ACN: 009 109 755****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2022

NOTE 8: SEGMENT REPORTING (continued)

	Australia	United States	Total
	\$	\$	\$
31 December 2021			
Revenue from continuing operations	23,900	-	23,900
Cost of sales	-	-	-
Other Revenue	-	-	-
Expenditure on continuing operations	5,241,494	1,291,200	6,532,694
30 June 2022			
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
Total Liabilities	3,317,287	2,568,369	5,885,656
Net Assets	2,721,332	5,430,446	8,151,777

NOTE 9: RELATED PARTY TRANSACTIONS

There were no related party transactions in the 6 months to 31 December 2022 except for the grants of rights as disclosed in note 6.

NOTE 10: CONTINGENT ASSETS & LIABILITIES

Outside of the crystallisation and payment of US\$2M contingent consideration upon receipt of Day-74 letter associated with the SB acquisition, there are no other changes to the contingencies disclosed in the 30 June 2022 annual report.

NOTE 11: EVENTS OCCURRING AFTER THE REPORTING PERIOD

Subsequent to 31 December 2022, there are no other matters or circumstances which have arisen since the end of the period which significantly affect or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

BOTANIX PHARMACEUTICALS LIMITED

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DIRECTORS' DECLARATION

In the opinion of the Directors of Botanix Pharmaceuticals Limited:

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a) complying with Accounting Standards AASB 134: 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is signed in accordance with a resolution of the Board of Directors made pursuant to s.303 (5) of the Corporations Act 2001.

On behalf of the board



Vince Ippolito

Executive Chairman

28 February 2023

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Botanix Pharmaceuticals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Botanix Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Material uncertainty relating to going concern

We draw attention to Note 1 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 conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Australia Ltd



Jarrad Prue
Director

Perth

28 February 2023