botanix
PHARMACEUTICALS

ACN: 009 109 755

ANNUAL REPORT

for the year ended 30 June 2023

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONTENTS

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 Vincent 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
Ms Susan Park

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Australian Securities Exchange Limited
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PERTH WA 6000

ASX Code: BOT

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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

DIRECTORS' REPORT

Your Directors have pleasure in submitting their report together with the financial statements of the Group consisting of Botanix Pharmaceuticals Limited and the entities it controlled during the period for the financial year ended 30 June 2023, in order to comply with the provisions of the Corporations Act 2001, the Directors report as follows:

Mr Vincent Ippolito	Executive Chairman
Mr Matthew Callahan	Executive director
Dr William Bosch	Non-executive director (executive director to 1 July 2023)
Dr Stewart Washer	Non-executive director
Mr Danny Sharp	Non-executive director

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 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.

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)

OTHER DIRECTORSHIPS HELD IN LISTED COMPANIES IN THE LAST THREE YEARS

Emyria Limited (appointed 19 March 2018, resigned 21 August 2023)

Dr William Bosch

Non-executive Director – (appointed executive director 1 July 2016, non-executive from 1 July 2023)

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)

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)

Cynata Therapeutics Limited (appointed 28 February 2017, resigned 1 July 2023)

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 was a 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

ImpediMed Ltd (appointed 1 July 2023, ceased 28 September 2023)

Race Oncology Ltd (appointed 5 December 2022, resigned 29 June 2023)

COMPANY SECRETARY

Ms Susan Park

Company Secretary (appointed 17 April 2023)

Ms Park is a governance professional with over 25 years' experience in the corporate finance industry and extensive experience in Company Secretary and Non-Executive Director roles in ASX, AIM and TSX listed companies. Ms Park holds a Bachelor of Commerce degree from the University of Western Australia majoring in Accounting and Finance, is a Member of the Australian Institute of Chartered Accountants, a Fellow of the Financial Services Institute of Australasia and a Member of the Australian Institute of Company Directors. She is also a Fellow of the Institute of Chartered Secretaries and Administrators and Chartered Secretaries Australia. She is currently Company Secretary of several ASX listed companies.

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 which is planned for late Q3 CY2023. Sofpironium Bromide is positioned to be a leading first line and second line therapy and potentially represents a safe and effective new option for patients.

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. 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 AND FINANCIAL POSITION

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity, 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 2023 of $8,917,281 (30 June 2022: $12,982,549). 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. The Group had a net working capital surplus of $12,093,632 at 30 June 2023 (30 June 2022: $4,615,560) and experienced net cash outflows from operating activities for the year of $12,074,064 (30 June 2022: $11,184,055).

At 30 June 2023, the Group had a cash balance of $10,250,395 (30 June 2022: $7,285,653).

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 (30 June 2022: Nil).

OPERATING AND FINANCIAL REVIEW AND FUTURE PROSPECTS

OPERATIONAL REVIEW

Overview

The 12 months reporting period ending on 30 June 2023 was a transformative time for the company with the filing for FDA approval of the Company's lead asset, Sofpironium Bromide gel 15% ("Sofpironium Bromide") and the completion of a successful mid-cycle review by the FDA in late 1Q CY2023. Subsequent to the reporting period, Botanix was successful in acquiring the future financial obligations owed to the previous owner of Sofpironium Bromide for US$8.25 million, a highly value accretive acquisition.

During the reporting period, Botanix continued to progress its pipeline of dermatology products, focused on the treatment of serious skin diseases and new solutions for bacterial infections. In 3Q 2023, the Company reported positive data from its rosacea (BTX 1702) Phase 1/2 clinical study in moderate to severe patients conducted in Australia and New Zealand.

Sofpironium Bromide New Drug Application (NDA) filing

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 filed an NDA with the US FDA for the product in September 2022 and approval was planned for late 3Q CY2023 (please refer to Events Since The End of the Financial Year).

Statistically significant data and successful studies

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 familiar to patients that would have used roll-on 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 potentially helps to minimise the side effects of the drug, compared to other compounds in the class.

Large market opportunity

Sofpironium Bromide has already been approved in Japan by the Japanese equivalent of the FDA and has been successfully commercialised 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.

In the US alone, there are approximately 10 million patients who suffer from primary axillary hyperhidrosis. Approximately 3.7 million of those are already actively seeking treatment.[1]

FDA Review of Sofpironium Bromide

Botanix submitted an NDA to the FDA for Sofpironium Bromide in September 2022 following approximately 6 months of work, consolidating the non-clinical and clinical data and preparing the NDA filing.

The Company successfully completed a mid-cycle review of the product in 2Q CY2023. The mid-cycle communication indicated no significant issues had been identified by FDA as a result of its review of product quality, non-clinical or clinical and that there were no major clinical safety issues, no risk management or advisory board requirements.

FDA continues to review the NDA for Sofpironium Bromide and approval is planned for late 3Q CY2023.

Acquisition of the future financial obligations due to Fresh Tracks

Subsequent to the reporting period in July 2023, Botanix announced that it had completed an agreement with Fresh Tracks Therapeutics Inc (Fresh Tracks) to extinguish all of the potential future financial obligations owed to Fresh Tracks under the Asset Purchase Agreement for Sofpironium Bromide. As outlined in Figure 1 below, Botanix was previously obliged to pay Fresh Tracks US$4M on FDA approval of Sofpironium Bromide, US$4M if approval is extended to another indication (such as for palmar or plantar hyperhidrosis) and US$4M for approval in the UK or Europe. The Company was also currently obliged to pay sales milestones of up to US$160M which commence upon reaching the first US$75M of Net Sales, as well as to pay royalties ranging from 12% to 20% on Net Sales from initiation of commercial sales.

In exchange for the payment of US$8.25M to Fresh Tracks, all of these future financial obligations due were extinguished. Given that Botanix was otherwise on target to pay Fresh Tracks US$4M in September following planned FDA approval of Sofpironium Bromide, the additional US$4.25m payment amount was viewed by the Company as relatively modest, compared to the significant future potential payments that would be payable to Fresh Tracks as regulatory and sales milestones and royalties on Net Sales of Sofpironium Bromide.

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.

Financial Obligations to Fresh Tracks	Current Commitment to Fresh Tracks (USD)	After Royalty Buyout Transaction (USD)
Upfront payment to buyout future milestone and royalty payments		$8.25m
FDA Approval for SB (target September)	$4m	Nil
Marketing approval for SB in EU or UK	$4m	Nil
Approval of SB in another indication	$4m	Nil
Sales Milestones (once Net Sales exceed $75m - up to $1.8 billion p.a)	~$160m	Nil
Royalties on Net Sales	12-20%	Nil*

*Note – Botanix will retain an obligation to the head licensor, Bodor Laboratories, to pay a 5% royalty on Net Sales made by Botanix

Figure 1 – Comparison of financial obligations to Fresh Tracks before and after Transaction

Botanix maintained the Transition Services Agreement with Fresh Tracks that was also entered into in May 2022 and existing royalty of 5% of Net Sales will remain payable to the original inventor of Sofpironium Bromide (Bodor Laboratories).

Preparation for commercialisation of Sofpironium Bromide

The anticipated approval of Sofpironium Bromide was intended by late 3Q 2023, and the Company continued to prepare for the launch of the product with a number of activities focused on market research, payer landscape mapping, as well as product naming and branding, design of the distribution network and creation of a digital strategy for Sofpironium Bromide. (Please refer to Events Since The End of the Financial Year.)

These activities will continue to expand as the planned approval date for Sofpironium Bromide approaches and launch of the product is currently expected early in CY 2024.

Pipeline Clinical Development

During the reporting period, the Company was able to successfully complete its rosacea (BTX 1702) Phase 1/2 clinical study, as announced in Q3 CY2022. The study investigated 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. There were no serious adverse events observed during the Study and all arms (vehicle gel, 10% and 20% BTX 1702 gel) were safe and well tolerated. For the exploratory efficacy endpoints, both doses of BTX 1702 showed clinically positive results, with the 10% showing greater results.

Further activities supporting the development of BTX 1702 are currently on hold as the Company prioritizes resources and focus on Sofpironium Bromide, but the Company expects to review the progress of the BTX 1702 and its other development stage pipeline products following launch of Sofpironium Bromide.

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.

OPERATIONAL RISKS

There are material risks, inherent in the pharmaceutical industry that, either individually or in combination, may materially and adversely affect the future operating and financial performance and prospects of Botanix and the value of its shares. Some of these risks may be mitigated by Botanix's internal controls and processes but some are outside the control of Botanix, its directors and management. The material risks identified by management are described below:

Clinical development risk

There is an inherent risk in drug development with many product candidates failing to be successfully developed into marketable products. The Company is currently undertaking clinical trials with certain of its products and plans to undertake trials with additional products in its pipeline. Clinical trials have many associated risks which may impact the Company's commercial potential and therefore its future prospects and profitability. Clinical trials may fail to recruit patients, be terminated for safety reasons, or fail to be completed within acceptable timeframes as a result of delay. Clinical trials may reveal product candidates to be unsafe, poorly tolerated or non-effective. Any of these outcomes will likely have a significant adverse effect on the Company, the value of its securities and the future commercial development of its product candidates. Clinical trials might also potentially expose the Company to product liability claims in the event its products in development have unexpected effects on clinical subjects.

Mitigation measures employed by the Company include: ensuring that clinical trials are strongly supported by preclinical safety and efficacy data; careful clinical trial design to minimise the chances of potentially spurious outcomes; use of independent data and safety monitoring boards; engagement of leading contract research organisations to manage the trials and drive recruitment; engagement of well-qualified clinical sites experienced in clinical trial execution and in the relevant therapeutic areas.

Regulatory risks

The research, development, manufacture, marketing and sale of products developed by the Company are subject to extensive regulation by multiple government authorities and institutional bodies in the USA and other jurisdictions. Drug products must undergo a comprehensive and highly regulated development, trial and review process before receiving approval for marketing. The process includes a requirement for approval to conduct clinical trials, and the provision of data relating to the quality, safety and efficacy of the products for their proposed use. There is no guarantee that regulatory approvals to conduct clinical trials and/or to manufacture and market the Company's products will be granted.

If a product is approved, it may also be submitted for cost reimbursement approval to relevant agencies. The availability and timing of that reimbursement approval may have an impact upon the uptake and profitability of products in some jurisdictions. If the Company is unable to secure necessary approvals from regulatory agencies and institutional bodies to undertake its planned trials, market its products and obtain cost reimbursements for its products its future prospects and profitability is likely to be materially and adversely affected.

Mitigation measures employed by the Company include: engagement of suitably qualified and experienced persons with expertise in the regulation of drug products; regular review of evolving regulatory requirements and analysis of the Company's activities and plans against regulatory expectations in key jurisdictions; and ensuring that the expectations and uncertainties related to regulatory approvals, and the timing of such approvals, are included in business plans.

Manufacturing risk

The Company's development stage and planned commercial products are manufactured by contract manufacturing organisations engaged by Botanix for that purpose. The Company relies on supply relationships with third party organisations and partners for raw materials and other consumables. An inability of these third party organisations to continue to supply the Company in a timely, economical and/or consistent manner could adversely impact on the progress of the Company's development programs and potentially on the financial performance of the Company.

Mitigation measures employed by the Company include: performing rigorous due diligence on suppliers; engaging suppliers with strong track records and sufficient capability to meet the Company's foreseeable needs; and employing a senior manager responsible for managing and monitoring the performance of third parties including suppliers.

Market Risks

The Company is subject to a number of financial risks which arise as a result of its activities. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Currency risk- During the normal course of business the Company enters into contracts with overseas customers or suppliers or consultants that are denominated in foreign currency. As a result of these transactions there is exposure to fluctuations in foreign exchange rates. The principle currency risk faced by the business is the exchange rate between the Australian dollar and the US dollar. The Company holds cash denominated in US dollars and Australian dollars and may have material future expenditure in each of these currencies. Where possible, the Company matches foreign currency income and foreign currency expenditure as a natural hedge, holding foreign currency cash to facilitate this natural hedge. When foreign currency expenditure exceeds foreign currency revenue and foreign currency cash, the Company may consider purchasing foreign currency to meet anticipated requirements under spot and forward contracts.

Interest rate risk - The Company is exposed to changes in market interest rates as the Company holds cash and cash equivalents. The Company mitigates this risk through a series of term deposits structured to provide some certainty of financial returns.

Liquidity risk - The Company's financial liabilities, comprising trade and other payables and derivatives, are generally repayable within 1 – 3 months. The maturity and availability of financial assets, comprising cash and cash equivalents and trade and other receivables, are monitored and managed to ensure financial liabilities can be repaid when due.

Capital management - The Company monitors capital including share capital, retained earnings and reserves and the cash and cash equivalents presented in the consolidated statement of financial position. The Company has no debt. The key objective of the Company when managing its capital is to safeguard its ability to continue as a going concern, so that the Company can sustain the commercialisation and the future development of the research and development activities being performed by the Company.

DIRECTORS' INTERESTS IN THE SHARES, OPTIONS AND PERFORMANCE RIGHTS OF THE COMPANY

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

	Shares		Options		Performance rights	
Director	**Directly**	**Indirectly**	**Directly**	**Indirectly**	**Directly**	**Indirectly**
Mr Vincent Ippolito	10,801,644	-	12,000,000	-	2,000,000	-
Mr Matthew Callahan	-	74,586,791	-	-	-	1,166,667
Dr William Bosch	18,836,702	-	-	-	500,000	-
Dr Stewart Washer	-	2,170,035	-	5,000,000	-	666,667
Mr Danny Sharp	2,131,313	-	4,000,000	-	666,667	-
Total	**31,769,659**	**76,756,826**	**16,000,000**	**5,000,000**	**3,166,667**	**1,833,334**

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 held**	**Number attended**
Mr Vincent Ippolito	10	10
Mr Matthew Callahan	10	10
Dr William Bosch	10	10
Dr Stewart Washer	10	10
Mr Danny Sharp	10	10

EVENTS SINCE THE END OF THE FINANCIAL YEAR

On 21 July 2023, the Company received firm commitments from new and existing institutional and sophisticated investors for 104,166,667 new fully paid ordinary shares at A$0.12 per share under a placement to raise up to A$12.5 million in gross proceeds. Proceeds from the placement are expected to be primarily used to extinguish the future milestone and royalty payments due to Fresh Track Therapeutics Inc in respect of Sofpironium Bromide, and cover costs associated with finalising FDA review and preparing for commercial launch in the United States.

On 25 August 2023 the Company announced that Dr Howie McKibbon had been appointed as Chief Executive Officer of Botanix, effective 24 August 2023.

Dr William Bosch moved to a non-executive director role, effective 1 July 2023.

On 26 September 2023, the Company announced that it received a Complete Response Letter from FDA in relation to its NDA submission for Sofpironium Bromide gel, 15% and that the only area to be addressed relates to the patient instructions. The Letter did not identify any other deficiencies in the NDA and the Company plans to resubmit the NDA in Q1 2024. The Company believes that the target approval timing is likely to delay Botanix's commercialisation plans by only 3 – 6 months.

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.

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 2023, the Directors have assessed that there are no current reporting requirements but have committed to develop an ESG framework in the future.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

During the financial year, the Company has paid a premium of $241,205 excluding GST (2022: $202,800) 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 2023. 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 2023

Directors:

Mr Vincent 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

Other Key Management Personnel:

Mr Howard McKibbon — Chief Commercial Officer (appointed Chief Executive Officer on 24 August 2023)

Remuneration Policy

The Company recognises the importance of structuring the remuneration packages of its Directors and executives 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. Performance rights valued at the share price on grant date (in the absence of market based vesting hurdles).

Remuneration Governance

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

Non-executive Director Remuneration

Fees and payments to non-executive Directors reflect the demands which are made on, and the responsibilities of, the Directors. non-executive Directors' fees and payments are reviewed by the Board.

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

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

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

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; registration; commercialisation; investor relations; 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.

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.

	2019	2020	2021	2022	2023
(Loss) for the year attributable to owners	($17,076,073)	($16,731,183)	($3,405,015)	($12,982,549)	(8,917,281)
Basic earnings per share (cents)	(2.24)	(1.79)	(0.34)	(1.35)	(0.79)
Share price	$0.18	$0.04	$0.08	$0.06	$0.13
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.

Performance rights

In accordance with the provisions of the ESIP, Directors, executives and employees have been granted performance rights to purchase ordinary shares at nil cost as determined by the Board with regard to the market value of the shares when the performance rights were issued or agreed to be issued.

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

Performance rights granted may vest on issue or progressively over the life of the performance rights as decided by Directors when making an offer under the ESIP. Performance rights granted under the ESIP usually expire within forty-eight months of issue. Unvested performance rights expire immediately on the resignation of the eligible participant, unless otherwise determined by the Board.

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

2023	Short Term Benefits				Post-Employment Benefits	Share Based Payments			
Key Management Personnel	**Salary and Fees $**	**Bonus $**	**Insurances $**	**Leave Movements $**	**Superannuation $**	**Options $**	**Performance Rights $**	**Total $**	**Performance Based %**
Directors									
Mr V Ippolito	430,793	(89,130) [1]	20,191	(1,028)	4,028	-	319,842	684,696	33.7
Mr M. Callahan	385,518	-	-	-	-	-	186,574	572,092	32.6
Dr W. Bosch	235,432	-	-	-	-	-	79,961	315,393	25.4
Dr S. Washer	55,000	-	-	-	5,775	14,062	53,307	128,144	52.6
Mr D Sharp	65,000	-	-	-	-	98,066	53,307	216,373	70.0
Total	**1,171,743**	**(89,130)**	**20,191**	**(1,028)**	**9,803**	**112,128**	**692,991**	**1,916,698**	**37.4**
Executive									
Mr H. McKibbon	542,205	-	2,059	27,110	16,272	189,208	285,151	1,062,006	44.7
Total	**1,713,948**	**(89,130)**	**22,250**	**26,082**	**26,075**	**301,336**	**978,142**	**2,978,704**	**40.0**

[1] Represents a bonus that was accrued in the comparative period but was discretionary and not paid at the election of the Board.

2022	**Short Term Benefits**				**Post-Employment Benefits**	**Share Based Payments**			
Key Management Personnel	**Salary and Fees $**	**Bonus $**	**Insurances $**	**Leave Movements**	**Superannuation $**	**Options $**	**Performance Rights $**	**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
total	**1,175,193**	**151,550**	**17,362**	**(65,413)**	**18,616**	**142,408**		**1,439,716**	**20.4**
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**	**21.4**

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)

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 2023 is as follows:

	Held at	Other Movements during the year			Held at
	1 July 2022	Exercise of	Conversion of	Acquisition via	30 June 2023
Directors		**Options**	**PRs***	**placement**	
Mr V Ippolito	-	5,286,493	4,000,000	1,515,151	10,801,644
Mr M Callahan	70,738,307	-	2,333,333	1,515,151	74,586,791
Dr W Bosch	16,000,000	321,551	1,000,000	1,515,151	18,836,702
Dr S Washer	-	321,551	333,333	1,515,151	2,170,035
Mr D Sharp	-	282,829	333,333	1,515,151	2,131,313
Mr H McKibbon	-	-	4,000,000	-	4,000,000
Total	**86,738,307**	**6,212,424**	**11,999,999**	**7,575,755**	**112,526,485**

*PRs = performance rights

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 2023 is as follows:

Name and Grant date	Held at 01-Jul-2022	Granted as Compensation	Options Exercised	Options Lapsed	Options Expired or Cancelled	Held at 30-Jun-2023	Vested and Exercisable	Unvested
Mr V Ippolito								
30/6/2020 (1)	17,994,914	-	(17,994,914)	-	-	-	-	-
18/7/2019	12,000,000	-	-	-	-	12,000,000	12,000,000	-
20/5/2019	3,000,000	-	-	-	(3,000,000)	-	-	-
Mr M Callahan	-	-	-	-	-	-	-	-
Dr W Bosch								
30/6/2020 (2)	4,863,490	-	(4,863,490)	-	-	-	-	-
Dr S Washer								
30/6/2020 (3)	4,863,490	-	(4,863,490)	-	-	-	-	-
22/3/2022	5,000,000	-	-	-	-	5,000,000	3,000,000	2,000,000
Mr D Sharp								
21/3/2022 (4)	5,000,000	-	(1,000,000)	-	-	4,000,000	1,333,333	2,666,667
Mr H McKibbon								
7/10/2021	500,000					500,000	166,667	333,333
23/3/2022	10,000,000	-	-	-	-	10,000,000	2,640,000	7,360,000
Total	**63,221,894**	**-**	**(28,721,894)**	**-**	**(3,000,000)**	**31,500,000**	**19,140,000**	**12,360,000**

Details per ordinary share on the exercise of options at the date of exercise were as follows:

1. Exercise date: 7 July 2022; Exercise price $0.0551. Options were exercised via the cashless exercise facility and accordingly 5,286,493 shares were issued on exercise of 17,994,914 options, with nil amount paid.
2. Exercise date: 7 July 2022; Exercise price $0.0551. Options were exercised via the cashless exercise facility and accordingly 321,551 shares were issued on exercise of 4,863,490 options, with nil amount paid.
3. Exercise date: 7 July 2022; Exercise price $0.0551. Options were exercised via the cashless exercise facility and accordingly 321,551 shares were issued on exercise of 4,863,490 options, with nil amount paid.
4. Exercise date: 20 Mar 2023; Exercise price $0.071. Options were exercised via the cashless exercise facility and accordingly 282,829 shares were issued on exercise of 1,000,000 options, with nil amount paid.

No amounts are unpaid on any shares issued on the exercise of options.

DIRECTORS' REPORT (CONTINUED)

Performance rights holdings of Key Management Personnel

The movement in the number of performance rights 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 2023 is as follows:

Name and Grant date	Held at 01-Jul-22	Granted as Compensation	Rights Exercised	Rights Lapsed	Rights Expired or Cancelled	Held at 30-Jun-2023	Vested and Exercisable	Unvested
Directors								
Mr V Ippolito								
23/11/2022	-	6,000,000	(4,000,000)	-	-	2,000,000	-	2,000,000
Mr M Callahan								
23/11/2022	-	3,500,000	(2,333,333)	-	-	1,166,667	-	1,166,667
Dr W Bosch								
23/11/2022	-	1,500,000	(1,000,000)	-	-	500,000	-	500,000
Dr S Washer								
23/11/2022	-	1,000,000	(333,333)	-	-	666,667	333,333	333,334
Mr D Sharp								
23/11/2022	-	1,000,000	(333,333)	-	-	666,667	333,333	333,334
Mr H McKibbon								
29/12/2022	-	6,000,000	(4,000,000)	-	-	2,000,000	-	2,000,000
Total	**-**	**19,000,000**	**(11,999,999)**	**-**	**-**	**7,000,001**	**666,666**	**6,333,335**

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 2023 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	Number	Vesting and exercise date	Expiry date	Exercise price	Fair value per option at grant date	% Vested
18/7/2019	12,000,000	Progressively on quarterly basis over 3 years from issue based on continued service	18/7/23	$0.251	$0.12622	100%
21/3/2022	4,000,000	Progressively over 3 years, 33.33% at each anniversary starting from 22/3/2022 based on continued service	22/3/25	$0.094	$0.037	33%
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	14/4/25	$0.072	$0.037	26.4%
22/3/2022	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	22/3/25	$0.102	$0.031	60%

Performance rights

The number of performance rights over ordinary shares in the Company provided as remuneration to Key Management Personnel on issue at 30 June 2023 is shown above. The performance rights carry no dividend or voting rights. The terms and conditions of each grant of performance rights affecting remuneration in the current or a future reporting period are as follows:

Grant date	Number	Vesting and exercise date	Expiry date	Exercise price	Fair value per right at grant date	% Vested
29/12/2022	6,000,000	1/3 on receipt of Day 74 letter; 1/3 on mid-cycle review and 1/3 on FDA approval	30/11/26	Nil	0.057	66.7%
23/11/2022	13,000,000	1/3 on receipt of Day 74 letter; 1/3 on mid-cycle review and 1/3 on FDA approval	30/11/26	Nil	0.063	66.7%

13 million performance rights (valued at $0.063 per right) were granted to Directors on 21 November 2022 upon shareholder approval. One third of these rights vest on receipt of the Day 74 letter; one third on mid-cycle review (both vesting conditions satisfied) and one third on FDA approval. $693,000 has been recorded as an expense in the 2023 year for the issue of these performance rights.

The performance rights were valued with reference to the share price on grant date ($0.063).

6 million performance rights (valued at $0.057 per right) were granted to Key Management Personnel on 29 December 2022. One third of these rights vest on receipt of the Day 74 letter; one third on mid-cycle review (both vesting conditions satisfied) and one third on FDA approval. $285,466 has been recorded as an expense in the 2023 year for the issue of these performance rights.

The performance rights were valued with reference to the share price on grant date ($0.057).

Key Management Personnel Executive Service Contracts

Executive Chairman

Mr Vincent Ippolito

Mr Ippolito was 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$200,000 (AUD$303,033). 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.

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$148,549) 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$223) 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$148,549) 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$223) per hour (GST exclusive).
- Termination by the Company or Dr Bosch has notice period of 6 months.

Dr Bosch became a non-executive director effective 1 July 2023.

Executive

Mr Howard McKibbon

Mr McKibbon was appointed Chief Commercial Officer (COO) on 1 April 2022 and appointed Chief Executive Officer (CEO) effective 24 August 2023.

During the 2023 financial year as the COO, the term of Mr McKibbon's employment was agreed to be for three years and would 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 was US$365,000 (AUD$542,205). Mr McKibbon was 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 could terminate Mr McKibbon's employment with or without cause at any time by written notice. Additionally, Mr McKibbon could terminate his employment for good reason at any time by giving written notice or voluntarily without good reason by giving 30 days' notice.

If Mr McKibbon's employment was terminated by the Company without cause or by Mr McKibbon with cause Mr McKibbon would 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.

After the reporting date, the term of Mr McKibbon's employment as the CEO was agreed to be for five years. Mr McKibbon's base salary is US$400,000 (AUD$606,060) subject to an annual review. Mr McKibbon is also eligible to receive a target short-term incentive of up to 35% of base salary dependent on certain specified annual performance objectives being attained as set by the Board.

Mr McKibbon is eligible to receive long term incentives (LTI) pursuant to the Company's Employee Awards Plan. The LTI will be delivered in the form of performance rights to acquire shares ('Rights'), with vesting subject to performance hurdles over a 4-year period, with the first tranche not being eligible to vest before the date that is 12 months following FDA approval of Sofpironium Bromide (SB) as follows:

• Tranche 1 – 12 months following FDA approval, provided that the FDA approved label for SB includes efficacy and safety data that supports promotion in the US market (9,333,334 Rights);

• Tranche 2 – the earlier of the date that is 12 months after the vesting date of Tranche 1 or 30 December 2025, provided that SB has been launched commercially in the US and the Company has also established a distribution network that is effectively providing reimbursed prescriptions to patients (9,333,333 Rights);

• Tranche 3 - 12 months after the vesting date of Tranche 2, provided that the Company has deployed its digital telehealth platform for the diagnosis of patients with hyperhidrosis and the Company is also generating revenue as a direct result from the utilization of the telehealth platform (9,333,333 Rights);

• Tranche 4 – achieving US$45 million of revenue from sales of SB in a financial year (7,000,000 Rights);

• Tranche 5 – achieving US$100 million of revenue from sales of SB in a financial year (7,000,000 Rights);

• Tranche 6 – achieving US$150 million of revenue from sales of SB in a financial year (7,000,000 Rights); and

• Tranche 7 – achieving US$250 million of revenue from sales of products in a financial year (7,000,000 Rights).

The exercise price of the performance right is $0.00 per right.

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 90 days' notice.

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 12 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.

<u>Shares issued to Key Management Personnel on Exercise of Compensation Options</u>

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. In addition, a further 1,000,000 options were exercised with 282,829 shares issued on 20 March 2023 utilising the cashless exercise facility.

<u>Remuneration Consultants</u>

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

<u>Other transactions with Key Management Personnel</u>

There were no other related party transactions in the year ended 30 June 2023.

<u>Loans to Key Management Personnel</u>

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

<u>Voting and comments made at the Company's 2022 Annual General Meeting</u>

The Company received 95.7% of "yes" votes on its remuneration report for the 2022 financial year. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

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

LIKELY DEVELOPMENTS & EXPECTED RESULTS OF OPERATIONS

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

AUDITOR

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

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* for the year ended 30 June 2023 has been received and can be found on page 29.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important.

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

SHARE OPTIONS AND PERFORMANCE RIGHTS

Shares under Option

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

Date Granted	Expiry Date	Exercise Price	Number of shares under option
7 October 2021	7 October 2024	$0.089	10,000,000
22 March 2022	22 March 2025	$0.094	4,000,000
14 April 2022	14 May 2025	$0.072	10,000,000
12 September 2022	12 September 2024	$0.0792	6,000,000
12 September 2022	12 September 2024	$0.099	2,000,000
12 September 2022	12 September 2024	$0.132	2,000,000
12 September 2022	12 March 2024	$0.090	51,611,761
22 March 2022	22 March 2025	$0.102	5,000,000
14 March 2023	13 March 2026	$0.078	8,500,000
27 July 2023	27 July 2025	$0.18	6,000,000
Total			**105,111,761**

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, a total of 7,792,842 ordinary shares were issued as a result of the exercise of 32,572,342 options with a weighted average exercise price of $0.057 (2022: no ordinary shares were issued as a result of the exercise of share options). This included exercise of 31,153,639 options utilising the cashless exercise facility available.

Performance Rights

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

Date Granted	Expiry Date	Exercise Price	Number of shares under option
23 November 2022	30 November 2026	nil	5,333,335
29 December 2022	30 November 2026	nil	2,000,000

During the current year, a total of 12,166,665 shares with a weighted average exercise price of $0.00 were issued as a result of the exercise of performance rights (2022: no ordinary shares were issued as a result of the exercise of performance rights).

Signed in accordance with a resolution of the Directors.

Vincent Ippolito
Executive Chairman
29 September 2023

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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 2023, 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

29 September 2023

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2023

	Note	2023 $	2022 $
Revenue from continuing operation			
Sales revenue		102,934	-
Total revenue from continuing operations	3	**102,934**	**-**
Other income			
Interest income		65,958	37,374
Research and Development incentive scheme	3	3,669,439	2,754,835
		3,735,397	**2,792,209**
Employee expenses		(1,517,603)	(3,221,580)
Professional Consulting expense	4	(2,682,212)	(1,061,327)
Research expenses		(5,727,498)	(10,292,507)
Depreciation of plant and equipment		(20,535)	(18,433)
Amortisation on Right of Use Asset		(89,899)	(125,066)
Finance expenses		(81,736)	(37,440)
Other expenses	4	(1,340,137)	(887,945)
Foreign exchange gain/(loss)		(11,857)	15,536
Share based payments	16	(1,520,828)	(334,196)
Total expenses		**(12,992,305)**	**(15,962,958)**
Loss before income tax expense		**(9,153,974)**	**(13,170,749)**
Income tax benefit	5	-	-
Loss after income tax for the year		**(9,153,974)**	**(13,170,749)**
Other Comprehensive income (Loss) for the year:			
Items that may be reclassified subsequently to profit or			
Foreign exchange translation difference		236,693	188,200
Other Comprehensive income/(loss) for the period, net of		236,693	188,200
Total Comprehensive Loss for the year attributed to members of Botanix Pharmaceuticals Limited		**(8,917,281)**	**(12,982,549)**
Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited			
Basic loss per share (cents)	19	**(0.79)**	(1.35)
Diluted loss per share (cents)	19	**(0.79)**	(1.35)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	2023 $	2022 $
ASSETS			
Current Assets			
Cash & cash equivalents	6	10,250,395	7,285,653
Inventory	7	3,147,031	3,044,347
Trade and other receivables	8	489,124	140,824
Prepayments		92,078	30,392
Total Current Assets		**13,978,628**	**10,501,216**
Non-current Assets			
Plant and equipment	9	65,376	91,418
Intangible assets	10	10,729,375	3,295,246
Right-of-use asset	11	-	87,847
Other financial assets		62,644	61,706
Total Non-current Assets		**10,857,395**	**3,536,217**
Total Assets		**24,836,023**	**14,037,433**
LIABILITIES			
Current Liabilities			
Trade and other payables	12(A)	1,733,296	5,667,708
Lease liabilities	13	-	122,414
Provisions	12(B)	151,700	95,534
Total Current Liabilities		**1,884,996**	**5,885,656**
Total Liabilities		**1,884,996**	**5,885,656**
Net Assets		**22,951,027**	**8,151,777**
EQUITY			
Contributed equity	14	93,489,658	71,475,764
Reserves	15	6,041,423	4,338,786
Foreign currency translation reserve	15	341,878	105,185
Accumulated losses	15	(76,921,932)	(67,767,958)
Total Equity		**22,951,027**	**8,151,777**

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

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2023

	Note	Contributed Equity	Accumulated Losses	Reserves	Translation Reserve	Total
		$	$	$	$	$
Balance at 1 July 2022		71,475,764	(67,767,958)	4,338,786	105,185	8,151,777
Total comprehensive loss for the year						
Loss for the year		-	(9,153,974)	-	-	(9,153,974)
Total other comprehensive loss		-	-	-	236,693	236,693
Total comprehensive loss for the year		-	(9,153,974)	-	236,693	(8,917,281)
Transaction with equity holders:						
Ordinary shares issued net of costs	14	22,013,894	-	181,809	-	22,195,703
Share based payments	16	-	-	1,520,828	-	1,520,828
Balance at 30 June 2023		**93,489,658**	**(76,921,932)**	**6,041,423**	**341,878**	**22,951,027**

	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 loss		-	-	-	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		-	-	-	-	-
Share based payments		-	-	334,196	-	334,196
Balance at 30 June 2022		**71,475,764**	**(67,767,958)**	**4,338,786**	**105,185**	**8,151,777**

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 2023

	Note	2023 $	2022 $
CASHFLOWS FROM OPERATING ACTIVITIES			
Interest received		65,215	37,374
Receipts from customers		518,398	-
R&D tax concession received		3,669,439	2,754,835
Payments to suppliers and employees		(16,247,096)	(13,938,824)
Finance costs		(80,020)	(37,440)
Net cash used in operating activities	20	**(12,074,064)**	**(11,184,055)**
CASHFLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(7,572)	(7,208)
Payment for intangibles		(7,046,149)	(2,914,662)
Net cash used in investing activities		**(7,053,721)**	**(2,921,870)**
CASHFLOWS FROM FINANCING ACTIVITIES			
Repayment of lease liability		(122,414)	(152,412)
Proceeds from issue of shares		23,590,350	-
Transaction costs paid from the issue of shares		(1,438,359)	-
Repayment of borrowings		(1,849,236)	-
Proceeds from loan		1,849,237	-
Net cash provided / (used in) by financing activities		**22,029,578**	**(152,412)**
Net increase/(decrease) in cash held		2,901,793	(14,258,337)
Cash and cash equivalents at beginning of financial year		7,285,653	21,554,906
Foreign exchange adjustment		62,949	(10,916)
Cash and cash equivalents at end of financial year	6	**10,250,395**	**7,285,653**

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 2023 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 2023 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 $9,153,974 (30 June 2022: $13,170,749). The Group had a net working capital surplus of $12,093,632 at 30 June 2023 (30 June 2022: $4,615,560) and experienced net cash outflows from operating activities for the year of $12,074,064 (30 June 2022: $11,184,055).

On 21 July 2023, the Company announced that it had received firm commitments from new and existing institutional and sophisticated investors for 104,166,667 new fully paid ordinary shares at A$0.12 per share under a placement to raise up to $12,500,000 in gross proceeds.

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 timing of successful development of its pharmaceutical projects and generation of revenues therefrom.

NOTE 2: BASIS OF PREPARATION (CONTINUED)

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 Company raised $23,588,196 (net of issue costs) during the financial year as well as $12,500,000 (before issue costs) post balance date. 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.

(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) Share based payments - vesting period

During the current year the Group granted rights to Key Management Personnel, as disclosed in Note 16. 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.

(iii) 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 ready for intended use, which also requires estimation and judgement.

(iv) 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, expiry dates and other factors that affect inventory obsolescence.

NOTE 2: BASIS OF PREPARATION (CONTINUED)

(v) 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 (refer to Note 10).

(vi) *Acquisition of Sofpironium Bromide*

During the 2022 financial year, the Group acquired the assets and liabilities associated with the dermatology asset Sofpironium Bromide. 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.

(vii) 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.

NOTE 3: SALES REVENUE AND OTHER INCOME

	2023 $	2022 $
Royalty fees received	914,973	-
Royalty fees paid	(812,039)	-
Sales revenue	**102,934**	**-**
Interest income	65,958	37,374
	168,892	**37,374**
Research and development incentive scheme	3,669,439	2,754,835
Total revenue and other income	**3,838,331**	**2,792,209**

Accounting policy

The Group has adopted AASB 15 Revenue from Contracts with Customers (AASB 15). Although the Company has not commercialised its product in the USA, it does receive royalty fees from a licensee in Japan and a portion of the royalty received is paid in accordance with the asset purchase agreement for its Sofpironium Bromide product. The Group is considered to represent an agent in this scenario and accordingly royalties received are presented net of royalties paid.

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: OTHER EXPENSES

Loss before Income Tax includes the following specific expenses:

	2023 $	2022 $
Corporate advisors	536,711	305,479
Corporate investor advisory	152,769	323,227
Legal fees	859,547	176,146
Other professional fees	1,133,185	256,475
Professional consulting expense	**2,682,212**	**1,061,327**
Insurance	193,772	227,455
Travel	306,983	112,491
Milestone payment	445,648	-
Other operating costs	393,734	547,999
Other expenses	**1,340,137**	**887,945**

NOTE 5: INCOME TAX

	2023	2022
(a) Income tax expense	**$**	**$**
Current tax expense	-	-
Income tax expense	-	-
	-	-

(b) Reconciliation of tax expense to net profit before tax		
Loss before tax	(9,153,974)	(13,170,749)
Tax at the statutory rate of 25% (2022: 30%)	(2,288,494)	(3,951,225)
Tax effect of:		
Difference between Australian and US tax rates	247,914	241,284
Non-deductible expenses	1,827,212	4,075,406
Income not assessable	(917,360)	(826,450)
Movement in deferred tax assets not recognised	1,130,728	460,985
Income tax benefit	-	-

(c) Movement in unrecognised deductible temporary differences		
Tax losses	1,297,662	562,995
Other deferred amounts	(166,934)	(102,009)
	1,130,728	**460,985**

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.

NOTE 5: INCOME TAX (CONTINUED)

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

	2023	2022
	$	$
Cash at bank	10,250,395	7,285,653
Total cash and cash equivalents (1)	**10,250,395**	**7,285,653**

(1) Cash and cash equivalents are subject to floating interest rates at an effective weighted average interest rate of 1.1% including non-interest-bearing accounts.

NOTE 7: INVENTORY

	2023	2022
	$	$
Sofpironium Bromide	2,703,579	2,600,895
Packaging	443,452	443,452
Total inventory	**3,147,031**	**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:

	2023	2022
	$	$
Trade receivables	397,318	-
Other receivables [1]	91,806	140,824
Total trade and other receivables (net of GST)	**489,124**	**140,824**

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

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

Accounting policy

Trade and other receivables are recognised at fair value initially and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. The classification is based on two criteria: The Group's business model for managing the assets; and whether the instruments' contractual cash flows represent 'solely payments of principal and interest' on the principal amount outstanding (the 'SPPI criterion'). Trade and other receivables met both criteria.

Trade receivables are generally due for settlement within 30 days.

Impairment – Trade receivables

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

NOTE 9: PROPERTY, PLANT AND EQUIPMENT

	2023	2022
	$	$
Opening balance	91,418	76,392
Acquisition of computer equipment	-	7,208
Acquisition of other assets	-	20,264
Less: deprecation	(20,535)	(18,433)
Less: adjustment for foreign exchange differences	(5,507)	5,987
	65,376	**91,418**

NOTE 9: PROPERTY, PLANT AND EQUIPMENT (continued)

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

	2023 $	2022 $
At cost	10,729,375	3,295,246
	10,729,375	**3,295,246**

Sofpironium Bromide Licences	2023 $	2022 $
Opening balance	3,295,246	-
Acquisition Sofpironium Bromide Licences	-	3,295,246
Development costs	7,434,129	-
	10,729,375	**3,295,246**

	Acquisition costs $	Development costs $	Total $
Balance at 1 July 2022	3,295,246	-	3,295,246
Additions [(1)]	3,560,009	-	3,560,009
Additions from internal development	-	3,874,120	3,874,120
Balance at 30 June 2023	**6,855,255**	**3,874,120**	**10,729,375**

	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**

[(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.

NOTE 10: INTANGIBLE ASSETS (CONTINUED)

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.

Recoverability

The Group tests whether carrying value of intangible assets not yet ready for use have suffered any impairment on an annual basis in accordance with AASB 136. For the 2023 reporting period, the recoverable amount of the intangible asset, namely Sofpironium Bromide gel (SB), was determined based on fair value less costs to sell calculations which required the use of assumptions. These assumptions include: obtaining regulatory approval; expected prescription volumes; sales pricing; production; manufacturing and selling costs; discount rate; and growth rates.

The Company used an external market research group to provide detailed analysis on expected volumes and pricing on a rebate and non-rebate basis within the US market. The market research was performed in the 2023 financial year. The Company discounted future forecast sales by 25%. The Company used a manufacturing cost as determined by its manufacturer and applied marketing/sales costs based on past experience from its key management personnel. In addition, to these key assumptions, the fair value model also incorporates the following key inputs.

2023	**Sofpironium Bromide gel**
Sales price (% annual growth rate)	3%
Budgeted gross margin (average)	44%
Pre-tax discount rate (%)	20%

NOTE 11: RIGHT-OF USE LEASE ASSETS

Carrying value	2023 Premises $	2022 Premises $
Cost	431,899	431,899
Accumulated depreciation	(426,918)	(337,019)
Foreign exchange adjustment	(4,981)	(7,033)
Carrying value as at 30 June	-	87,847

Reconciliation	2023 Premises $	2022 Premises $
Opening Balance	87,847	201,243
Additions	-	-
Depreciation expense	(89,899)	(125,066)
Foreign exchange adjustment	2,052	11,670
Closing Balance	-	87,847

As at 30 June 2023, the property lease is exempt as a short-term lease. 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

	2023 $	2022 $
Current:		
Trade payables [1]	1,390,702	4,681,837
Sundry payables & accrued expenses	342,594	985,871
	1,733,296	**5,667,708**

[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

	2023	2022
	$	$
Annual leave provision	151,700	95,534
	151,700	**95,534**

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

	2023 Premises	2022 Premises
	$	$
Current Liabilities	-	122,414
Non-Current Liabilities	-	-
Closing balance as at 30 June	**-**	**122,414**

Reconciliation	2023 Premises	2022 Premises
	$	$
Opening Balance	122,414	259,318
Additions	-	-
Payments made – principal and interest	(131,781)	(179,737)
Finance Expenses	6,508	27,326
Foreign exchange adjustment	2,859	15,507
Closing Balance	-	122,414

NOTE 14: CONTRIBUTED EQUITY

(a) Issued and Paid Up Capital

	2023 Number	2023 $	2022 Number	2022 $
Fully paid ordinary shares	**1,312,460,376**	**93,489,658**	**973,142,074**	**71,475,764**

(b) Movements in fully paid shares on issue	**Number**	**$**
Balance as at 1 July 2022	973,142,074	71,475,764
Exercise of options [(1)]	6,374,139	-
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
Exercise of options	1,418,703	127,683
Placement [(5)]	111,111,111	10,000,000
Exercise of performance rights [(6)]	12,166,665	-
Less: transaction costs [(7)]	-	(1,574,302)
Balance as at 30 June 2023	**1,312,460,376**	**93,489,658**
Balance as at 1 July 2021	973,142,074	71,475,764
Exercise of options	-	-
Balance as at 30 June 2022	**973,142,074**	**71,475,764**

[(1)] 30,153,639 options exercised during the year utilising the cashless exercise facility in the Employee Securities Incentive Plan with 6,091,310 shares issue on 7 July 2022 and 1,000,000 options were exercised with 282,829 shares issued on 20 March 2023 utilising the cashless exercise facility.

[(2)] On 12 September 2022, 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 2022 Botanix completed a placement to raise $5,000,000. Botanix issued 79,365,080 shares at $0.063 per share.

[(4)] On 30 November 2022, Botanix completed a Share Purchase Plan to raise $960,513. Botanix issued 15,246,240 shares at $0.063 per share.

[(5)] On 13 April 2023, Botanix completed a placement to raise $10,000,000. Botanix issued 111,111,111 shares at $0.09 per share.

[(6)] During the year 12,166,665 shares were issued following the exercise of 12,166,665 performance rights by Key Management Personnel.

[(7)] 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. (Refer to note 16 for further information.)

NOTE 14: CONTRIBUTED EQUITY (CONTINUED)

(c) Issued Options

	Number
Unlisted Options	**111,111,761**

(d) Movements in options on issue	**2023 Number**	**2022 Number**
Balance as at 1 July 2022	70,153,639	50,320,307
Add: Options issued	76,530,464	25,000,000
Less: Exercise of Options	(32,572,342)	-
Less: Expiry and cancellation of Options	(3,000,000)	(5,166,668)
Balance as at 30 June 2023	**111,111,761**	**70,153,639**

Refer to Note 16 for further information.

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

	2023 $	2022 $
Share based payments reserve	6,041,423	4,338,786
	6,041,423	**4,338,786**
Share based payments reserve		
Balance at beginning of year	4,338,786	4,004,590
Share based expense	1,520,828	334,196
Issue of options (cost of raising capital)	181,809	-
Balance at end of year	**6,041,423**	**4,338,786**
Foreign currency translation reserve		
Balance at beginning of year	105,185	(83,015)
Effect for foreign currency translation during the year	236,693	188,200
Balance at end of year	**341,878**	**105,185**

Share Based Payments Reserve

The share-based payments include the following:

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

Accumulated Losses

	2023 $	2022 $
Movements in accumulated losses were as follows:		
Balance at beginning of year	(67,767,958)	(54,597,209)
Net loss for the year – continuing operations	(9,153,974)	(13,170,749)
Balance at end of year	**(76,921,932)**	**(67,767,958)**

NOTE 16: SHARE BASED PAYMENTSR

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 2023

Description	2023 Number	Weighted Average Exercise Price	2022 Number	Weighted Average Exercise Price
Options				
Opening balance	70,153,639	0.10	50,320,307	0.113
Issued during the period for remuneration [1]	5,000,000	0.102	25,000,000	0.082
Issued during the period to consultants	8,500,000	0.078	-	-
Issued during the period as transaction costs from the issue of shares	10,000,000	0.094	-	-
Exercised during the period	(31,153,639)	(0.051)	-	-
Expired and cancelled during the period	(3,000,000)	(0.115)	(5,166,668)	0.127
Balance at 30 June	**59,500,000**	0.119	**70,153,639**	0.10

The weighted average exercise period is 1.39 years (2022:1.00 years).

[1] The 5,000,000 options were granted and accounted for during the prior year, but issued during the current year.

Performance Rights on issue at 30 June 2023

Description	2023 Number	Weighted Average Exercise Price	2022 Number	Weighted Average Exercise Price
Performance Rights				
Opening balance	-	-	-	-
Issued during the period for remuneration	19,500,000	0.00	-	-
Exercised during the period	(12,166,665)	(0.00)	-	-
Balance at 30 June	**7,333,335**	0.00	-	-

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

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

	2023 $	2022 $
Share options	542,362	334,196
Performance rights	978,466	-
Total Value of Share Based Payments expense	**1,520,828**	**334,196**

8.5 million Options (valued at $0.0358 per option) were issued to Consultants on 14 March 2023, vesting 33.33% at 6, 12 and 24 months respectively from the issue date. Unvested options will expire if contractors cease to be engaged by the Group.

$111,016 has been recorded as an expense in the 2023 year for the issue of these options.

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

	Unlisted options
Number of options in series	8,500,000
Grant date share price	14 March 2023
Exercise price	$0.078
Expected volatility	65.0%
Option life	3 years
Dividend yield	0.0
Interest rate	3.22%

2.45 million Options (valued at $0.0408 per option) were issued to Employees on 8 June 2023, vesting 33.33% at 6, 12 and 24 months respectively from the issue date. Unvested options will expire if employees cease to be employed by the Group.

$26,307 has been recorded as an expense in the 2023 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	2,450,000
Grant date share price	Note 1
Exercise price	$0.105
Expected volatility	65.0%
Option life	3 years
Dividend yield	0.0
Interest rate	3.22%

Note 1: the options have not been issued as at 30 June 2023 but were approved prior to 30 June 2023.

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

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 14. 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:

	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%

13 million performance rights (valued at $0.063 per right) were granted to Directors on 21 November 2022 upon shareholder approval. One third of these rights vest on receipt of the Day 74 letter; one third on mid-cycle review (both vesting conditions satisfied) and one third on FDA approval. $693,000 has been recorded as an expense in the 2023 year for the issue of these performance rights.

The performance rights were valued with reference to the share price on grant date ($0.063).

6 million performance rights (valued at $0.057 per right) were granted to Key Management Personnel on 29 December 2022. One third of these rights vest on receipt of the Day 74 letter; one third on mid-cycle review (both vesting conditions satisfied) and one third on FDA approval. $285,466 has been recorded as an expense in the 2023 year for the issue of these performance rights.

The performance rights were valued with reference to the share price on grant date ($0.057).

A further 0.5 million performance rights were granted to other employees on consistent terms and conditions.

Options / performance rights granted in the year ended 30 June 2022

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.

$109,484 has been recorded as an expense in the 2023 year for the issue of these options (2022: $132,031)

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

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

	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%.

$183,750 has been recorded as an expense in the 2023 year for the issue of these options (2022: $57,999).

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.

$76,408 has been recorded as an expense in the 2023 year for the issue of these options (2022: $56,202).

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

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

	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.

$14,062 has been recorded as an expense in the 2023 year for the issue of these options (2022: $7,372).

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.

$78,258 has been recorded as an expense in the 2023 year for the issue of these options (2022: $24,689).

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%

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

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. Performance rights (in the absence of market based vesting hurdles) are valued at share price on grant date.

The cost of equity-settled transactions is 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.

NOTE 16: SHARE BASED PAYMENTS (CONTINUED)

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.

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 2023 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:

	2023	2022
	$	$
Short term employee benefits	1,673,150	1,424,328
Post-employment benefits	26,075	22,387
Share based payment (Note 16)	1,279,478	200,407
	2,978,703	**1,647,122**

(e) Other transactions with Key Management Personnel

There were no related party transactions in the year ended 30 June 2023.

(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:

	2023 $	2022 $
Financial assets		
Cash and cash equivalents	10,250,395	7,285,653
Other receivables	489,124	140,824
Total financial assets	**10,739,519**	**7,426,477**
Financial liabilities		
Trade and other payables	1,733,296	5,667,708
Lease liability	-	122,414
Total financial liabilities	**1,733,296**	**5,790,122**

(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.

NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

Group Sensitivity

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

(ii) Cash flow interest rate risk

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

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

		2023		2022	
		%	$	%	$
Financial assets					
Cash[1]	Floating rate	1.23	8,967,734	0.03	5,109,603

[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 $67,258 (2022: $38,322) 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.

NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity Risk and Liquidity Risk Management

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

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

Maturities of financial liabilities

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

	Less than 6 months	6 - 12 months	Greater than 12 months	Total contractual Cashflows	Carrying Amount
	$	**$**	**$**	**$**	**–**
Group - at 30 June 2023					
Financial liabilities	1,733,296	-	-	1,733,296	1,733,296
Group - at 30 June 2022					
Financial liabilities	5,764,295	32,195	-	5,796,490	5,790,122

(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:

NOTE 18: FINANCIAL RISK MANAGEMENT (CONTINUED)

- 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

	2023 $	2022 $
Continuing operations		
Basic loss per share – cents	(0.79)	(1.35)
Diluted loss per share – cents	(0.79)	(1.35)
Loss used in the calculation of basic and diluted loss per share	(9,153,974)	(13,170,749)

	2023 No	2022 No
Weighted average number of ordinary shares outstanding during the year used in calculation of basic loss per share	1,153,951,540	973,142,074
Weighted average number of ordinary shares outstanding during the year used in calculation of diluted loss per share	1,153,951,540	973,142,074

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.

NOTE 19: LOSS PER SHARE (CONTINUED)

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

	2023	**2022**
	$	**$**
Loss for the year	(9,153,974)	(13,170,749)
Adjustments for:		
Share based payments	1,520,828	334,196
Depreciation and amortisation	110,434	143,499
Changes in assets and liabilities:		
(Increase)/Decrease in trade and other receivables	(409,987)	(96,795)
(Increase) in Inventories	(102,684)	(3,044,347)
Increase/(Decrease) in trade, other payables and provisions	(4,038,680)	4,650,141
Net cash flows used in operations	**(12,074,064)**	**(11,184,055)**

NOTE 21: PARENT ENTITY DISCLOSURES

As at 30 June 2023, and throughout the year then ended, the parent company of the Group was Botanix Pharmaceuticals Limited.

Financial position

	2023 $	2022 $
Assets		
Current assets	9,325,788	6,038,618
Non-Current Assets	27,801,162	12,100,353
Less Provision for impairment Assets (loans to subsidiaries)	(13,714,701)	(7,228,277)
Total assets	**23,412,249**	**10,910,694**
Liabilities		
Current liabilities	461,222	2,758,917
Total liabilities	**461,222**	**2,758,917**
Net Assets	**22,951,027**	**8,151,777**
Equity		
Issued capital	92,431,738	70,417,844
Accumulated losses	(75,495,826)	(66,604,853)
Share-based payments	6,015,115	4,338,786
Total Equity	**22,951,027**	**8,151,777**

Financial performance

	2023 $	2022 $
Loss for the period	(8,890,973)	(12,982,548)
Total comprehensive loss	(8,890,973)	(12,982,548)

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 2023 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:

NOTE 22: SEGMENT INFORMATION (CONTINUED)

	Australia 2023 $	United States 2023 $	Total 2023 $
Revenue from continuing operations	65,212	103,680	168,892
Other Revenue	3,669,439	-	3,669,439
Expenditure on continuing operations	6,690,788	6,301,517	12,992,305
Current Assets	9,325,788	4,652,840	13,978,628
Non-Current Assets	456,564	10,400,831	10,857,395
Total Assets	**9,782,352**	**15,053,671**	**24,836,023**
Current Liabilities	461,222	1,423,774	1,884,996
Total Liabilities	**461,222**	**1,423,774**	**1,884,996**
Net Assets	**9,321,130**	**13,629,897**	**22,951,027**

NOTE 23: AUDITOR'S REMUNERATION

	2023 $	2022 $
Amounts payable to auditor		
Audit and review services - payable to BDO Audit (WA) Pty Ltd	**73,500**	**47,500**

NOTE 24: SUBSIDIARIES

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2023 %	Equity Holding 2022 %
Botanix Pharmaceuticals Inc.	Delaware, United States of America	Ordinary	100	100
Botanix SB Inc.	Delaware, United States of America	Ordinary	100	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 was 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 included 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.

During the current financial year, the Company had paid the US$2M following receipt of a positive "Day-74 letter" from FDA.

Post year end, the other contingent liabilities were settled (refer to note 27 below).

NOTE 25: ACQUISITION OF SOFPIRONIUM BROMIDE (continued)

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 21 July 2023, the Company received firm commitments from new and existing institutional and sophisticated investors for 104,166,667 new fully paid ordinary shares at A$0.12 per share under a placement to raise up to A$12.5 million in gross proceeds. Proceeds from the placement were primarily used to extinguish the future milestone and royalty payments due to Fresh Track Therapeutics Inc in respect of Sofpironium Bromide (refer to notes 25 and 27), and cover costs associated with finalising FDA review and preparing for commercial launch in the United States.

On 25 August 2023 the Company announced that Dr Howie McKibbon had been appointed as Chief Executive Officer of Botanix effective 24 August 2023.

Dr William Bosch moved to a non-executive director role, effective 1 July 2023.

On 26 September 2023, the Company announced that it received a Complete Response Letter from FDA in relation to its NDA submission for Sofpironium Bromide gel, 15% and that the only area to be addressed relates to the patient instructions. The Letter did not identify any other deficiencies in the NDA and the Company plans to resubmit the NDA in Q1 2024. The Company believes that the target approval timing is likely to delay Botanix's commercialisation plans by only 3 – 6 months.

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

On 21 July 2023, the Company negotiated an agreement with Fresh Tracks to extinguish all of the potential future financial obligations owed under the Asset Purchase Agreement for Sofpironium Bromide gel, in exchange for the payment of US$8.25M. The Company will retain an obligation to the head licensor, Bodor Laboratories, to pay a 5% royalty on net sales made by Botanix.

In addition, the Company has an obligation to pay Bodor Laboratories US$500,000 upon the first US New Drug Application approval and US$100,000 upon each subsequent FDA approval of an additional product.

Other than set out in Note 27 the Directors are not aware of any non-cancellable commitments as at 30 June 2023 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 2023.

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 2023 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.

NOTE 28: OTHER ACCOUNTING POLICIES (CONTINUED)

(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 2023, 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 2023. 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 30 to 65, 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 2023 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 2023.

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

On behalf of the Board

Vince Ippolito

Vincent Ippolito
Executive Chairman
29 September 2023

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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 2023, 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 2023 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.

Capitalisation and Recoverability of Development Asset

Key audit matter	*How the matter was addressed in our audit*

The carrying value of the capitalised development costs as at 30 June 2023 and the Group's accounting policy is disclosed in Note 10 of the financial report. These costs were in relation to the acquisition and development of the Sofpironium Bromide project.
 	
The capitalisation of internally generated development assets was assessed as being a key audit matter due to the significance of the costs capitalised and the specific criteria that are required to be met for capitalisation under the accounting standard AASB 138. The criteria involves management judgement with respect to the technical feasibility of the project, the likelihood of the project delivering future economic benefit and the ability to measure costs reliably and determine whether the costs are directly attributable to the project.
 	
There is also management judgement involved in assessing impairment of the capitalised development costs at 30 June 2023.
 	
The critical accounting estimates and significant judgements exercised by management are described in Note 2 (v) and (vii) to the financial report.
	In addressing this matter our procedures included, but were not limited to the following:
	
	• Holding discussions with management to understand the nature and feasibility of the development project;
	• Evaluating the key assumptions used for estimates made in capitalising costs related to the development phase of the project, the generation of probable future economic benefits and the technical feasibility of the project;
	• On a sample basis, assessing costs capitalised during the year met the development costs criteria;
	• Evaluating management's impairment assessment of the capitalised development costs, including the following:
	    • In conjunction with our internal valuation specialists, evaluating the appropriateness of the model used by management to calculate the fair value less cost of disposal of the development project;
	    • Assessing the competence and objectivity of the independent expert to which management has engaged to assess forecast revenues included within the valuation model; and
	    • Assessing and challenging the reasonableness of key assumptions included within the valuation model;
	• Assessing the adequacy of the disclosures in Notes 2 (v), 2 (vii) and 10 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 2023, 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 13 to 26 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Botanix Pharmaceuticals Limited, for the year ended 30 June 2023, 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

J Prue

Jarrad Prue

Director

Perth

29 September 2023

ASX ADDITIONAL INFORMATION

The Shareholder information set out below was applicable as at 25 August 2023.

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 1,421,196,813 ordinary fully paid shares.

1. TOP 20 SHAREHOLDERS

Position	Holder Name	Holding	% IC
1	NATIONAL NOMINEES LIMITED	139,690,538	9.83%
2	SHENASABY INVESTMENTS PTY LTD <THE SHENASABY A/C>	74,586,791	5.25%
3	CAPERI PTY LTD <CAPERI A/C>	52,573,784	3.70%
4	CITICORP NOMINEES PTY LIMITED	51,527,974	3.63%
5	DR HENRY WILLIAM BOSCH	18,836,702	1.33%
6	ZENITH PACIFIC LIMITED	17,972,222	1.26%
7	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	17,303,656	1.22%
8	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,007,647	1.20%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	16,843,169	1.19%
10	BNP PARIBAS NOMS PTY LTD <DRP>	14,818,037	1.04%
11	UBS NOMINEES PTY LTD	14,148,149	1.00%
12	YARRAANDOO PTY LTD <YARRAANDOO SUPER FUND A/C>	13,000,000	0.91%
13	MOFFATT INVESTMENTS PTY LTD <MATTHEW MOFFATT FAMILY A/C>	10,560,000	0.74%
14	LIGHTVIEW ASSET PTY LTD	9,350,000	0.66%
15	ZANYA NOMINEES PTY LTD <JLS SUPERANNUATION A/C>	8,984,545	0.63%
16	MR VINCENT PETER IPPOLITO	8,801,644	0.62%
17	ROLLO CORP PROPERTY HOLDINGS PTY LTD <ROLLO CORP PROPERTY A/C>	8,500,000	0.60%
18	MR GARY CHARLES JONES &MRS STEPHANIE MAY JONES <G & S JONES SUPER FUND A/C>	8,000,000	0.56%
19	343 PTY LTD <343 CAPITAL A/C>	7,125,667	0.50%
20	MR STEPHANE NICOLAS FAYD'HERBE <FAYD'HERBE FAMILY A/C>	7,113,141	0.50%
	Total	**516,743,666**	**36.36%**

ASX ADDITIONAL INFORMATION (CONTINUED)

2. COMBINED DISTRIBUTION

Shares Range	No. of Holders	No. of Shares
1 – 1,000	169	28,558
1,001 – 5,000	1,141	4,177,929
5,001 – 10,000	1,455	11,646,224
10,001 – 100,000	3,608	138,560,489
100,001 and over	1,519	1,266,783,613
	7,892	**1,421,196,813**

Number holding less than a marketable parcel at $0.185 per share: 393

3. SUBSTANTIAL SHAREHOLDERS

Name of substantial holder	Total holding	% of total shares	Date of notice
Insignia Financial Ltd	112,295,811	8.60%	13 April 2023
Shenasaby Investments Pty Ltd	74,586,791	5.25%	1 August 2023

4. UNLISTED EQUITY SECURITIES

Options Range and number of holders

	Unlisted options At $0.251 Expiring 17 Oct 2024	Unlisted options At $0.0551 Expiring 22 Mar 2025	Unlisted options At $0.072 Expiring 14 May 2025	Unlisted options At $0.0792 Expiring 12 Sep 2024
Over 100,001	6	1	1	1
Total Holders	**6**	**1**	**1**	**1**
Number of Options	**10,000,000**	**4,000,000**	**10,000,000**	**6,000,000**

	Unlisted options At $0.099 Expiring 12 Sep 2024	Unlisted options At $0.132 Expiring 12 Sep 2024	Unlisted options At $0.09 Expiring 22 Mar 2024	Unlisted options At $0.102 Expiring 22 Mar 2025
Over 100,001	1	1	137	1
Total Holders	**1**	**1**	**146**	**1**
Number of Options	**2,000,000**	**2,000,000**	**42,021,170**	**5,000,000**

ASX ADDITIONAL INFORMATION (CONTINUED)

	Unlisted options At $0.078 Expiring 13 Mar 2026	Unlisted options At $0.18 Expiring 27 Jul 2025
Over 100,001	1	1
Total Holders	**1**	**1**
Number of Options	**8,500,000**	**6,000,000**

Performance Rights Range and number of holders

	Unlisted performance rights At $Nil Expiring 30 Nov 2026
Over 100,001	7
Total Holders	**7**
Number of Options	**7,333,335**

5. VOLUNTARY ESCROW

There are currently no holders with shares in voluntary escrow.

6. VOTING RIGHTS

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

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

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

7. ON-MARKET BUY BACK

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

8. Corporate Governance

The Board of Botanix Parmaceuticals Limited is committed to achieving and demonstrating the highest standards of Corporate Governance. The Board is responsible to its Shareholders for the performance of the Company and seeks to communicate extensively with Shareholders. The Board believes that sound Corporate Governance practices will assist in the creation of Shareholder wealth and provide accountability. In accordance with ASX Listing Rule 4.10.3, the Company has elected to disclose its Corporate Governance policies and its compliance with them on its website, rather than in the Annual Report. Accordingly, information about the Company's Corporate Governance practices is set out on the Company's website at https://botanixpharma.com/