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Rule 4.2A

Appendix 4D

Half-year Report for the period ended 31 December 2016

Name of entity

BOTANIX PHARMACEUTICAL LIMITED

| ABN | Reporting Period | Previous Corresponding Period |
|----------------|-------------------------------------|-------------------------------------|
| 70 009 109 755 | Half year ended 31 December 2016 | Half year ended 31 December 2015 |

(1) Results for Announcement to the Market

| Financial Results | | | | \$A |
|---|---|------|----|-----------|
| Revenues from ordinary activities (<i>item 2.1</i>) | Down | 100% | to | 10,937 |
| Loss from ordinary activities after tax attributable to members (<i>item 2.2</i>) | Down | 660% | to | 1,246,000 |
| Net (loss) for the period attributable to members (<i>item 2.3</i>) | Down | 660% | to | 1,242,565 |
| Final and interim dividends (<i>item 2.4</i>) | It is not proposed that either a final or interim dividend be paid. | | | |
| Record date for determining entitlements to the dividend (<i>item 2.5</i>) | N/A | | | |

Brief explanation of any of the figures reported above (*item 2.6*):
Refer attached Interim Financial Report.

| | Current Period | Previous Corresponding Period |
|--|----------------|-------------------------------|
| Net tangible assets/(liabilities) per ordinary share (<i>Item 3</i>) | 0.49 cents | \$(3.64) |

Details of entities over which control has been gained or lost (*item 4*)

N/A

Details of dividends or distribution payments (*item 5*)

- No dividends or distributions are payable.

Details of dividend or distribution reinvestment plans (*item 6*)

- There is no dividend reinvestment program in operation for Botanix Pharmaceuticals Limited

Details of associates and joint venture entities (*item 7*)

- Botanix Pharmaceuticals Limited does not have any investments in associate entities or joint venture interests.

Foreign entities to disclose which accounting standards are used in compiling the report (*item 8*)

- International Accounting Standards

Details of any audit dispute or qualification (*item 9*) – None

This half-yearly reporting information should be read in conjunction with the most recent annual financial report of the Company.



(Formerly Bone Medical Limited)

ACN 009 109 755

HALY YEAR REPORT

for the year ended 31 December 2016

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

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

Botanix Pharmaceuticals Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Botanix Pharmaceuticals Limited
68 Aberdeen Street
Northbridge WA 6003

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CORPORATE INFORMATION

Directors

Mr Graham Griffiths
Non-Executive Chairman

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Mr Robert Towner
Non-Executive Director

Company Secretary

Mr Simon Robertson

Home Securities Exchange:

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

ASX Code: BOT

Share Registry

Automic Registry Services
Suite 1a, Level 1
7 Ventnor Avenue
WEST PERTH WA 6005

Telephone: (08) 9324 2099

Registered Office

68 Aberdeen Street
Northbridge WA 6003

Telephone: 086 555 2945

Fax: 086 210 1153

Email: info@botanixpharma.com
Website: www.botanixpharma.com

Postal Address

P.O. Box 1407
SUBIACO WA 6904

Solicitors

Bellanhouse Legal
PO Box 1770
West Perth WA 6872

Auditor

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

Bankers

ANZ
Level 1, 1275 Hay Street
West Perth, WA 6005

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

DIRECTORS' REPORT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

The Directors of Botanix Pharmaceuticals Limited present the following report for the half-year ended 31 December 2016:

DIRECTORS

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

Mr Graham Griffiths

Non-Executive Director and Chairman – (appointed effective 1 July 2016)

Mr Matthew Callahan

Executive Director – (appointed effective 1 July 2016)

Dr William Bosch

Executive Director – (appointed effective 1 July 2016)

Mr Robert Towner

Non-Executive Director and Former Chairman – (appointed effective 24 January 2014)

PRINCIPAL ACTIVITIES

Botanix Pharmaceuticals is developing new prescription dermatology products which are intended to treat serious skin diseases including acne, psoriasis and atopic dermatitis, by utilising a novel drug delivery technology (known as Permetrex™) to more effectively deliver an active drug directly into the affected skin.

Botanix Pharmaceuticals' first product for acne (BTX1503), which is currently under development, utilises a synthetic form of a natural plant extract (known as cannabidiol) which is being actively studied for a range of diseases in late stage clinical trials conducted by other pharmaceutical companies, including epilepsy, pain and arthritis. However, a pure, pharmaceutical grade synthetic version of cannabidiol has never been studied in FDA or TGA regulated clinical trials for skin disease. A number of pipeline products are also in early development, some of which utilise cannabidiol for the treatment of psoriasis and dermatitis, and some of which utilise the Permetrex™ platform for the treatment of other skin diseases.

REVIEW OF OPERATIONS AND RESULTS

Net loss after income tax of the Company for the six months ended 31 December 2016 was \$1,246,000 (2015: loss \$163,680). The net loss is attributable to expenditure in relation to the research and development activities and general administration costs associated with an ASX listed company.

OPERATIONS

On June 30 2016, the Company changed the nature of its business to a pharmaceutical company, by acquiring 100% of the fully paid ordinary shares in Botanix Pharmaceuticals Inc., a private US Delaware corporation. On 30 June 2016 the Company also raised \$3,500,000 under the Prospectus dated 13 May 2016 and Supplementary Prospectus dated 24 June 2016.

Botanix was formed to develop and commercialize innovative dermatology products leveraging the Permetrex™ drug delivery technology and its novel synthetic cannabidiol drug active. Unlike many companies that have made and plan to make creams or gels for the cosmetics market using this drug active, Botanix products will only be available by prescription, will command a much higher price and if successfully approved by FDA and other global regulators, will be prescribed by dermatologists and reimbursed by insurance companies. Because we are also following a well established product approval process, once approved our products will not be subject to restrictions in sale and use which cannabidiol containing products are currently subject to in the United States, Australia and other countries around the world.

OPERATING AND FINANCIAL REVIEW (CONTINUED)

Botanix's BTX1503 product is planned to be the first to utilize a new mechanism of action to treat serious acne which addresses the 4 major aspects of the disease - namely excessive lipid or oil production, hyper-proliferation of oil producing sebocyte cells, bacterial infection and inflammation. There is a growing scientific literature evidence base to suggest that cannabidiol has a role in treating and preventing skin disease, but challenges with the impurity and variability of the cannabidiol drug substance, as well as the difficulty of delivering it into the skin effectively, have significantly retarded cannabidiol development as a pharmaceutical product. Botanix' approach of utilizing a pure and GMP manufactured synthetic form of cannabidiol, as well as a novel skin delivery technology (Permetrex™) are focused on solving both of these challenges.

Important needs remain unmet in the field of acne treatment, including the need for a topical inhibitor of sebaceous gland lipid production, antibiotic-independent mechanisms for reducing *P. acnes* colonization and an agent with the efficacy of the leading oral product (isotretinoin or 'Accutane'), but which is potentially free of its serious side effects. Based on the published scientific literature concerning cannabidiol, BTX1503 has the potential to meet these significant unmet patient needs.

During the financial year, Botanix completed initial formulation development for our first product BTX1503 and engaged a third party Contract Manufacturing Organisation to commence the required Good Manufacturing Processes (GMP) scale-up of the formulation and preparation for manufacturing product for the first clinical trials. The Company also engaged with a commercial drug substance manufacturer to supply the synthetic cannabidiol that it will use in pre-clinical testing and clinical trials, and undertook studies with the formulation to optimize the drug delivery and likely stability of BTX1503.

In December, Botanix completed the first human study of the Permetrex™ delivery technology and successfully showed that Permetrex™ did not cause any safety or irritation issues that are likely to restrict its use in the development of Botanix' lead and pipeline products. In parallel with this human study, Botanix has successfully completed numerous pre-clinical tests of its lead product BTX1503 for acne and is readying the product for clinical trials that will commence in 1H 2017. These trials will be conducted in Australia and will start with a safety, dosing and pharmacokinetic study in healthy volunteers, followed by a planned acne study in patients.

We were also fortunate to secure the services of a number of very experienced staff members with more than 30 years' experience each in the area of pharmaceutical development, to assist us with product manufacturing, pre-clinical testing and the conduct of our planned clinical trials. Most of these consultants have worked together before, or with the founders of Botanix, and are responsible for numerous FDA product approvals between them. These include Mark Davis, our head of Clinical and Regulatory and Dr Michael Thurn our Chief Operating Officer.

Our follow-on product candidates that utilise cannabidiol will target the serious skin diseases of psoriasis and atopic dermatitis and will leverage the same delivery technology (Permetrex™) as our first product for acne, so some of the development work for these pipeline products need not be repeated. We have also started early development of a number of other skin treatment products that utilise the Permetrex™ delivery technology to improve existing marketed skin products that suffer from poor drug delivery or other problems.

Opportunities exist to collaborate with commercial partners to develop these pipeline products and Botanix is actively involved in business development activities to identify suitable collaborations.

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

The Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2016.

Signed in accordance with a resolution of the Directors.

A handwritten signature in dark ink, appearing to read 'G. Griffiths', is written over a light blue horizontal line.

Graham Griffiths
Non-Executive Chairman

Perth
27 February 2017

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF BOTANIX
PHARMACEUTICALS LIMITED

As lead auditor for the review of Botanix Pharmaceuticals Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

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

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



Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2017

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2016

| | Note | Consolidated 31 December 2016 \$ | Consolidated 31 December 2015 \$ |
|---|------|---|---|
| Revenue from continuing operations | | | |
| Interest revenue | | 10,937 | - |
| Total revenue | | 10,937 | - |
| | | | |
| Employee benefits expense | | (187,401) | - |
| Finance expense | | (296) | (103) |
| Foreign exchange losses | | (20,250) | - |
| Other expenses | | (129,073) | (97,730) |
| Research and Development | | (767,175) | - |
| Professional consultant expense | | (34,538) | (65,847) |
| Share based payments | | (11,196) | - |
| Transaction related expenses | | (62,938) | - |
| Travel expenses | | (44,070) | - |
| Total expenses | | (1,256,937) | (163,680) |
| | | | |
| Loss before income tax expense | | (1,246,000) | (163,680) |
| | | | |
| Income tax benefit | | - | - |
| | | | |
| Loss after income tax for the half year | | (1,246,000) | (163,680) |
| | | | |
| Other Comprehensive Income for the half year: | | | |
| | | | |
| Items that may be reclassified subsequently to profit or loss: | | - | - |
| Other Comprehensive income for the period, net of tax | | 3,435 | 1,303 |
| Total Comprehensive Loss for the half year attributed to members of Botanix Pharmaceuticals Limited | | (1,242,565) | (162,377) |
| | | | |
| Loss per share for the half year attributable to members of Botanix Pharmaceuticals Limited: | | | |
| | | | |
| Basic and diluted Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited (cents): | | | |
| | | | |
| Basic and diluted loss per share (cents) | | (0.30) | (3.65) |

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

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | Note | Consolidated 31 December 2016 \$ | Parent 30 June 2016 \$ |
|--------------------------------------|------|---|---------------------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash & cash equivalents | | 2,371,626 | 3,651,986 |
| Trade and other receivables | | 43,239 | 44,754 |
| Total Current Assets | | 2,414,865 | 3,696,740 |
| Total Assets | | 2,414,865 | 3,696,740 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 3 | 398,597 | 515,826 |
| Total Current Liabilities | | 398,597 | 515,826 |
| Total Liabilities | | 398,597 | 515,826 |
| Net Assets | | 2,016,268 | 3,180,914 |
| EQUITY | | | |
| Contributed equity | | 4,783,248 | 4,716,525 |
| Reserves | | 177,606 | 166,410 |
| Foreign currency translation reserve | | 9,791 | 6,356 |
| Accumulated losses | | (2,954,377) | (1,708,377) |
| Total Equity | | 2,016,268 | 3,180,914 |

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 half-year ended 31 December 2016

| | Note | Contributed Equity \$ | Accumulated Losses \$ | Reserves \$ | Translation Reserve \$ | Total \$ |
|--|------|-----------------------------|-----------------------------|----------------|------------------------------|------------------|
| Parent | | | | | | |
| Balance at 1 July 2015 | | - | - | | | |
| Total comprehensive loss for the period | | | | | | |
| Loss for the half year | | - | (163,680) | - | - | (163,680) |
| Total other comprehensive income | | - | - | - | 1,303 | 1,303 |
| Total comprehensive loss for the period | | - | (163,680) | - | - | (163,680) |
| Transactions with owners in their capacity as equity holders: | | | | | | |
| Ordinary shares issued net of costs | | 602 | - | - | - | 602 |
| Options issued during the period | | - | - | - | - | - |
| Options expired during the period | | - | - | - | - | - |
| Balance at 31 December 2015 | | 602 | (163,680) | - | 1,303 | (161,774) |
| Consolidated | | | | | | |
| Balance at 1 July 2016 | | 4,716,525 | (1,708,377) | 166,410 | 6,356 | 3,180,914 |
| Total comprehensive loss for the period | | | | | | |
| Loss for the half year | | - | (1,246,000) | - | - | (1,246,000) |
| Total other comprehensive income | | - | - | - | 3,435 | 3,435 |
| Total comprehensive loss for the period | | - | (1,246,000) | - | 3,435 | (1,242,565) |
| Transactions with owners in their capacity as equity holders: | | | | | | |
| Ordinary shares issued net of costs | | 66,723 | - | - | - | 66,723 |
| Options issued during the period | | - | - | 11,196 | - | 11,196 |
| Options expired during the period | | - | - | - | - | - |
| Balance at 31 December 2016 | | 4,783,248 | (2,954,377) | 177,606 | 9,791 | 2,016,268 |

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 half-year ended 31 December 2016

| | Note | Consolidated 31 December 2016 \$ | Parent 31 December 2015 \$ |
|---|------|---|-------------------------------------|
| CASHFLOWS FROM OPERATING ACTIVITIES | | | |
| Interest received | | 10,937 | - |
| Payments to suppliers & employees | | (1,176,353) | (147,781) |
| Net cash used in operating activities | | (1,165,416) | (147,781) |
| CASHFLOWS FROM FINANCING ACTIVITIES | | | |
| Proceeds from issue of shares net of costs | | 66,723 | - |
| Proceeds from borrowings | | - | 163,168 |
| Repayments of borrowings | | (181,667) | - |
| Net cash provided by financing activities | | (114,944) | 163,168 |
| Net increase/(decrease) in cash held | | (1,280,360) | 147,781 |
| Cash and cash equivalents at beginning of period | | 3,651,986 | - |
| Cash and cash equivalents at end of period | | 2,371,626 | 15,387 |

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

The half-year financial report is a general purpose financial report prepared in accordance with AASB 134 'Interim Financial Reporting' and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Botanix Pharmaceuticals Limited as at 30 June 2016 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the company during the period 1 July 2016 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

Reverse Acquisition

On 30 June 2016, Botanix Pharmaceuticals Limited (formerly Bone Medical Limited) acquired 100% of the share capital of Botanix Pharmaceuticals Inc. Under the Australian Accounting Standards Botanix Pharmaceuticals Inc. was deemed to be the accounting acquirer in this transaction. The acquisition has been accounted for as a share based payment by which Botanix Pharmaceuticals Inc. acquires the net assets and listing status of Botanix Pharmaceuticals Limited.

Accordingly, the consolidated financial statements of Botanix Pharmaceuticals Limited have been prepared as a continuation of the business and operations of Botanix Pharmaceuticals Inc. As the deemed acquirer Botanix Pharmaceuticals Inc. has accounted for the acquisition of Botanix Pharmaceuticals Limited from 30 June 2016. The comparative information for the 6 months ended 31 December 2016 presented in the consolidated financial statements as Botanix Pharmaceuticals Inc. was incorporated on 13 August 2015.

The implications of the acquisition by Botanix Pharmaceuticals Inc. on the financial statements are as follows:

Statement of Profit or Loss and Other Comprehensive Income

- The 31 December 2016 Consolidated Statement of Profit or Loss and Other Comprehensive Income comprises the total comprehensive result for the period, including the total comprehensive loss for Botanix Pharmaceuticals Limited and total comprehensive loss for Botanix Pharmaceuticals Inc.
- The 31 December 2015 Statement of Profit or Loss and Other Comprehensive Income reflects only the total comprehensive loss of Botanix Pharmaceuticals Inc. for the period of incorporation (13 August 2015) to 31 December 2015.

Statement of Financial Position

- Both the 31 December 2016 and 30 June 2016 Consolidated Statement of Financial Position reflect the consolidated position of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc.

Statement of Changes in Equity

- The 31 December 2016 Consolidated Statement of Changes in Equity comprises:
 - o The consolidated equity position of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc. as at 1 July 2016
 - o The total comprehensive result for the financial year of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc. for the period 1 July 2016 – 31 December 2016.
 - o The consolidated equity position of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc. as at 31 December 2016.
- The 31 December 2015 Statement of Changes in Equity reflects only Botanix Pharmaceuticals Inc. for the period of incorporation (13 August 2015) to 31 December 2015.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Statement of Cash Flows

- The 31 December 2016 Consolidated Statement of Cash Flows reflects:
 - o The Consolidated Cash balance of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc. as at 1 July 2016
 - o The transactions for the financial year of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc. for the period 1 July 2016 – 31 December 2016
 - o The consolidated cash position of Botanix Pharmaceuticals Limited and Botanix Pharmaceuticals Inc at 31 December 2016.
- The 31 December 2015 Statement of Cash Flows reflects only Botanix Pharmaceuticals Inc for the period from incorporation (13 August 2015) to 31 December 2015.

Equity Structure

The equity structure (the number and type of equity instruments issued) in the 31 December 2016 financial statements reflects the consolidated equity instruments of Botanix Pharmaceuticals Limited, with Botanix Pharmaceuticals Inc.

(a) Basis of Accounting

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

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

(b) Segment Reporting

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

(c) Contributed Equity

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.

(d) Adoption of New and Revised Accounting Standards

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2016.

In the half-year ended 31 December 2016, 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 annual reporting periods beginning on or after 1 July 2016.

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

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. The Directors have decided against early adoption of any new Standards and Interpretations. 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 its business and, therefore, no change necessary to Group accounting policies.

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2016

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Comparatives

Where necessary, comparatives have been reclassified and repositioned for consistency with the current period's disclosures.

The half year financial report was approved by the Board of Directors on 27th February 2017.

NOTE 2: TRADE AND OTHER RECEIVABLES

| | 31 December 2016 \$ | 30 June 2016 \$ |
|-------------------|------------------------------------|--------------------------------|
| Current: | | |
| Other receivables | 21,723 | 38,015 |
| Prepaid expenses | 21,516 | 6,739 |
| | 43,239 | 44,754 |

NOTE 3: TRADE AND OTHER PAYABLES

| | 31 December 2016 \$ | 30 June 2016 \$ |
|------------------------------------|------------------------------------|--------------------------------|
| Current: | | |
| Trade payables | 376,687 | 456,206 |
| Sundry payables & accrued expenses | 21,910 | 59,620 |
| | 398,597 | 515,826 |

NOTE 4: CONTRIBUTED EQUITY

| | No. | \$ |
|--|--------------------|------------------|
| (a) Issued and Paid Up Capital | | |
| Fully paid ordinary shares | 408,814,770 | 4,783,248 |
| (b) Movements in fully paid shares on issue | | |
| Opening balance | | |
| Balance as at 1 July 2016 | 405,514,770 | 4,717,248 |
| Capital raise at \$0.02 per share ⁽¹⁾ | 3,300,000 | 66,000 |
| Balance as at 31 December 2016 | 408,814,770 | 4,783,248 |
| (c) Issued Options | | |
| Unlisted Options | 29,215,959 | 177,606 |
| (d) Movements in options on issue | | |
| Balance as at 1 July 2016 | 22,540,856 | 166,410 |
| Add: Issue of Director Options | 16,215,959 | 11,196 |
| Less: Options expired during the period | (9,540,856) | - |
| Balance as at 31 December 2016 | 29,215,959 | 177,606 |

⁽¹⁾ Relates to the reverse takeover capital raise.

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2016

NOTE 4: CONTRIBUTED EQUITY (CONTINUED)

| Model Inputs (using Black-Scholes option pricing method) | |
|---|------------|
| 1. Options granted for consideration of services | 16,215,959 |
| 2. Exercise price (cents): | \$0.0675 |
| 3. Valuation date: | 30/11/2016 |
| 4. Expiry date: | 30/11/2019 |
| 5. Underlying security spot price at grant date (cents): | \$0.045 |
| 6. Expected price volatility of the Company's shares: | 110% |
| 7. Expected dividend yield: | - |
| 8. Risk-free interest rate: | 1.91% |
| 9. Fair value at grant date: | \$0.0244 |

The Director options were issued pursuant to shareholder approval at the 2016 annual general meeting. The breakdown of the issues is as follows:

| Recipient | Number | Exercise Price | Vesting Milestones | Expiry |
|---------------------|---------------|--|--|-------------------------|
| Mr Graham Griffiths | 4,053,990 | 50% premium to last ASX closing sale price | Vesting progressively over three years at each issue anniversary date, subject to continued service to the Company | 3 years from issue date |
| Mr Robert Towner | 4,053,990 | 50% premium to last ASX closing sale price | Vesting progressively over three years at each issue anniversary date, subject to continued service to the Company | 3 years from issue date |
| Dr William Bosch | 8,176,295 | 50% premium to last ASX closing sale price | Vesting progressively over three years at each issue anniversary date, subject to continued service to the Company | 3 years from issue date |

The Options vest progressively over three years at each issue anniversary date, subject to continued service to the Company

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

NOTE 5: SEGMENT REPORTING

The segment report for the reporting period ending 31 December 2016 is as follows:

| | Research & Development | Corporate | Consolidated |
|--|---------------------------------------|------------------|---------------------|
| | \$ | \$ | \$ |
| 2016 | | | |
| Segment Performance | | | |
| Other income | - | 10,397 | 10,937 |
| Net other costs | (801,714) | (455,224) | (1,256,937) |
| Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income | (801,714) | (444,286) | (1,246,000) |
| Segment Assets | | | |
| Total assets as per statement of financial position | - | 2,410,004 | 2,410,004 |
| Segment Liabilities | | | |
| Total liabilities as per statement of financial position | (292,095) | (106,502) | (398,597) |
| | | | |
| | Research & Development | Corporate | Consolidated |
| | \$ | \$ | \$ |
| 2015 | | | |
| Segment Performance | | | |
| Other income | - | - | - |
| Net other costs | - | (163,680) | (163,680) |
| Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income | - | (163,680) | (163,680) |
| Segment Assets | | | |
| Total assets as per statement of financial position | - | 16,000 | 16,000 |
| Segment Liabilities | | | |
| Total liabilities as per statement of financial position | - | (177,775) | (177,775) |

NOTE 6: CONTINGENT ASSETS & LIABILITIES

The Directors are not aware of any contingent assets or liabilities that may arise from the Group's operations as at 31 December 2016.

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

NOTE 7: EVENTS OCCURRING AFTER THE REPORTING PERIOD

The company announced on 20 January 2017 the issue of 10,107,979 unlisted options under the Employee Securities Incentive Plan:

| Class | Number | Exercise price | Expiry date | Vesting |
|--------------------------|-------------------|-----------------------|--------------------|---|
| Class A unlisted options | 3,369,327 | \$0.045 | 19/01/2018 | 18/07/2017 |
| Class B unlisted options | 6,738,652 | \$0.057 | 19/01/2020 | Progressively over three years at each 18 January anniversary |
| Total | 10,107,979 | | | |

Further, on 14 February 2017 the Company announced the hiring of Dr Michael Thurn as Chief Operating Officer.

Dr Thurn has unique experience in drug development, having recently led development of a topical treatment for acne being developed by venture capital backed company Mimetica. As CEO of Mimetica, Dr Thurn successfully guided a melancortin-5 receptor targeting drug from pre-clinical testing through completion of a Phase 2 clinical trial. Before Mimetica, Dr Thurn worked with the Therapeutic Goods Administration and also led Spinifex Pharmaceuticals, which was recently sold to Novartis in a \$700m transaction.

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

BOTANIX PHARMACEUTICALS LIMITED
ACN: 009 109 755

DIRECTORS' DECLARATION

In the opinion of the Directors of Botanix Pharmaceuticals Limited ('the Company'):

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the half year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



Graham Griffiths
Non-Executive Chairman

Perth
27 February 2017

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Botanix Pharmaceuticals Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Botanix Pharmaceuticals Limited, which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Botanix Pharmaceuticals Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of Botanix Pharmaceuticals Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Botanix Pharmaceuticals Limited is not in accordance with the Corporations Act 2001 including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Dean Just', is written over a faint, larger 'BDO' logo.

Dean Just

Director

Perth, 27 February 2017