



Botanix Pharmaceuticals Limited

ACN 009 109 755

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

18 July 2019

Time of Meeting

9.30 am

Place of Meeting

Level 16, Brookfield Place Tower 2, 123 St Georges Terrace, Perth,
Western Australia

A Proxy Form is enclosed

Please read this Notice and Explanatory Memorandum carefully.

If you are unable to attend the General Meeting please complete and return the enclosed Proxy Form in accordance with the specified directions.

Botanix Pharmaceuticals Limited
ACN 009 109 755

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Botanix Pharmaceuticals Limited ACN 009 109 755 will be held at Level 16, Brookfield Place Tower 2, 123 St Georges Terrace, Perth, Western Australia on 18 July 2019 at 9.30 am for the purpose of transacting the following business referred to in this Notice of General Meeting.

AGENDA

1 Resolution 1 – Grant of Incentive Options to Vincent Ippolito

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14, and for all other purposes, the Directors are authorised to issue up to 12,000,000 Incentive Options with each of the Incentive Options having an exercise price the higher of:

- *the closing Share price on the previous day's trading before the Grant Date of the Incentive Options; and*
- *the 7-day volume weighted average price of the Shares trading before the Grant Date of the Incentive Options,*

and an expiry date of four years from the Grant Date, to Vincent Ippolito (or his nominee), pursuant to the Plan and on the terms and conditions set out in the Explanatory Memorandum (including Annexure A to the Explanatory Memorandum)."

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 1 by or on behalf of:

- (a) Vincent Ippolito or his nominee;
- (b) any Director eligible to participate in the Plan; or
- (b) an Associate of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, pursuant to section 224 of the Corporations Act, the Company will also disregard any votes cast on Resolution 1 (in any capacity) by or on behalf a related party of the Company to whom the resolution would permit a financial benefit to be given or an associate* of such a related party. However, the Company need not disregard a vote if it is cast by a person as a proxy appointed by writing that specifies how the proxy is to vote on Resolution 1 and it is not cast on behalf of a related party of the Company to whom the resolution would permit a financial benefit to be given or an associate* of such a related party.

* Note: In relation to the immediately preceding paragraph, the word "associate" has the meaning given to that term in the Corporations Act.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 1 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 1; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 1.

Shareholders may also choose to direct the Chair to vote against Resolution 1 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

Please note: If the Chair is a person referred to in the section 224 Corporations Act voting exclusion statement above, the Chair will only be able to cast a vote as proxy for a person who is entitled to vote if the Chair is appointed as proxy in writing and the Proxy Form specifies how the proxy is to vote on Resolution 1.

2 Resolution 2 – Approval of potential termination benefit in relation to Incentive Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“Subject to the passing of Resolution 1, that for the purposes of sections 200B and 200E of the Corporations Act and Listing Rule 10.19, and for all other purposes, the potential termination benefits in relation to the Incentive Options as described in the Explanatory Memorandum which may become payable to Vincent Ippolito (or his nominee), be approved.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 2 by or on behalf of:

- (a) Vincent Ippolito or his nominee; or
- (b) an Associate of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 2 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 2; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 2.

Shareholders may also choose to direct the Chair to vote against Resolution 2 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

3 Resolution 3 – Approval of potential termination benefit in relation to certain payments

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

“That for the purposes of sections 200B and 200E of the Corporations Act and Listing Rule 10.19, and for all other purposes, the potential termination benefits in relation certain payments under Vincent Ippolito’s’ Employment Agreement as described in the Explanatory Memorandum which may become payable to Vincent Ippolito (or his nominee), be approved.”

Voting exclusion statement: The Company will disregard any votes cast in favour of Resolution 3 by or on behalf of:

- (a) Vincent Ippolito or his nominee; or
- (b) an Associate of that person.

However, the Company need not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 3 unless:

- (a) the appointment specifies the way the proxy is to vote on Resolution 3; or
- (b) the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 3.

Shareholders may also choose to direct the Chair to vote against Resolution 3 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

4 Resolution 4 – Grant of Incentive Options to Michael Thurn

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

"That, for the purposes of section 208 of the Corporations Act and Listing Rule 10.14 and all other purposes the Directors are authorised to issue 5,000,000 Incentive Options for no consideration, with each Incentive Option having an exercise price the higher of:

- *the closing Share price on the previous day's trading before the Grant Date of the Incentive Options; and*
- *the 7-day volume weighted average price of the Shares trading before the grant date of the Incentive Options,*

and an expiry date of four years from the Grant Date to Michael Thurn (or his nominee), pursuant to the Plan and on the terms and conditions set out in the Explanatory Memorandum (including Annexure B to the Explanatory Memorandum)."

Voting exclusion statement: *The Company will disregard any votes cast in favour of Resolution 4 by or on behalf of:*

- (a) *Michael Thurn or his nominee;*
- (b) *any Director eligible to participate in the Plan; or*
- (c) *an Associate of that person.*

However, the Company need not disregard a vote if:

- (a) *it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or*
- (b) *it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.*

Further, a Restricted Voter who is appointed as a proxy will not vote on Resolution 4 unless:

- (a) *the appointment specifies the way the proxy is to vote on Resolution 4 or*
- (b) *the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even though the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel. Shareholders should note that the Chair intends to vote any undirected proxies in favour of Resolution 4.*

Shareholders may also choose to direct the Chair to vote against Resolution 4 or to abstain from voting.

If you purport to cast a vote other than as permitted above, that vote will be disregarded by the Company (as indicated above) and you may be liable for breaching the voting restrictions that apply to you under the Corporations Act.

5 Other business

To deal with any other business which may be brought forward in accordance with the Constitution and the Corporations Act.

Details of the definitions and abbreviations used in this Notice are set out in the Glossary to the Explanatory Memorandum.

By order of the Board



Simon Robertson
Company Secretary

Dated: 14 June 2019

Botanix Pharmaceuticals Limited
ACN 009 109 755

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of General Meeting of the Company.

Certain abbreviations and other defined terms are used throughout this Explanatory Memorandum. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations are set out in the Glossary to the Explanatory Memorandum.

RESOLUTION 1 – GRANT OF INCENTIVE OPTIONS TO VINCENT IPPOLITO

As announced to ASX on 20 May 2019, Botanix Pharmaceuticals, Inc. (**Botanix US**) (a related body corporate of the Company) entered into an employment agreement with Mr Ippolito dated 18 May 2019 (**Current Agreement**). Under the Current Agreement, Mr Ippolito is employed as President of Botanix.

As foreshadowed in the same announcement to ASX, the Current Agreement will terminate and Mr Ippolito will be employed as Executive Chairman of the Company under the Employment Agreement, on and subject to the approval of the Resolutions contained in the accompanying Notice.

Mr Ippolito has over 30 years of experience in the pharmaceuticals industry, including 20 years 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 which recently completed a US\$330m transaction with GlaxoSmithKline. 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, Mr Ippolito 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\$5.2 billion sale to Pfizer.

Under the Employment Agreement, Mr Ippolito will be required to perform such duties as are normally entrusted to the Executive Chairman of a public listed company.

While working part time Mr Ippolito's salary is US\$200,000 per annum. If Mr Ippolito commences working on a full-time basis, his salary will be increased to US\$400,000 per annum. This will be subject to annual review.

Mr Ippolito will also be eligible to receive an annual bonus based on attaining objective performance goals and targets as established by the Board and a US\$500,000 cash bonus if a change of control event involving the Company occurs during his employment and within six months of the commencement of his employment.

The Company has agreed, subject to Shareholder approval, to issue Mr Ippolito with Incentive Options under the Employees Securities Incentive Plan (**Plan**), the subject of Resolution 1. The terms and conditions of the Incentive Options are set out in Annexure A to this Explanatory Memorandum.

In accordance with the Employment Agreement, the Company proposes to grant a total of 12,000,000 Incentive Options for no consideration on the following terms:

Incentive Options	Grant Date	Exercise price	Expiry date	Vesting condition(s)
12,000,000 Incentive Options	Incentive Options will be granted on the date of the Company's shareholders approving their grant in a general meeting.	The higher of: <ul style="list-style-type: none"> the closing Share price on the previous day's trading before the Grant Date of the Incentive Options; and the 7-day volume weighted average market price of the Shares trading before the Grant Date of the Incentive Options. 	4 years from the Grant Date of the Incentive Options.	6,000,000 will vest progressively on a quarterly basis over a 3 year period commencing on the Grant Date; and 6,000,000 will vest on the completion of the first to occur of i) a capital raising whereby the Board agreed amount of capital is raised; or ii) a Phase 3 study is commenced.

In addition to the vesting conditions summarised above:

- (a) in the event of Mr Ippolito's termination of employment by the Company without Cause or by Mr Ippolito with Good Reason, all unvested Incentive Options will remain outstanding for a period of six months following the date of such termination of employment and will be eligible to vest if the specified criteria is achieved during such period.

The approval of this potential termination benefit is the subject of Resolution 2;

- (b) the Incentive Options will automatically vest in the event of a change of control event if:
- (i) Mr Ippolito is employed as of such date; and
 - (ii) as of such date, Mr Ippolito has not received or given notice of termination of his employment with the Company; and
- (c) the Incentive Options will not vest if Mr Ippolito's employment is or has been terminated by the Company in connection with a change of control event.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company unless either:

- (a) the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
- (b) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, Mr Ippolito is considered a related party of the Company.

This Resolution 1 relates to the proposed grant of Incentive Options to Mr Ippolito, which is a financial benefit that requires Shareholder approval for the purposes of section 208 of the Corporations Act.

Information Requirements – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

The related parties to whom the proposed Resolution would permit the financial benefit to be given and the nature of the financial benefit

Subject to Shareholder approval, the proposed financial benefit to be given is the granting of 12,000,000 Incentive Options to Mr Ippolito for no consideration.

The details of the financial benefit including reasons for giving the type and quantity of the benefit

The proposed grant of Incentive Options to Mr Ippolito will be subject to the terms set out in Annexure A and the Company's Plan.

The grant of Incentive Options encourages Mr Ippolito to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership. Under the Company's current circumstances, the Directors consider (in the absence of Mr Ippolito) that the incentives intended for Mr Ippolito represented by the grant of these Incentive Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Incentive Options to be granted to Mr Ippolito has been determined based upon a consideration of:

- (a) the remuneration of the Directors;
- (b) the extensive experience and reputation of Mr Ippolito within the industry in which the Company operates;
- (c) the current price of Shares;
- (d) the Directors' wish to ensure that the remuneration offered is competitive with market standards or/and practice. The Directors have considered the proposed number of Incentive Options to be granted and will ensure that Mr Ippolito's overall remuneration is in line with market practice;
- (e) attracting and retaining suitably qualified executive directors; and
- (f) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise, while maintaining the Company's cash reserves. The Company does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed.

Vincent Ippolito's Current Holdings

As at the date of this Notice, Mr Ippolito holds 3,000,000 Options, which have an exercise price of A\$0.115 and an expiry date of four years from 20 May 2019.

Dilution effect of grant of Incentive Options on existing members' interests

If passed, Resolution 1 will give the Directors power to grant a total of 12,000,000 Incentive Options on the terms and conditions as set out in Annexure A to this Explanatory Memorandum and as otherwise mentioned above.

The Company currently has 773,128,204 listed Shares and the following 47,370,235 unlisted Options on issue:

Security	Number	Exercise Price (A\$)	Expiry Date
Option	900,000	0.03	30 June 2019
Option	16,215,959	0.0675	1 December 2019 and vesting progressively over three years on 30 November of each year
Option	1,111,111	0.057	19 January 2020 and vesting progressively over three years on 18 January of each year
Option	4,243,165	0.07	8 May 2020 and vesting progressively over three years on 8 May of each year
Option	3,916,331	0.08	5 December 2019
Option	9,333,669	0.106	5 December 2021 and vesting progressively over three years on 5 December of each year
Option	1,000,000	0.10	21 February 2020
Option	4,000,000	0.133	21 February 2022 and vesting progressively over three years
Option	333,333	0.118	18 March 2020
Options	666,667	0.153	18 March 2022 and vesting progressively over three years
Option	166,666	0.11	18 April 2020
Option	333,334	0.146	18 April 2022 and vesting progressively over three years
Options	3,000,000	0.115	20 May 2023
Options	2,150,000	0.139	13 June 2022

If all Incentive Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, the effect would be to dilute the shareholding of existing Shareholders by 1.46%. The market price of the Company's Shares during the period of the Incentive Options will normally determine whether or not Mr Ippolito will exercise the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the Company's Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

Mr Ippolito's total remuneration package

Mr Ippolito's fees per annum (including superannuation) and the total financial benefit to be received by him in this current period, as a result of the grant of the Incentive Options the subject of Resolution 1, is as follows both on a part-time basis and a full-time basis:

Director Part-time	Fees p.a. (A\$)	Value of Options already issued (A\$)	Value of Incentive Options Proposed (A\$)	Total Financial Benefit (A\$)
Vincent Ippolito	285,715 ¹	171,000	684,000	1,140,715

Director Full-time	Fees p.a. (A\$)	Value of Options already issued (A\$)	Value of Incentive Options Proposed (A\$)	Total Financial Benefit (A\$)
Vincent Ippolito	571,429 ²	171,000	684,000	1,426,429

The indicative option valuation of A\$0.057 for the proposed options is a theoretical valuation of each Incentive Option using the Black Scholes model.

Valuation of Incentive Options

The Company's advisers have valued the Incentive Options to be granted to Mr Ippolito using the Black – Scholes Model. The value of an Option calculated by the Black – Scholes Model is a function of a number of variables. The valuation of the Incentive Options has been prepared using the following assumptions:

Variable	Input
Valuation date	28 May 2019
Share price	\$0.11
Exercise price	\$0.114
Risk Free Interest Rate	1.13%
Volatility	0.70
Indicative value per option	\$0.057
Time (years to expiry)	4

Any change in the variables applied in the Black – Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have an impact on their value.

Based on the assumptions, it is considered that the estimated average value of the Incentive Options to be granted to Mr Ippolito is A\$0.057 per Incentive Option.

¹ US\$200,000 converted at an exchange rate of A\$0.7/US\$1.

² US\$400,000 converted at an exchange rate of A\$0.7/US\$1.

Company's historical Share price

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 13 June 2019:

Highest Price (A\$)/Date	Lowest Price (A\$)/Date	Latest Price (A\$)/Date
0.15 / 13 June 2018	0.067 / 22 December 2018	0.115 / 13 June 2019

Information Requirements - Listing Rules 10.14 and 10.15

Listing Rule 10.14 requires shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires Shareholders to approve the issue of Incentive Options under the Plan to Mr Ippolito (or his nominee).

The following information is provided to Shareholders in relation to Resolution 1 for the purposes of Listing Rule 10.15:

- (a) the Incentive Options will be granted to Mr Ippolito, or his nominees, as noted above;
- (b) the maximum number of Incentive Options to be granted is 12,000,000;
- (c) the Incentive Options will be granted for no consideration;
- (d) no funds will be raised by the grant of the Incentive Options;
- (e) all Directors, or their permitted nominees, are entitled to participate in the Plan, but for the purposes of Resolution 1, at this time, the Company is only seeking to grant Incentive Options to Mr Ippolito. The persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are Matthew Callahan, Robert Towner, William Bosch, Michael Thurn and Stewart Washer;
- (f) the following persons referred to in Listing Rule 10.14 have received securities under the Plan since its last approval under Listing Rule 7.2 Exception 9(b):

Person	Number of securities received	Acquisition price of securities (A\$)
Michael Thurn	1,000,000	0.08
	2,000,000	0.106
Stewart Washer	1,000,000	0.10
	4,000,000	0.133
Vincent Ippolito	3,000,000	0.115

- (g) no loan is provided in connection with the acquisition or conversion of the Incentive Options; and
- (h) the Incentive Options will be granted on the date of the Company's shareholders approving the Resolution contained in this Notice and, in any case, within 12 months of the date of the Meeting.

If approval is given for the grant of the Incentive Options under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

Other Information

Under the Australian Equivalent of the International Financial Reporting Standards (**IFRS**), the Company is required to expense the value of the Incentive Options in its statement of financial performance for the current financial year.

Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Incentive Options pursuant to Resolution 1.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 1.

Directors' Recommendation

Matthew Callahan, Robert Towner, William Bosch, Michael Thurn and Stewart Washer (who have no interest in the outcome of Resolution 1) recommend that Shareholders vote in favour of Resolution 1.

Voting

Note that a voting exclusion applies to Resolution 1 in the terms set out in the Notice.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

RESOLUTIONS 2 AND 3 – APPROVAL OF POTENTIAL TERMINATION BENEFITS TO VINCENT IPPOLITO

As noted above, the Company entered into the Current Agreement with Mr Ippolito under which Mr Ippolito is currently employed as President of Botanix, as announced on 20 May 2019.

As foreshadowed in the same announcement to ASX, the Current Agreement will terminate and Mr Ippolito will be employed as Executive Chairman of the Company under the Employment Agreement, on and subject to the approval of the Resolutions contained in the accompanying Notice.

If Mr Ippolito's Employment Agreement is terminated by the Company without Cause or by Mr Ippolito with Good Reason, the Company will be required to provide Mr Ippolito with the following:

- (a) a payment of:
 - (i) an amount equal to twelve months of Mr Ippolito's base salary. Where Mr Ippolito works in his full-time capacity this would be A\$571,429;³ and
 - (ii) a pro-rata portion of the annual bonus based upon the number of days worked during the year of termination. By way of example, where Mr Ippolito ceased employment on 22 January 2020 and was working in his full-time capacity, Mr Ippolito would be entitled to a prorated annual bonus of up to A\$85,714,⁴ subject to the attainment of performance goals and targets as established by the Board for the 2019 fiscal year; and
 - (iii) to the extent not previously paid, a change in control bonus of up to A\$741,286;⁵
- (b) any:
 - (i) other amounts earned, accrued and owing to Mr Ippolito but not yet paid under the relevant provisions of the Employment Agreement;
 - (ii) accrued but unpaid annual bonus for a completed performance period; and
 - (iii) benefits accrued and due under any applicable benefit plans and programs of the Company. This may include:
 - (A) the exercise of the 3,000,000 vested Options already issued to Mr Ippolito. The indicative value of these Options is A\$171,000; and
 - (B) the exercise of vested Incentive Options the subject of Resolution 1 of this Notice. For example, if at the time of termination 1,000,000 of the Incentive Options had been vested, then the indicative value of those vested Incentive Options would be A\$57,000;⁶ and
- (c) upon presentation of appropriate documentation, payment of Mr Ippolito's reasonable counsel fees incurred of up to A\$12,143⁷ in connection with the negotiation and documentation of Mr Ippolito's employment.

(collectively, **Termination Payments**).

³ US\$400,000 converted at an exchange rate of A\$0.7/US\$1.

⁴ This prorated annual bonus was calculated by reference to the initial base salary of US\$400,000 converted at an exchange rate of A\$0.7/US\$1 before calculating the bonus of up to 30% of the base salary for a period of 6 months.

⁵ US\$500,000 converted at an exchange rate of A\$0.7/US\$1.

⁶ The indicative value of A\$57,000 for 1,000,000 vested Incentive Options is calculated by reference to the indicative value of 12,000,000 Incentive Options, being A\$684,000.

⁷ US\$8,500 converted at an exchange rate of A\$0.7/US\$1.

Under the Employment Agreement, the Termination Payments are subject to any approvals required under the Listing Rules and the Corporations Act. Resolutions 2 and 3 of this Notice seek these approvals.

As noted above, the Company also proposes to issue Mr Ippolito the Incentive Options on the terms and conditions set out in Annexure A.

The Incentive Options will only vest and become capable of exercise if the vesting conditions are satisfied. The relevant vesting conditions for the Incentive Options are summarised in the table on page 3 of the Explanatory Memorandum and are set out in full in Annexure A.

In particular, in the event of Mr Ippolito’s termination of employment by the Company without Cause or by Mr Ippolito with Good Reason all unvested Incentive Options will remain outstanding for a period of six months following the date of such termination of employment and eligible to vest if the specified criteria is achieved during such period (**Vesting Window**).

The Vesting Window in relation to the Incentive Options is a potential termination benefit and therefore is subject to shareholder approved as required under the Listing Rules and the Corporations Act. Resolution 2 seeks this approval.

In summary, the key provisions of the Employment Agreement are:

Key provision	Employment Agreement (using defined terms in that agreement)
<p>Termination benefit and triggers/notice</p>	<p>Termination by the Company without Cause and Mr Ippolito with Good Reason</p> <p>The Company may terminate without Cause at any time by giving written notice. Mr Ippolito may terminate with Good Reason at any time.</p> <p>In these circumstances, Mr Ippolito is entitled to receive:</p> <ul style="list-style-type: none"> (a) an amount equal to twelve months of Mr Ippolito’s base salary; (b) a pro-rata portion of any annual bonus based upon the number of days worked during the year of termination. The annual bonus is based on the attainment of objective performance goals and targets. For the 2019 fiscal year, the annual bonus will be prorated for the period during which Mr Ippolito is Executive Chairman. The maximum amount of Mr Ippolito’s annual bonus is 30% of his annual base salary; (c) to the extent not previously paid, a change in control bonus; (d) other amounts earned, accrued and owing to Mr Ippolito but not yet paid under the relevant provisions of the Employment Agreement including: <ul style="list-style-type: none"> (i) base salary; (ii) annual bonus based on the attainment of objective performance goals and targets for a completed performance period; (iii) equity compensation, including the grant of the Incentive Options (except in connection with a change in control event);

	<ul style="list-style-type: none"> (iv) the Company's health, life insurance, long-term disability, retirement and welfare benefits plans that Mr Ippolito participates in; (v) vacation, holiday and sick leave; and (vi) the reimbursement of all necessary and reasonable travel and other business expenses incurred in the performance of Mr Ippolito's duties; <p>(e) any benefits accrued under applicable benefit plans and programs of the Company. This may apply as follows:</p> <ul style="list-style-type: none"> (i) pursuant to the terms and conditions of the 3,000,000 Options already issued to Mr Ippolito, following Mr Ippolito's termination, Mr Ippolito will be given a period of 90 days to exercise the 3,000,000 vested Options, otherwise these Options lapse at the discretion of the Board; and (ii) pursuant to the terms and conditions of the 12,000,000 Incentive Options the subject of Resolution 1 of this Notice, following Mr Ippolito's termination: <ul style="list-style-type: none"> (A) all unvested Incentive Options will remain outstanding for a period of six months following the date of Mr Ippolito's termination of employment. Unvested Incentive Options will be eligible to vest if the specified criteria is achieved during such period; and (B) all vested Incentive Options will be subject to a 90 day exercise period, otherwise the vested Incentive Options lapse at the discretion of the Board; and <p>(f) payment of reasonable counsel fees incurred in connection with the negotiation and documentation of Mr Ippolito's employment.</p> <p>Termination by the Company for Cause</p> <p>The Company may terminate at any time for Cause by giving written notice.</p> <p>The Executive is not entitled to any payments, except for accrued obligations (other than an accrued bonus).</p> <p>Termination by Mr Ippolito without Good Reason</p> <p>The Executive may voluntarily terminate at any time without Good Reason by giving the Company 30 days' written notice.</p> <p>The Executive is not entitled to any payments, except for accrued benefits (other than the accrued bonus).</p>
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Annual salary	A\$285,715 while Mr Ippolito works on a part-time basis. ⁸ A\$571,429 once Mr Ippolito commences working on a full-time basis. ⁹
Other benefits	None.
Term	Continuing from the Effective Date (being 18 July 2019, assuming the Resolutions contained in this Notice are approved by Shareholders) for three years, unless terminated sooner by the Company or Mr Ippolito. The Employment Agreement shall automatically renew for successive periods of one year unless the Company or Mr Ippolito gives 60 days' written notice that the term of the Employment Agreement shall not be extended.

Section 200B and 200E of the Corporations Act

Under section 200B of the Corporations Act, a company may only give a person a benefit in connection with their ceasing to hold a managerial or executive office in the company or a related body corporate if it is approved by shareholders under section 200E of the Corporations Act or an exemption applies.

Section 200B of the Corporations Act applies to managerial or executive officers of the Company or any of its subsidiaries, which includes Mr Ippolito.

The term "benefit" has a wide operation and would include:

- (a) the Vesting Window of the Incentive Options, the grant of the Incentive Options being the subject of Resolution 1; and
- (b) Termination Payments paid under the Employment Agreement,

to Mr Ippolito upon his termination of employment.

A payment will only fall within the exceptions set out in the Corporations Act if the amount of the payment is less than a prescribed multiple of the director's remuneration or if the nature of the payment falls within one of a number of categories set out in the Corporations Act (for example, a payment by way of damages for breach of contract or a payment for past services).

The amount of the Termination Payments prescribed in Mr Ippolito's Employment Agreement, together with the Vesting Window, does not fall within any of the categories of exception set out in the Corporations Act.

Accordingly, Shareholder approval is sought for the purposes of section 200E of the Corporations Act to allow the Company to deal with:

- (a) any Termination Payments under the Employment Agreement; and
- (b) any Vesting Window of the Incentive Options,

upon the termination of Mr Ippolito's employment in accordance with the terms and conditions of the Employment Agreement and the Incentive Options respectively, where to do so would involve giving a "benefit" to Mr Ippolito in connection with him ceasing to hold an executive office.

⁸ US\$200,000 converted at an exchange rate of A\$0.7/US\$1.

⁹ US\$400,000 converted at an exchange rate of A\$0.7/US\$1.

Section 200E of the Corporations Act requires that where shareholders are asked to approve a payment or other benefit to a director that would otherwise be prohibited by section 200B, shareholders must be given details of the amount of the payment, or, if the amount cannot be ascertained at the time of the disclosure, the manner in which the amount is to be calculated and any matter, event or circumstance that will, or is likely to affect the calculation of the amount.

The amount of any Termination Payments that may be made to Mr Ippolito in connection with his termination of employment cannot presently be ascertained, but depends on:

- (a) his remuneration; and
 - (b) the balance of the term of his employment remaining under the Employment Agreement,
- as at the date of termination.

Additionally, the value of any benefit relating to the Incentive Options the subject of Resolution 1 given in connection with Mr Ippolito ceasing to hold executive office cannot presently be ascertained. However, matters, events and circumstances that will, or are likely to, affect the calculation of that value are:

- (a) the number of Incentive Options held by Mr Ippolito prior to termination or cessation of his employment;
- (b) the number of Incentive Options that vest; and
- (c) the exercise price of the Incentive Options, being the higher of:
 - (i) the closing Share price on the previous day's trading before the Grant Date; and
 - (ii) the seven-day volume weighted market average price of the shares trading before the Grant Date.

Listing Rule 10.19 Shareholder approval of the Vesting Window and Termination Payments that may be given to Mr Ippolito upon termination of Mr Ippolito's employment is sought under Listing Rule 10.19.

Listing Rule 10.19 provides that without shareholder approval, an entity must ensure that no officer or the entity or any of its child entities will be, or may be, entitled to termination benefits if the value of those benefits and the termination benefits that are or may become payable to all officers together exceed 5% of the equity interests of the entity as set out in the latest accounts given to ASX under the Listing Rules.¹⁰

Depending upon the:

- (a) amount of Termination Payments;
- (b) value attributed to the vesting of the Incentive Options should there be Vesting Window; and
- (c) the equity interests of the Company at the time of any Vesting Window or Termination Payments,

upon termination of Mr Ippolito's employment, it is uncertain if such payment would exceed this 5% threshold. Accordingly, Shareholder approval is being sought in case any Termination Payments and any Vesting Window do exceed this 5% threshold.

¹⁰ According to the Company's half yearly report dated 31 December 2018, 5% of the equity interests of the Company is A\$611,955.

Voting

Note that a voting exclusion applies to Resolutions 2 and 3 in the terms set out in the Notice.

The Chairman intends to vote all available proxies in favour of Resolutions 2 and 3.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

RESOLUTIONS 4 – GRANT OF INCENTIVE OPTIONS TO MICHAEL THURN

The Company proposes to grant a total of 5,000,000 Incentive Options to Mr Thurn under the Plan for no consideration on the terms set out below. The terms and conditions of the Incentive Options are set out in Annexure B to this Explanatory Memorandum.

Incentive Options	Grant Date	Exercise price	Expiry date	Vesting condition
5,000,000 Incentive Options	Incentive Options will be granted on the date of the Company’s shareholders approving their grant in a general meeting.	The higher of: <ul style="list-style-type: none"> • the closing Share price on the previous day’s trading before the Grant Date of the Incentive Options; and • the 7-day volume weighted average market price of the Shares trading before the Grant Date of the Incentive Options. 	4 years from the Grant Date of the Incentive Options.	The Incentive Options will vest progressively on a quarterly basis over a three year period, commencing on the first quarter after the Grant Date.

Related Party Transactions Generally

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a *related party* of the public company *unless* either:

- (c) the giving of the financial benefits falls within one of the nominated exceptions to the provision; or
- (d) Shareholder approval is obtained prior to the giving of the financial benefit and the benefit is given within 15 months after obtaining such approval.

For the purposes of Chapter 2E of the Corporations Act, Michael Thurn is a related party of the Company.

This Resolution 4 relates to the proposed grant of Incentive Options to Mr Thurn, which is a financial benefit that requires Shareholder approval for the purposes of section 208 of the Corporations Act.

Information Requirements – Chapter 2E of the Corporations Act

For the purposes of Chapter 2E of the Corporations Act, the following information is provided.

The related parties to whom the proposed Resolution would permit the financial benefit to be given and the nature of the financial benefit

Subject to Shareholder approval, the proposed financial benefit to be given is the granting of 5,000,000 Incentive Options to Mr Thurn for no consideration.

The details of the financial benefit including reasons for giving the type and quantity of the benefit

The proposed grant of Incentive Options to Mr Thurn will be subject to the terms set out in Annexure B and the Company's Plan.

The grant of Incentive Options encourages Mr Thurn to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through Share ownership. Under the Company's current circumstances, the Directors consider (in the absence of Mr Thurn) that the incentives intended for Mr Thurn represented by the grant of these Incentive Options are a cost effective and efficient means for the Company to provide a reward and an incentive, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Incentive Options to be granted to Mr Thurn has been determined based upon a consideration of:

- (a) the remuneration of the Directors;
- (b) the extensive experience and reputation of Mr Thurn within the industry in which the Company operates;
- (c) the current price of Shares;
- (d) the Directors' wish to ensure that the remuneration offered is competitive with market standards or/and practice. The Directors have considered the proposed number of Incentive Options to be granted and will ensure that Mr Thurn's overall remuneration is in line with market practice;
- (e) attracting and retaining suitably qualified executive directors; and
- (f) incentives to attract and ensure continuity of service of Directors who have appropriate knowledge and expertise, while maintaining the Company's cash reserves. The Company does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Incentive Options upon the terms proposed.

Mr Thurn's Current Holdings

Set out below are details of each of Mr Thurn's relevant interest in Shares and Options of the Company as at the date of this Notice:

Director	Number of Shares	Number of Options	Number of Performance Rights
Michael Thurn (or his nominees)	2,000,000	5,882,837	Nil

Dilution effect of grant of Incentive Options on existing members' interests

If passed, Resolution 4 will give the Directors power to grant a total of 5,000,000 Incentive Options on the terms and conditions as set out in Annexure B to this Explanatory Memorandum and as otherwise mentioned above.

The Company currently has 773,128,204 listed Shares and the following 47,370,235 unlisted Options on issue:

Security	Number	Exercise Price (A\$)	Expiry Date
Option	900,000	0.03	30 June 2019
Option	16,215,959	0.0675	1 December 2019 and vesting progressively over three years on 30 November of each year
Option	1,111,111	0.057	19 January 2020 and vesting progressively over three years on 18 January of each year
Option	4,243,165	0.07	8 May 2020 and vesting progressively over three years on 8 May of each year
Option	3,916,331	0.08	5 December 2019
Option	9,333,669	0.106	5 December 2021 and vesting progressively over three years on 5 December of each year
Option	1,000,000	0.10	21 February 2020
Option	4,000,000	0.133	21 February 2022 and vesting progressively over three years
Option	333,333	0.118	18 March 2020
Options	666,667	0.153	18 March 2022 and vesting progressively over three years
Option	166,666	0.11	18 April 2020
Option	333,334	0.146	18 April 2022 and vesting progressively over three years
Options	3,000,000	0.115	20 May 2023
Options	2,150,000	0.139	13 June 2022

If all Incentive Options granted as proposed above are exercised, and assuming all existing Options on issue have been exercised, the effect would be to dilute the shareholding of existing Shareholders by 0.61%. The market price of the Company's Shares during the period of the Incentive Options will normally determine whether or not Mr Thurn exercises the Incentive Options. At the time any Incentive Options are exercised and Shares are issued pursuant to the exercise of the Incentive Options, the

Company's Shares may be trading at a price which is higher than the exercise price of the Incentive Options.

Mr Thurn's total remuneration package

Mr Thurn's fees per annum (including superannuation) and the total financial benefit to be received by them in this current period, as a result of the grant of the Incentive Options the subject of this Resolution 4, are as follows:

Director	Fees p.a. (A\$)	Value of Options already Issued (A\$)	Value of Incentive Options Proposed (A\$)	Total Financial Benefit (A\$)
Michael Thurn	370,000	136,000	285,000	791,000

The indicative option valuation of A\$0.057 for the Incentive Options is a theoretical valuation of each Incentive Option using the Black Scholes model.

Valuation of Incentive Options

The Company's advisers have valued the Incentive Options to be granted to Mr Thurn using the Black – Scholes Model. The value of an Incentive Option calculated by the Black – Scholes Model is a function of a number of variables. The valuation of the Incentive Options has been prepared using the following assumptions:

Variable	Input
Valuation date	28 May 2019
Share price	\$0.11
Exercise price	\$0.114
Risk Free Interest Rate	1.13%
Volatility	0.70
Indicative value per option	\$0.057
Time (years to expiry)	4

Any change in the variables applied in the Black – Scholes calculation between the date of the valuation and the date the Incentive Options are granted would have impact on their value.

Based on the assumptions, it is considered that the estimated average value of the Incentive Options to be granted to Mr Thurn is A\$0.057 per Incentive Options.

Company's historical Share price

The following table gives details of the highest, lowest and latest closing prices of the Company's Shares trading on ASX over the past 12 months ending on 13 June 2019:

Highest Price (A\$)/Date	Lowest Price (A\$)/Date	Latest Price (A\$)/Date
0.15 / 13 June 2018	0.067 / 22 December 2018	0.115 / 13 June 2019

Other Information

Under the Australian Equivalent of the IFRS, the Company is required to expense the value of the Incentive Options in its statement of financial performance for the current financial year.

Other than as disclosed in this Explanatory Memorandum, the Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Incentive Options pursuant to Resolutions 4.

Neither the Directors nor the Company are aware of other information that would be reasonably required by Shareholders to make a decision in relation to the financial benefits contemplated by Resolution 4.

Information Requirements - Listing Rules 10.14 and 10.15

Listing Rule 10.14 requires Shareholder approval by ordinary resolution for any issue of securities by a listed company to a related party under an employee incentive scheme. Accordingly, Listing Rule 10.14 requires Shareholders to approve the issue of Incentive Options under the Plan to Mr Thurn.

The following information is provided to Shareholders in relation to Resolution 4 for the purposes of Listing Rule 10.15:

- (i) the Incentive Options will be granted to Mr Thurn, or his nominees, as noted above;
- (j) the maximum number of Incentive Options to be granted is 5,000,000;
- (k) the Incentive Options will be granted for no consideration;
- (l) no funds will be raised by the grant of the Incentive Options;
- (m) all Directors, or their permitted nominees, are entitled to participate in the Plan, but for the purposes of Resolutions 4, at this time, the Company is only seeking to grant Incentive Options to Mr Thurn. The persons referred to in Listing Rule 10.14 who are entitled to participate in the Plan are Matthew Callahan, Robert Towner, William Bosch, and Stewart Washer;
- (n) the following persons referred to in Listing Rule 10.14 have received securities under the Plan since its last approval under Listing Rule 7.2 Exception 9(b):

Person	Number of securities received	Acquisition price of securities (A\$)
Michael Thurn	1,000,000	0.08
	2,000,000	0.106
Stewart Washer	1,000,000	0.10
	4,000,000	0.133
Vincent Ippolito	3,000,000	0.115

- (o) no loan is provided in connection with the acquisition or conversion of the Incentive Options; and

- (p) the Incentive Options will be granted on a date, being no later than 12 months after the date Shareholder approval is obtained for Resolution 4.

If approval is given for the grant of the Incentive Options under Listing Rule 10.14, approval is not required under Listing Rule 7.1.

Directors' Recommendation

Matthew Callahan, Robert Towner, William Bosch and Stewart Washer (who have no interest in the outcome of Resolution 4) recommend that Shareholders vote in favour of Resolution 4.

Voting

Note that a voting exclusion applies to Resolution 4 in the terms set out in the Notice.

Shareholders are urged to carefully read the Proxy Form and provide a direction to the proxy on how to vote on these Resolutions.

GLOSSARY OF TERMS AS DEFINED IN THIS NOTICE AND EXPLANATORY MEMORANDUM

\$ means Australian dollars.

Accounting Standards has the meaning given to that term in the Corporations Act.

Associate has the meaning given to that term in the Listing Rules.

ASX means ASX Limited ABN 98 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited.

AWST means western standard time as recognised in Perth, Western Australia.

Board means the Directors.

Botanix US means Botanix Pharmaceuticals, Inc.

Closely Related Party has the meaning given to that term in the Corporations Act.

Company means Botanix Pharmaceuticals Limited ACN 009 109 755.

Constitution means the Company's constitution, as amended from time to time.

Corporations Act means *Corporations Act 2001* (Cth).

Current Agreement has the meaning set out on page 1 of this Explanatory Memorandum.

Directors means the directors of the Company.

Employment Agreement means the employment agreement dated 18 May 2019 between the Company and Vincent Ippolito.

Expiry Date has the meaning as defined in Annexure A for the purposes of Resolutions 1, 2 and 3 and Annexure B for the purposes of Resolution 4.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

Grant Date has the meaning as defined in Annexure A for the purposes of Resolutions 1, 2 and 3 and Annexure B for the purposes of Resolution 4.

Key Management Personnel has the meaning given to that term in the Accounting Standards.

Incentive Option means an option to acquire a Share the terms and conditions of which are set out in Annexure A for the purposes of Resolutions 1, 2 and 3 and Annexure B for the purposes of Resolution 4.

Listing Rules means the ASX Listing Rules.

Meeting means the General Meeting convened by the Notice.

Notice means this Notice of General Meeting.

Notice of Meeting means this Notice of General Meeting.

Option means an option to acquire a Share.

Plan has the meaning set out on page 2 of this Explanatory Memorandum.

Proxy Form means the proxy form accompanying the Notice.

Resolution means a resolution contained in the Notice.

Restricted Voter means Key Management Personnel and their Closely Related Parties as at the date of the Meeting.

Shareholder means a member of the Company from time to time.

Shares means fully paid ordinary shares in the capital of the Company.

Termination Payments has the meaning set out on page 9 of this Explanatory Memorandum.

Trading Day means a day determined by ASX to be a trading day in accordance with the Listing Rules.

Vesting Condition has the meaning set out in Annexure A and summarised on page 3 of this Explanatory Memorandum for the purposes of Resolutions 1, 2 and 3 and Annexure B and summarised on page 15 for the purposes of Resolution 4.

Vesting Window has the meaning set out on page 10 of this Explanatory Memorandum.

GLOSSARY OF TERMS AS DEFINED IN VINCE IPPOLITO'S EMPLOYMENT AGREEMENT

Cause means Mr Ippolito's:

- (a) material breach of his Employment Agreement or any confidentiality, non-solicitation or inventions assignment agreement with the Company;
- (b) wilful commission of an act of dishonest, fraud or embezzlement or theft;
- (c) wilful engagement in conduct that causes, or is likely to cause, material damage to the property or reputation of the Company;
- (d) failure to satisfactorily perform the material duties of his position or failure to comply with the Company's code of conduct or employment policies after receipt of a written warning from the Board and a reasonable opportunity to cure such failure; and
- (e) commission of a felony or any crime of moral turpitude.

Good Reason means:

- (a) any material diminution or adverse change in Mr Ippolito's title, duties, responsibilities or authorities;
- (b) a reduction in Mr Ippolito's base salary or annual bonus opportunity;
- (c) a relocation of Mr Ippolito's primary place of employment by more than 25 miles;
- (d) Mr Ippolito's removal from the Board (or the Company's failure to appoint or elect Mr Ippolito to the Board);
- (e) any material breach by Botanix US and its subsidiaries, of his Employment Agreement;
- (f) any purported termination of Mr Ippolito's employment that is not effected in accordance with his Employment Agreement; and
- (g) the failure of the Company to obtain the assumption in writing of its obligations under the Employment Agreement by any successor to all or substantially all of the assets of the Company within five days after a merger, consolidation, sale or similar transaction,

and in order to invoke a termination for Good Reason:

- (h) Mr Ippolito must provide written notice within 90 days of the occurrence of any event of Good Reason; and
- (i) the Company must fail to cure such event within 30 days of the giving of such notice; and

Mr Ippolito must terminate employment within 30 days following the expiration of the Company's cure period.

Annexure A – Terms and conditions of the Incentive Options to Vincent Ippolito

The following terms and conditions apply to the Incentive Options:

1 Entitlement

Each Incentive Option entitles the Optionholder to subscribe for one fully paid ordinary share in the capital of the Company (**Share**) upon exercise of the Option.

The Optionholder is entitled to 12,000,000 Incentive Options.

2 Exercise Price and Expiry Date

The Incentive Options have an exercise price the higher of:

- (a) the closing Share price on the previous day's trading before the grant date, being the Company's shareholders approve the grant of the Incentive Options in a general meeting (**Grant Date**); and
- (b) the 7-day volume weighted average price of the Shares trading before the Grant Date of the Incentive Options.

The Incentive Options have an expiry date of four years from the Grant Date (**Expiry Date**). An Incentive Option not exercised before the Expiry Date will automatically lapse in accordance with the terms and conditions set out in the offer letter or the Botanix Pharmaceuticals Limited Employees Securities Incentive Plan (**Plan**).

3 Consideration

There is no consideration payable by the Optionholder for the grant of the Incentive Options.

4 Vesting Conditions

6,000,000 Incentive Options will vest progressively on a quarterly basis over a three year period commencing on the Grant Date.

6,000,000 Incentive Options will vest on the completion of the first to occur of:

- (a) a capital raising whereby the Board agreed amount of capital is raised; or
- (b) a Phase 3 study is commenced

On the Incentive Options vesting and become exercisable under the Plan rules, the number of Incentive Options that have vested and may be exercised in accordance with the Plan rules will be communicated to the Optionholder by a vesting notice.

5 Exercise Period

The Incentive Options are exercisable at any time and from time to time on or prior to the Expiry Date, subject to the relevant Vesting Condition having been satisfied.

6 Quotation of the Incentive Options

The Incentive Options will be unquoted.

7 Transferability of the Incentive Options

The Incentive Options are not transferable without the approval of the Board.

8 Notice of Exercise and payment

The Incentive Options may be exercised by notice in writing to the Company in the manner specified on the Incentive Option certificate (**Notice of Exercise**). The Notice of Exercise must specify the number of Incentive Options being exercised in no less than multiples of 1,000.

Payment of the Exercise Price for each Incentive Option must be exercised (in cleared funds) in Australian currency by electronic funds transfer or via receipt of the Optionholder's valid election to pay the Exercise Price for each Incentive Option using the cashless exercise facility provided for in the Plan rules.

Any Notice of Exercise of an Incentive Option received by the Company will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.

9 Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's Registry.

10 Shares Issued on Exercise

Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.

11 Quotation of Shares on Exercise

Application will be made by the Company to ASX, on the Business Day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

12 Timing of Issue of Shares

As soon as practicable after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Incentive Option being exercised, the Company will issue the Shares pursuant to the exercise of the Incentive Options.

13 Cessation of employment or engagement

If the Optionholder's employment or engagement ceases after the Incentive Options have vested and before the Expiry Date, the Optionholder will be given a period of 90 days to exercise the vested Incentive Options, otherwise they will lapse at the discretion of the Board.

14 Participation in new issues

There are no participation rights or entitlements inherent in the Incentive Options and the Optionholder will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 3 business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

15 Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Incentive Option before the record date for the bonus issue; and

(b) no change will be made to the Exercise Price.

16 Adjustment for entitlements issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than as a bonus issue, to which paragraph 13 will apply) there will be no adjustment of the Exercise Price of an Incentive Option or the number of Shares over which the Incentive Options are exercisable.

17 Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder will be varied in accordance with the Listing Rules.

18 Miscellaneous

Other terms and conditions are set out in the Plan rules and the options offer letter contained in the Optionholder's executive chairman employment agreement dated 18 April 2019 (**Options Letter**). To the extent that there is any inconsistency between these terms and conditions, the Options Letter and the Plan rules, the Plan rules will apply.

Annexure B – Terms and conditions of the Incentive Options to Michael Thurn

The following terms and conditions apply to the Incentive Options:

1 Entitlement

Each Incentive Option entitles the holder to subscribe for one fully paid ordinary share in the capital of the Company upon exercise of the Incentive Option.

2 Exercise Price and Expiry Date

The Incentive Options have an exercise price the higher of

- (c) the closing Share price on the previous day's trading before the grant date, being the Company's shareholders approve the grant of the Incentive Options in a general meeting (**Grant Date**); and
- (d) the 7-day volume weighted average price of the Shares trading before the Grant Date of the Incentive Options.

The Incentive Options have an expiry date of four years from the Grant Date (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse in accordance with the terms and conditions set out in the Botanix Pharmaceuticals Limited Employees Securities Incentive Plan (**Plan**).

3 Consideration

There is no consideration payable by the Optionholder for the grant of the Incentive Options.

4 Vesting Conditions

The Incentive Options will vest progressively on a quarterly basis over a three year period commencing on the Grant Date.

On the Incentive Options vesting and becoming exercisable under the Plan rules, the number of Incentive Options that have vested and may be exercised in accordance with the Plan rules will be communicated to the Optionholder by a vesting notice.

5 Exercise Period

The Options are exercisable at any time and from time to time on or prior to the Expiry Date, subject to the relevant Vesting Condition having been satisfied.

6 Quotation of the Incentive Options

The Incentive Options will be unquoted.

7 Transferability of the Incentive Options

The Incentive Options are not transferable without the approval of the Board

8 Notice of Exercise

The Incentive Options may be exercised by notice in writing to the Company in the manner specified on the Incentive Option certificate (**Notice of Exercise**).

Payment of the Exercise Price for each Incentive Option must be exercised (in cleared funds) in Australian currency by electronic funds transfer or via receipt of the Optionholder's valid election to pay the Exercise Price for each Incentive Option using the cashless exercise facility provided for in the Plan rules.

Any Notice of Exercise of an Incentive Option received by the Company will be deemed to be a notice of the exercise of that Incentive Option as at the date of receipt.

9 Lodgement Instructions

Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". The application for Shares on exercise of the Incentive Options with the appropriate remittance should be lodged at the Company's Registry.

10 Shares Issued on Exercise

Shares issued on exercise of the Incentive Options rank equally with the then Shares of the Company.

11 Quotation of Shares on Exercise

Application will be made by the Company to ASX, on the Business Day the Shares are issued, for quotation of the Shares issued upon the exercise of the Options.

12 Timing of Issue of Shares

As soon as practicable after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Incentive Option being exercised, the Company will issue the Shares pursuant to the exercise of the Incentive Options.

13 Participation in New Issues

There are no participation rights or entitlements inherent in the Incentive Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Incentive Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 3 business days after the issue is announced. This will give the holders of Incentive Options the opportunity to exercise their Incentive Options prior to the date for determining entitlements to participate in any such issue.

14 Adjustment for Bonus Issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Incentive Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Incentive Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

15 Adjustment for Entitlements Issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than as a bonus issue, to which paragraph 13 will apply) there will be no adjustment of the Exercise Price of an Incentive Option or the number of Shares over which the Incentive Options are exercisable.

16 Adjustments for Reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder will be varied in accordance with the Listing Rules.

17 Miscellaneous

Other terms and conditions are set out in the Plan rules. To the extent that there is any inconsistency between these terms and conditions and the Plan rules, the Plan rules will apply.

If you are attending the meeting in person, please bring this with you for Securityholder registration.

Botanix Pharmaceuticals Limited | ACN 009 109 755

[EntityRegistrationDetailsLine1Envelope]
[EntityRegistrationDetailsLine2Envelope]
[EntityRegistrationDetailsLine3Envelope]
[EntityRegistrationDetailsLine4Envelope]
[EntityRegistrationDetailsLine5Envelope]
[EntityRegistrationDetailsLine6Envelope]

[HolderNumber]

Holder Number:
[HolderNumber]

Vote by Proxy: BOT

Your proxy voting instruction must be received by **9.30 am (WST) on Tuesday 16th July 2019** being not later than **48 hours** before the commencement of the Meeting. Any Proxy Voting instructions received after that time will not be valid for the scheduled Meeting.

SUBMIT YOUR PROXY VOTE ONLINE

Vote online at <https://investor.automic.com.au/#/loginsah>

Login & Click on 'Meetings'. Use the Holder Number as shown at the top of this Proxy Voting form.

- ✓ **Save Money:** help minimise unnecessary print and mail costs for the Company.
- ✓ **It's Quick and Secure:** provides you with greater privacy, eliminates any postal delays and the risk of potentially getting lost in transit.
- ✓ **Receive Vote Confirmation:** instant confirmation that your vote has been processed. It also allows you to amend your vote if required.



SUBMIT YOUR PROXY VOTE BY PAPER

Complete the form overleaf in accordance with the instructions set out below.

YOUR NAME AND ADDRESS

The name and address shown above is as it appears on the Company's share register. If this information is incorrect, and you have an Issuer Sponsored holding, you can update your address through the investor portal: <https://investor.automic.com.au/#/home> Shareholders sponsored by a broker should advise their broker of any changes.

VOTING UNDER STEP 1 - APPOINTING A PROXY

If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that Individual or body corporate. A proxy need not be a Shareholder of the Company. Otherwise if you leave this box blank, the Chairman of the Meeting will be appointed as your proxy by default.

DEFAULT TO THE CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote these proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Voting Form, including where the Resolutions are connected directly or indirectly with the remuneration of KMP

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by marking one of the boxes opposite each item of business. All your shares will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF SECOND PROXY

You may appoint up to two proxies. If you appoint two proxies, you should complete two separate Proxy Voting Forms and specify the percentage or number each proxy may exercise. If you do not specify a percentage or number, each proxy may exercise half the votes. You must return both Proxy Voting Forms together. If you require an additional Proxy Voting Form, contact Automic Registry Services.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided

Individual: Where the holding is in one name, the Shareholder must sign.

Joint holding: Where the holding is in more than one name, all of the Shareholders should sign.

Power of attorney: If you have not already lodged the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Voting Form when you return it.

Companies: To be signed in accordance with your Constitution. Please sign in the appropriate box which indicates the office held by you.

Email Address: Please provide your email address in the space provided.

By providing your email address, you elect to receive all communications despatched by the Company electronically (where legally permissible) such as a Notice of Meeting, Proxy Voting Form and Annual Report via email.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate 'Appointment of Corporate Representative' should be produced prior to admission. A form may be obtained from the Company's share registry online at <https://automic.com.au>.






ATTENDING THE MEETING

Completion of a Proxy Voting Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Voting Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.

POWER OF ATTORNEY

If a representative as power of attorney of a Shareholder of the Company is to attend the Meeting, a certified copy of the Power of Attorney, or the original Power of Attorney, must be received by the Company in the same manner, and by the same time as outlined for proxy forms.



Contact	Return your completed form		All enquiries to Automic		
	 BY MAIL Automic GPO Box 5193 Sydney NSW 2001	 IN PERSON Automic Level 5, 126 Phillip Street Sydney NSW 2000	 BY EMAIL meetings@automicgroup.com.au		 WEBCHAT https://automic.com.au/
			 PHONE 1300 288 664 (Within Australia) +61 2 9698 5414 (Overseas)		

STEP 1: Appoint Your Proxy	Complete and return this form as instructed only if you do not vote online
	I/We being a Shareholder entitled to attend and vote at the General Meeting of Botanix Pharmaceuticals Limited, to be held at 9.30 am (WST) on Thursday 18th July 2019 at Level 16, Brookfield Place Tower 2, 123 St Georges Terrace, Perth Western Australia hereby:
	Appoint the Chairman of the Meeting (Chair) OR if you are not appointing the Chairman of the Meeting as your proxy, please write in the box provided below the name of the person or body corporate you are appointing as your proxy or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit and at any adjournment thereof.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote. Unless indicated otherwise by ticking the "for," "against" or "abstain" box you will be authorising the Chair to vote in accordance with the Chair's voting intention.

AUTHORITY FOR CHAIR TO VOTE UNDIRECTED PROXIES ON REMUNERATION RELATED RESOLUTIONS

Where I/we have appointed the Chair as my/our proxy (or where the Chair becomes my/our proxy by default), I/we expressly authorise the Chair to exercise my/our proxy on Resolutions 1-4 (except where I/we have indicated a different voting intention below) even though Resolutions 1-4 are connected directly or indirectly with the remuneration of a member of the Key Management Personnel, which includes the Chair.

STEP 2: Your Voting Direction	Resolutions	For	Against	Abstain
	1. Grant of Incentive Options to Vincent Ippolito	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	2. Approval of potential termination benefit in relation to Incentive Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	3. Approval of potential termination benefit in relation to certain payments	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	4. Grant of Incentive Options to Michael Thurn	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<i>Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.</i>			

STEP 3: Sign Here + Contact Details	SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED		
	Individual or Securityholder 1	Securityholder 2	Securityholder 3
	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>	<input style="width: 100%; height: 100%;" type="text"/>
	Sole Director and Sole Company Secretary	Director	Director / Company Secretary
	Contact Name:		
	<input style="width: 100%; height: 20px;" type="text"/>		
Email Address:			
<input style="width: 100%; height: 20px;" type="text"/>			
Contact Daytime Telephone			
<input style="width: 100%; height: 20px;" type="text"/>			
Date (DD/MM/YY)			
<input style="width: 30%; height: 20px;" type="text"/> / <input style="width: 30%; height: 20px;" type="text"/> / <input style="width: 30%; height: 20px;" type="text"/>			
By providing your email address, you elect to receive all of your communications despatched by the Company electronically (where legally permissible).			