

Botanix Pharmaceuticals Limited

ABN 70 009 109 755

NOTICE OF GENERAL MEETING AND EXPLANATORY MEMORANDUM TO SHAREHOLDERS

Date of Meeting

Wednesday, 24 June 2020

Time of Meeting

9.00 am (AWST)

Place of Meeting

Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia 6000

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 Proxy Form in accordance with the specified directions.

BOTANIX PHARMACEUTICALS LIMITED

ABN 70 009 109 755

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders of Botanix Pharmaceuticals Limited ABN 70 009 109 755 will be held at the Duxton Hotel, 1 St Georges Terrace, Perth, Western Australia 6000 on Wednesday, 24 June 2020 at 9.00 am (AWST) for the purpose of transacting the following business referred to in this Notice of General Meeting.

MEASURES TO DEAL WITH COVID-19 AND IMPACT ON THE MEETING

The Company and the Board are acutely aware of the current circumstances resulting from COVID-19 and the impact it is having, and is likely to continue to have, on physical meetings.

The Board has made the decision that it will hold a physical Meeting with the appropriate social gathering and physical distancing measures in place to comply with the State Government and Federal Government's current restrictions for physical gatherings.

However, the Company strongly encourages all Shareholders to participate in the Meeting by:

- (a) reading this Notice carefully; and
- (b) voting by proxy following the instructions set out in this Notice.

Additionally, circumstances relating to COVID-19 are changing rapidly. The Company will update shareholders if changing circumstances will impact planning or the arrangements for the Meeting by way of announcement on ASX. The details will also be made available on our website at www.botanixpharma.com.

AGENDA

1 Resolution 1 – Grant of Incentive Options to Vince Ippolito, or his nominee

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 17,994,914 Incentive Options for no consideration, with each Incentive Option having an exercise price of \$0.0551 expiring 2 years from the date of issue to Vince Ippolito or his nominee, 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 the Resolution by or on behalf of:

- (a) a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question or their nominee; or
- (b) an Associate of that person.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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

- (a) the appointment specifies the way the proxy is to vote on the Resolution; 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 the Resolution.

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

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

2 Resolution 2 – Grant of Incentive Options to Michael Thurn, or his nominee

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 11,186,028 Incentive Options for no consideration, with each Incentive Option having an exercise price of \$0.0551 expiring 2 years from the date of issue, to Michael Thurn or his nominee, 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 the Resolution by or on behalf of:

- (a) a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question or their nominee; or
- (b) an Associate of that person.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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

- (a) the appointment specifies the way the proxy is to vote on the Resolution; 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 the Resolution.

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

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

3 Resolution 3 – Grant of Incentive Options to Bill Bosch, or his nominee

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 4,863,490 Incentive Options for no consideration, with each Incentive Option having an exercise price of \$0.0551 expiring 2 years from the date of issue, to Bill Bosch or his nominee, 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 the Resolution by or on behalf of:

- (a) a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question or their nominee; or
- (b) an Associate of that person.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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

- (a) the appointment specifies the way the proxy is to vote on the Resolution; 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 the Resolution.

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

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

4 Resolution 4 – Grant of Incentive Options to Stewart Washer, or his nominee

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

“That, for the purposes of Listing Rule 10.14 and for all other purposes, the Directors are authorised to issue 4,863,490 Incentive Options for no consideration, with each Incentive Option having an exercise price of \$0.0551 expiring 2 years from the date of issue, to Stewart Washer or his nominee, 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 the Resolution by or on behalf of:

- (a) a person referred to in Listing Rule 10.14.1, 10.14.2 or 10.14.3 who is eligible to participate in the employee incentive scheme in question or their nominee; or
- (b) an Associate of that person.

However, this does not apply to a vote cast in favour of the Resolution by:

- (a) a person as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with the directions given to the proxy or attorney to vote on the Resolution in that way; or
- (b) the Chair of the Meeting as proxy or attorney for a person who is entitled to vote on the Resolution, in accordance with a direction given to the Chair to vote on the Resolution as the Chair decides; or
- (c) a holder acting solely in a nominee, trustee, custodial or other fiduciary capacity on behalf of a beneficiary provided the following conditions are met:
 - (i) the beneficiary provides written confirmation to the holder that the beneficiary is not excluded from voting, and is not an Associate of a person excluded from voting, on the Resolution; and
 - (ii) the holder votes on the Resolution in accordance with directions given by the beneficiary to the holder to vote in that way.

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

- (a) the appointment specifies the way the proxy is to vote on the Resolution; 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 the Resolution.

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

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

5 Resolution 5 – Amendment to Constitution

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

“That, the Company’s Constitution be amended as set out in Annexure E to the Explanatory Memorandum accompanying this Notice of Meeting.”

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

A handwritten signature in black ink, appearing to read 'S. Robertson', with a stylized flourish at the end.

Simon Robertson
Company Secretary

Dated 21 May 2020

Voting

Subject to the restrictions on voting referred to on pages 3, 4, 5 and 6 and below, Shareholders entitled to vote at the Meeting can vote in any of the following ways.

How to vote

Shareholders can vote by either:

- attending the Meeting and voting in person or by attorney or, in the case of corporate Shareholders, by appointing a corporate representative to attend and vote; or
- appointing a proxy to attend and vote on their behalf using the Proxy Form and by submitting their proxy appointment and voting instructions by post, electronically via the internet or by email.

Voting in person (or by attorney)

- The Board has made the decision that it will hold a physical meeting with the appropriate social gathering and physical distancing measures in place to comply with the Statement Government and Federal Government's current restrictions for physical gatherings.
- Shareholders, or their attorneys, who plan to attend the Meeting are asked to arrive at the venue 15 minutes prior to the time designated for the Meeting, if possible, so that their holding may be checked against the Company's share register and their attendance recorded. To be effective 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 below.
- Ordinarily, the Company and Board encourage all Shareholders to participate in general meetings such as this Meeting by attending and voting in person at the Meeting venue. This includes a Shareholder that is a corporation that has appointed an individual to act as its representative and vote in person at the Meeting.
- However, due to the current exceptional circumstances, and with the health, wellbeing and best interests of the Company's Shareholders, staff and broader community in mind, the Company and the Board encourage Shareholders to vote using the Proxy Form, following the instructions set out in this Notice and the Proxy Form.

Voting by a Corporation

While the Company and the Board encourage Shareholders to vote using the Proxy Form, a Shareholder that is a corporation may appoint an individual to act as its representative and vote in person at the Meeting. The appointment must comply with the requirements of section 250D of the Corporations Act. The representative should

bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

Again, the Company and the Board strongly encourages all Shareholders to participate and vote in this Meeting by way of proxy. As a result of the evolving COVID-19 circumstances, we strongly encourage Shareholders to carefully consider whom they appoint as their proxy.

If a proxy, other than the Chair, cannot attend or is not admitted to the Meeting, the Chair will become the proxy. In this circumstance, the Chair will be directed by the voting preferences (if any) provided in the Proxy Form.

Please refer to the Proxy Form for further details.

- A Shareholder entitled to attend and vote is entitled to appoint not more than two proxies. Each proxy will have the right to vote on a poll and also to speak at the Meeting.
- The appointment of the proxy may specify the proportion or the number of votes that the proxy may exercise. Where more than one proxy is appointed and the appointment does not specify the proportion or number of the Shareholder's votes each proxy may exercise, the votes will be divided equally among the proxies (i.e. where there are two proxies, each proxy may exercise half of the votes).
- A proxy need not be a Shareholder.
- The proxy can be either an individual or a body corporate.
- If a proxy is not directed how to vote on an item of business, the proxy may generally vote, or abstain from voting, as they think fit. However, where a Restricted Voter is appointed as a proxy, the proxy may only vote on Resolutions 1, 2, 3 and 4 in accordance with a direction on how the proxy is to vote or, if the proxy is the Chair of the Meeting and the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.
- Should any resolution, other than those specified in this Notice, be proposed at the Meeting, a proxy may vote on that resolution as they think fit.
- If a proxy is instructed to abstain from voting on an item of business, they are directed not to vote on the Shareholder's behalf on the poll and the Shares that are the subject of the proxy appointment will not be counted in calculating the required majority.
- Shareholders who return their Proxy Forms with a direction how to vote, but who do not nominate the identity of their proxy, will be taken to have appointed the Chair of the Meeting as their proxy to vote on their behalf. If a Proxy Form is returned

but the nominated proxy does not attend the Meeting, the Chair of the Meeting will act in place of the nominated proxy and vote in accordance with any instructions. Proxy appointments in favour of the Chair of the Meeting, the secretary or any Director that do not contain a direction how to vote will be used, where possible, to support each of the Resolutions proposed in this Notice, provided they are entitled to cast votes as a proxy under the voting exclusion rules which apply to some of the proposed Resolutions. These rules are explained in this Notice.

- To be effective, proxies must be received by 9.00 am (AWST) on Monday, 22 June 2020. Proxies received after this time will be invalid.
- Proxies may be lodged using any of the following methods:
 - by returning a completed Proxy Form by post to:

Automic
GPO Box 5193
Sydney NSW 2001
 - or
 - by email to:
meetings@automicgroup.com.au
 - or
 - by recording the proxy appointment and voting instructions via the internet at <https://investor.automic.com.au/#/loginsah>. Only registered Shareholders may access this facility and will need their Holder Identification Number (**HIN**) or Securityholder Reference Number (**SRN**).
- The Proxy Form must be signed by the Shareholder or the Shareholder's attorney. Proxies given by corporations must be executed in accordance with the Corporations Act. Where the appointment of a proxy is signed by the appointer's attorney, a certified copy of the Power of Attorney, or the power itself, must be received by the Company at the above address, by 9.00 am (AWST) on Monday, 22 June 2020.

Shareholders who are entitled to vote

In accordance with paragraphs 7.11.37 and 7.11.38 of the Corporations Regulations 2001 (Cth), the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the Register of Shareholders as at 5.00pm (AWST) on Monday, 22 June 2020.

Botanix Pharmaceuticals Limited
ABN 70 009 109 755

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.

1 Resolutions 1, 2, 3 and 4 – Grant of Incentive Options to Vince Ippolito, Michael Thurn, Bill Bosch and Stewart Washer, or their nominees

The Company proposes to grant the following Incentive Options:

- (a) 17,994,914 Incentive Options (each with an exercise price of \$0.0551 expiring 2 years from the date of issue) to Vince Ippolito;
- (b) 11,186,028 Incentive Options (each with an exercise price of \$0.0551 expiring 2 years from the date of issue) to Michael Thurn;
- (c) 4,863,490 Incentive Options (each with an exercise price of \$0.0551 expiring 2 years from the date of issue) to Bill Bosch; and
- (d) 4,863,490 Incentive Options (each with an exercise price of \$0.0551 expiring 2 years from the date of issue) to Stewart Washer,

(Participating Directors), or their nominees.

The Incentive Options are priced at a 34% premium to the 7-day VWAP up to and including 15 April 2020.

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, each of the Participating Directors are a related party of the Company.

In relation to each of Resolutions 1, 2, 3 and 4, the Board (excluding the relevant Participating Director of each of Resolutions 1, 2, 3 and 4) has formed the view that Shareholder approval under section 208 of the Corporations Act is not required for the proposed issue of Incentive Options as the issue is considered reasonable remuneration for the purposes of section 211 of the Corporations Act.

Information Requirements – Listing Rules 10.14 and 10.15

Listing Rule 10.14 provides that the Company must not permit any of the following persons to acquire Equity Securities under an employee incentive scheme:

- (a) a director of the Company (Listing Rule 10.14.1);
- (b) an Associate of a director of the Company (Listing Rule 10.14.12); or
- (c) a person whose relationship with the Company or a person referred to in Listing Rule 10.14.1 or 10.14.2 is such that, in ASX's opinion, the acquisition should be approved by its Shareholders (Listing Rule 10.14.3),

unless it obtains the approval of its Shareholders.

The proposed grant of Incentive Options to Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer, or their nominees, falls within Listing Rule 10.14.1 as they are all directors of the Company and therefore requires the approval of Shareholders under Listing Rule 10.14.

If Resolutions 1, 2, 3 and 4 are passed, the Company will grant Incentive Options to Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer respectively, or their nominees, as noted above on page 12.

If Resolutions 1, 2, 3 and 4 are not passed, the Company will not grant Incentive Options to Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer respectively, or their nominees, and the Participating Directors will not receive acknowledgement via an issue of Incentive Options for the additional workload and reduction in compensation as set out in the Announcement (as defined below). Additionally, Mr Ippolito will be permitted to voluntarily terminate his employment pursuant to the Side Letter as summarised below at pages 15 to 17.

The following further information is provided to Shareholders for the purposes of Listing Rule 10.15:

- (a) the Incentive Options will be granted to Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer, or their nominees, as noted above on page 12;
- (b) Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer each fall within Listing Rule 10.14.1 as they are directors of the Company;
- (c) the number of Incentive Options that will be granted to the Participating Directors is as set out on page 12;
- (d) in the Company's announcement on 16 April 2020 (**Announcement**), the Company announced that it has implemented a number of cost reduction measures aimed at reducing cash burn and extending the cash runway to ensure funding for its value creating activities. These measures included reducing staff and consultant headcount and reducing directors' fees. The Board members have agreed to a reduction in base fees of 25% for a 12 month period. The current total remuneration packages of Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer are as follows:

Director	Total fixed remuneration ¹	Options issued during current financial year
Vince Ippolito	USD300,000 ²	12,000,000 ⁴
Michael Thurn	\$315,000 ³	5,000,000 ⁵
Bill Bosch	USD75,000	-
Stewart Washer	\$37,500	-

¹ Cash remuneration following the reductions in the base salary of the Participating Directors, as summarised above and as set out in the Announcement. Where appropriate, superannuation (or equivalent) is paid in addition to cash remuneration.

² Mr Ippolito may be paid a bonus of up to 30% of his base salary on attainment of performance targets and other reasonable criteria set by the Board and Mr Ippolito.

³ Mr Thurn may be paid a bonus of up to 15% of his base consultancy fees on attainment of performance targets and other reasonable criteria set by the Board and Mr Thurn.

- ⁴ 6,000,000 Options exercisable at \$0.251 issued on 18 July 2019, vesting on issue and expiring on 18 July 2023. The value of the Options at the time of issue was \$0.12622 per Option. The current valuation is \$0.009 per Option.

6,000,000 Options exercisable at \$0.251 per Option, issued on 18 July 2019, vesting quarterly over 3 years and expiring on 18 July 2023. The value of the Options at the time of issue was \$0.12622 per Option. The current valuation is \$0.009 per Option.

- ⁵ 5,000,000 Options exercisable at \$0.251 per Option, issued on 18 July 2019, vesting quarterly over 3 years and expiring on 18 July 2023. The value of the Options at the time of issue was \$0.12622 per Option. The current value is \$0.009 per Option.

- (e) the number of securities previously issued to Mr Ippolito, Mr Thurn, Mr Bosch and Mr Washer under the Plan and the average acquisition price (if any) paid by the relevant Participating Director for each security is set out in Annexure D;
- (f) the terms and conditions of the Options are set out in Annexure A to this Explanatory Memorandum;
- (g) the issue of the Incentive Options to the Participating Directors, or their nominees:
 - (i) is to encourage each of the Participating Directors to have a greater involvement in the achievement of the Company's objectives; and
 - (ii) acknowledges the additional workload taken on by each of the Participating Directors and the reduction in their cash based compensation in order to retain key resources, as set out in the Announcement.

The value of the Incentive Options issued to the Participating Directors will be expensed by the Company in its Statement of Financial Position over the vesting period;

- (h) the Company's advisors have valued the Incentive Options using the Black Scholes method. Based on the assumptions set out below on page 15, it is considered that the estimated average value of the Incentive Options to be granted to the Participating Directors is \$0.018 per Incentive Option;
- (i) the Incentive Options will be granted on a date which will be no later than 3 years after the date of this Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules;
- (j) the Incentive Options will be granted for no consideration;
- (k) no funds will be raised from the grant of the Incentive Options. The funds raised from the exercise of the Incentive Options are intended to be used to further the Company's programmes and for general working capital;
- (l) a summary of the material terms of the Plan is set out in Annexure B;
- (m) details of any securities issued under the Plan will be published in the annual report of the entity relating to a period in which they were issued, along with a statement that approval for the issue was obtained under Listing Rule 10.14;
- (n) any additional persons covered by Listing Rule 10.14 who become entitled to participate in the scheme after the resolution is approved and who were not named in the notice of meeting will not participate until approval is obtained under that rule; and
- (o) a voting exclusion statement applies to each of Resolutions 1, 2, 3 and 4 as set out in the Notice.

Valuation of Incentive Options

The Company's advisers have valued the Incentive Options to be granted to the Participating Directors, or their nominees, 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
Date of valuation	28 April 2020
Share price	\$0.045
Exercise price	\$0.0551
Risk Free Interest Rate	0.23%
Volatility	85%
Time (years to expiry)	2 years

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.

Additional arrangements with Vince Ippolito

At a general meeting on 18 July 2019, the employment agreement between Mr Ippolito and the Company became effective following Shareholders' approval of the grant of Options to Mr Ippolito and certain Termination Benefits (as summarised at Annexure C), (**Employment Agreement**). As a result, this Employment Agreement superseded the employment agreement between Mr Ippolito and the Company dated 20 May 2019. As at the date of this Notice, the Termination Benefits remain unchanged and as approved at the general meeting on 18 July 2019.

On 14 April 2020, Mr Ippolito and the Company also entered into a side letter (**Side Letter**). Under the Side Letter:

- (a) Mr Ippolito's base salary was reduced from USD400,000 to USD300,000 (**Ippolito Salary Adjustment**);
- (b) it was proposed that Mr Ippolito, or his nominee, will be issued 17,994,914 Incentive Options, subject to shareholder approval, which is sought pursuant to Resolution 1 of this Notice; and
- (c) terms and conditions are set out in relation to the provision of the Termination Benefits, as summarised at Annexure C to this Notice.

Under the Side Letter, if Shareholders approve Resolution 1 of this Notice at the Meeting and Mr Ippolito, or his nominee, is consequently issued the Incentive Options set out in Resolution 1, those Incentive Options will:

- (a) fully vest and be exercisable where Mr Ippolito's employment is terminated by the Company without Cause (as defined below) on or prior to 14 April 2021; or
- (b) vest and be exercisable on a pro-rata basis where Mr Ippolito's employment is terminated by Mr Ippolito with Good Reason (as defined below) on or prior to 14 April 2021 (other than as set out below for the Ippolito Salary Adjustment).

Under the Side Letter, if Shareholders do not approve Resolution 1 of this Notice at the Meeting and Mr Ippolito, or his nominee, is consequently not issued the Incentive Options set out in Resolution 1, this will be deemed an event of Good Reason. Where this occurs, Mr Ippolito shall be permitted to:

- (a) voluntarily terminate his employment within 90 days of the Meeting; and
- (b) receive the Termination Benefits.

Mr Ippolito's right to otherwise terminate his employment with Good Reason is not diminished. This includes, without limitation, as a result of the Ippolito Salary Adjustment. Where Mr Ippolito wishes to voluntary termination his employment on this basis:

- (a) the termination must occur within 13 months of the date of the salary adjustment;
- (b) Mr Ippolito must provide notice of Good Reason to the Company, noting that there is no timeframe within which Mr Ippolito must provide this notice in this circumstance; and
- (c) where the Company does not increase Mr Ippolito's base salary to no less than USD400,000 within 30 days of the notice of Good Reason, Mr Ippolito may elect to terminate and receive the Termination Benefits.

The Employment Agreement defines Good Reason and Cause as follows:

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 Pharmaceuticals, Inc. 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.*

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 the Resolution.

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 Resolutions 1, 2, 3 and 4.

Directors' recommendation

Section 195(1) of the Corporations Act prohibits a director of a public company who has a material personal interest in a matter that is being considered at a directors' meeting from being present while the matter is being considered at the meeting or voting on the matter. If there is not a quorum of directors who are eligible to vote on a matter because of the operation of section 195(1) of the Corporations Act, one or more directors may call a general meeting and the general meeting may deal with the matter.

In relation to each of Resolutions 1, 2, 3 and 4, each of the Directors, including each of the Participating Directors, does not have a material personal interest in the issue of Incentive Options to the other Participating Directors, or their nominees. However, given that it is proposed that four of the five Directors are Participating Directors, and they, or their nominees, are issued Incentive Options pursuant to Resolutions 1, 2, 3 and 4, the Directors may be unable to form a quorum. Accordingly, the Board declines to make a recommendation in respect of Resolutions 1, 2, 3 and 4, and instead considers it prudent to exercise their right under section 195(4) of the Corporations Act, and put the matters to Shareholders to resolve.

Voting

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

2 Resolution 5 – Amendment to Constitution

Resolution 5 seeks Shareholder approval for amendments to the Company's Constitution.

The full text of the amendments is set out in Annexure E to this Explanatory Memorandum.

Under section 136 of the Corporations Act, Shareholders must pass a special resolution to amend a Constitution. Accordingly, Resolution 5 is a special resolution, requiring approval of 75% of the votes cast by Shareholders entitled to vote on the resolution in order to be passed. The Company intends to amend its Constitution to comply with the changes to Listing Rule 15.12 which came into effect on 1 December 2019. The changes require a company with Restricted Securities on issue (including Restricted Securities issued pursuant to transactions which attract the application of Listing Rules 10.7 or 11.1.3), to provide for the following in its constitution:

- (a) a holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX;
- (b) if the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those Restricted Securities;
- (c) the Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX;
- (d) a holder of Restricted Securities will not be entitled to participate in any return of capital on those securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX; and
- (e) if a holder of Restricted Securities breaches a Restriction Deed or a provision of the Company's Constitution restricting a Disposal of those Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for so long as the breach continues.

At the date of this Notice, the Company does not have any Restricted Securities on issue. However, the Company seeks Shareholder approval to amend its Constitution to align with the proposed changes to Listing Rule 15.12, which will apply at such time as the Company considers issuing Restricted Securities.

The full text of the amendments is set out in Annexure E to this Explanatory Memorandum.

GLOSSARY

\$ means Australian dollars.

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

Announcement means the Company's announcement dated 16 April 2020.

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.

Cause has the meaning set out on page 16.

Chair means the individual means the person appointed to chair the Meeting of the Company convened by the Notice.

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

Company means Botanix Pharmaceuticals Limited ABN 70 009 109 755.

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

Corporations Act means Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Dispose has the meaning given to that term in the Listing Rules and **Disposal** has a corresponding meaning.

Employment Agreement means the employment agreement between Vince Ippolito and the Company which became effective upon Shareholders' approval of the grant of Options to Mr Ippolito and certain Termination Benefits at a general meeting on 18 July 2019, which superseded the employment agreement between Mr Ippolito and the Company dated 20 May 2019.

Equity Securities has the meaning given to that term in the Listing Rules.

Explanatory Memorandum means the explanatory memorandum accompanying this Notice.

General Meeting or **Meeting** means the General Meeting convened by the Notice.

Good Reason has the meaning set out on page 17.

Holding Lock has the meaning given to that term in the Listing Rules.

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 of which are set out in Annexure A.

Ippolito Salary Adjustment has the meaning set out on page 15.

Listing Rules means the ASX Listing Rules.

Notice or **Notice of Meeting** means this Notice of General Meeting.

Option means an option to acquire a Share.

Participating Directors means Vince Ippolito, Michael Thurn, Bill Bosch and Stewart Washer.

Plan means the Botanix Pharmaceuticals Limited Employee Securities Incentive Plan as amended from time to time.

Proxy Form means the personalised proxy form accompanying the Notice provided by way of email where the Shareholder has elected to receive notices by email or the personalised proxy form accompanying the postcard circulated by way of post where the Shareholder has not elected to receive notices by email.

Resolution means a resolution contained in the Notice.

Restricted Securities has the meaning given to that term in the Listing Rules.

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

Restriction Deed has the meaning given to that term in the Listing Rules.

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

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

Side Letter means the letter between Vince Ippolito and the Company dated 14 April 2020 setting out revised terms of Mr Ippolito's employment, further to the Employment Agreement.

Termination Benefits are the termination benefits received by Mr Ippolito upon termination of his Employment Agreement, pursuant to the Employment Agreement. These termination benefits are summarised at Annexure C to this Notice.

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

USD means the currency of the United States of America.

VWAP means the volume weighted average price of Shares trading on the ASX.

Annexure A – Terms and conditions of the Incentive Options

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 of \$0.0551.

The Incentive Options have an expiry date of two 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 15 April 2021 subject to continued employment or engagement with the Company.

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

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.

Annexure B – Summary of Employee Securities Incentive Plan

The Company has established an employee incentive plan (**Plan**).

The full terms of the Plan may be inspected at the registered office of the Company during normal business hours and (unless otherwise defined) capitalised terms below have the definition ascribed in the Plan.

A summary of the terms of the Plan is set out below.

1 Eligible Participant

Eligible Participant means a person that:

- (c) is an "eligible participant" (as that term is defined in ASIC Class Order 14/1000) in relation to the Company or an Associated Body Corporate (as that term is defined in ASIC Class Order 14/1000); and
- (d) has been determined by the Board to be eligible to participate in the Plan from time to time.

2 Purpose

The purpose of the Plan is to:

- (a) assist in the reward, retention and motivation of Eligible Participants;
- (b) link the reward of Eligible Participants to Shareholder value creation; and
- (c) align the interests of Eligible Participants with shareholders of the Group (being the Company and each of its Associated Bodies Corporate), by providing an opportunity to Eligible Participants to receive an equity interest in the Company in the form of Securities.

3 Plan administration

The Plan will be administered by the Board. The Board may exercise any power or discretion conferred on it by the Plan rules in its sole and absolute discretion. The Board may delegate its powers and discretion.

4 Eligibility, invitation and application

- (a) The Board may from time to time determine that an Eligible Participant may participate in the Plan and make an invitation to that Eligible Participant to apply for Securities on such terms and conditions as the Board decides.
- (b) On receipt of an Invitation, an Eligible Participant may apply for the Securities the subject of the invitation by sending a completed application form to the Company. The Board may accept an application from an Eligible Participant in whole or in part.
- (c) If an Eligible Participant is permitted in the invitation, the Eligible Participant may, by notice in writing to the Board, nominate a party in whose favour the Eligible Participant wishes to renounce the invitation.

5 Grant of Securities

The Company will, to the extent that it has accepted a duly completed application, grant the Participant the relevant number of Securities, subject to the terms and conditions set out in the invitation, the Plan rules and any ancillary documentation required.

6 Terms of Convertible Securities

Each 'Convertible Security' represents a right to acquire one or more Shares (for example, under an option or performance right), subject to the terms and conditions of the Plan.

Prior to a Convertible Security being exercised a Participant does not have any interest (legal, equitable or otherwise) in any Share the subject of the Convertible Security by virtue of holding the Convertible Security. A Participant may not sell, assign, transfer, grant a security interest over or otherwise deal with a Convertible Security that has been granted to them. A Participant must not enter into any arrangement for the purpose of hedging their economic exposure to a Convertible Security that has been granted to them.

7 Vesting of Convertible Securities

Any vesting conditions applicable to the grant of Convertible Securities will be described in the invitation. If all the vesting conditions are satisfied and/or otherwise waived by the Board, a vesting notice will be sent to the Participant by the Company informing them that the relevant Convertible Securities have vested. Unless and until the vesting notice is issued by the Company, the Convertible Securities will not be considered to have vested. For the avoidance of doubt, if the vesting conditions relevant to a Convertible Security are not satisfied and/or otherwise waived by the Board, that Convertible Security will lapse.

8 Exercise of Convertible Securities and cashless exercise

To exercise a Convertible Security, the Participant must deliver a signed notice of exercise and, subject to a cashless exercise of Convertible Securities (see below), pay the exercise price (if any) to or as directed by the Company, at any time prior to the earlier of any date specified in the vesting notice and the expiry date as set out in the invitation.

An invitation may specify that at the time of exercise of the Convertible Securities, the Participant may elect not to be required to provide payment of the exercise price for the number of Convertible Securities specified in a notice of exercise, but that on exercise of those Convertible Securities the Company will transfer or issue to the Participant that number of Shares equal in value to the positive difference between the Market Value of the Shares at the time of exercise and the exercise price that would otherwise be payable to exercise those Convertible Securities.

Market Value means, at any given date, the volume weighted average price per Share traded on the ASX over the 5 trading days immediately preceding that given date, unless otherwise specified in an invitation.

A Convertible Security may not be exercised unless and until that Convertible Security has vested in accordance with the Plan rules, or such earlier date as set out in the Plan rules.

9 Delivery of Shares on exercise of Convertible Securities

As soon as practicable after the valid exercise of a Convertible Security by a Participant, the Company will issue or cause to be transferred to that Participant the number of Shares to which the Participant is entitled under the Plan rules and issue a substitute certificate for any remaining unexercised Convertible Securities held by that Participant.

10 Forfeiture of Convertible Securities

Where a Participant who holds Convertible Securities ceases to be an Eligible Participant or becomes insolvent, all unvested Convertible Securities will automatically be forfeited by the Participant, unless

the Board otherwise determines in its discretion to permit some or all of the Convertible Securities to vest.

Where the Board determines that a Participant has acted fraudulently or dishonestly, or wilfully breached his or her duties to the Group, the Board may in its discretion deem all unvested Convertible Securities held by that Participant to have been forfeited.

Unless the Board otherwise determines, or as otherwise set out in the Plan rules:

- (a) any Convertible Securities which have not yet vested will be forfeited immediately on the date that the Board determines (acting reasonably and in good faith) that any applicable vesting conditions have not been met or cannot be met by the relevant date; and
- (b) any Convertible Securities which have not yet vested will be automatically forfeited on the expiry date specified in the invitation.

11 Change of control

If a change of control event occurs in relation to the Company, or the Board determines that such an event is likely to occur, the Board may in its discretion determine the manner in which any or all of the Participant's Convertible Securities will be dealt with, including, without limitation, in a manner that allows the Participant to participate in and/or benefit from any transaction arising from or in connection with the change of control event.

12 Rights attaching to Plan Shares

All Shares issued under the Plan, or issued or transferred to a Participant upon the valid exercise of a Convertible Security, (Plan Shares) will rank *pari passu* in all respects with the Shares of the same class. A Participant will be entitled to any dividends declared and distributed by the Company on the Plan Shares and may participate in any dividend reinvestment plan operated by the Company in respect of Plan Shares. A Participant may exercise any voting rights attaching to Plan Shares.

13 Disposal restrictions on Plan Shares

If the invitation provides that any Plan Shares are subject to any restrictions as to the disposal or other dealing by a Participant for a period, the Board may implement any procedure it deems appropriate to ensure the compliance by the Participant with this restriction.

For so long as a Plan Share is subject to any disposal restrictions under the Plan, the Participant will not:

- (a) transfer, encumber or otherwise dispose of, or have a security interest granted over that Plan Share; or
- (b) take any action or permit another person to take any action to remove or circumvent the disposal restrictions without the express written consent of the Company.

14 Adjustment of Convertible Securities

If there is a reorganisation of the issued share capital of the Company (including any subdivision, consolidation, reduction, return or cancellation of such issued capital of the Company), the rights of each Participant holding Convertible Securities will be changed to the extent necessary to comply with the Listing Rules applicable to a reorganisation of capital at the time of the reorganisation.

If Shares are issued by the Company by way of bonus issue (other than an issue in lieu of dividends or by way of dividend reinvestment), the holder of Convertible Securities is entitled, upon exercise of the Convertible Securities, to receive an allotment of as many additional Shares as would have been

issued to the holder if the holder held Shares equal in number to the Shares in respect of which the Convertible Securities are exercised.

Unless otherwise determined by the Board, a holder of Convertible Securities does not have the right to participate in a pro rata issue of Shares made by the Company or sell renounceable rights.

15 Participation in new issues

There are no participation rights or entitlements inherent in the Convertible Securities and holders are not entitled to participate in any new issue of Shares of the Company during the currency of the Convertible Securities without exercising the Convertible Securities.

16 Amendment of Plan

Subject to the following paragraph, the Board may at any time amend any provisions of the Plan rules, including (without limitation) the terms and conditions upon which any Securities have been granted under the Plan and determine that any amendments to the Plan rules be given retrospective effect, immediate effect or future effect.

No amendment to any provision of the Plan rules may be made if the amendment materially reduces the rights of any Participant as they existed before the date of the amendment, other than an amendment introduced primarily for the purpose of complying with legislation or to correct manifest error or mistake, amongst other things, or is agreed to in writing by all Participants.

17 Plan duration

The Plan continues in operation until the Board decides to end it. The Board may from time to time suspend the operation of the Plan for a fixed period or indefinitely, and may end any suspension. If the Plan is terminated or suspended for any reason, that termination or suspension must not prejudice the accrued rights of the Participants.

If a Participant and the Company (acting by the Board) agree in writing that some or all of the Securities granted to that Participant are to be cancelled on a specified date or on the occurrence of a particular event, then those Securities may be cancelled in the manner agreed between the Company and the Participant.

Annexure C – Summary of Mr Ippolito's Termination Benefits under the Employment Agreement

Capitalised terms in this summary (unless otherwise defined) have the definition ascribed in the 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.

Employment Agreement means the employment agreement between Vince Ippolito and the Company which became effective upon Shareholders' approval of the grant of Options to Mr Ippolito and certain termination benefits at a general meeting on 18 July 2019, which superseded the employment agreement between Mr Ippolito and the Company dated 20 May 2019.

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 Pharmaceuticals, Inc. 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.

Side Letter means the letter between Vince Ippolito and the Company dated 14 April 2020 setting out additional terms of Mr Ippolito's employment, further to the Employment Agreement.

1 Termination Benefits under the Employment Agreement

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;
 - (ii) a pro-rata portion of the 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. The maximum amount of Mr Ippolito's annual bonus is 30% of his annual base salary; and
 - (iii) to the extent not previously paid, a change in control bonus;
- (b) any:
 - (i) other amounts earned, accrued and owing to Mr Ippolito but not yet paid under the relevant provisions of the Employment Agreement including:
 - (A) base salary;
 - (B) annual bonus based on the attainment of objective performance goals and targets for a complete performance period;
 - (C) equity compensation, including the grant of the Incentive Options (except in connection with a change in control event)
 - (D) the Company's health, life insurance, long-term disability, retirement and welfare benefits plans that Mr Ippolito participates in;
 - (E) vacation, holiday and sick leave; and
 - (F) the reimbursement of all necessary and reasonable travel and other business expenses incurred in the performance of Mr Ippolito's duties;
 - (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 vested options already issued to Mr Ippolito; and
 - (B) upon presentation of appropriate documentation, payment of Mr Ippolito's reasonable counsel fees incurred of up to US\$8,500 in connection with the negotiation and documentation of Mr Ippolito's employment,

(collectively, **Termination Benefits**).

2 Termination Benefits and the Side Letter

The Side Letter also sets out that the Termination Benefits in the Employment Agreement:

- (a) shall be paid in a single lump sum to Mr Ippolito within 60 days following the date of Mr Ippolito's employment being voluntarily terminated; and
- (b) will be calculated based on an annual base salary of no less than US\$400,000.

Annexure D - Previously issued securities under the Botanix Pharmaceuticals Limited Employee Incentive Securities Plan to the Participating Directors

Recipient of securities	Date of issue	Number of securities	Type of security	Average acquisition price	Exercise price	Shareholder approval
Vince Ippolito	18/7/2019	6,000,000	Unlisted Options	Nil	\$0.251	Yes
	18/7/2019	6,000,000	Unlisted Options	Nil	\$0.251	Yes
	20/5/2019	3,000,000	Unlisted Options	Nil	\$0.115	No
Michael Thurn	08/5/2017	2,612,128	Unlisted Options	Nil	\$0.051	No
	08/05/2017	4,324,256	Unlisted Options	Nil	\$0.07	No
	05/12/2018	1,000,000	Unlisted Options	Nil	\$0.08	No
	05/12/2018	2,000,000	Unlisted Options	Nil	\$0.106	No
	18/7/2019	5,000,000	Unlisted Options	Nil	\$0.251	Yes
Stewart Washer	21/02/2019	1,000,000	Unlisted Options	Nil	\$0.10	No
	21/02/2019	4,000,000	Unlisted Options	Nil	\$0.133	No
Bill Bosch ¹	N/A	N/A	N/A	N/A	N/A	N/A

¹ Note Mr Bosch was issued 8,107,979 Options exercisable at \$0.045 per Option on 1 December 2016 for nil consideration following shareholder approval on 30 November 2016. These Options were not issued pursuant to the Plan.

Annexure E –Constitution amendment

Resolution 5 seeks Shareholder approval to adopt the amendment to the Constitution as set out below.

- 1 Remove clauses 4.2(b), 4.5(d), 5.12(h) and 10.1(f) and insert a new clause 12, which reads:

12. Restricted Securities

- (a) *A holder of Restricted Securities must not Dispose of, or agree or offer to Dispose of, the Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX.*
- (b) *If the Restricted Securities are in the same class as quoted securities, the holder will be taken to have agreed in writing that the Restricted Securities are to be kept on the Company's issuer sponsored subregister and are to have a Holding Lock applied for the duration of the escrow period applicable to those Restricted Securities.*
- (c) *The Company will refuse to acknowledge any Disposal (including, without limitation, to register any transfer) of Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX.*
- (d) *A holder of Restricted Securities will not be entitled to participate in any return of capital on those Restricted Securities during the escrow period applicable to those Restricted Securities except as permitted by the Listing Rules or ASX.*
- (e) *If a holder of Restricted Securities breaches a Restriction Deed or a provision of the Company's Constitution restricting a Disposal of those Restricted Securities, the holder will not be entitled to any dividend or distribution, or to exercise any voting rights, in respect of those Restricted Securities for so long as the breach continues.*

- 2 Insert the following definitions in Schedule 1 (**Definitions**):

Dispose has the meaning given to that term in the Listing Rules and **Disposal** has a corresponding meaning.

Holding Lock has the meaning given to that term in the Listing Rules.

Restricted Securities has the meaning given to that term in the Listing Rules.

Restriction Deed has the meaning given to that term in the Listing Rules.

Holder Number:

Vote by Proxy: BOT

Your proxy voting instruction must be received by **9.00am (WST) on Monday 22 June 2020**, 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

The Board has made the decision that it will hold a physical meeting with the appropriate social gathering and physical distancing measures in place to comply with the Federal Government's and State Government's current restrictions for physical gatherings. 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.



