

BOTANIX PHARMACEUTICALS LIMITED
ACN 009 109 755

NOTICE OF ANNUAL GENERAL MEETING

**The Annual General Meeting of the Company will be held at
CWA House, CWA House, 1176 Hay Street, West Perth,
Western Australia on Wednesday, 30 November 2016 at
2:00pm (WST).**

The Notice of Annual General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on (08) 9482 0580.

Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice

BOTANIX PHARMACEUTICALS LIMITED

ACN 009 109 755

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Shareholders of Botanix Pharmaceuticals Limited (**Company**) will be held at CWA House, 1176 Hay Street, West Perth, Western Australia, on Wednesday, 30 November 2016 at 2:00pm (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Monday, 28 November 2016 at 2:00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1.

AGENDA

Ordinary business

1. Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, and the independent auditor's report.

2. Resolution 1 - Adoption of Remuneration Report (non-binding)

To consider and, if thought fit, to pass with or without amendment, as a non-binding resolution the following:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, the Company adopts the Remuneration Report as set out in the Director's Report in the Annual Report for the year ended 30 June 2016."

Note

The vote on this Resolution is advisory only and does not bind the Directors or the Company.

Voting Exclusion

A vote on this Resolution must not be cast (in any capacity) by or on behalf of any of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person described above may vote on this Resolution if:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or
- (b) the voter is the Chairman and the appointment of the Chairman as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chairman to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

3. Resolution 2 - Re-election of Director - Mr Robert Towner

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

"That for the purposes of clause 6.3 (e) of the Constitution, Listing Rule 14.4 and for all other purposes, Mr Robert Towner, a Director, retires by rotation and being eligible, is re-elected as a Director of the Company."

4. Resolution 3 - Approval of 10% Placement Capacity

To consider and, if thought fit, to pass with or without amendment, as a special resolution the following:

"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital on issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Memorandum."

Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

The Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chairman 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.

5. Resolution 4 - Issue of Options to Mr Graham Griffiths

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

““That, for the purpose of Listing Rule 10.11, section 195(4) and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Directors to issue up to 4,053,990 Options to Mr Graham Griffiths or his nominee, as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Graham Griffiths or his nominee and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chairman 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.

6. Resolution 5 - Issue of Options to Mr Robert Towner

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

““That, for the purpose of Listing Rule 10.11, section 195(4) and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Directors to issue up to 4,053,990 Options to Mr Robert Towner or his nominee, as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by Robert Towner or his nominee and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chairman 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.

7. Resolution 6 - Issue of Options to Dr William Bosch

To consider and, if thought fit, to pass with or without amendment, as an ordinary resolution the following:

“That, for the purpose of Listing Rule 10.11, section 195(4) and Chapter 2E of the Corporations Act and for all other purposes, approval is given for the Directors to issue up to 8,107,979 Options to Dr William Bosch or his nominee, as set out in the Explanatory Memorandum.”

Voting Exclusion

The Company will disregard any votes cast on this Resolution by William Bosch or his nominee and any of their associates.

The Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chairman 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.

BY ORDER OF THE BOARD



Brett Tucker
Company Secretary

Dated: 12 October 2016

BOTANIX PHARMACEUTICALS LIMITED

ACN 009 109 755

EXPLANATORY MEMORANDUM

1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at CWA House, 1176 Hay Street, West Perth, Western Australia, on Wednesday, 30 November 2016 at 2:00pm (WST).

The Explanatory Memorandum forms part of the Notice which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2:	Action to be taken by Shareholders
Section 3:	Financial Statements and Reports
Section 4:	Resolution 1 - Adoption of Remuneration Report
Section 5:	Resolution 2 - Re-election of Director - Mr Robert Towner
Section 6:	Resolution 3 - Approval of 10% Placement Capacity
Section 7:	Resolution 4-6: - Approval of issue of Related Party Options
Schedule 1:	Definitions
Schedule 2:	Issues of Equity Securities since 23 November 2015
Schedule 3:	Terms of Related Party Options

A Proxy Form is located at the end of the Explanatory Memorandum.

2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

The Chairman intends to exercise all available proxies in favour of all Resolutions.

Ordinary business

3. Financial Statements and Reports

In accordance with the Constitution, the business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2016 together with the declaration of the directors, the directors' report, the Remuneration Report and the auditor's report.

In accordance with amendments to the Corporations Act, the Company is no longer required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy. These amendments may result in a reduction in the Company's printing costs.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company's annual financial report on its website at www.botanixpharma.com.

4. Resolution 1 - Adoption of Remuneration Report

4.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2016.

A reasonable opportunity will be provided for the Shareholders to ask questions or make comments on the Remuneration Report at the Annual General Meeting.

4.2 Voting Consequences

Under the Corporations Act, if at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report in two consecutive

annual general meetings, the Company will be required to put to Shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (**Spill Resolution**) at the second annual general meeting.

If more than 50% of shareholders vote in favour of the Spill Resolution, the company must convene the extraordinary general meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the Company's annual financial report for the financial year ended immediately before the second annual general meeting) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

4.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

4.4 Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

If you appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member as your proxy:

You must direct the proxy how they are to vote. Undirected proxies granted to these persons will not be voted and will not be counted in calculating the required majority if a poll is called on Resolution 1.

If you appoint the Chairman as your proxy (where he/she is also a member of Key Management Personnel whose remuneration details are included in the Remuneration Report, or a Closely Related Party of such a member):

You do not need to direct the Chairman how you wish them to exercise your vote on Resolution 1, however if you do not direct the Chairman how to vote, by signing the proxy form you expressly acknowledge that the Chairman may exercise their discretion in exercising your proxy even though Resolution 1 is connected directly or indirectly with the remuneration of Key Management Personnel.

If you appoint any other person as your proxy:

You do not need to direct your proxy how to vote.

5. Resolution 2 - Re-election of Director - Mr Robert Towner

Listing Rule 14.4 provides that a director of an entity must not hold office (without re-election) past the third annual general meeting following the director's appointment or three years, whichever is the longer.

Clause 6.3 of the Constitution requires that one third (or the number nearest one-third) of the Directors must retire at each annual general meeting, provided always that no Director (except a Managing Director) shall hold office for a period in excess of three years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

The Directors to retire at an annual general meeting are those who have been longest in office since their last election, but, as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by drawing lots.

The Company currently has four Directors.

Accordingly at least one Director must retire. A Director who retires by rotation under clause 6.3 of the Constitution is eligible for re-election.

In accordance with the Constitution, Mr Robert Towner has held the longest position in office since his last election and retires by rotation and, being eligible, seeks re-election.

Details regarding Mr Towner are set out in the 2016 Annual Report to Shareholders.

The Board (excluding Mr Towner) recommends that Shareholders vote in favour of Resolution 2.

Resolution 2 is an ordinary resolution.

The Chairman intends to exercise all available proxies in favour of Resolution 2.

6. Resolution 3 - Approval of 10% Placement Capacity

6.1 General

Listing Rule 7.1A provides that an eligible entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

An eligible entity is one that, as at the date of the relevant annual general meeting:

- (a) is not included in the S&P/ASX 300 Index; and
- (b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of \$300,000,000.

The Company currently has on issue 408,814,770 Shares and the last recorded closing price of the Shares on 11 October 2016 was \$0.043. The Company is an eligible entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately \$17.58 million (based on the closing Share price on 11 October 2016).

If Shareholders approve Resolution 3, the number of Equity Securities the Company may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in Listing Rule 7.1A.2 (as set out below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity without obtaining prior Shareholder approval or using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

The Board unanimously recommends that Shareholders vote in favour of Resolution 3.

The Chairman intends to exercise all available proxies in favour of Resolution 3.

6.2 Listing Rule 7.1A

(a) Equity Securities

Any Equity Securities issued pursuant to Listing Rule 7.1A must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of quoted Equity Securities on issue, Shares.

(b) Formula for calculating 10% Placement Capacity

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$(A \times D) - E$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement to issue:

- (A) plus the number of Shares issued in the previous 12 months under an exception in Listing Rule 7.2;
- (B) plus the number of partly paid shares that became fully paid in the previous 12 months;
- (C) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and
- (D) less the number of Shares cancelled in the previous 12 months.

D is 10%

E is the number of Equity Securities issued or agreed to be issued under Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the Shareholder approval under Listing Rule 7.1 or 7.4.

(c) Listing Rule 7.1 and Listing Rule 7.1A

The ability of an entity to issue Equity Securities under Listing Rule 7.1A is

in addition to the entity's 15% placement capacity under Listing Rule 7.1.

At the date of the Notice, the Company has on issue 408,814,770 Shares and therefore has a capacity to issue (each on a pre-Consolidation basis):

- (i) 61,322,216 Equity Securities under Listing Rule 7.1; and
- (ii) subject to Shareholder approval being obtained under Resolution 3 40,881,477 Equity Securities under Listing Rule 7.1A.

The actual number of Equity Securities that the Company will have capacity to issue under Listing Rules 7.1 and 7.1A will be calculated at the date of issue of the Equity Securities in accordance with the formula prescribed in Listing Rule 7.1A.2.

6.3 Technical information required by Listing Rule 7.3A

Pursuant to and in accordance with Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) Minimum Price

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

- (i) the date on which the price at which the Equity Securities are to be issued is agreed; or
- (ii) if the Equity Securities are not issued within 5 ASX trading days of the date in Section 6.3(a)(i), the date on which the Equity Securities are issued.

(b) Date of Issue

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

- (i) 12 months after the date of this Meeting; and
- (ii) the date of approval by Shareholders of any transaction under Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking) (after which date, an approval under Listing Rule 7.1A ceases to be valid),

(10% Placement Capacity Period).

The company will only issue Equity Securities under the 10% Placement Capacity during the 10% Placement Capacity Period.

(c) Risk of voting dilution

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below (in the case of convertible securities, only if they are exercised or converted). The table below shows the economic and dilution effect that an issue of the 10% Placement Capacity will have on existing Shareholders, calculated in accordance with the formula outlined in Listing Rule 7.1A.2. There is a risk that:

- (i) the market price for the Company's Equity Securities may be significantly lower on the date of the issue of the Equity Securities than on the date of the Meeting; and
- (ii) the Equity Securities may be issued at a price that is at a discount to the market price for the Company's Equity Securities on the issue date or the Equity Securities are issued as part of consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the Equity Securities.

The below table shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in Listing Rule 7.1A.2 as at the date of the Notice.

The table also shows:

- (iii) two examples where the number of Shares on issue has increased by 50% and 100%. The number of ordinary securities on issue may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example, a pro rata entitlements issue or scrip issued under a takeover offer) or future specific placements under Listing Rules 7.1 that are approved at a future Shareholders' meeting; and
- (iv) two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Number of Shares currently on issue	Dilution			
	Issue Price (\$ per Share)	50% decrease in Issue Price (\$0.02)	Issue Price (\$0.04)	100% increase in Issue Price (\$0.08)
408,814,477	10% voting dilution	40,881,448 Shares	40,881,448 Shares	40,881,448 Shares
	Funds raised	\$817,629	\$1,635,258	\$3,270,516
613,222,155 (50% increase)	10% voting dilution	61,322,172 Shares	61,322,172 Shares	61,322,172 Shares
	Funds raised	\$1,226,443	\$2,452,887	\$4,905,774
817,629,540 (100% increase)	10% voting dilution	81,762,895 Shares	81,762,895 Shares	81,762,895 Shares
	Funds raised	\$1,635,258	\$3,270,516	\$6,541,032

The table above uses the following assumptions:

1. The current shares on issue are the Shares on issue as at 11 October 2016.
2. The issue price set out above is the closing price of the Shares on the ASX on 11 October 2016 (to two decimal places).
3. The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.
4. The issue of Equity Securities under the 10% Placement Capacity consists only of Shares. It is assumed that no Options or other convertible securities are exercised into Shares before the date of issue of the Equity Securities.
5. The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.
6. This table does not set out any dilution pursuant to approvals under Listing Rule 7.1, or pursuant to the 15% placement capacity under Listing Rule 7.1.
7. The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example at 10%.

(d) Purpose of Issue under 10% Placement Capacity

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

- (i) as cash consideration in which case the Company intends to use any funds raised towards its existing & new product development studies and intellectual property maintenance costs, and general working capital; or
- (ii) as non-cash consideration for the acquisition of new assets and investments, in such circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

The Company will comply with the disclosure obligations under Listing Rules 7.1A.4 and 3.10.5A upon issue of any Equity Securities.

(e) Allocation under the 10% Placement Capacity

The Company's allocation policy is dependent on the prevailing market conditions at the time of any proposed issue pursuant to the 10% Placement Capacity. The recipients of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the recipients of Equity Securities could consist of current Shareholders including substantial Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the recipients at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

- (i) the purpose of the issue;

- (ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;
- (iii) the effect of the issue of the Equity Securities on the control of the Company;
- (iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;
- (v) prevailing market conditions; and
- (vi) advice from corporate, financial and broking advisers (if applicable).

Further, if the Company is successful in acquiring new assets or investments, it is likely that the recipients under the 10% Placement Capacity will be vendors of the new resources, assets or investments.

(f) Previous Approval under Listing Rule 7.1A

The Company obtained Shareholder approval pursuant to Listing Rule 7.1A at its annual general meeting held on 23 November 2015 (**Previous Approval**).

During the 12 month period preceding the date of the Meeting and as at the date of this Notice, the Company has issued 344,476,642 Equity Securities, and this represents 396.50% of the total number of Equity Securities on issue at the commencement of that 12 month period (adjusted for the 3¹/₃ to 1 consolidation of the Company's issued capital approved by Shareholders at the general meeting held on 14 June 2016).

The Company did not issue any Shares pursuant to Listing Rule 7.1A during the year.

Details of each issue of Equity Securities by the Company during the 12 months preceding the date of this Notice are in Schedule 2.

(g) Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

7. Resolution 4-6 - Approval of Issue of Related Party Options

7.1 General

The Company has agreed, subject to obtaining shareholder approval, to issue a total of 16,215,959 Options to Messrs Graham Griffiths and Robert Towner and Dr William Bosch (together, **Related Parties**) on the terms and conditions set out below.

The terms and conditions of the Options to be issued to the Related Parties (together, **Related Party Options**) are in Schedule 3.

7.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

Each of Messrs Graham Griffiths and Robert Towner and Dr William Bosch are related parties of the Company by virtue of their position as Directors.

The issue of the Related Party Options to the Related Parties therefore requires the Company to obtain Shareholder approval because the issue of Related Party Options constitutes giving a financial benefit to related parties of the Company.

7.3 Listing Rule 10.11

Listing Rule 10.11 also requires shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or a person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in Listing Rule 10.12 applies.

7.4 Shareholder Approval (Chapter 2E of the Corporations Act and Listing Rule 10.11)

It is the view of the Directors that the exceptions set out in sections 210 to 216 of the Corporations Act and Listing Rule 10.12 do not apply in the current circumstances. Accordingly, Shareholder approval is sought for the issue of Related Party Options to the Related Parties.

Pursuant to and in accordance with the requirements of sections 217 to 227 of the Corporations Act and Listing Rule 10.13, the following information is provided in relation to the proposed issue of Related Party Options:

- (a) Messrs Graham Griffiths and Robert Towner and Dr William Bosch are related parties by virtue of being Directors;
- (b) the maximum number of the Related Party Options (being the nature of the financial benefit being provided) to be issued to the Related Parties (or their nominees) are 16,215,959 Related Party Options. Each Related Party is entitled to Options as displayed in the table below:

Related Party	Number of Related Party Options to be issued	Value of Related Party Options to be issued ¹
Mr. Griffiths	4,053,990	\$94,203
Mr. Towner	4,053,990	\$94,203
Dr. Bosch	8,107,979	\$189,993

Note: 1. Refer to Schedule 4 for valuation details.

- (c) the Related Party Options will be issued no later than 1 month after the date of the Meeting (or such later date as permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated the Related Party Options will be issued on one date;
- (d) the issue price of the Related Party Options will be nil per Related Party Option, accordingly no funds will be raised from the issue of the Related Party Options;
- (e) the terms and conditions of the Related Party Options are set out in Schedule 3;
- (f) the value of the Related Party Options and the pricing methodology is set out in Schedule 4;
- (g) the relevant interests of the Related Parties in securities of the Company as at the date of the Notice are set out below;

Related Party	Shares	Options
Mr. Griffiths	2,500,000	-
Mr. Towner	1,499,972	2,054,961
Dr. Bosch	15,300,000	-

- (h) the remuneration and emoluments from the Company to the Related Parties for both the current financial year and previous financial year are set out below:

	Projected Current Financial Year ⁽¹⁾		Previous Financial Year	
Related Party	Salary and Fees \$	Options \$	Salary and Fees \$	Options \$
Mr. Griffiths ¹	50,000	-	-	-
Mr. Towner	55,000	-	60,225	-
Dr. Bosch ¹	131,857	-	-	-

1) Financial year ended 30 June 2017

2) Mr Griffiths and Dr Bosch were both appointed as Directors on 1 July 2016

3) Dr Bosch contract remuneration of US\$100,000 per annum has been converted using an average exchange rate of 1AUD: US\$0.758 being the average from 1 July 2016 to 30 September 2016 (rate sourced from Reserve Bank of Australia)

- (i) if all the Related Party Options are exercised, a total of 16,215,959 Shares would be issued. This will increase the number of Shares on issue from 408,814,770 to 425,099,045 (assuming that no other Options are exercised and no other Shares issued) with the effect that the shareholding of existing Shareholders would be diluted as follows:

Related Party	Total Shares as at the date of this Notice	Related Party Options	Shares upon exercise of all Director Options	Dilutionary effect upon exercise of Director Options
Mr. Griffiths	405,398,971	4,053,990	425,099,045	0.99%
Mr. Towner	405,398,971	4,053,990	425,099,045	0.99%
Dr. Bosch	405,398,971	8,107,979	425,099,045	2.00%

- (j) The market price for Shares during the term of the Related Party Options would normally determine whether or not the Related Party Options are exercised. If at any time any of the Related Party Options are exercised and the Shares are trading on ASX at a price that is higher than the exercise price of the Related Party Options, there may be a perceived cost to the Company.

As at the date of this Notice of Meeting the Share price of the Company's ordinary shares are trading on ASX lower than the exercise price of the Related Party Options.

Under the accounting standard AASB 2 share based payments, the Company will recognise an expense in the income statement based on the fair value of the Options over the period from the date of issue to the vesting date. The total of the fair value of the Options issued is \$325,959 at the date of the Notice.

The trading history of the Shares on ASX in the 12 months before the date of this Notice of Meeting is set out below:

	Price	Date
Highest	\$0.058	21 July 2016
Lowest	\$0.026	15 July 2016
Last	\$0.043	11 October 2016

- (k) the primary purpose of the grant of Options to the Related Parties is to provide cost effective consideration to the Related Parties for their ongoing commitment and contribution to the Company in their role as Directors. The Board does not consider that there are any significant opportunity costs to the Company or benefits foregone by the Company in issuing the Related Party Options upon the terms proposed. If the Related Party Options are not issued, the Company could remunerate the Related Parties for additional amounts. However, the Board considers it reasonable for the remuneration of the Related Parties to have a cash component and an equity component to further align the Related Parties' interests with Shareholders and maintain a strong cash position for the Company;
- (l) the Board acknowledges the issue of Related Party Options to the Related Parties is contrary to Recommendation 8.2 of the ASX Corporate Governance Principles and Recommendations. However, the Board considers the issue of Related Party Options to the Related Parties reasonable in the circumstances, given the necessity to attract and retain the highest calibre of professionals to the Company, whilst maintaining the Company's cash reserves;

- (m) Mr Griffiths, who does not have a material interest in the outcome of Resolutions 5 and 6, recommends that Shareholders vote in favour of Resolutions 5 and 6 for the reasons set out in paragraphs (k) and (l) above. Mr Griffiths is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolution 5 and 6.

Mr Griffiths declines to make a recommendation to Shareholders in relation to Resolution 4 due to his material personal interest in the outcome of the Resolution 4;

- (n) Mr Towner, who does not have a material interest in the outcome of Resolutions 4 and 6 recommends that Shareholders vote in favour of Resolutions 4 and 6 for the reasons set out in paragraphs (k) and (l) above. Mr Towner is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass either Resolution 4 and 6.

Mr Towner declines to make a recommendation to Shareholders in relation to Resolution 5 due to his material personal interest in the outcome of the Resolution 5;

- (o) Dr Bosch, who does not have a material interest in the outcome of Resolutions 4 and 5 recommends that Shareholders vote in favour of Resolutions 4 and 5 for the reasons set out in paragraphs (k) and (l) above. Dr Bosch is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass either Resolution 4 and 5.

Dr Bosch declines to make a recommendation to Shareholders in relation to Resolution 6 due to his material personal interest in the outcome of the Resolution 6;

- (p) Mr Callahan, who does not have a material interest in the outcome of any of Resolutions 4 to 6 recommends that Shareholders vote in favour of Resolutions 4 to 6 for the reasons set out in paragraphs (k) and (l) above. Mr Callahan is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass either Resolution 4 to 6.

- (q) in forming their recommendations, each Director considered the experience of the Related Parties, the current market price of Shares, the current market practices when determining the number of Related Party Options to be granted as well as the exercise price and expiry date of those Options;

- (r) the Board is not aware of any other information that would be reasonably required by Shareholders to allow them to make a decision whether it is in the best interests of the Company to pass Resolutions 4 to 6; and

- (s) approval pursuant to Listing Rule 7.1 is not required in order to issue the Related Party Options to the Related Parties as approval is being obtained under Listing Rule 10.11. Accordingly, the issue of Related Party Options to the Related Party will not be included in the 15% calculation of the Company's annual placement capacity pursuant to Listing Rule 7.1.

Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

\$ means Australian Dollars.

10% Placement Capacity has the meaning given in Section 6.1.

Annual General Meeting, AGM or Meeting has the meaning given in the introductory paragraph of the Notice.

ASIC means the Australian Securities and Investments Commission.

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

Board means the board of Directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

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

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependent of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the Corporations Regulations 2001 (Cth).

Company means Botanix Pharmaceuticals Limited ACN 009 109 755.

Constitution means the Company's constitution.

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

Director means a director of the Company.

Equity Security has the same meaning as in the Listing Rules and **Equity Securities** has the corresponding meaning.

Explanatory Memorandum means the explanatory memorandum which forms part of the Notice.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Listing Rules means the listing rules of ASX.

Meeting Date means Wednesday, 30 November 2016.

Notice means this notice of Annual General Meeting.

Option means an option which entitles the holder to subscribe for one Share.

Optionholder means an optionholder of the Company.

Proxy Form means the proxy form attached to the Notice.

Related Parties has the meaning given in Section 7.1.

Related Party Option has the meaning given in Section 7.1.

Remuneration Report means the remuneration report set out in the Director's report section of the Company's annual financial report for the year ended 30 June 2016.

Resolutions means the resolutions referred to in the Notice or any one of them, as the context requires.

Schedule means a schedule to the Notice.

Section means a section of the Explanatory Memorandum.

Securities means all Equity Securities of the Company, including a Share and an Option.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

WST means Western Standard Time, being the time in Perth, Western Australia.

Schedule 2 - Issues of Equity Securities since 23 November 2015

Date of Issue	Number of Securities	Type of Security	Recipient of Securities	Issue Price and details of any discount	Consideration & Use of Funds as at the date of this Notice
30/06/2016	175,000,000	Shares ¹	Participants in the offer under the Prospectus dated 13 May 2016 and Supplementary Prospectus dated 24 June 2016 (together, Prospectus).	\$0.02 per Share, representing a discount of 25% to the closing market price (\$0.026) at the date of issue (being the last traded price prior to ASX trading suspension on a post consolidated basis).	<p>Consideration: \$3,500,000 cash.</p> <p>Funds spent to date: \$1,400,000 has been spent as at the date of this Notice.</p> <p>Use of funds spent to date: The funds have been applied in a manner consistent with the disclosures in the Prospectus, namely, towards research and development and working capital (Use of Funds).</p> <p>Proposed use of remaining funds: The remaining \$2,100,000 is intended to be applied in the same manner as the Use of Funds.²</p>
30/06/2016	153,060,000	Shares ³	Shareholders of Botanix Pharmaceuticals Inc or their respective nominees	Nil	<p>Issued as consideration for the shares of Botanix Pharmaceuticals Inc.</p> <p>Current value: \$6,581,580.⁴</p>
30/06/2016	3,416,642	Shares ³	Shenasaby Pty Ltd as trustee for the Shenasaby Trust and Caperi Pty Ltd as trustee for the Caperi Trust or their respective nominees	Nil	<p>Issued at a deemed issue price of \$0.02 each as partial repayment of loans.</p> <p>Current value: \$68,333.⁴</p>
30/06/2016	13,000,000	Options ⁵	Argonaut (or its nominees)	\$0.00001 per option	<p>Consideration: \$130. The Options were principally issued as consideration for services provided by Argonaut as lead manager to the public offer under the Prospectus.</p> <p>Funds spent to date: \$130 has been spent as at the date of this Notice.</p> <p>Use of funds spent to date: Working capital.</p> <p>Current value: \$373,965⁶</p>

Notes

1. Shares are fully paid ordinary shares in the Company ranking equally in all respect with the existing issued Shares in the Company.
2. This is a statement of current intentions as at the date of this Notice. As with any budget, intervening events and new circumstances have the potential to affect the manner in which the funds are ultimately applied. The Board reserves the right to alter the way the funds are applied on this basis.
3. Shares are subject to escrow for 24 months, expiring 13 July 2018.
4. The current value is based on the closing price of the Shares (\$0.043) on the ASX on 11 October 2016.
5. Options exercisable at \$0.03 each on or before 30 June 2019. The Options are subject to escrow for 24 months, expiring 13 July 2018.
6. The current value is measured using the Black & Scholes option pricing model. Measurement inputs include the Share price on the measurement date, the exercise price, the term of the Option, the impact of dilution, the expected volatility of the underlying Share (based on weighted average historic volatility adjusted for changes expected due to publicly available information), the expected dividend yield and the risk free interest rate for the term of the Option. No account is taken of any performance conditions included in the terms of the Option other than market based performance conditions (i.e. conditions linked to the price of Shares).

Schedule 3 - Terms of Related Party Options

The following terms and conditions apply to the Related Party Options:

1. Entitlement

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

2. Exercise Price and Expiry Date

The Related Party Options have an exercise price calculated at a 50% premium to the last closing sale price of Company Shares on the ASX prior to the Meeting Date (**Exercise Price**) and an expiry date of 5:00pm (WST) on the date that is three years from the issue date (**Expiry Date**).

An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

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

3. 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 Milestone having been satisfied.

4. Quotation of the Options

The Options will be unquoted.

5. Transferability of the Options

The Options are not transferable.

6. Notice of Exercise

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

Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

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

7. 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 Options with the appropriate remittance should be lodged at the Company's Registry.

8. Shares Issued on Exercise

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

9. 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.

10. Timing of Issue of Shares

Within 15 Business Days after the receipt of a Notice of Exercise given in accordance with these terms and conditions and payment of the Exercise Price for each Option being exercised, the Company will issue the Shares pursuant to the exercise of the Options.

11. Participation in New Issues

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the 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 Options the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

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

13. 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 12 will apply) there will be no adjustment of the Exercise Price of an Option or the number of Shares over which the Options are exercisable.

14. Adjustments for Reorganisation

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

Schedule 4 - Valuation of Related Party Options

The Related Party Options to be issued to the Related Parties pursuant to Resolutions 4 to 6 have been valued by internal management.

Using the theoretical Black & Scholes option model and based on the assumptions set out below, the Related Party Options were ascribed a value, as follows:

Assumptions:	Related Party Options
Valuation date	12/10/2016
Market price of shares ⁽¹⁾	\$0.043
Exercise price ⁽²⁾	\$0.065
Expiry date	23/11/2019
Risk free interest rate	1.50%
Volatility	100%
Indicative value per option	\$0.02
Value of options issued to:-	
Mr. Griffiths	\$94,203
Mr. Towner	\$94,203
Dr. Bosch	\$189,993

(1) Being the last sale price quoted on the ASX on the valuation date.

(2) The exercise price is to be a 50% premium to the last closing sale price of Company Shares on the ASX prior to the Meeting Date. An indicative exercise price of \$0.065 per Option was used for this calculation only and can change depending on the market price on the ASX of Company Shares.

Note the valuation noted above is not necessarily the market price that the Related Party Options could be traded, if they were not restricted from disposal, and it is not automatically the market prices for taxation purposes.

BOTANIX PHARMACEUTICALS LIMITED

ACN 009 109 755

PROXY FORM

The Company Secretary
Botanix Pharmaceuticals Limited

By post:
PO Box 902
West Perth WA 6872

By facsimile:
(08) 9482 0505

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark ☒ to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

STEP 1 - APPOINT A PROXY TO VOTE ON YOUR BEHALF

I/We being Shareholder/s of the Company hereby appoint:

The Chair of the Meeting (mark box)

☐

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

or failing the person/body corporate named, or if no person/body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the Annual General Meeting of the Company to be held at CWA House, 1176 Hay Street, West Perth WA 6005, at 2pm (Perth time) on Wednesday, 30 November 2016, and at any adjournment or postponement of that Meeting.

CHAIR'S VOTING INTENTIONS IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intentions on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

STEP 2 - INSTRUCTIONS AS TO VOTING ON RESOLUTIONS

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Adoption of Remuneration Report (non-binding)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director - Mr Robert Towner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Approval of 10% Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Issue of Director Options - Mr Graham Griffiths	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Issue of Director Options - Mr Robert Towner	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Approval of Issue of Director Options - Dr William Bosch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Authorised signature/s

This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

¹Insert name and address of Shareholder² Insert name and address of proxy

*Omit if not applicable

PROXY NOTES

A Shareholder entitled to attend and vote at the Annual General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the Annual General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the Annual General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the Annual General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be posted to or received by facsimile transmission at the Perth office of the Company (Ground Floor, 16 Ord Street, West Perth, WA 6005 or Facsimile (08) 9482 0505 if faxed from within Australia (or +61 8 9482 0505 if faxed from outside Australia) not less than 48 hours prior to the time of commencement of the Annual General Meeting (WST).