

# **BOTANIX PHARMACEUTICALS INC.**

**Financial Report  
For the period ended 31 December 2015**

**BOTANIX PHARMACEUTICALS INC.**  
**CONTENTS PAGE**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

Director's Report	3
Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9
Director's Declaration	18
Independent Auditor's Report	19

**BOTANIX PHARMACEUTICALS INC.**  
**DIRECTOR'S REPORT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

The director presents their report, together with the financial report of Botanix Pharmaceuticals Inc. ("Botanix") for the period from incorporation (being 13 August 2015) to 31 December 2015 and auditor's report thereon. This financial report has been prepared in accordance with Australian Accounting Standards and for the purpose of the preparation of the Investigating Accountants Report for inclusion in a prospectus.

**Directors**

The names of the directors in office at any time during or since the end of the period are:

Mr. Matthew Callahan

Mr Callahan was in office for this entire period.

**Principal activities**

Botanix is a specialty pharmaceutical company focused on bringing innovative and differentiated medical dermatology products to dermatologists and their patients. It is developing new prescription products to treat serious skin diseases including acne, psoriasis and atopic dermatitis, by utilizing a novel drug delivery technology (known as Permetrex™) to more effectively deliver an active pharmaceutical ingredient directly into the affected skin.

**Financial results**

The financial results of the company for the period ended 31 December 2015 are:

	<b>31-Dec-15</b>
Cash and cash equivalents (USD \$)	11,134
Net assets (USD \$)	(117,060)
Total revenue (USD \$)	0
Net loss after tax (USD \$)	(117,504)

**Review of operations**

The company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

**Significant changes in state of affairs**

There were no significant changes in the company's state of affairs that occurred during the financial period.

**BOTANIX PHARMACEUTICALS INC.**  
**DIRECTOR'S REPORT**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

**After balance date events**

Botanix is currently in progress for a transaction with an ASX listed company. At the signing date of this financial report no matter in relation to this had yet been finalised.

There have been no other matters or circumstances, which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2015, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2015, of the company.

**Likely developments and expected results of operation**

The company expects to maintain the present status and level of operations.

**Environmental regulation**

The company's operations are not regulated by any significant environmental regulation under a law.

**Dividends paid, recommended and declared**

No dividends were paid or declared since the start of the period. No recommendation for payment of dividends has been made.

**Indemnification of officers**

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an officer of the company.

**Indemnification of auditors**

No indemnities have been given or insurance premiums paid, during or since the end of the period, for any person who is or has been an auditor of the company.

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



**Matthew Callahan**  
**Managing Director**  
**4<sup>th</sup> April 2016**

**BOTANIX PHARMACEUTICALS INC.**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

	Notes	<u>31-Dec-15</u>
		<u>USD \$</u>
<b>Revenue</b>		
		<u>-</u>
<b>Expenses</b>		
Bank Fees		75
Consulting expense		34,300
Computer Expense		2,400
Office Expense		165
Professional fees		12,970
Sponsorship expense		3,000
Travel expense		58,250
Website expense		6,344
		<u>117,504</u>
		<u>(117,504)</u>
<b>Loss from continuing operations before income tax</b>		
Income tax expense		-
<b>Loss from continuing operations after income tax</b>		<u>(117,504)</u>
Other comprehensive income, net of tax		-
<b>Total other comprehensive loss for the period</b>		<u>(117,504)</u>

The Statement of Profit or Loss and Other Comprehensive Income is to be read in conjunction with the accompanying notes.

**BOTANIX PHARMACEUTICALS INC.**  
**STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015**

---

	Notes	<u>31-Dec-15</u> USD \$
<b>ASSETS</b>		
<b>Current Assets</b>		
Cash and cash equivalents	4	11,134
Trade and other receivables		444
<b>Total Current Assets</b>		<u>11,578</u>
<u><b>Total Current Assets</b></u>		<u>11,578</u>
<b>TOTAL ASSETS</b>		<u>11,578</u>
<b>LIABILITIES</b>		
<b>Current Liabilities</b>		
Trade and other payables	5	10,570
Borrowings	6	118,068
<b>Total Current Liabilities</b>		<u>128,638</u>
<b>TOTAL LIABILITIES</b>		<u>128,638</u>
<b>NET ASSETS</b>		<u>(117,060)</u>
<b>EQUITY</b>		
Share capital	7	444
Reserves		-
Accumulated losses	8	(117,504)
<b>TOTAL EQUITY</b>		<u>(117,060)</u>

The Statements of Financial Position is to be read in  
conjunction with the accompanying notes.

**BOTANIX PHARMACEUTICALS INC.**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

	Issued Capital	Reserves	Accumulated Losses	Total Equity
	USD \$	USD \$	USD \$	USD \$
<b>Balance at incorporation</b>	-	-	-	-
<b>Comprehensive income:</b>				
Loss after income tax expense for the period	-	-	(117,504)	(117,504)
<b>Total comprehensive loss for the period</b>	-	-	<b>(117,504)</b>	<b>(117,504)</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contribution of Equity	444	-	-	444
<b>At 31 December 2015</b>	<b>444</b>	<b>-</b>	<b>(117,504)</b>	<b>(117,060)</b>

The Statement of Changes in Equity is to be read in conjunction with the accompanying notes.

**BOTANIX PHARMACEUTICALS INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

	<b>Notes</b>	<b>31-Dec-15</b>
		<b>USD \$</b>
<b>Cash flows from operating activities</b>		
Payment to suppliers and employees		(107,378)
<b>Net cash flows from operating activities</b>	<b>4(b)</b>	<b>(107,378)</b>
<b>Cash flows from investing activities</b>		
<b>Net cash flows from investing activities</b>		<b>-</b>
<b>Cash flows from financing activities</b>		
Proceeds from members contributions, net of costs		444
Proceeds from loans		118,068
<b>Net cash flows from financing activities</b>		<b>118,512</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>11,134</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>4(a)</b>	<b>11,134</b>

The Statement of Cash Flows is to be read in conjunction with the accompanying notes.



**NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES**

This financial report is a special purpose financial report prepared for use by the director and members of the company. The financial report has been prepared for the purpose of the preparation of the Investigating Accountants Report for inclusion in a prospectus. The director has determined that the company is not a reporting entity. Botanix Pharmaceuticals Inc. ("Botanix") is a for-profit entity for the purpose of preparing the financial statements.

The financial report was approved by the director as at the date of the director's report.

The financial report has been prepared in accordance with the recognition and measurement requirements specified by all Accounting Standards and Interpretations, and the disclosure requirements of Accounting Standards:

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 1048:	Interpretations and Application of Standards
AASB 1054:	Australian Additional Disclosures

Compliance with the recognition and measurement requirements of Australian Accounting Standards results in compliance with recognition and movement requirements of International Financial Reporting Standards ("IFRS").

The following specific accounting policies, which are consistent with the previous period unless otherwise stated, have been adopted in the preparation of this report:

***a) Basis of preparation of the financial report***

*Historical Cost Convention*

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

*Critical accounting estimates*

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

*Comparative information*

This report presents the financial information for the 4 month period ended 31 December 2015. Given the Company was incorporated on the 13<sup>th</sup> August 2015 there are no comparatives for this reporting period.

*Functional and presentation currency*

The functional currency of the company is measured using the currency of the primary economic environment in which the entity operates. The financial statements are presented in United States dollars, which is the entity's functional currency.

*b) Going concern*

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

The company has incurred a net loss of USD\$(117,504) and experienced net cash outflows from operations of USD\$(107,378) for the period ended 31 December 2015.

The ability of the company to continue as a going concern as a going concern is dependent upon the success of the fundraising under the prospectus and/or the continued support of shareholders.

The Director believes that the company will continue as a going concern. As a result the financial report has been prepared on a going concern basis. However should the company be unsuccessful in fundraising under the prospectus this may cast significant doubt about the company's ability to continue as a going concern and therefore, the company's ability to realise its assets and discharge its liabilities in the normal course of business.

*c) New, revised or amending Accounting Standards and Interpretations adopted*

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Any significant impact on the accounting policies of the company from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

*d) Revenue*

Revenue is recognised when it is probable that the economic benefit will flow to the entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

*e) Income tax*

The company as a Corporation ("INC") is a separate legal tax entity in accordance with Internal Revenue Service ("IRS"), and accordingly is subject to income tax.

*f) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

*g) Trade and other payables*

Trade and other payables represent the liabilities at the end of the reporting period for goods and services received by the company that remain unpaid.

Trade payables are recognised at their transaction price. Trade payables are obligations on the basis of normal credit terms.

***h) Issued Capital***

Common shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

***i) Current and non-current classification***

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

***j) Fair value measurement***

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

***k) Borrowings***

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

**NOTE 2: ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT OPERATIVE AT 31 DECEMBER 2015**

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not

**BOTANIX PHARMACEUTICALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

yet mandatory, have not been early adopted by the company for the annual reporting period ended 31 December 2015. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

**BOTANIX PHARMACEUTICALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

**NOTE 3: CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial period are discussed below.

*Provision for impairment of receivables*

The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the aging of receivables historical collection rates and specific knowledge of the individual debtor's financial position.

**NOTE 4: CASH AND CASH EQUIVALENTS**

**(a) Reconciliation to cash at the end of the period**

	<u>31-Dec-15</u>
	<u>USD \$</u>
Cash at bank and in hand	11,134
	<u>11,134</u>

**(b) Reconciliation of net loss after income tax to net cash flows used in operating activities**

	<u>31-Dec-15</u>
	<u>USD \$</u>
<b>Net loss after income tax</b>	(117,504)
<b>Adjustments for:</b>	
Depreciation and amortisation expense	-
Rent settled through shares	-
Share based payments	-
<b>Changes in assets and liabilities:</b>	
(Increase)/decrease in trade and other receivables	(444)
(Increase)/decrease in inventory	-
Increase/(decrease) in trade and other payables	10,570
Increase/(decrease) in deferred revenue	-
<b>Net cash flows used in operating activities</b>	<u><b>(107,378)</b></u>

**NOTE 5: TRADE AND OTHER PAYABLES**

	<u>31-Dec-15</u>
	USD \$
Trade and other payables	3,570
Accrued expenses	<u>7,000</u>
	<u>10,570</u>

**NOTE 6: BORROWINGS**

	<u>31-Dec-15</u>
	USD \$
Loan payable to Shareholders	<u>118,068</u>
	<u>118,068</u>

**BOTANIX PHARMACEUTICALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

**NOTE 7: ISSUED CAPITAL**

	<u>31-Dec-15</u>
	<u>USD \$</u>
4,444,445 fully paid common shares (a)	444
	<u>444</u>

**(a) Movements in Common Shares**

<b>DATE</b>	<b>DETAILS</b>	<b>ISSUE USD (\$)</b>
<b>Balance at incorporation</b>	<b>Opening balance</b>	-
13 August 2015	Issue of shares	400
28 December 2015	Issue of shares	44
<b>31 December 2015</b>	<b>Closing balance</b>	<b>444</b>

**Capital management**

When managing capital, management's objective is to ensure the company continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through the monitoring of historical and forecast performance and cash flows.

**BOTANIX PHARMACEUTICALS INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 31 DECEMBER 2015**

---

**NOTE 8: ACCUMULATED LOSSES**

	<u>31-Dec-15</u>
	<u>USD \$</u>
Balance at incorporation	-
Loss after income tax expense for the period	<u>(117,504)</u>
Balance at the end of the period	<u>(117,504)</u>

**NOTE 9: REMUNERATION OF AUDITORS**

During the financial period the following fees were paid or payable for services provided by BDO Audit (WA) Pty Ltd, the auditor of the company:

	<u>31-Dec-15</u>
	<u>USD \$</u>
<i>Audit services - BDO Audit (WA) Pty Ltd</i>	
Audit of the financial statements	<u>7,000</u>
	<u>7,000</u>

**NOTE 10: COMMITMENTS**

	<u>31-Dec-15</u>
	<u>USD \$</u>
Within one year	52,050
After one year but not more than five years	-
More than five years	-
<b>Total minimum commitment</b>	<u><b>52,050</b></u>

The commitment above relates to the following agreements:

Sharp Clinical Service Agreement



**NOTE 11: RELATED PARTY TRANSACTIONS**

During the financial period the following transactions took place with shareholder related entities:

	<b>31-Dec-15</b>
	<b>USD \$</b>
(a) Shareholder Loan-Shenasaby	75,549
(b) Shareholder Loan-Caperi	42,519

**NOTE 12: CONTINGENT LIABILITIES**

The company had no contingent liabilities as at 31 December 2015.

**NOTE 13: EVENTS SUBSEQUENT TO REPORTING DATE**

Botanix is currently in progress for an Initial Public Offering ('IPO'). At the signing date of this financial report no matter in relation to this had yet been finalised.

There have been no other matters or circumstances, which have arisen since 31 December 2015 that have significantly affected or may significantly affect:

- (a) the operations, in financial years subsequent to 31 December 2015, of the company, or
- (b) the results of those operations, or
- (c) the state of affairs, in financial years subsequent to 31 December 2015, of the company.

**NOTE 14: COMPANY DETAILS**

The registered office of the company is:  
*252 N Radnor Chester Road St Davids, PA 19087*

The principal place of business of the company is:  
*252 N Radnor Chester Rod St. Davids, PA 19087*

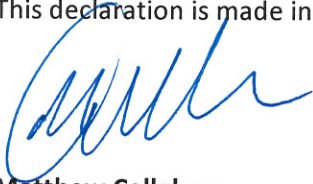
**DIRECTOR'S DECLARATION  
TO THE MEMBERS OF BOTANIX PHARMACEUTICALS INC.**

The Director has determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies outlined in Note 1 to the financial statements.

The director of the company declares that:

1. The financial statements and notes, as set out on pages 5 - 17 presents fairly the company's financial position as at 31 December 2015 and performance for the period ended on that date of the company in accordance with the accounting policies outlined in Note 1 to the financial statements.
2. In the director's opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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



**Matthew Callahan**  
**Managing Director**  
**4<sup>th</sup> April 2016**

## INDEPENDENT AUDITOR'S REPORT

To the members of Botanix Pharmaceuticals

### Report on the Financial Report

We have audited the accompanying financial report of Botanix Pharmaceuticals Inc, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the period then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

#### Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the financial reporting requirements for the preparation of an Independent Accountants Report for inclusion in a prospectus and is appropriate to meet the needs of the members.

The directors' responsibility also includes such internal control as the directors determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with International Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



#### Independence

In conducting our audit, we have complied with the independence requirements of the Australian Professional Accounting bodies.

#### Audit Opinion

In our opinion, the financial report presents fairly, in all material respects, the financial position of Botanix Pharmaceuticals Inc as at 31 December 2015, and its financial performance and its cash flows for the period then ended in accordance with the Australian Accounting Standards to the extent disclosed in Note 1.

#### Basis of accounting

Without modifying our opinion, we draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose for the preparation of an Investigating Accountants Report for inclusion in a prospectus. As a result, the financial report may not be suitable for another purpose.

BDO Audit (WA) Pty Ltd

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

Dean Just  
Director

Perth, 5 April 2016