

Appendix 4D
Half-yearly report
Botanix Pharmaceuticals Limited
ABN 70 009 109 755

1. Company details

Name of entity:	Botanix Pharmaceuticals Limited
ABN:	70 009 109 755
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

	31 Dec 2019	31 Dec 2018	% change
Revenues from ordinary activities	7,664,648	4,743,690	62%
Loss from continuing operations after tax attributable to the owners of Botanix Pharmaceuticals Limited	(6,995,671)	(4,181,110)	(67%)
Loss for the half-year attributable to the owners of Botanix Pharmaceuticals Limited	(6,959,295)	(4,204,873)	(66%)

3. Net tangible assets per security

	31 Dec 2019 Cents	31 Dec 2018 Cents
Net tangible asset per ordinary security	<u>3.41</u>	<u>1.62</u>

4. Dividends

No dividends were paid during the current or previous financial years and no dividends have been declared subsequent to the financial year end and up to the date of this report.

5. Dividend reinvestment plans

There are no dividend or distribution reinvestment plans in operation.

6. Foreign entities

Not applicable.

7. Gain or loss of control over entities

There were no entities over which control was gained or lost during the half-year ended 31 December 2019.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

9. Attachments

Details of attachments (if any):

The Interim Report of Botanix Pharmaceuticals Limited for the half-year ended 31 December 2019 is attached.

10. Signed



Vince Ippolito
Executive Chairman

Perth

Date: 27 February 2020

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ACN 009 109 755

HALF YEAR REPORT

for the half year ended 31 December 2019

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONTENTS

CORPORATE INFORMATION	2
DIRECTORS' REPORT.....	3
AUDITOR'S INDEPENDENCE DECLARATION	6
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME.....	7
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	8
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
CONSOLIDATED STATEMENT OF CASH FLOWS	10
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS.....	11
DIRECTORS' DECLARATION.....	21
INDEPENDENT AUDITOR'S REPORT.....	22

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

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BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CORPORATE INFORMATION

Directors

Mr Vince Ippolito

Executive Chairman and President

Dr William Bosch

Executive Director

Dr Michael Thurn

Executive Director

Mr Matthew Callahan

Executive Director

Dr Stewart Washer

Non-Executive Director

Company Secretary

Mr Simon Robertson

Home Securities Exchange:

Australian Securities Exchange Limited

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152 – 158 St George’s Terrace

PERTH WA 6000

ASX Code: BOT

Share Registry

Automic Registry Services

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PERTH WA 6000

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SUBIACO WA 6904

Solicitors

Gilbert + Tobin

Level 16, Brookfield Place Tower 2,

123 St Georges Terrace

Perth WA 6000

Auditor

BDO Audit (WA) Pty Ltd

38 Station Street

SUBIACO WA 6008

Bankers

NAB

100 St Georges Terrace

Perth WA 6000

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DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2019

The Directors of Botanix Pharmaceuticals Limited present the following report for the half-year ended 31 December 2019:

DIRECTORS

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

Mr Vince Ippolito - appointed 18 July 2019

Executive Chairman and President

Dr William Bosch

Executive Director

Dr Michael Thurn

Executive Director

Mr Matthew Callahan – resigned 23 August 2019 and re-appointed 10 February 2020

Executive Director

Dr Stewart Washer

Non-Executive Director

Mr Robert Towner – resigned 10 February 2020

Non-Executive Director

PRINCIPAL ACTIVITIES

Botanix Pharmaceuticals is a clinical stage dermatology company dedicated to developing next generation therapeutics for the treatment of serious skin diseases, including acne, atopic dermatitis and psoriasis. The Company's mission is to improve the lives of patients by providing new treatment options for conditions that are currently inadequately addressed or treated with therapeutics burdened with significant side effect profiles. Botanix is harnessing the untapped potential of a synthetic active pharmaceutical ingredient, known as cannabidiol, which has a well-established safety profile.

REVIEW OF OPERATIONS AND RESULTS

Net loss after income tax of the Company for the six months ended 31 December 2019 was \$6,995,671 (2018: net loss \$4,181,110). The net loss is primarily attributable to expenditure in relation to advancing our clinical research and development activities.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATIONS

BTX 1503: proceeding to FDA end-of-Phase 2 meeting and preparation for the Phase 3 study

In October 2018, Botanix released results from the BTX 1503 Phase 2 clinical study ("Phase 2 Study"), which evaluated the safety and efficacy of BTX 1503 in patients with moderate to severe acne. The efficacy and safety results demonstrated that BTX 1503 as a once daily application had the best performance, which from a compliance and commercial perspective, is the ideal dosing regime.

The strength and statistical significance of the Australian data combined with the overall safety and efficacy provides confidence to proceed with the FDA end-of-Phase 2 meeting, expected to be held in 2Q CY2020. Outcomes from this meeting will inform the study design and preparations of the BTX 1503 Phase 3 clinical study.

BTX 1204: recruitment completed and on track to report top line data in 1Q CY2020

During the half year period, Botanix completed patient recruitment for the BTX 1204 Phase 2 atopic dermatitis clinical study and top line data is on track to be released in 1Q CY2020. The 12-week randomised, double-blind and vehicle-controlled study evaluates the safety and efficacy of BTX 1204 in patients with moderate atopic dermatitis. 211 patients were enrolled across leading dermatology clinics across the US, Australia and New Zealand. This study leverages existing data from the BTX 1204 Phase 1b clinical study, which supported the efficacy and safety potential of BTX 1204.

BTX 1702: study initiated with recruitment commencing in 1Q CY2020

In September 2019, Botanix completed BTX 1702 formulation development and pre-clinical studies, for the treatment of papulopustular rosacea. The Company received ethics approval for its BTX 1702 Phase 1b clinical study in late December 2019. The 6-week randomised, double-blind, vehicle-controlled study evaluates the safety and tolerability of BTX 1702 in patients with moderate to severe papulopustular rosacea. Patient recruitment is expected to commence in 1Q CY2020, with plans to enrol 120 patients across six dermatology clinic sites in Australia.

Antimicrobial platform: awarded a new grant and BTX 1801 Phase 2 set to commence shortly

In July 2019, Botanix released data from its antimicrobial development program, conducted in collaboration with Prof. Dena Lyras at Monash University's Biomedicine Discovery Institute, Department of Microbiology. The data from the studies showed that a new drug candidate, AB 2367, has potent activity against hypervirulent strains of *Clostridium difficile*.

In October 2019, Botanix was awarded a new *Innovation Connections Grant* of A\$50,000, from the Federal Government's department of AusIndustry. The grant accelerates Botanix's medicinal chemistry program targeting the creation of new synthetic and patentable analogs of CBD and investigate the antimicrobial activity of CBD. This program is being conducted in collaboration with The University of Queensland's Institute for Molecular Bioscience.

Botanix continued to assess development options of its antimicrobial platform, and progressed development work to prepare BTX 1801 for a Phase 2 clinical study. The Company has completed optimised dosing and formulation work and has identified targeted indications and applications that leverage the unique properties of CBD as a powerful antibiotic with commencement of the study expected in late 1Q CY2020.

DIRECTORS' REPORT (CONTINUED)

Subsequent to the reporting period

On 29 January 2020, Botanix announced the receipt of a R&D Tax Incentive refund of A\$7,560,856 for the 2018 / 2019 financial year. In February 2020, Botanix announced updates to its Board composition, with Matthew Callahan re-joining the Botanix Board as an Executive Director and Robert Towner stepping down from his role as Non-Executive Director.

There have been no other matters noted subsequent to period end.

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

The Auditor's Independence Declaration is set out on page 6 and forms part of the Directors' Report for the half year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.



Vince Ippolito
Executive Chairman
27 February 2020

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DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF BOTANIX PHARMACEUTICALS LIMITED

As lead auditor for the review of Botanix Pharmaceuticals Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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

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



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

Perth, 27 February 2020

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BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2019

	Note	Consolidated 31 December 2019 \$	Consolidated 31 December 2018 \$
Revenue from continuing operations			
Interest revenue		103,792	74,551
Revenue		-	52,600
Total revenue from continuing operations		103,792	127,151
Other income			
Research and Development incentive scheme		7,560,856	4,616,539
Employee benefits expense		(2,670,284)	(321,910)
Finance expense		(17,106)	(3,055)
Foreign exchange losses		(132,406)	581
Research and Development expense		(8,379,834)	(7,651,795)
Professional consultant expense		(952,766)	(441,144)
Share based payments	7	(2,060,706)	(159,075)
Depreciation expense of Right of Use assets		(22,086)	-
Other expenses		(342,065)	(189,759)
Travel expenses		(83,066)	(158,643)
Total expenses		(14,660,319)	(8,924,800)
Loss before income tax expense		(6,995,671)	(4,181,110)
Income tax benefit		-	-
Loss after income tax for the half year		(6,995,671)	(4,181,110)
Other Comprehensive Income/loss for the half year:			
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation difference		36,376	(23,763)
Other Comprehensive income/loss for the period, net of tax		36,376	(23,763)
Total Comprehensive Loss for the half year attributed to members of Botanix Pharmaceuticals Limited		(6,959,295)	(4,204,873)
Loss per share for the half year attributable to members of Botanix Pharmaceuticals Limited:			
Basic and diluted Loss per share for the half year attributable to members of Botanix Pharmaceuticals Limited (cents):			
Basic and diluted loss per share (cents)		(0.77)	(0.55)

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

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BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	Consolidated 31 December 2019 \$	Consolidated 30 June 2019 \$
ASSETS			
Current Assets			
Cash & cash equivalents		27,164,163	4,704,457
Trade and other receivables	2	7,800,222	483,270
Total Current Assets		34,964,385	5,187,727
Non-Current Assets			
Plant and Equipment		88,134	12,209
Right-of-use asset	3	410,304	-
Other financial assets		61,140	-
Total Non-Current Assets		559,578	12,209
Total Assets		35,523,963	5,199,936
LIABILITIES			
Current Liabilities			
Trade and other payables	4	1,870,439	4,484,575
Lease liabilities	5	93,581	-
Provision		70,655	100,146
Total Current Liabilities		2,034,675	4,584,721
Non-Current Liabilities			
Lease liabilities	5	348,163	-
Total Current Liabilities		348,163	4,584,721
Total Liabilities		2,382,838	4,584,721
Net Assets		33,141,125	615,215
EQUITY			
Contributed equity	6	71,414,360	33,889,883
Share based payment reserves	7	3,230,086	1,269,358
Foreign currency translation reserve	7	24,849	(11,527)
Accumulated losses	7	(41,528,170)	(34,532,499)
Total Equity		33,141,125	615,215

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2019

	Note	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Translation Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2018		33,299,239	(17,493,288)	453,605	25,335	16,284,891
Total comprehensive loss for the period						
Loss for the half year		-	(4,160,666)	-	-	(4,160,666)
Total other comprehensive income		-	-	-	(23,763)	(23,763)
Total comprehensive loss for the period		-	(4,160,666)	-	(23,763)	(4,184,429)
Transactions with owners in their capacity as equity holders:						
Options issued during the period		-	-	159,075	-	159,075
Balance at 31 December 2018		33,299,239	(21,653,954)	612,680	1,572	12,259,537
Balance at 1 July 2019		33,889,883	(34,532,499)	1,269,358	(11,527)	615,215
Total comprehensive loss for the period						
Loss for the half year		-	(6,995,671)	-	-	(6,995,671)
Total other comprehensive income/loss		-	-	-	36,376	36,376
Total comprehensive loss for the period		-	(6,995,671)	-	36,376	(6,959,295)
Transactions with owners in their capacity as equity holders:						
Ordinary shares net of costs		37,424,499	-	-	-	37,424,499
Shares issued on cashless exercise of options		99,978	-	(99,978)	-	-
Options issued during the period	5	-	-	2,060,706	-	2,060,706
Balance at 31 December 2019		71,414,360	(41,528,170)	3,230,086	24,849	33,141,125

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2019

	31 December 2019	31 December 2018
	\$	\$
CASHFLOWS FROM OPERATING ACTIVITIES		
Interest received	93,834	71,084
R&D tax concession received	-	4,616,539
Research and Development	(12,163,772)	(7,326,233)
Payments to suppliers & employees	(2,527,782)	(1,067,321)
Finance costs	(3,592)	(3,055)
Net cash used in operating activities	(14,601,312)	(3,708,986)
CASHFLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(79,380)	(11,067)
Payment for security deposit	(61,140)	-
Net cash used in financing activities	(140,520)	(11,067)
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares net of costs	37,331,065	-
Net cash provided by financing activities	37,331,065	-
Net increase (decrease) in cash held	22,589,233	(3,720,053)
Cash and cash equivalents at beginning of period	4,704,457	17,263,408
Adjustment of Foreign exchange on consolidation	(129,527)	(11,650)
Cash and cash equivalents at end of period	27,164,163	13,531,705

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

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity. The half-year financial report should be read in conjunction with the annual financial report of Botanix Pharmaceuticals Limited as at 30 June 2019 which was prepared in accordance with the requirements of the Corporations Act 2001 and applicable Australian Accounting Standards. It is also recommended that the half-year financial report be considered together with any public announcements made by the company during the period 1 July 2019 to the date of this report in accordance with the continuous disclosure obligations of the ASX listing rules.

(a) Basis of Accounting

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

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

(b) Segment Reporting

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

(c) Adoption of New and Revised Accounting Standards

AASB 16 *Leases* became applicable for the current reporting period and the Group had to change its accounting policies and make adjustments as a result of adopting this standard.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

AASB 16 *Leases* supersedes AASB 117 *Leases*. The Group has adopted AASB 16 from 1 July 2019 which has resulted in changes classification, measurement and recognition of leases. The changes result in almost all leases where the Company is the lessee being recognised on the Consolidated Statement of Financial Position and removes the former distinction between operating and finance lease. The new standard requires recognition of a right-of-use asset (the leased item) and a financial liability (to pay rentals). The exceptions are short-term, and low value leases.

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Consolidated Statement of Financial Position on 1 July 2019. There is no initial Impact on retained earnings under this approach. The Group has not restated comparatives for the 2019 reporting period.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of New and Revised Accounting Standards (continued)

As at 30 June 2019, the Group had no non-cancellable operating lease commitments. The Group leases premises in Philadelphia in the United States of America.

From 1 July 2019, where the Company is a lessee, the Group recognised a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

The lease payments are discounted using an interest rate implicit in the lease, If that rate cannot be determined, the Company's incremental borrowing rate is used, being the rate the lessee would have to pay to borrow funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

No Extension options are included in leases across the Group. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

On initial application right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the Consolidated Statement of Financial Position as at 30 June 2019.

There were no onerous lease contracts that required an adjustment to the right-of-use assets of initial application.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 13.6%.

In the statement of cash flows, the Group will recognise cash payments for the principal portion of the lease liability within financing activities, cash payments for the interest portion of the lease liability as interest paid within operating activities and short-term lease payments and payments for lease of low-value assets within operating activities.

If Extension and termination options were included in the property lease this would then become an area of judgement. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Adoption of New and Revised Accounting Standards (continued)

Impact

The change in accounting policy resulted in an increase of a right-of-use asset of \$431,899 and a corresponding lease liability of \$431,899 in respect of all these leases, other than short-term leases and leases of low-value assets. The net impact on retained earnings on 1 July 2019 was \$nil.

Practical expedients applied

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- The accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases, with no right-of-use asset nor lease liability recognised; and
- The use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact of standards issued but not yet applied by the entity

There were no new standards issued since 30 June 2019 that have been applied by the Company. The 30 June 2019 annual report disclosed that the Company anticipated no material impacts (amounts recognised and/or disclosed) arising from initial application of those standards issued but not yet applied at that date, and this remains the assessment as at 31 December 2019.

NOTE 2: TRADE AND OTHER RECEIVABLES

	31 December 2019 \$	30 June 2019 \$
Current:		
Other receivables ⁽¹⁾	236,090	483,270
Prepaid expenses	3,276	-
Research and Development grant receivable	7,560,856	-
	7,800,222	483,270

⁽¹⁾ Other receivables are non-trade receivables, are non-interest bearing and have an average term of 3 months and generally receivable from the ATO for GST.

Accounting policy

Other receivables are generally due for settlement within 90 days.

Prepaid expenses are for a period not exceeding 12 months.

Research and Development Grants are brought to account only after being determined and lodged with the ATO for assessment.

Impairment – Trade receivables

For trade and other receivables, the group applies the simplified approach permitted by AASB 9 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 3: RIGHT-OF USE LEASE ASSETS

Carrying value

	31 December 2019	
	Premises	Total
	\$	\$
Cost	431,899	431,899
Accumulated depreciation	(21,595)	(21,595)
Carrying value as at 31 December 2019	410,304	410,304

Reconciliation

	31 December 2019	
	Premises	Total
	\$	\$
Opening Balance	-	-
Additions	431,899	431,899
Depreciation expense	(22,086)	(22,086)
Foreign exchange adjustment	491	491
Closing Balance	410,304	410,304

Accounting policy

The Group has adopted AASB 16 using the modified retrospective approach under which the reclassifications and the adjustments arising from the new leasing rules are recognised in the opening Condensed Statement of Financial Position on 1 July 2019. There is no initial Impact on retained earnings under this approach. The Group has not restated comparatives for the 2019 reporting period.

As at 30 June 2019, the Group had no non-cancellable operating lease commitments. The Group leases premises in Philadelphia in the United States of America. From 1 July 2019, where the Company is a lessee, the Group recognised a right-of-use asset and a corresponding liability at the date which the lease asset is available for use by the Group. Each lease payment is allocated between the liability and the finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a consistent period rate of interest on the remaining balance of the liability for each period.

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BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 4: TRADE AND OTHER PAYABLES

	31 December 2019	30 June 2019
	\$	\$
Current:		
Trade payables ⁽¹⁾	1,058,876	4,117,064
Sundry payables & accrued expenses	811,563	367,513
	1,870,439	4,484,577

⁽¹⁾ Trade payables are non-interest bearing and are normally settled on 30-day terms.

Accounting policy

Trade and other payables are recognised initially at fair value and subsequently at amortised cost.

The amounts are unsecured. These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid.

NOTE 5: LEASE LIABILITIES

	31 December 2019	
	Premises	Total
	\$	\$
Current Liabilities	93,581	93,581
Non-Current Liabilities	348,163	348,163
Fair value as at 31 December 2019	441,744	441,744

Reconciliation

	31 December 2019	
	Premises	Total
31 December 2019	\$	\$
Opening Balance	-	-
Additions	431,899	431,899
Finance Expenses	9,845	9,845
Closing Balance	441,744	441,744

AASB 16 has been adopted during the period, refer note 3 for details. The Company has received 4 months rent free from date of signing at 1 November 2019. This has caused the increase in the lease liability.

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BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 6: CONTRIBUTED EQUITY

	31 December 2019 Number	31 December 2019 \$	30 June 2019 Number	30 June 2019 \$
Fully paid ordinary shares	972,698,044	71,414,360	774,028,204	33,889,883

(b) Movements in fully paid shares on issue

	Number	\$
Balance as at 1 July 2019	774,028,204	33,889,883
Placement at \$0.21 per share	190,476,191	40,000,000
Exercise of options at \$0.0675 expiring 1 December 2019	7,256,650	589,824
Exercise of options at \$0.1067 expiring 1 December 2019	936,999	99,978
Capital raising costs	-	(3,165,325)
Balance as at 31 December 2019	972,698,044	71,414,360
Balance as at 1 July 2018	757,424,658	33,299,239
Balance as at 31 December 2018	757,424,658	33,299,239

	Number 2019	Number 2018
Issued Options		
Unlisted Options	56,754,276	53,447,776
Movements in options on issue		
Balance as at 1 July	47,470,235	40,197,776
Add: Options issued	25,500,000	13,250,000
Less: Exercise of options	(11,006,315)	-
Less: Expiry/cancellation of unlisted options	(5,209,644)	-
Balance as at 31 December	56,754,276	53,447,776

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 6: CONTRIBUTED EQUITY (Continued)

2020

6 million Options (valued at \$0.12622 per option) vesting immediately were issued to Executive Chairman, Vincent Ippolito. 6 million options were issued to Executive Chairman, Vincent Ippolito and 5 million options were issued to Executive Director, Michael Thurn vesting quarterly over 3 years commencing on the issue date being 18 July 2019. Unvested options will expire if Mr Ippolito or Mr Thurn cease to be engaged by the Group.

\$1,376,513 has been recorded as an expense in the half year for the issue of these options.

The Options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	17,000,000
Grant date share price	\$0.225
Exercise price	\$0.251
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

8 million options (valued at \$0.13251 per option) vesting quarterly over 3 years from the issue date being 3 September 2019 were issued to Employees. Unvested options will expire if employees cease to be employed by the Group.

\$312,134 has been recorded as an expense in the half year for the issue of these options.

The Options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	8,000,000
Grant date share price	\$0.225
Exercise price	\$0.220
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 6: CONTRIBUTED EQUITY (Continued)

2020

500,000 options (valued at \$0.15588 per option) vesting quarterly over 3 years from issue date 11 September 2019 and issued to an Employee. Unvested options will expire if employees cease to be employed by the Group.

\$20,959 has been recorded as an expense in the half year for the issue of these options.

The options were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	500,000
Grant date share price	\$0.265
Exercise price	\$0.260
Expected volatility	80%
Option life	4 years
Dividend yield	0.00%
Interest rate	0.94%

\$351,100 was expensed in the current period in relation to vesting of Share Based Payments issued in prior periods.

NOTE 7: RESERVES & ACCUMULATED LOSSES

	31 December 2019	30 June 2019
	\$	\$
Reserves	3,230,086	1,269,358
Share based payments reserve		
Balance at beginning of period	1,269,358	453,605
Share based expense	2,060,706	815,753
Exercise of options under cashless exercise facility	(99,978)	-
Balance at end of period	3,230,086	1,269,358
Foreign currency translation reserve		
Balance at beginning of period	(11,527)	25,335
Effect for foreign currency translation during the period	36,376	(36,862)
Balance at end of period	24,849	(11,527)

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NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 7: RESERVES & ACCUMULATED LOSSES (Continued)

Share Based Payments Reserve

The share-based payments include the following:

- Items recognised as expenses on valuation of employee and director share options.
- Options issued to non-related parties in exchange for cash or services.

Foreign Currency Translation Reserve

The foreign currency translation reserve includes the following:

- Effect of foreign currency translation of foreign subsidiary at period end

	31 December 2019	30 June 2019
	\$	\$
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of period	(34,532,499)	(17,493,288)
Net loss for the period – continuing operations	(6,995,671)	(17,039,211)
Balance at end of period	(41,528,170)	(34,532,499)

NOTE 8: SEGMENT REPORTING

The segment report for the reporting period ending 31 December 2019 is as follows:

	Research and Development	Unallocated	Consolidated
2019	\$	\$	\$
Segment Performance			
Other income	-	103,792	103,792
Net other costs	(8,379,834)	(6,280,485)	(14,660,319)
Research and development grant	7,560,856	-	7,560,856
Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income	(818,978)	(6,176,693)	(6,995,671)
Segment Assets			
Total assets as per statement of financial position	7,560,856	27,976,987	35,537,843
Segment Liabilities			
Total liabilities as per statement of financial position	731,352	1,665,366	2,396,718

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2019

NOTE 8: SEGMENT REPORTING (Continued)

	Research and Development	Unallocated	Consolidated
2018	\$	\$	\$
Segment Performance			
Other income	52,600	74,551	127,151
Net other costs	(7,180,198)	(1,744,602)	(8,924,800)
Research and development grant	4,616,539	-	4,616,539
Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income	(2,511,059)	(1,670,051)	(4,181,110)
Segment Assets			
Total assets as per statement of financial position at 30 June 2019	-	5,199,936	5,199,936
Segment Liabilities			
Total liabilities as per statement of financial position at 30 June 2019	3,787,363	797,358	4,584,721

NOTE 9: CONTINGENT ASSETS & LIABILITIES

The Directors are not aware of any contingent assets or liabilities that may arise from the Group's operations as at 31 December 2019.

NOTE 10: EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 29 January 2020, Botanix announced the receipt of a R&D Tax Incentive refund of A\$7,560,856 for the 2018 / 2019 financial year. In February 2020, Botanix announced updates to its Board composition, with Matthew Callahan re-joining the Botanix Board as an Executive Director and Robert Towner stepping down from his role as Non-Executive Director.

There have been no other matters noted subsequent to period end.

NOTE 11: RELATED PARTY TRANSACTIONS

During the half year 12 million options were issued to Executive Chairman, Vincent Ippolito. 6 million options vested immediately. The remaining 6 million options and 5 million options issued to Executive Director, Michael Thurn vest quarterly over 3 years commencing on the issue date being 18 July 2019. Unvested options will expire if Mr Ippolito or Mr Thurn cease to be engaged by the Group. Refer to Note 6 for further details.

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DIRECTORS' DECLARATION

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

1. The attached financial statements and notes thereto are in accordance with the Corporations Act 2001 including:
 - a. complying with Accounting Standards AASB 134: 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
 - b. giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half year then ended.
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

On behalf of the board



Vince Ippolito
Executive Chairman
27 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Botanix Pharmaceuticals Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Botanix Pharmaceuticals Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

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

BDO Audit (WA) Pty Ltd

BDO

A handwritten signature in black ink, appearing to read 'J Prue', is written over the printed name.

Jarrad Prue

Partner

Perth, 27 February 2020

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