



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 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

	31 Dec 2018	31 Dec 2017	% change
Revenues from ordinary activities	4,743,690	1,805,276	163%
Loss from continuing operations after tax attributable to the owners of Botanix Pharmaceuticals Limited	(4,181,110)	(2,392,381)	(75%)
Loss for the half-year attributable to the owners of Botanix Pharmaceuticals Limited	(4,204,873)	(2,374,567)	(77%)

3. Net tangible assets per security

	31 Dec 2018 Cents	31 Dec 2017 Cents
Net tangible asset per ordinary security	1.62	0.61

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 2018.

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 2018 is attached.

10. Signed



Matthew Callahan
Executive Director
Date: 28 February 2019



ACN 009 109 755

HALF YEAR REPORT

for the half year ended 31 December 2018

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONTENTS

CORPORATE INFORMATION	2
DIRECTORS' REPORT	3
AUDITOR'S INDEPENDENCE DECLARATION	7
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	8
CONSOLIDATED STATEMENT OF FINANCIAL POSITION	9
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	10
CONSOLIDATED STATEMENT OF CASH FLOWS	11
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	12
DIRECTORS' DECLARATION	20
INDEPENDENT AUDITOR'S REPORT	21

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

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CORPORATE INFORMATION

Directors

Dr Stewart Washer
Non-Executive Chairman

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Dr Michael Thurn
Executive Director

Mr Robert Towner
Non-Executive Director

Company Secretary

Mr Simon Robertson

Home Securities Exchange:

Australian Securities Exchange Limited
Level 40, Central Park
152 – 158 St George's Terrace
PERTH WA 6000

ASX Code: BOT

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
PERTH WA 6000

Registered Office

68 Aberdeen Street
Northbridge WA 6003

Telephone: 086 555 2945

Fax: 086 210 1153

Email: info@botanixpharma.com

Website: www.botanixpharma.com

Postal Address

P.O. Box 1407
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

ANZ
Level 1, 1275 Hay Street
West Perth, WA 6005

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2018

The Directors of Botanix Pharmaceuticals Limited present the following report for the half-year ended 31 December 2018:

DIRECTORS

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

Dr Stewart Washer – appointed 21 February 2019
Non-Executive Chairman

Mr Matthew Callahan
Executive Director

Dr William Bosch
Executive Director

Dr Michael Thurn – appointed 12 February 2019
Executive Director

Mr Robert Towner
Non-Executive Director

Mr Graham Griffiths – passed away 6 February 2019
Non-Executive Director and Chairman

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.

The Company is currently undertaking rapid development across three clinical programs for the treatment of acne (BTX 1503), atopic dermatitis (BTX 1204) and psoriasis (BTX 1308). Botanix commenced the BTX 1503 Phase 2 acne study in June 2018, with completion of enrolment expected in mid-2019. The BTX 1204 Phase 2 atopic dermatitis study is also underway with full enrolment anticipated in 3Q CY2019. The Company's Phase 1b psoriasis patient study is expected to be fully enrolled by the end of 1Q CY2019 with top line data expected in Q2 CY2019.

REVIEW OF OPERATIONS AND RESULTS

Net loss after income tax of the Company for the six months ended 31 December 2018 was \$4,181,110 (2017: loss \$2,392,381). The net loss is attributable to expenditure in relation to the research and development activities and general administration costs associated with an ASX listed company.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

OPERATIONS

BTX 1503 – moderate to severe acne

Following first patient enrolment in the BTX 1503 Phase 2 clinical study in July 2018, Botanix successfully held an Investigator's Meeting in July 2018 to discuss the details and protocol of the study. The meeting was attended by more than 70 participants, including investigators, site coordinators from more than 25 sites, acne key opinion leaders and clinicians. The meeting received positive feedback regarding data from the Phase 1b study, the planned patient recruitment rates, and physician's assessment of the novel BTX 1503 formulation.

In September 2018, one of the first patients enrolled in the clinical trial demonstrated promising early results and provided a positive testimony. The testimony was featured on 7News and is available on the Company's website.

All US and Australian clinical sites are now activated, resulting in the acceleration of recruitment. The Company remains on track to complete recruitment for the study by mid-CY2019 with data available in 3Q CY2019.

BTX 1204 – atopic dermatitis

In August 2018, Botanix completed a successful Pre-Investigational New Drug (pre-IND) Meeting with the FDA, confirming the Company's proposed development plan and data package supported Phase 2 clinical development in the US.

In December 2018, Botanix received ethics approval for its BTX 1204 Phase 2 atopic dermatitis clinical study, allowing recruitment of the first patients. Approximately 200 patients will be enrolled for a 12-week randomised, double-blind, vehicle-controlled study. The study is being conducted across leading dermatology clinics in Australia, New Zealand and the US with enrolment for the study expected to be complete in 3Q CY2019.

BTX 1308 – psoriasis

In July 2018, Botanix completed its primary pre-clinical formulation and testing work on BTX 1308 for the treatment of psoriasis. These results allowed Botanix to progress the product into a Phase 1b patient study and the Company treated the first patient in November 2018. The study is testing a new formulation of synthetic cannabidiol combined with the Company's novel Permetrex™ skin delivery technology. The Phase 1b patient study is designed to assess the safety and efficacy of BTX 1308 on psoriasis plaques or lesions and will also capture detailed data from biopsies about the mechanism of action of synthetic cannabidiol in psoriasis from a subset of patients. Top line data from the Phase 1b study is expected in 2Q CY2019.

DIRECTORS' REPORT (CONTINUED)

OPERATING AND FINANCIAL REVIEW (CONTINUED)

BTX 1801 - novel antimicrobial

Botanix's latest pipeline product, BTX 1801, is a novel antimicrobial with the potential to address unmet needs in serious skin infections, with significant market opportunities. In July 2018, Botanix announced the successful completion of pre-clinical testing that demonstrated BTX 1801 was very effective at killing methicillinresistant staphylococcus aureus (MRSA) strains of bacteria when compared to Permetrex™ or cannabidiol alone. Following these findings, Botanix signed a research agreement with The University of Queensland's (UQ) institute for Molecular Biosciences in July 2018. The research collaboration focused on exploring the scope and breadth of the antimicrobial activity of BTX 1801 as part of the *Innovation Connections Grant* awarded to Botanix and UQ by the Federal Government.

Business development and strategic partnerships (Permetrex™)

In October 2018, as part of the annual Fall Clinical Dermatology Conference, Botanix presented new data demonstrating Permetrex™ enables superior delivery of cannabidiol into the target layers of the skin, against competing cannabidiol formulations at much higher doses. Botanix continues to work with various partners on additional early stage formulation work and is in active discussions to progress to human skin testing and product characterisation in the near term.

Subsequent to the reporting period

Following the receipt of ethics approval for BTX 1204 in December 2018, Botanix successfully held an Investigator's Meeting for the BTX 1204 Phase 2 clinical study in January 2019. More than 40 participants attended the meeting, including investigators, clinicians and coordinators from more than 13 dermatology clinical sites across Australia and New Zealand. The meeting was led by Botanix's US, Australian and New Zealand based key opinion leaders and the study protocol, drug application and patient assessment tools were discussed.

In January 2019, Botanix announced the findings of a thorough market review of a range of potential skin infections that BTX 1801 could target. The assessment took into consideration a various criteria and priorities to identify the primary skin infection indications to target initially. While the findings concluded that there are many potential indications that BTX 1801 could address, the two most attractive indication to address initially are bacterial folliculitis and impetigo. Further pre-clinical development for BTX 1801 is underway, with the objective to design a patient clinical study.

DIRECTORS' REPORT (CONTINUED)

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

The Auditor's Independence Declaration is set out on page 7 and forms part of the Directors' Report for the half year ended 31 December 2018.

Signed in accordance with a resolution of the Directors.



Matthew Callahan
Executive Director

28 February 2019

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

As lead auditor for the review of Botanix Pharmaceuticals Ltd for the half-year ended 31 December 2018, 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 Ltd and the entities it controlled during the period.



Jarrad Prue

Director

BDO Audit (WA) Pty Ltd

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 \$	Consolidated 31 December 2017 \$
Revenue from continuing operations			
Interest revenue		74,551	27,358
Revenue		52,600	145,005
Total revenue from continuing operations		127,151	172,363
Other revenue			
Research and Development incentive scheme		4,616,539	1,632,913
Total revenue		4,743,690	1,805,276
Employee benefits expense		(321,910)	(189,571)
Finance expense		(3,055)	(1,145)
Foreign exchange losses		581	(4,876)
Research and Development expense		(7,651,795)	(3,329,505)
Professional consultant expense		(441,144)	(362,630)
Share based payments		(159,075)	(250,029)
Other expenses		(189,759)	(34,493)
Travel expenses		(158,643)	(25,408)
Total expenses		(8,924,800)	(4,197,657)
Loss before income tax expense		(4,181,110)	(2,392,381)
Income tax benefit		-	-
Loss after income tax for the half year		(4,181,110)	(2,392,381)

Other Comprehensive Income for the half year:

Items that may be reclassified subsequently to profit or loss:

Foreign exchange translation difference	(23,763)	17,814
Other Comprehensive income for the period, net of tax	(23,763)	17,814
Total Comprehensive Loss for the half year attributed to members of Botanix Pharmaceuticals Limited	(4,204,873)	(2,374,567)

Loss per share for the half year attributable to members of Botanix Pharmaceuticals Limited:

Basic and diluted Loss per share for the year attributable to members of Botanix Pharmaceuticals Limited (cents):

Basic and diluted loss per share (cents)	(0.55)	(0.44)
--	--------	--------

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

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Note	Consolidated 31 December 2018 \$	Consolidated 30 June 2018 \$
ASSETS			
Current Assets			
Cash & cash equivalents		13,531,705	17,263,408
Trade and other receivables	2	340,298	426,637
Financial assets	2	-	20,444
Total Current Assets		13,872,003	17,710,489
Non-Current Assets			
Plant and Equipment		10,628	-
Total Non-Current Assets		10,628	-
Total Assets		13,882,631	17,710,489
LIABILITIES			
Current Liabilities			
Trade and other payables	3	1,643,538	1,425,598
Total Current Liabilities		1,643,538	1,425,598
Total Liabilities		1,643,538	1,425,598
Net Assets		12,239,093	16,284,891
EQUITY			
Contributed equity	4	33,299,239	33,299,239
Share based payment reserves	5	612,680	453,605
Foreign currency translation reserve	5	1,572	25,335
Accumulated losses	5	(21,674,398)	(17,493,288)
Total Equity		12,239,093	16,284,891

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 2018

	Note	Contributed Equity	Accumulated Losses	Share Based Payment Reserve	Translation Reserve	Total
		\$	\$	\$	\$	\$
Balance at 1 July 2017		11,631,844	(6,481,475)	267,387	19,067	5,436,823
Total comprehensive loss for the period						
Loss for the half year		-	(2,392,381)	-	-	(2,392,381)
Total other comprehensive income		-	-	-	17,814	17,814
Total comprehensive loss for the period		-	(2,392,381)		17,814	(2,374,567)
Transactions with owners in their capacity as equity holders:						
Costs associated with Ordinary shares		(20,000)	-	-	-	(20,000)
Options issued during the period		-	-	250,029	-	250,029
Balance at 31 December 2017		11,611,844	(8,873,856)	517,416	36,881	3,292,285
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	5	-	-	159,075	-	159,075
Balance at 31 December 2018		33,299,239	(21,653,954)	612,680	1,572	12,259,537

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the half-year ended 31 December 2018

	31 December 2018 \$	31 December 2017 \$
CASHFLOWS FROM OPERATING ACTIVITIES		
Interest received	71,084	46,752
R&D tax concession received	4,616,539	-
Research and Development	(7,326,233)	(2,878,701)
Payments to suppliers & employees	(1,067,321)	(621,464)
Finance costs	(3,055)	(1,145)
Net cash used in operating activities	(3,708,986)	(3,454,558)
CASHFLOWS FROM INVESTING ACTIVITIES		
Payment for property, plant and equipment	(11,067)	-
Net cash provided by investing activities	(11,067)	-
CASHFLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares net of costs	-	(20,000)
Net cash provided by financing activities	-	(20,000)
Net decrease in cash held	(3,720,053)	(3,474,558)
Cash and cash equivalents at beginning of period	17,263,408	5,720,514
Adjustment of Foreign exchange on consolidation	(11,650)	-
Cash and cash equivalents at end of period	13,531,705	2,245,956

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

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

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 2018 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 2018 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) Contributed Equity

Ordinary 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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

(d) Government grants

Government grants are assistance by the government in the form of transfers of resources to the Company in return for past or future compliance with certain conditions relating to the operating activities of the entity. Government grants include government assistance where there are no conditions specifically relating to the operating activities of the Company other than the requirement to operate in certain regions or industry sectors. Government grants relating to income are recognised as income over the periods necessary to match them with the related costs and grants relating to assets are regarded as a reduction in asset. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Company with no future related costs are recognised as income of the period in which it becomes receivable.

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Adoption of New and Revised Accounting Standards**

The accounting policies applied by the Group in this consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the year ended 30 June 2018.

In the half-year ended 31 December 2018, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2018.

It has been determined by the Directors that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Directors have also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2018. The Directors have decided against early adoption of any new Standards and Interpretations. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change necessary to Group accounting policies.

NOTE 2: TRADE AND OTHER RECEIVABLES

	31 December 2018	30 June 2018
	\$	\$
Current:		
Other receivables	336,830	426,637
Prepaid expenses	3,468	-
	340,298	426,637

NOTE 3: TRADE AND OTHER PAYABLES

	31 December 2018	30 June 2018
	\$	\$
Current:		
Trade payables	1,632,538	910,841
Sundry payables & accrued expenses	11,000	514,757
	1,643,538	1,425,598

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

NOTE 4: CONTRIBUTED EQUITY

	31 December 2018 Number	31 December 2018 \$	30 June 2018 Number	30 June 2018 \$
Fully paid ordinary shares	757,424,658	33,299,239	757,424,658	33,299,239

(b) Movements in fully paid shares on issue	Number	\$
Balance as at 1 July 2018	757,424,658	33,299,239
Balance as at 31 December 2018	757,424,658	33,299,239

Issued Options	Number	\$
Unlisted Options	53,447,776	612,680
Movements in options on issue		
Balance as at 1 July 2018	40,197,776	453,605
Add: Director options vesting expense	-	73,302
Add: Employee options vesting expense	13,250,000	55,043
Add: Consultants options vesting expense	-	30,730
Balance as at 31 December 2018	53,447,776	612,680

2018

- (i) Options (valued at \$0.02969 per option) vesting on 5 December 2019 were issued to the Employees and Consultants were valued using Black Scholes with the below assumptions:

Unlisted options	
Number of options in series	3,916,331
Grant date share price	\$0.076
Exercise price	\$0.080
Expected volatility	105%
Option life	1 year
Dividend yield	0.00%
Interest rate	1.86%

BOTANIX PHARMACEUTICALS LIMITED**ACN: 009 109 755****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2018

NOTE 4: CONTRIBUTED EQUITY (Continued)

- (ii) Options (valued at \$0.04453 per option) vesting on 5 December each year for 3 years, were issued to the Employees and Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	9,333,669
Grant date share price	\$0.076
Exercise price	\$0.106
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.99%

2017

- (iii) Options (valued at \$0.0269 per option) vesting on 30 November each year for 3 years, were issued to the Directors were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	16,215,959
Grant date share price	\$0.0675
Exercise price	\$0.045
Expected volatility	110%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.91%

- (iv) Options (valued at \$0.02007 per option) vesting on 8 May 2018, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	2,837,784
Grant date share price	\$0.051
Exercise price	\$0.053
Expected volatility	105%
Option life	1 year
Dividend yield	0.00%
Interest rate	1.56%

BOTANIX PHARMACEUTICALS LIMITED**ACN: 009 109 755****NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS**

For the six months ended 31 December 2018

NOTE 4: CONTRIBUTED EQUITY (Continued)

- (v) Options (valued at \$0.02998 per option) vesting on 8 May each year for 3 years, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	5,684,584
Grant date share price	\$0.051
Exercise price	\$0.070
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.80%

- (vi) Options (valued at \$0.01823 per option) vesting on 19 January 2018, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	3,369,327
Grant date share price	\$0.045
Exercise price	\$0.045
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.56%

- (vii) Options (valued at \$0.02714 per option) vesting on 18 January each year for 3 years, were issued to the Consultants were valued using Black Scholes with the below assumptions:

	Unlisted options
Number of options in series	6,738,652
Grant date share price	\$0.045
Exercise price	\$0.057
Expected volatility	105%
Option life	3 years
Dividend yield	0.00%
Interest rate	1.80%

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

NOTE 5: RESERVES & ACCUMULATED LOSSES

	31 December 2018	30 June 2018
	\$	\$
Reserves	612,680	453,605
Share based payments reserve		
Balance at beginning of period	453,605	267,387
Director Options vesting expense	73,302	146,604
Employee Options vesting expense	55,043	105,504
Consultants Options vesting expense	30,730	149,601
Exercise of options under cashless exercise facility	-	(215,491)
Balance at end of period	612,680	453,608
Foreign currency translation reserve		
Balance at beginning of period	25,335	19,067
Effect for foreign currency translation during the year	(23,763)	6,268
Balance at end of period	1,572	25,335

Share Based Payments Reserve

The share-based payments include the following:

- Items recognised as expenses on valuation of employee and director share options but not exercised.
- Options issued to non-related parties in exchange for cash or services but not yet exercised.

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 2018	30 June 2018
	\$	\$
Accumulated Losses		
Movements in accumulated losses were as follows:		
Balance at beginning of period	(17,493,288)	(6,481,475)
Net loss for the period – continuing operations	(4,160,666)	(11,011,813)
Balance at end of period	(21,653,954)	(17,493,288)

BOTANIX PHARMACEUTICALS LIMITED

ACN: 009 109 755

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

NOTE 6: SEGMENT REPORTING

The segment report for the reporting period ending 31 December 2018 is as follows:

	Research & Development \$	Corporate \$	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	-	13,882,631	13,882,631
Segment Liabilities			
Total liabilities as per statement of financial position	(1,450,562)	(192,976)	(1,643,538)
	Research & Development \$	Corporate \$	Consolidated \$
2017			
Segment Performance			
Other income	145,005	27,358	172,363
Net other costs	(3,329,505)	(868,152)	(4,197,657)
Research and development grant	1,632,913	-	1,632,913
Segment net profit / (loss) before tax as per statement of profit or loss and other comprehensive income	(1,551,587)	(840,794)	(2,392,381)
Segment Assets			
Total assets as per statement of financial position	1,632,913	2,505,864	4,138,777
Segment Liabilities			
Total liabilities as per statement of financial position	(725,572)	(120,920)	(846,492)

NOTES TO THE CONSOLIDATED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2018

NOTE 7: 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 2018.

NOTE 8: EVENTS OCCURRING AFTER THE REPORTING PERIOD

No other matter or circumstance has arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in subsequent financial periods.

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 2018 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



Matthew Callahan
Executive Director

28 February 2019

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 2018, 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 2018 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 2018 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.



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


Jarrad Prue

Director

Perth, 28 February 2019