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BIOXYNE LIMITED

ABN 97 084 464 193

The Companies Announcements Office,
The Australian Stock Exchange Limited,
SYDNEY
Via: asxonline

Date: 30 August 2013

APPENDIX 4E

The results for announcement to the market are as follows:-

1. The reporting period is twelve months to 30 June 2013. The previous reporting period is twelve months to 30 June 2012.
2. Key information relating to the above reporting periods is as follows:-

| | 30 June 2013 \$ | 30 June 2012 \$ | Percentage Change |
|---|--------------------|--------------------|-------------------|
| Revenues from ordinary activities | 1,273,880 | 1,667,251 | (24%) |
| Loss from ordinary activities after tax attributable to members** | (6,191,113) | (1,784,131) | (247%) |
| Net loss attributable to members | (6,191,113) | (1,784,131) | (247%) |
| Proposed dividend | - | - | |
| Net tangible assets per issued security^ | (0.001) | 0.038 | NMF |

** The large movement in 'Loss from ordinary activities after tax attributable to members' is largely attributed to the reversals to prior capitalisation of income tax losses as Deferred Tax Assets in the balance sheet of the Company of \$4,234,701. There was no probable certainty of the recovery of the Deferred Tax Assets following the results of the H-005 clinical trial.

Total net loss before the write off of the Deferred Tax Assets and before income tax was \$1,956,412 (2012: \$6,279,582) which is consistent with the significant focus on the reduction in costs during the 2013 financial year.

^ 'Net tangible assets per issued security' have declined largely as a result of the capitalised income tax losses being written off and de recognised from the balance sheet.

- 3 to 9 See attached financials.
10. No acquisition or disposal of any entity occurred during the financial year.
11. There are no associates or joint venture entities.



12. Significant working capital (\$436,717) was expended in the due diligence process and documentation for the proposed Vitality Devices acquisition, which ultimately did not proceed.
13. The Company is not a foreign entity.
14. See commentary and the attached financials.
15. The accounts are in the process of being audited and hence the financial statements that follow are unaudited.

COMMENTARY ON RESULTS FOR THE PERIOD

REVENUE

The Company continued to distribute and export probiotics into the international market in FY 2013. Generated sales were particularly stronger in the second half of the financial year, assisted by the strengthening of the US dollar and increased focus on sales and distribution. Strategies are being investigated to assess additional markets to widen the business base and cash flow generated.

EXPENDITURE

Following the Board re-constitution in December 2012, where the numbers of Directors and staff have been reduced significantly, the Company has minimised both fixed and discretionary costs as it seeks further sources of funding.

As from 1 June 2013 director's fees were amended to be paid in equity only (subject to shareholder approval) until further notice. The CEO fees have also been reduced from 1 June 2013 to a time cost basis only.

Significant expenditures incurred during the period related to finalising payments in connection with the H-005 clinical trial and one off transaction costs related to the due diligence process and documentation of the Vitality Devices acquisition. The latter was the subject of the transaction funding placement as announced to ASX on 7 March 2013.

BUSINESS STRATEGY

During the financial year, the Company gained access to the complete data set from the H-005 clinical trial, which enabled a detailed review and further investigation of the clinical trial. The HI 164 OV asset is currently under review in light of the cash commitments required to take any action in relation to this project.

The Company previously entered into a Heads of Agreement to acquire Vitality Devices Pty Ltd, a marketer of medical devices, with territories throughout Australia and much of Asia. Matters that arose during extensive due diligence resulted in the decision to terminate the proposed transaction.

The Board is continuing to evaluate available distribution opportunities to augment its existing PCC business.



Bioxyne Limited

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2013**

| | Notes | 2013 \$ | 2012 \$ |
|---|-------|--------------------|--------------------|
| Revenue from continuing operations | | | |
| Sale of goods | | 880,497 | 123,275 |
| Other income | 3 | 402,168 | 1,553,976 |
| Cost of goods sold | | (438,957) | (60,659) |
| Expenses | | | |
| Research and development | | (603,175) | (3,541,198) |
| Business development | | (33,298) | (154,809) |
| Marketing | | (33,534) | (150,703) |
| General and administration | 4 | (2,123,508) | (1,985,902) |
| Impairment expense | 10 | - | (1,511,132) |
| Finance costs | | (6,605) | (552,430) |
| Loss before income tax | | (1,956,412) | (6,279,582) |
| Income tax (expense) benefit | 5 | (4,234,701) | 4,495,451 |
| Other comprehensive income for the year | | - | - |
| Total comprehensive loss for the year | | (6,191,113) | (1,784,131) |
| Loss is attributable to: | | | |
| Members of Bioxyne Limited | | (6,191,113) | (1,784,131) |
| Earnings per share | | | |
| <i>From continuing operations</i> | | | |
| - Basic/diluted loss per share | 23 | (0.04) | (0.04) |
| <i>From discontinued operations</i> | | | |
| - Basic/diluted loss per share | 23 | - | - |

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



Bioxyne Limited
Consolidated Statement of Financial Position
As at 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 6 | 210,621 | 779,624 |
| Current tax receivables | 7 | 370,785 | 1,529,528 |
| Trade and other receivables | 8 | 119,667 | 162,928 |
| Total Current Assets | | 701,073 | 2,472,080 |
| Non-Current Assets | | | |
| Deposit | 9 | - | 200,000 |
| Property plant and equipment | 11 | 1,147 | 3,308 |
| Deferred tax asset | 13 | - | 4,234,701 |
| Total Non-Current Assets | | 1,147 | 4,438,009 |
| Total Assets | | 702,220 | 6,910,089 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 12 | 912,949 | 1,022,206 |
| Total Current Liabilities | | 912,949 | 1,022,206 |
| Total Non-Current Liabilities | | - | - |
| Total Liabilities | | 912,949 | 1,022,206 |
| Net (Liabilities) Assets | | (210,729) | 5,887,883 |
| EQUITY | | | |
| Contributed equity | 14 | 28,126,933 | 28,034,432 |
| Reserves | 15 | 640,280 | 750,977 |
| Accumulated losses | 15 | (28,977,942) | (22,897,526) |
| Total (Deficit) Equity | | (210,729) | 5,887,883 |

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



Bioxyne Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2013

| | Contributed equity \$ | Accumulated Losses \$ | Reserves \$ | Total \$ |
|---|--------------------------------------|--------------------------------------|------------------------|---------------------|
| 2012 | | | | |
| At 30 June 2011 | 16,767,000 | (21,113,395) | 654,146 | (3,692,249) |
| Total comprehensive income for the year | - | (1,784,131) | - | (1,784,131) |
| Contributions of equity, net of transaction costs | 11,267,432 | - | - | 11,267,432 |
| Options vested during the period | - | - | 96,831 | 96,831 |
| At 30 June 2012 | 28,034,432 | (22,897,526) | 750,977 | 5,887,883 |
| 2013 | | | | |
| At 30 June 2012 | 28,034,432 | (22,897,526) | 750,977 | 5,887,883 |
| Total comprehensive income for the year | - | (6,191,113) | - | (6,191,113) |
| Contributions of equity, net of transaction costs | 92,501 | - | - | 92,501 |
| Options cancelled during the period | - | 110,697 | (110,697) | - |
| At 30 June 2013 | 28,126,933 | (28,977,942) | 640,280 | (210,729) |

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



Bioxyne Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2013

| | Notes | 2013 \$ | 2012 \$ |
|---|-------|--------------------|--------------------|
| Cash flows from operating activities | | | |
| Receipts of other income (inclusive of goods and services tax) | | 910,516 | 141,428 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (3,418,280) | (5,750,464) |
| | | (2,507,764) | (5,609,036) |
| Research and development tax rebate | | 1,538,232 | 918,001 |
| Finance charges | | (6,604) | (20,320) |
| Interest received | | 4,432 | 15,981 |
| Net cash outflow from operating activities | 19 | (971,704) | (4,695,374) |
| Cash flows from investing activities | | | |
| Cash held by subsidiary on acquisition | | - | 1,854,070 |
| Acquisition of property plant and equipment | | - | (2,054) |
| Net cash inflow (outflow) from investing activities | | - | 1,852,016 |
| Cash flows from financing activities | | | |
| Proceeds from issues of shares net of transaction costs | 14(b) | 402,701 | 767,053 |
| Proceeds from convertible note | | - | 3,000,000 |
| Costs of raising equity and acquisition of subsidiary | 14(b) | - | (849,763) |
| Net cash inflow from financing activities | | 402,701 | 2,917,290 |
| Net (decrease) increase in cash and cash equivalents | | (569,003) | 73,932 |
| Cash and cash equivalents at the beginning of the financial year | | 779,624 | 705,692 |
| Cash and cash equivalents at end of year | 6 | 210,621 | 779,624 |

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



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies

These consolidated financial statements and notes represent those of Bioxyne Limited and its controlled entities (the "consolidated group" or "group").

The separate financial statements of the parent entity, Bioxyne Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

(a) Basis of preparation

Reporting Entity

The financial report of Bioxyne Limited for the year ended 30 June 2013 covers Bioxyne Limited and Hunter Immunology Limited as a consolidated group. Bioxyne Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standard Board and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, except for selected financial assets for which the fair value basis of accounting has been applied.

Critical accounting estimates and judgements

Critical estimates and judgements are evaluated by the Directors and incorporated into the financial report based on historical knowledge and best available current information. These estimates assume a reasonable expectation of future events and are based on trends and economic data obtained externally and within the Group.

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Comparative information is reclassified where appropriate to enhance comparability.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Bioxyne Limited at the end of the reporting period. A controlled entity is any entity over which Bioxyne Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

1 Summary of significant accounting policies (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(c) Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group has reported recurring operating losses and negative cash flows from operations during the financial year of \$6,191,113 and \$971,704 respectively. This is typical of early stage drug development companies.

The Directors believe that it is reasonably foreseeable that the consolidated group will continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- (i) The consolidated group is expecting a refund of the 2013 Research and Development Tax Incentive of \$370,785 subsequent to year end;
- (ii) The ability of the consolidated group to undertake further capital raisings to provide the required funding to meet the consolidated group's ongoing operating costs and / or
- (iii) The ability to enter into negotiations with a potential partner to commercialise the consolidated group's core intellectual property which may provide the required funding to meet the consolidated group's ongoing operating costs.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of the Group's entities is Australian dollars (A\$).

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in profit or loss, except when they are deferred in other comprehensive income as qualifying cash flow hedges or where they relate to differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

(e) Revenue recognition

Interest income

Interest income is recognised as interest accrues using the effective interest method. The effective interest method uses the effective interest rates which is the rate that exactly discounts the estimated future cash receipts over the expected future life of the financial asset.

When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

Sale of goods

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed.

Revenue from the sale of goods is recognised at the point of delivery as this corresponds to the transfer of significant risks and rewards of ownership of the goods and the cessation of all involvement in those goods.

Research and Development Tax Incentive

Research and Development Tax Incentive claims are recognised as other income in the period to which the incentive claims relate.

(f) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit and loss over the period necessary to match them with the costs that they are intended to compensate.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

Deferred tax assets are only recognised for deductible temporary differences and unused tax losses if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries, associated and interests in joint ventures where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(h) Leases

Leases where the lessor retains substantially all of the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit and loss on a straight-line basis over the period of the lease.

(i) Impairment of assets

At the end of each reporting period the Group assesses whether there is any indication that individual assets are impaired. Where impairment indicators exist, recoverable amount is determined and impairment losses are recognised in profit or loss where the asset's carrying value exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Where it is not possible to estimate the recoverable amount for an individual asset, the recoverable amount is determined for the cash generating unit to which the asset belongs.

(j) Cash and cash equivalent

For the purposes of the Consolidated Statement of Cash Flows, cash and cash equivalents includes cash on hand and at bank, deposits held at call with financial institutions, other short-term, highly liquid investments with maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

(k) Other receivables

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Other receivables are generally due for settlement within 30 days.

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms. Objective evidence of impairment include financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue).



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

The amount of the impairment loss is recognised in the consolidated statement of comprehensive income within 'other expenses'. When a trade or other receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the consolidated statement of comprehensive income.

(l) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 days of recognition.

(m) Provisions

Provisions for legal claims, service warranties and make good obligations are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

(n) Employee benefits

(i) Wages and salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the end of the reporting period are recognised in other payables in respect of employees' services rendered up to the end of the reporting period and are measured at amounts expected to be paid when the liabilities are settled.

(ii) Retirement benefit obligations

The Group does not maintain a company superannuation plan. The Group makes fixed percentage contributions for all Australian resident employees to complying third party superannuation funds and for US resident employees to complying pension funds. The Group's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds and pension plans are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(iii) Share - based payments

Share-based compensation benefits are provided to employees via the Hunter Immunology Limited Employee Option Plan and an employee share scheme.

The fair value of options granted under the Hunter Immunology Limited Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option.

The fair value of the options granted is adjusted to reflect market vesting conditions, but excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each reporting date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate. The impact of the revision to original estimates, if any, is recognised in the consolidated statement of comprehensive income with a corresponding adjustment to equity.

Where the terms of options are modified, the expense continues to be recognised from grant date to vesting date as if the terms had never been changed. In addition, at the date of the modification, a further expense is recognised for any increase in fair value of the transaction as a result of the change.

Upon the exercise of options, the balance of the share based payments reserve relating to those options is transferred to share capital and the proceeds received, net of any directly attributable transaction costs, are credited to share capital.

(o) Contributed equity

Costs directly attributable to the issue of new shares are shown as a deduction from the equity as a deduction proceeds net of any income tax benefit. Costs directly attributable to the issue of new shares or options associated with the acquisition of a business are included as part of the purchase consideration.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(p) Goods and services tax (GST)

Revenues, expenses and assets are recognised net GST, except where the GST incurred on the purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Consolidated Statement of Financial Position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(q) Plant and equipment

Each class of plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses. Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets is depreciated on a diminishing value basis over the asset's useful life to the company commencing from the time the asset is held ready for use.

Depreciation is calculated on a diminishing-value basis over the estimated useful life of the assets as follows:

Plant and equipment – ranging from 2 to 20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

(r) Financial liabilities and equity instruments

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Convertible notes and compound instruments

The component parts of compound instruments (convertible notes) issued by the Group are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Conversion options that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recognised as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share equity. Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to accumulated losses.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss ("FVTPL") or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

1 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

(s) Trade and other receivables

Trade and other receivables are stated at their cost less an allowance for impairment of receivables.

(t) New accounting standards for application in future periods

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were on issue but not yet effective:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|---|--|
| AASB 9 'Financial Instruments' and amendments to Australian Accounting Standards arising from AASB 9 | 1 January 2015 | 30 June 2016 |
| AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1 January 2013 | 30 June 2014 |
| AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1 July 2013 | 30 June 2014 |
| AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1 January 2013 | 30 June 2014 |
| AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1 January 2013 | 30 June 2014 |
| AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards' | 1 January 2013 | 30 June 2014 |
| AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' | 1 January 2013 | 30 June 2014 |
| AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities' | 1 January 2013 | 30 June 2014 |

1 Summary of significant accounting policies (continued)

| | | |
|---|----------------|--------------|
| AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 30 June 2015 |
| AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle' | 1 January 2013 | 30 June 2014 |
| AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments' | 1 January 2013 | 30 June 2014 |
| AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' | 1 January 2013 | 30 June 2014 |
| AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' | 1 July 2013 | 30 June 2014 |

Estimates and judgement are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

2 Critical accounting estimates and judgement

(i) Research and development expenditure

The Group has expensed all internal research and development expenditure incurred during the year as the costs relate to the initial expenditure for research and development of biopharmaceutical products and the generation of future economic benefits are not considered certain. It was considered appropriate to expense the research and development costs as they did not meet the criteria to be capitalised under AASB 138 Intangible assets.

(ii) Options

Fair values of options granted are independently determined using the Black-Scholes option pricing model at grant date. Refer to Note 26(b) for more information on the inputs used to determine the fair value of the options. The vesting of options is contingent upon the successful commercialisation of the consolidated group's intellectual property. The vesting period is therefore also contingent upon a future event. The directors consider it probable that such vesting conditions will be met, and consequently, the option expense has been accounted for as an expense of the option exercise period.

(iii) Deferred tax assets

In the 2012 financial year, the directors had exercised their judgement in respect of the probability that sufficient taxable profits will be generated in the future to utilise the historical tax losses of the Group's subsidiary Hunter Immunology Limited (HIL). This assumption was based on the ability of the Group to successfully commercialise HIL's intellectual property.

Subsequent to 30 June 2012, following release of the results of the H-005 clinical trials, the Directors have reassessed their views on the recoverability of the historical tax losses; in particular that the tax losses to be recoverable in the following 12 month period.

Consequently, HIL has derecognised its deferred tax assets recognised in the Consolidated Statement of Financial Position.

(v) Reverse acquisition

On 4 April 2012, Bioxyne wholly acquired Hunter Immunology. The transaction is considered to be a reverse acquisition of Bioxyne by Hunter Immunology as contemplated in AASB 3 *Business Combinations*. The consideration in a reverse acquisition is deemed to have been incurred by Hunter Immunology Limited in the form of shares and options issues to shareholders of Bioxyne Limited. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of Bioxyne Limited immediately prior to the business combination.

| | 2013 | 2012 |
|--|----------------|------------------|
| | \$ | \$ |
| 3 Other income | | |
| Research and development tax Incentive | 379,489 | 1,529,528 |
| Government grants | 6,927 | - |
| Interest received | 4,432 | 15,981 |
| Other income | 11,320 | 8,467 |
| | 402,168 | 1,553,976 |

Government grants

Export marketing development grants of \$6,927 (2012: \$nil) were recognised as other income during the financial year. There are no unfulfilled conditions or other contingencies attaching to these grants. As disclosed above, the Group benefited from the Australian Government's Research and Development Tax Incentive Scheme for the 2012 and 2013 financial years.

4 Expenses

Loss before income tax includes the following specific expenses:

| | | |
|---|---------|-----------|
| Interest and finance charges paid/payable | 6,605 | 552,430 |
| Share option expense | - | 96,831 |
| Employee benefit expense | 158,626 | 523,793 |
| Termination benefit for D Radford | 200,000 | - |
| Impairment expense | - | 1,511,131 |
| Depreciation | 2,160 | 882 |
| <i>General and administration</i> | | |
| -Vitality Device acquisition related due diligence fees | 436,717 | - |

5 Income tax benefit

(a) Income tax benefit

| | | |
|---------------------|------------------|--------------------|
| Current tax benefit | - | (811,322) |
| Deferred tax | 4,234,701 | (3,684,129) |
| | 4,234,701 | (4,495,451) |

(b) Numerical reconciliation of income tax expense to prima facie tax payable

| | | |
|--|------------------|--------------------|
| Loss from continuing operations before income tax expense | (1,956,412) | (6,279,582) |
| Tax at the Australian tax rate of 30% (2011 - 30%) | (586,924) | (1,883,875) |
| Tax effect of amounts which are not deductible (taxable) in calculating taxable income | 79,399 | 652,283 |
| Derecognition/(Recognition) of tax benefit on carried forward losses | 4,234,701 | (3,367,081) |
| Movements in other deferred tax assets/liabilities | - | (317,048) |
| Benefit of tax losses not recognised | 507,525 | 420,270 |
| Total income tax expense (benefit) | 4,234,701 | (4,495,451) |

| | 2013 | 2012 |
|---|------------------|------------------|
| | \$ | \$ |
| 5 Income tax benefit (continued) | | |
| (c) Tax losses | | |
| Unused tax losses for which no deferred tax asset has been recognised | 28,309,710 | 26,617,962 |
| Potential tax benefit @ 30% | 8,492,913 | 7,985,389 |
| 6 Current assets - Cash and cash equivalents | | |
| Cash at bank and in hand | 210,621 | 779,624 |
| | 210,621 | 779,624 |
| Cash at bank and in hand is non-interest bearing. | | |
| 7 Current assets – Trade and other receivables | | |
| Current tax receivable - Research and development tax incentive | 370,785 | 1,529,528 |
| | 370,785 | 1,529,528 |
| 8 Current assets - Other current assets | | |
| Trade debtors | 106,898 | 118,670 |
| GST receivable | - | 43,412 |
| Prepayments | 12,769 | 846 |
| | 119,667 | 162,928 |
| 9 Deposits | | |
| Security deposit | - | 200,000 |
| | - | 200,000 |

Payment made as a security guarantee for a clinical trial, the trial has been completed and the results were published on 28 June 2012.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

| | 2013 | 2012 |
|---|--------------------|--------------------|
| | \$ | \$ |
| 10 Goodwill | | |
| Cost | 1,511,132 | 1,511,132 |
| Accumulated impairment losses | (1,511,132) | (1,511,132) |
| | <u>-</u> | |
| Cost | | |
| Balance at beginning of year | 1,511,132 | - |
| Amounts recognised from business combinations occurring during the year | - | 1,511,132 |
| Balance at end of year | <u>1,511,132</u> | <u>1,511,132</u> |
| Accumulated impairment losses | | |
| Balance at beginning of year | (1,511,132) | - |
| Impairment losses recognised in the year | - | (1,511,132) |
| Balance at end of year | <u>(1,511,132)</u> | <u>(1,511,132)</u> |

Impairment of goodwill

In the 2012 financial year, Hunter Immunology Limited acquired Bioxyne Limited for \$3,236,586. At the time the transaction took place the net assets acquired totalled \$1,725,454 meaning that the additional purchase price of \$1,511,132 represented a goodwill component on purchase.

Subsequent to the acquisition, the valuation of Bioxyne Limited was reviewed in parallel with its listed market value and the Directors have deemed it prudent to recognise only the fair value of the identifiable net assets on acquisition as being relevant to the Company.

11 Property, plant and equipment

| | | |
|----------------------------------|--------------|--------------|
| Office equipment at cost | 28,032 | 28,032 |
| Accumulated depreciation | (26,885) | (24,724) |
| | <u>1,147</u> | <u>3,308</u> |
| Balance at beginning of year | 3,308 | - |
| Acquisition during the year | - | 2,054 |
| Acquired in business combination | - | 2,136 |
| Depreciation | (2,161) | (882) |
| Balance at end of year | <u>1,147</u> | <u>3,308</u> |

| | 2013 | 2012 |
|--|----------------|------------------|
| | \$ | \$ |
| 12 Current liabilities - Trade and other payables | | |
| Trade payables** | 380,357 | 638,403 |
| Share applications | 310,200 | - |
| Accrued expenses | 179,303 | 338,916 |
| GST payable | 40,279 | - |
| Other payables - employee benefits | 2,810 | 44,887 |
| | 912,949 | 1,022,206 |

**\$81,076 of the trade payables balance is payable in shares to the directors in lieu of fees owed.

13 Deferred tax assets and liabilities

Deferred tax assets

Deferred tax assets comprise temporary difference attributable to:

| | | |
|---------------------------|----------|------------------|
| Tax losses available | - | 4,178,403 |
| Accrued expenses | - | 56,298 |
| Total deferred tax assets | - | 4,234,701 |

Movement in deferred tax assets

| | | |
|---|-------------|------------------|
| Opening balance 1 July 2012/2011 | 4,234,701 | - |
| Arising on recognition of carried forward tax losses | - | 3,367,081 |
| Arising on recognition of current year tax loss | - | 811,322 |
| Derecognition of deferred tax assets – written off to profit and loss | (4,234,701) | |
| Credited to profit and loss | - | 56,298 |
| Closing balance 30 June 2013/2012 | - | 4,234,701 |

Deferred tax liabilities

Deferred tax liability comprise temporary difference attributable to:

| | | |
|---|----------|----------|
| Finance cost payable - convertible note | - | - |
| Total deferred tax liability | - | - |

Movement in deferred tax liabilities

| | | |
|-----------------------------------|----------|-----------|
| Opening balance 1 July 2012/2011 | - | 260,751 |
| On conversion of convertible note | - | (260,751) |
| Credited to profit and loss | - | - |
| Closing balance 30 June 2013/2012 | - | - |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

14 Contributed equity

| | 2013 | 2013 | 2012 | 2012 |
|---|------------------|--------------------|---------------|-------------------|
| | Shares | \$ | Shares | \$ |
| (a) Share capital | | | | |
| Ordinary Shares Fully Paid | 163,059,587 | 28,126,933 | 154,051,815 | 28,034,432 |
| (b) Movements in ordinary share capital: | Number of | Issue price | \$ | |
| | Shares | | | |
| Opening balance | 1-Jul-11 | 161,322,872 | | 16,767,000 |
| Equity component on convertible notes | | | | (409,563) |
| Issue of shares | | | | |
| - Allotment of ordinary shares | | 3,835,262 | 0.20 | 767,053 |
| - Conversion of T1 convertible notes | | 55,040,542 | 0.099 | 5,449,014 |
| - Conversion of T2 convertible notes | | 61,482,103 | 0.05 | 3,074,105 |
| Reversal of existing HIL shares | | (281,680,779) | | |
| Existing BXN shares on issue | | 25,628,141 | | |
| Issue of BXN shares on acquisition of HIL | | 128,423,674 | | 3,236,586 |
| Transaction costs | | - | | (849,763) |
| Balance | 30-Jun-12 | 154,051,815 | | 28,034,432 |
| Opening balance | 1-Jul-12 | 154,051,815 | | 28,034,432 |
| Issue of shares | | | | |
| - Allotment of ordinary shares | | 9,007,772 | 0.022 | 198,171 |
| Transaction costs | | | | (105,670) |
| Balance | 30-Jun-13 | 163,059,587 | | 28,126,933 |

(c) Ordinary shares

Each ordinary shareholder maintains, when present in person or by proxy or by attorney at any general meeting of the Company, the right to cast one vote for each ordinary share held.

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of and amounts paid on the shares held.

(d) Options

Mr. David Radford was issued 6,337,817 executive options in March 2012 as part of his Executive Service Agreement. These options lapsed upon his termination as managing director of the Company.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

14 Contributed equity (continued)

(d) Options (continued)

As at the date of this report, the following options over unissued ordinary shares were on issue:

| Details | No of options | Issue date | Date of expiry | Conversion price (\$) |
|---|------------------|------------|----------------|-----------------------|
| Consideration for acquisition of interests in Hunter Immunology Limited | 750,000 | 27/11/2008 | 25/11/2013 | 0.40 |
| | 100,000 | 5/12/2008 | 03/12/2013 | 0.20 |
| | 125,000 | 26/05/2009 | 24/05/2014 | 0.40 |
| | 1,062,000 | 29/03/2012 | 01/09/2013 | 0.24 |
| | 2,700,000 | 29/03/2012 | 14/05/2014 | 0.70 |
| | 1,000,000 | 29/03/2012 | 01/01/2015 | 0.40 |
| Total | 5,737,000 | | | |

| | 2013 No. | 2012 No. |
|------------------------------|---------------------|---------------------|
| Options | | |
| Balance at beginning of year | 18,493,120 | 17,000,000 |
| Granted during the year | 975,000 | 20,993,120 |
| Expired during the year | (13,731,120) | (19,500,000) |
| Balance at end of year | <u>5,737,000</u> | <u>18,493,120</u> |

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern, so that they can continue to meet target milestones and ultimately provide returns to shareholders.

15 Reserves and accumulated losses

| | 2013 | 2012 |
|---------------------|----------------|----------------|
| | \$ | \$ |
| (a) Reserves | | |
| Total reserves | 640,280 | 750,977 |

Options reserve

Movements in reserve were as follows:

| | | |
|---------------------------|----------------|----------------|
| Balance 1 July 2012/2011 | 750,977 | 654,146 |
| Option expense | - | 96,831 |
| Options cancelled | (110,697) | - |
| Balance 30 June 2013/2012 | 640,280 | 750,977 |

(b) Accumulated losses

Movements in accumulated losses were as follows:

| | | |
|----------------------------|---------------------|---------------------|
| Opening accumulated losses | (22,897,526) | (21,113,395) |
| Loss for the year | (6,191,113) | (1,784,131) |
| Options cancelled | 110,697 | - |
| Balance 30 June | (28,977,942) | (22,897,526) |

(c) Nature and purpose of reserves

The share option reserve comprises the cumulative value of employee services received for the issue of shares options. When the option is exercised, the related balance previously recognised in the share option reserve is transferred to share capital. When the share options expire, the related balance previously recognised in the share option reserve is transferred to accumulated losses.

16 Remuneration of auditors

Audit services

| | | |
|--|---------------|---------------|
| Audit of financial reports – RSM Bird Cameron Partners | 37,500 | 37,500 |
| Total remuneration for audit services | 37,500 | 37,500 |

17 Commitments

Capital commitments

As at 30 June 2013, the Group does not have any capital commitments.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

18 Events occurring after the balance sheet date

Receipt of Research and Development ("R&D") Tax Offset

Subsequent to balance date, Hunter Immunology lodged its tax return and is expecting a refund from the R&D Tax Incentive for \$370,785.

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

Other Matters Subsequent to Balance Date:

The Company received its largest ever single order for the supply of Fermentum PCC of US \$233,784 (AU \$258,897 as at report date).

No other matter or circumstance has arisen since 30 June 2013 that has significantly affected, or may significantly affect:

- a) The Group's operations in future financial years; or
- b) The results of those operations in future financial years; or
- c) The Group's state of affairs in future financial years.

19 Reconciliation of loss after income tax to net cash outflow from operating activities

| | 2013 | 2012 |
|---|------------------|--------------------|
| | \$ | \$ |
| Loss for the year | (6,191,113) | (1,784,131) |
| Depreciation | 2,160 | 882 |
| Non-cash employee benefits expense - share based payments | - | 96,831 |
| Accrued employee benefits (to be part settled in shares) | 65,568 | 19,234 |
| Impairment expense | - | 1,511,132 |
| Change in operating assets and liabilities | | |
| Decrease (Increase) in trade and other receivables | 970,515 | (601,842) |
| Decrease in prepayments | 200,000 | - |
| (Decrease) Increase in trade and other payables | (253,535) | 25,861 |
| Decrease (Increase) in deferred tax balances | 4,234,701 | (4,495,451) |
| Convertible note liability movement | - | 532,110 |
| Net cash outflow from operating activities | (971,704) | (4,695,374) |

Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

20 Segment information

Bioxyne operates in the bio-technology industry in Australia. The principal operations are to research, develop, market and distribute probiotic products. Sales are made both in Australia and internationally.

Hunter immunology also operates in the bio-technology industry in Australia. However, its current principal operations are to research and develop immunotherapeutics. Upon the successful development of such products, Hunter Immunology will begin the commercialisation process bring these products to market.

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2013 and 30 June 2012.

Segment revenues and results

| | Segment revenue | | Segment profit | |
|---|-----------------|-----------|--------------------|--------------------|
| | 2013 | 2012 | 2013 | 2012 |
| | \$ | \$ | \$ | \$ |
| Probiotics | 898,744 | 123,275 | 451,740 | 47,696 |
| Immunotherapeutics | 371,855 | 1,529,528 | (256,570) | (2,151,559) |
| Other | 12,066 | 24,448 | 12,066 | 24,448 |
| Total for continuing operations | 1,282,665 | 1,677,251 | 207,236 | (2,079,415) |
| Central administration costs and directors salaries | | | (2,157,043) | (2,136,605) |
| Finance costs | | | (6,605) | (552,430) |
| Impairment expense | | | - | (1,511,132) |
| Profit before tax (continuing operations) | | | (1,956,412) | (6,279,582) |

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2012: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of profits of associates, gain recognised on disposal of interest in former associate, investment income, gains and losses, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

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Notes to the Financial Statements
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20 Segment Information (Continued)

Segment assets

| | 2013 | 2012 |
|---------------------------|-------------|-------------|
| | \$ | \$ |
| Probiotics | 317,464 | 624,121 |
| Immunotherapeutics | 384,756 | 2,051,267 |
| | | |
| Total segment assets | 702,220 | 2,675,388 |
| | | |
| Unallocated | - | 4,234,701 |
| | | |
| Consolidated total assets | 702,220 | 6,910,089 |

Segment liabilities

| | | |
|--------------------------------|---------|-----------|
| Probiotics | 707,919 | 200,867 |
| Immunotherapeutics | 205,030 | 821,339 |
| | | |
| Total segment liabilities | 912,949 | 1,022,206 |
| | | |
| Unallocated | - | - |
| | | |
| Consolidated total liabilities | 912,949 | 1,022,206 |

For the purposes of monitoring segment performance and allocating resources between segments:

- All assets are allocated to reportable segments other than interests in associates, 'other financial assets' and current and deferred tax assets. Goodwill is allocated to reportable segments;
- Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments; and
- All liabilities are allocated to reportable segments other than borrowings, 'other financial, liabilities', current and deferred tax liabilities. Liabilities for which reportable segments are jointly liable are allocated in proportion to segment assets.



Bioxyne Limited
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For the year ended 30 June 2013

20 Segment Information (Continued)

Other segment information

Impairment losses recognised for the year in respect of goodwill

| | 2013 | 2012 |
|--------------------|-------------|-------------|
| | \$ | \$ |
| Immunotherapeutics | - | 1,511,132 |

Geographical information

| | Australia | | USA | | Europe | | Total | |
|--|------------------|-------------|-------------|-------------|---------------|-------------|--------------|-------------|
| | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 | 2013 | 2012 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | |
| External sales | - | - | 898,744 | 118,049 | - | - | 898,744 | 118,049 |
| Other revenues from external customers | 383,921 | 1,559,202 | - | - | - | - | 383,921 | 1,559,202 |
| Segment revenue | 383,921 | 1,559,202 | 898,744 | 118,049 | - | - | 1,282,665 | 1,677,251 |

Assets and liabilities

| | | | | | | | | |
|----------------------|---------|-----------|---|---|---|---|---------|-----------|
| Segment assets | 702,220 | 6,910,089 | - | - | - | - | 702,220 | 6,910,089 |
| Segment liabilities | 912,949 | 1,022,206 | - | - | - | - | 912,949 | 1,022,206 |
| Segment depreciation | 2,160 | 882 | - | - | - | - | 2,160 | 882 |

21 Key management personnel compensation

(a) Names and positions held of key management personnel in office at any time during the financial year are

| Key Management Person | Position |
|------------------------------|---|
| P.F. Comans | Chief executive officer (appointed 13 December 2012) |
| A.P. Ho | Non-executive Chairman (appointed 30 October 2012) |
| P.D. Ford | Non-executive director |
| D. J. Radford | Non-executive director (resigned 12 December 2012) |
| G. B. Crisp | Non-executive director (retired 30 October 2012) |
| D. Wilson | Non-executive chairman (resigned 26 October 2012) |
| I. M. Mutton | Non-executive director (resigned 29 November 2012) |
| J. L. Curnock Cook | Non-executive director (retired 30 October 2012, re-appointed 12 December 2012) |
| W. B. Harrison | Non-executive director (retired 30 October 2012) |

21 Key management personnel compensation (continued)

(b) Option holdings of key management personnel

| Directors | Opening balance | Net other change | Options exercised | Options lapsed | Balance 30/06/2013 | Exercisable | Not exercisable |
|---------------------------------------|------------------|------------------|-------------------|--------------------|--------------------|------------------|-----------------|
| P Ford | 633,334 | - | - | (133,334) | 500,000 | 500,000 | - |
| I Mutton | 510,607 | - | - | (60,607) | 450,000 | 450,000 | - |
| G Crisp | 450,000 | - | - | - | 450,000 | 450,000 | - |
| D Wilson | - | - | - | - | - | - | - |
| J Curnock Cook | - | - | - | - | - | - | - |
| W Harrison | - | - | - | - | - | - | - |
| A Ho | - | - | - | - | - | - | - |
| Executives | | | | | | | |
| D Radford | 6,337,817 | - | - | (6,337,817) | - | - | - |
| Other key management personnel | | | | | | | |
| R Clancy | 450,000 | - | - | - | 450,000 | 450,000 | - |
| K Healey | 450,000 | - | - | - | 450,000 | 450,000 | - |
| A Jairath | 100,000 | - | - | - | 100,000 | 100,000 | - |
| P Comans | 450,000 | - | - | - | 450,000 | 450,000 | - |
| Total | 9,381,758 | - | - | (6,531,758) | 2,850,000 | 2,850,000 | - |

(c) Shareholdings of key management personnel

| Directors | Opening balance | Granted as compensation | Net other change | Balance 30/06/2013 |
|---------------------------------------|-------------------|-------------------------|------------------|--------------------|
| P Ford | 596,800 | - | - | 596,800 |
| I Mutton | 545,569 | - | 150,000 | 695,569 |
| G Crisp | - | - | - | - |
| D Wilson | - | - | - | - |
| J Curnock Cook | 31,355,427 | - | - | 31,355,427 |
| W Harrison | - | - | - | - |
| A Ho | 340,000 | - | 100,000 | 440,000 |
| Executives | | | | |
| D Radford | - | - | - | - |
| Other key management personnel | | | | |
| R Clancy | 9,564,390 | - | - | 9,564,390 |
| A Jairath | - | - | - | - |
| P Comans | 13,585,626 | - | - | 13,585,626 |
| Total | 55,987,812 | - | 250,000 | 56,237,812 |

21 Key management personnel compensation (continued)

(d) Details of remuneration

| 2013 Name | Short term employee benefits | | Other fees | Post-employment benefits | Share based payments | Total |
|---|------------------------------|-----------------------|----------------|--------------------------|----------------------|----------------|
| | Cash salary and fees | Non-monetary benefits | | | | |
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| I Mutton | - | - | 55,000 | - | - | 55,000 |
| G Crisp | - | - | 34,844 | - | - | 34,844 |
| J Curnock Cook | - | - | 38,681 | - | 12,013 | 50,694 |
| D Wilson | - | - | 16,665 | - | - | 16,665 |
| P Ford | 18,000 | - | 17,192 | 1,620 | 12,718 | 49,530 |
| A Ho | - | - | 21,346 | - | 21,346 | 42,692 |
| W Harrison | 10,000 | - | - | - | - | 10,000 |
| Subtotal non-executive directors | 28,000 | - | 183,728 | 1,620 | 40,077 | 259,425 |
| Executives | | | | | | |
| D Radford | 366,667 | - | - | 8,333 | - | 375,000 |
| Other key management personnel | | | | | | |
| A Jairath | - | - | 71,500 | - | - | 71,500 |
| P Comans | - | - | 45,729 | - | 35,000 | 80,729 |
| | 366,667 | - | 117,229 | 8,333 | 35,000 | 527,229 |
| Total | 394,667 | - | 300,957 | 9,953 | 81,077 | 786,654 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2013

22 Financial risk management

(a) Financial risk management

The Group's financial instruments consist mainly of deposits with banks, accounts receivable and payable and convertible notes.

The directors' overall risk management strategy seeks to assist the Group in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The Group trades only with recognised, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. The receivable balances are monitored on an ongoing basis. The Group's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the Group as it only has one major customer at this stage of its development.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised third parties, there is no requirement for collateral security.

The maximum exposure to credit risk at balance date is as follows:

| | 2013 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| Trade debtors | 106,898 | 118,670 |
| Research and development tax incentive receivable | 370,785 | 1,529,528 |
| Other current assets | 12,768 | 44,258 |
| Deposits | - | 200,000 |

Liquidity risk

The Group's policy is to maintain a comfortable level of liquidity through the continual monitoring of cash reserves and the raising of additional capital as required.

(b) Financial instrument composition and maturity analysis

The table below reflects the undiscounted contractual settlement terms for financial instruments of a fixed period of maturity as well as management's expectations of the settlement period of all other financial instruments. As such, the amounts may not reconcile to the consolidated statement of financial position.

22 Financial risk management (Continued)

| | Weighted average interest rate | Non-interest bearing | Floating interest rate | Fixed interest rate maturing within 1 year | Total |
|---|--------------------------------------|-------------------------|---|--|---|
| | 2013 % | 2013 \$ | 2013 \$ | 2013 \$ | 2013 \$ |
| Financial Assets | | | | | |
| Cash and cash equivalents | | - | 210,621 | - | 210,621 |
| Receivables | | 106,898 | - | - | 106,898 |
| Research and development tax incentive | | 370,785 | - | - | 370,785 |
| Total financial assets | | 477,683 | 210,621 | - | 688,304 |
| Financial Liabilities | | | | | |
| Trade and other payables | | 912,949 | - | - | 912,949 |
| Total financial liabilities | | 912,949 | - | - | 912,949 |
| | | Carrying amount | Contractual cash flow due 1 to 3 months | Contractual cash flow due 3 months to 1 year | Contractual cash flow due 1 to 5 years |
| Financial Assets | | | | | |
| Receivables | | 106,898 | 106,898 | - | - |
| Research and development tax incentive | | 370,785 | 370,785 | - | - |
| Total | | 477,683 | 477,683 | - | - |
| Current liabilities | | | | | |
| Accounts payable | | 380,356 | 380,356 | - | - |
| Share application | | 310,200 | 310,200 | - | - |
| Other payables | | 222,393 | 222,393 | - | - |
| Total | | 912,949 | 912,949 | - | - |

22 Financial risk management (Continued)

(c) Net fair values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and liabilities are readily traded on organised markets in standardised form.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the consolidated statement of financial position and notes to the financial statements.

(d) Sensitivity Analysis

The Group has performed a sensitivity analysis relating to its exposure to foreign currency risk at balance date. The effect on profit and equity as a result changes in the value of the Australian Dollar to the US Dollar and Euro with all other variables remaining constant, is not expected to be significant.

23 Earnings per share

| | 2013 | 2012 |
|---|-------------|-------------|
| | \$ | \$ |
| From continuing operations | | |
| Basic earnings per share | (0.04) | (0.04) |
| Diluted earnings per share | (0.04) | (0.04) |
| Weighted average number of shares used for the purposes of calculating diluted earnings per share reconciles to the number used to calculate basic earnings per share as follows: | | |
| - Basic earnings per share | 156,897,677 | 49,669,644 |
| - Employee share options | - | 6,337,817 |
| - Diluted earnings per share | 156,897,677 | 56,007,461 |
| Weighted average number of options outstanding not included in diluted EPS calculations as the options are anti-dilutive in nature | 5,737,000 | 12,155,303 |

The loss used to calculate earnings per share was \$6,191,113 (2012: \$1,784,131).



Bioxyne Limited
Directors Declaration
For the year ended 30 June 2013

24 Share based payments

(a) Fair value of share options granted in the year

No options were issued in the 2013 financial year.

The weighted average fair value of the share options granted during the 2012 financial is was \$1.16. Options were priced using the Black-Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions (including the probability of meeting market conditions attached to the option), and behavioural considerations.

d) Options at year end

| Details | No of options | Issue date | Date of expiry | Conversion price \$ |
|---|------------------|------------|----------------|---------------------|
| Consideration for acquisition of interests in Hunter Immunology Limited | 750,000 | 27/11/2008 | 25/11/2013 | 0.40 |
| | 100,000 | 5/12/2008 | 03/12/2013 | 0.20 |
| | 125,000 | 26/05/2009 | 24/05/2014 | 0.40 |
| | 1,062,000 | 29/03/2012 | 01/09/2013 | 0.24 |
| | 2,700,000 | 29/03/2012 | 14/05/2014 | 0.70 |
| | 1,000,000 | 29/03/2012 | 01/01/2015 | 0.40 |
| Total | 5,737,000 | | | |

(d) Movements in options during the year

| | 2013 No. | 2012 No. |
|------------------------------|---------------------|---------------------|
| Options | | |
| Balance at beginning of year | 18,493,120 | 17,000,000 |
| Granted during the year | 975,000 | 20,993,120 |
| Expired during the year | (13,731,120) | (19,500,000) |
| Balance at end of year | <u>5,737,000</u> | <u>18,493,120</u> |



Bioxyne Limited
Directors Declaration
For the year ended 30 June 2013

25 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 21.

(b) Transactions with other related parties

During the period:

- \$34,844 was paid to Crisp Legal a firm of which Glenn Crisp is a principal for legal services in the normal course of business at commercial rates;
- \$50,000 was paid to Crafers Connect Pty Ltd a company in which Ian Mutton is a director and shareholder for services rendered in the normal course of business at normal commercial rates;
- \$16,665 was paid to Mainz Consulting Limited, a company of which Doug Wilson is a director for consulting services in the normal course of business at commercial rates;
- \$13,929 was paid or accrued to Diskdew Pty Ltd, a company of which Patrick Ford is a director for consulting services in the normal course of business at commercial rates;
- \$40,670 was paid to Veritas Securities Limited for the underwriting of the capital placement during the year. Mr Patrick Ford is a director of Veritas.
- \$38,681 was paid or accrued to BioScience Managers Pty Ltd, a company of which Jeremy Curnock Cook is a director for consulting services in the normal course of business at commercial rates.
- \$21,346 was paid or accrued to Anthony Ho for consulting services in the normal course of business at commercial rates;
- \$71,500 was paid to Cabot Square, a company of which Ashok Jairath is a director for consulting services in the normal course of business at commercial rates;
- \$45,729 was paid or accrued to Wigram Trading Pty Ltd, a company of which Philip Comans is a director for consulting services in the normal course of business at commercial rates.

26 Economic dependency

The Group has only one major customer in the US, which accounts for all of the group's external sales.

As is typical for a drug development company, the Company has significant annual deficits in operating profit and cash flow and is dependent on ongoing financing cash inflows to continue as a going concern.

For further information, please refer to note 1(c) of the financial report.



Bioxyne Limited
Directors Declaration
For the year ended 30 June 2013

27 Parent Entity – Bioxyne Limited

| | 2013 | 2012 |
|-------------------------------|--------------------|---------------------|
| | \$ | \$ |
| Financial position | | |
| Assets | | |
| Total current assets | 317,464 | 622,473 |
| Total non-current assets | 179,727 | 6,224,639 |
| Total assets | 497,191 | 6,847,112 |
| Liabilities | | |
| Total current liabilities | 1,630,961 | 1,123,908 |
| Total non-current liabilities | - | - |
| Total liabilities | 1,630,961 | 1,123,908 |
| Equity | | |
| Contributed equity | 56,242,901 | 56,085,400 |
| Reserves | 710,481 | 574,845 |
| Accumulated losses | (58,087,152) | (50,937,041) |
| Total (deficit) equity | (1,133,770) | 5,723,204 |
| Financial performance | | |
| Loss for the year | (7,014,475) | (23,010,773) |
| Other comprehensive income | - | - |
| Total comprehensive loss | (7,014,475) | (23,010,773) |

28 Company details

Corporate Head Office and Principal Place of Business

Suite 404
 25 Lime Street
 Sydney NSW 2000
 Telephone: (02) 8296 0000