ABN: 97 084 464 193

C/- Traverse Accountants
Suite 404/25 Lime Street Sydney NSW 2000

BIOXYNE LIMITED

ABN 97 084 464 193

Financial Statements
for the Year ended 30 June 2014

Bioxyne Limited
2014 Financial Report

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Bioxyne Limited
Corporate Governance Statement

The Board of Directors of Bioxyne Limited (“Bioxyne”or “the Company”) is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and accountable to.

Bioxyne has adopted the best practice recommendations established by ASX Corporate Governance Council. The board considers and applies these recommendations to the extent there is sound reason to do so given the circumstances of the Company.

The suite of corporate governance material that the Company abides by is available under Investor tab of the Bioxyne website www.bioxyne.com.

Principle 1: Lay solid foundation for management and oversight

Role of Board and management

The Company has formal policies and procedures that are distributed to all employees, consultants and Directors. It does not have a formal statement of matters that are delegated to management specifically. The Board of Directors is of the opinion that in a Company of this size, fewer than 20 employees, such a statement would be unnecessarily formal. Also, as the chief executive (as appointed) and chief financial officer attend all board meetings, the distinction between the Board and management is not sufficient to warrant a formal statement of the segregation of duties. However, the guiding principles for the role and the conduct of the board are set out in section 8 of the Company’s constitution. In addition, when directors are appointed, the letter of appointment deals with the Company’s disclosure and share trading policies as well as ASX disclosure requirements. The constitution is available under the ASX Announcements in the investor section of the Company’s website.

Principle 2: Structure the board to add value

Structure of the Board

The skills, experience and expertise relevant to the position of director held by each director in office at the date of the Annual Report is included in the Directors’ Report on pages 9-16. Directors of Bioxyne are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

In the context of director independence “materiality” is considered from both the company and the individual director’s perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than 5% of the appropriate base amount. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10% of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it and other factors which point to the actual ability of the director in question to shape the direction of the Company’s loyalty.

In accordance with the definition of independence above and the materiality thresholds set, the following directors of Bioxyne are considered to be independent.

Bioxyne Limited
Corporate Governance Statement (Continued)

Name	Position
Anthony Ho	Non-executive director
George Xavier Cameron-Dow	Non-executive director (Appointed 21 July 2014)
Patrick Douglas Ford	Non-executive director
Jeremy Curnock Cook	Non-executive director (Resigned 21 July 2014)

There are procedures in place, agreed by the Board, to enable directors, in furtherance of their duties, to seek Independent professional advice at the Company's expense.

The term in office of each director as at the date of this report is as follows:

Name	Term in office
Anthony Ho	1 year, 11 months
George Xavier Cameron-Dow	2 months
Patrick Douglas Ford	6 years and 3 months (re-elected 29 November 2013)

Board Committees

The board has two committees:

- Audit and Risk Management Committee
- Remuneration Committee

The Company does not have a separate nominations committee. Nominations for appointment as a director are considered by the full Board.

Performance Evaluation

The Company does not have a formal annual assessment of the performance of the Board, Committees and the Directors. The Board has a continuous informal evaluation process to ensure adherence of the Company's Corporate Governance Policies.

Currently, the Company does not have any employees and the current CFO / Company Secretary is engaged on a consulting basis and is evaluated by the board on an ongoing basis.

Conflict of Interests

There was no conflict of interest during the reporting period.

Bioxyne Limited
Corporate Governance Statement (Continued)

Principle 3: Promoting ethical and responsible decision making

The Company has a written code of conduct that is distributed to all employees and directors. The document has not been released publicly. The Company's share trading policy for directors and employees is posted on the Company's web site.

The Company is committed to attracting and retaining executives capable of managing the Company's operations. The Company has no employees. Directors and support personnel are engaged on the basis of their qualifications, skills and expertise for the management of the affairs of the Company. At this stage the Company's operation is not of a size and scale to consider a diversity policy.

Principle 4: Safeguarding the integrity of financial reporting

Audit and Risk Management Committee

The board has an established audit committee. The committee has a formal audit charter approved by the board. The charter is available under Corporate Governance in the investor section of the Company's website.

It is the board's responsibility to ensure that an effective internal control framework exists within the entity. This includes internal controls to deal with both the effectiveness and efficiency of significant business processes, the safeguarding of assets, the maintenance of proper accounting records, and the reliability of financial information as well as non-financial considerations such as the benchmarking of operational key performance indicators. The board has delegated the responsibility for the establishment and maintenance of a framework of internal control and ethical standards for the management of the Company to the audit committee.

The audit committee reviews the efficiency and effectiveness of the external auditors on a regular basis and determines from those reviews the performance of the external auditors. The Company requires that the external auditors rotate their audit engagement partners every five years. The committee also provides the board with additional assurance regarding the reliability of financial information for inclusion in the financial reports.

The members of the Audit and Risk Management Committee are:

- Patrick Ford
- George Cameron-Dow

Qualifications of Audit and Risk Management Committee members

Mr Ford holds a Commerce degree and is a stockbroker with experience of financial and accounting matters.

Mr. Cameron-Dow Master of Management (cum laude) Wits, SEP Stanford (USA), FAICD, FAIM

At the date of this report, the Company does not have an appointed Chief Executive Officer.

In place of an attestation by the CEO, Mr Jarrod White, the CFO, has made a declaration required by the section 295A of the Corporation Act and recommended under Recommendation 4.1 and Recommendation 7.2 of the ASX Principles.

The declaration states to the board in writing that to the best of his knowledge the integrity of the financial statements accord with relevant accounting standards, present a true and fair view, and are founded on a sound system of risk management and internal compliance and controls which operates efficiently and effectively in all material respects.

External Audits

RSM Bird Cameron Partners was appointed as the Company's auditor at the AGM held on 23 June 2008. Auditor reports directly to the Audit & Risk Management Committee and has unrestricted access to the board members. Additionally, the auditor attends AGM and answers any questions raised by shareholders in relation to the conduct of the audit. The auditor's role is to report to shareholders that the financial statements give a true and fair view of the Company's financial position and are in compliance with Australian Accounting Standards.

Principle 5: Timely disclosure of material matters

The Company has a continuous disclosure policy, which is available under Corporate Governance in the Investor section of the Company's website. This policy facilitates compliance with the Company's obligations under the ASX listing rules and to ensure that accurate disclosure to the shareholders and the investment markets.

Principle 6: Respect the rights of the shareholders

The Company recognises the importance of effective communication with its shareholders. At the date of this report all material market sensitive matters affecting the Company were released through the ASX to shareholders. Matters that are not necessarily market sensitive but of interest to shareholders are released by regular shareholders' update letters.

Participation at shareholders' meetings is encouraged and shareholders are invited to attend. Where they are unable to attend, shareholders are encouraged to exercise their vote on resolutions by proxy.

The Company auditor attends the AGM and is available to answer shareholder questions about the conduct of the audit and of the auditor's report.

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Principle 7: Recognition and management of risk.

The Company's Audit Committee also acts as the Risk Management committee.

Bioxyne Limited
Corporate Governance Statement (Continued)

Due to the current operations of the Company, a simplified version of the Risk Oversight and Management Policy has been adopted. The policy is available under Corporate Governance in the investor section of the Company's website.

Additionally, the CFO provided a statement to the board as detailed under Principle 4: Safeguarding the integrity of financial reporting.

Principal 8: Remunerate fairly and responsibly

It is the Company's objective to maximise stakeholder value from the retention of a high calibre board and executive team by remunerating directors and key executives fairly and appropriately with reference to relevant employment market conditions. The expected outcomes of the remuneration structure are:

- retention and motivation of key executives, and
- attraction of quality management to the company

A full discussion of the Company's remuneration philosophy and framework and the remuneration received by directors and executives in the current period is contained in the Remuneration Report section of the Directors' Report on page 14.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors. The board is responsible for determining and reviewing compensation arrangements for the directors themselves, the Executive Director and the executive team.

The board has established a remuneration committee, comprising three directors. Members of the Remuneration Committee are:

- Anthony Ho
- Patrick Ford
- George Cameron-Dow

The committee does not have a formal charter as there are fewer than 20 employees and such is not regarded as necessary by the directors at this time.

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C/- Traverse Accountants
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Chairman's Letter

Dear fellow shareholder,

On behalf of the directors of Bioxyne Limited (the Company), I am pleased to report on the activities of the Company for the year ended 30 June 2014.

The Company reached a significant milestone during the year when it reported a profit after tax of $1,190,827 (2013: loss $6,191,113). The results included a gain from the sale of Hunter Immunology Pty Limited (HIPL) of $929,607 and legacy non recurring expenses of $159,441. More importantly, the Company is generating positive cash flow from its operations. This turnaround was driven by increased sales of our PCC probiotic business and a vigilant cost management programme.

Included in the year's results was a maiden royalty income from our distributor. This royalty stream is expected to increase in the years ahead.

The sale of Hunter Immunology Pty Limited also eliminated the high costs of maintaining the global renewal costs of the HI-164OV intellectual properties.

Consideration for the sale of HIPL to Mariposa Health Limited ("MHL") was:

- Cash consideration of $175,000. ;
- Assumption of a debt in HIPL by MHL of around $60,000;
- Shares in MHL of $325,000 at a deemed price of 16.5 cents per share (equivalent to 5% shareholding in MHL);
- Deferred consideration of $1 million subject to successful commercialisation of HI 164;
- Ongoing royalty between 2% to 6.5% subject to successful commercialisation of HI 164 and prospective structure of the commercialisation.

As recently announced to the ASX, the Company has initiated a strategic review of our PCC probiotic business with the appointment of Mr. Ian Brown. The review intends to formulate a strategic marketing plan to widen distribution and product offering from products manufacture from our PCC probiotic strain.

In July 2014, Dr. Jeremy Curnock Cook resigned as a non-executive director of the Company to take on a CEO role in London. Dr. Curnock Cook was a major contributor to the board. On behalf of the directors and shareholders, I thank him for his contributions and our best wishes for his new role. Mr.George Cameron-Dow, an experienced director in the biotechnology sector was appointed by the board to fill the vacancy.

On 2 December 2013, Dr. Phillip Comans stepped down as CEO of the Company. The directors thank Dr. Comans for his assistance during his tenure.

Your directors are committed to growing the Company's business. The accumulating cash balance and the strengthening of the balance sheet puts the Company in a good position to consider new opportunities to grow shareholders value.

We are grateful for the ongoing support of our shareholders and service providers.

Yours sincerely,

Anthony Ho
Non-executive Chairman
30 September 2014

Directors' Report

Your directors present their report on Bioxyne Limited (ASX: BXN) for the year ended 30 June 2014.

Directors

The following persons were directors of Bioxyne Limited during the financial year and up to the date of this report:

Anthony Ho	Non-executive Chairman
George Xavier Cameron-Dow	Non-executive Director (appointed 21 July 2014)
Patrick Douglas Ford	Non-executive Director
Jeremy Curnock Cook	Non-executive Director (resigned 21 July 2014)

Chief Executive Officer

The former Chief Executive Officer (CEO), Dr Phillip Comans resigned on 2 December 2013. No replacement CEO was appointed and the day to day management of the Company has since been undertaken by the CFO with Board input and oversight.

Company Secretary

Mr Jarrod Travers White

Chief Financial Officer

Jarrod Travers White, B. Bus, CA, CTA

Mr White was appointed CFO on 18 February 2013.

Mr White is a Chartered Accountant and Director of Traverse Accountants Pty Ltd. Mr White has been associated with Bioxyne Limited since its relisting in 2012. He is currently the external consultant providing corporate, financial, and taxation services to the Company.

Information on Directors as at Report Date

Anthony Ho, B. Comm., CA, FAICD, FCIS, FGIA (Non-Executive Chairman)

Mr Ho was appointed on 30 October 2012.

Mr Ho is a Chartered Accountant and has extensive corporate financial management experience, having held Finance Director/CFO roles with a number of ASX listed companies. Mr. Ho also chairs audit committees in a number of ASX listed companies.

Directorships of Listed Companies Now and in the last 3 years

Mr Ho is currently the non-executive chairman of Greenland Minerals & Energy Limited (ASX: GGG), a non executive director and chairman of the Audit Committee of Apollo Minerals Limited (ASX:AON) and Hastings Rare Metals Limited (ASX: HAS).

Directors' Report (Continued)

Mr. Ho was previously the non-executive chairman of Esperance Minerals Limited, St George Community Housing Limited and Metal Bank Limited. He was also a former non-executive director of Brazin Limited, Dolomatrix International Limited and Quality Improvement Council Limited.

George Cameron-Dow, Master of Management (cum laude) Wits, SEP Stanford (USA), FAICD, FAIM (Non-Executive Director)

Mr Cameron-Dow was appointed on 21 July 2014.

Mr. Cameron-Dow is a founding director of the corporate advisory firm St. George Capital Pty Limited and investment fund manager, Fleming SG Capital Pty Limited. His extensive corporate experience included being a director of JSE listed industrial group Consol Limited, and chairman of a number of Retirement and Health Insurance funds.

Directorships of Listed Companies Now and in the last 3 years

Mr. Cameron-Dow is currently chairman of ASX listed Windward Resources Limited (ASX:WIN) and Naracoota Resources Limited (ASX:NRR). Mr. Cameron-Dow was previously the managing director of the then ASX listed Xceed Capital Limited and a past director of ASX listed biotechnology company Calzada Limited (ASX:CZD).

Patrick Ford, B. Comm (Non-Executive Director)

Mr Ford was appointed on 17 May 2005.

Mr Ford is the chairman of the Audit Committee.

Mr Ford is a Sydney based stockbroker and Director of Veritas Securities Limited and also provides consulting services through his private company Diskdew Pty Ltd. He has an extensive experience of capital raising and advisory services to the Australian Biotechnology sector. He holds a Bachelor of Commerce degree from University of Canberra.

Directorships of Listed Companies Now and in the last 3 years

Mr Ford is currently Director and Non Executive Chairman of Bora Bora Resources Limited (ASX:BBR).

Directors throughout the Financial Year

Jeremy Curnock Cook, BA (Hons), MA

Mr Curnock Cook resigned on 21 July 2014.

Directors' Report (Continued)

Principal Activities and Strategy

In past years, the principal activities of the Group were the research and development of products for the ongoing treatment of Chronic Obstructive Pulmonary Disease.

In the current financial year the Company's core activity shifted to the manufacture, marketing and distribution of consumer dietary supplements based on the proprietary probiotic strain of Lactobacillus fermentum. The Company has a global distribution agreement with Denmark's Chr Hansen to manufacture, market, supply and distribute its proprietary probiotic strain for over the counter supplement products.

Dividends

No dividends were paid to members during the financial year (2013: $Nil).

Review of operations

Ongoing Activities

The Group continued to export probiotics into the global markets in FY 2014. Sales grew significantly from the previous year as a result of a renewed focus on sales and marketing of the PCC probiotic strain.

Sale of Hunter Immunology Pty Ltd

During the year, the Group completed the successful sale of wholly owned subsidiary Hunter Immunology Pty Ltd ("HIPL"). Consideration for the sale of HIPL together with its HI 164 COPD oral vaccine intellectual property to Mariposa Health Limited ("MHL") was:

- Cash consideration of $175,000;
- Assumption of a debt in HIPL by MHL of around $60,000;
- Shares in MHL of $325,000 at a deemed price of 16.5 cents per share (equivalent to 5% shareholding in MHL);
- Deferred consideration of $1 million subject to successful commercialisation of HI 164;
- Ongoing royalty between 2% to 6.5% subject to successful commercialisation of HI 164 and prospective structure of the commercialisation.

Operating Results

The net profit after tax for the year was $1,190,827 (2013: loss $6,191,113) and exceeded the forecast profit of no less than $750,000 as advised to the ASX June 2014. The results included a profit from the sale of HIPL of $929,607 and legacy non recurring expenses of $159,441

Directors' Report (Continued)

Matters Subsequent to Balance Date

No other matter or circumstance has arisen since 30 June 2014 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of operations have not been included in this financial statements because the directors believe it could potentially result in unreasonable prejudice to the Group.

Environmental regulation

The Group operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. The Board considers that adequate systems are in place to manage the Group's obligations and is not aware of any breach of environmental requirements as they relate to the group.

Indemnification of officers

During the financial year the Group paid premiums in respect of a contract insuring Directors, Chief Financial Officers and Company Secretaries of Bioxyne and Hunter Immunology and Executive Officers against a liability incurred to the extent permitted by the Corporations Act, 2001. Further disclosure required under section 300(9) of the Corporations Act 2001 is prohibited under the terms of the insurance contract.

Proceedings on behalf of the Group

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Group, or to intervene in any proceedings to which the Group is a party, for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Group with leave of the Court under section 237 of the Corporations Act 2001.

Audit and non-audit services

During the year the following fees were paid or payable for services provided by the auditor of the Group, its related practices and non-related audit firms:

	2014	2013
	$	$
RSM Bird Cameron Partners		
Audit of financial reports	51,000	25,000
Other services	-	16,000
Total remuneration for audit and other services	51,000	41,000

Directors' Report (Continued)

Options

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 ($)
Attaching options issued pursuant to the 2013 transaction funding placement	11,553,886	23/12/2013	31/03/2015	0.04
	2,000,000	23/12/2013	31/03/2015	0.04
	1,000,000	29/03/2012	01/01/2015	0.40
Total	14,553,886			

Meetings of directors

The numbers of meetings of the Group's board of directors held during the year ended 30 June 2014, and the numbers of meetings attended by each director were:

	A	B
Full Meetings of Directors		
Mr Anthony Ho	10	10
George Xavier Cameron-Dow	1	1
Mr Patrick Ford	10	10
Dr Jeremy Curnock Cook	6	10

A = Number of meetings attended
B = Number of meetings held during the time the director held office during the year

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 17.

Auditor

RSM Bird Cameron Partners was appointed as the Company's auditor at the AGM held on 23 June 2008 and continues as auditors of Bioxyne for the period under review.

Directors' Report (Continued)

Remuneration report

This report outlines the remuneration arrangements in place for directors and executives of the Group.

Remuneration philosophy

The performance of the Group depends upon the quality of its directors and executives, and the ability of the Group to attract, motivate and retain highly skilled directors and executives.

Remuneration committee

The Remuneration Committee of Directors is responsible for determining and reviewing compensation arrangements for the directors, the chief executive officer and the executive team. The Remuneration Committee assesses the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and executive team.

Salaries are reviewed periodically by the Committee but there is no specific link to Company performance as the Company has, until recently, been engaged mainly in research and development and linking remuneration to R&D outcomes would be inappropriate. In future, remuneration will be linked to the success in widening distribution of the probiotic.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive director remuneration

<u>Objective</u>
The Board of Directors recognises that the success of the company will depend on the quality of its directors and its senior management. For this reason the Remuneration Committee reviews the remuneration arrangements for all senior employees to ensure that it attracts and keeps motivated, highly skilled and appropriately qualified directors and executives.

<u>Structure</u>
Bioxyne's Constitution and the ASX listing rules specify that the aggregate remuneration of non-executive Directors shall be determined from time to time by a general meeting of shareholders. An amount not exceeding the amount determined by shareholders in general meeting is then available to be split between the Directors as agreed between them. The latest determination was at the Annual General Meeting held on 28th November 2003 when shareholders approved an aggregate remuneration amount of up to $250,000 per year.

The amount of aggregate remuneration sought to be approved by shareholders and the manner in which it is apportioned between directors is reviewed annually. The Board takes into account the fees paid to non-executive directors of comparable companies when undertaking the annual review process.

Each director receives a fee for being a director of the Group. The Chairman receives a higher fee in recognition of the additional time commitment required of a Chairman.

Directors' Report (Continued)

Non-executive directors are encouraged by the Board to hold shares in the company (purchased by the director on market). It is considered good governance for directors to have a stake in the company on whose board they sit.

Non-executive directors' remuneration is not linked to the performance of the Group.

The remuneration of non-executive directors for the period ending 30 June 2014 is detailed in Table 3 of this report.

Senior manager and executive director remuneration

Objective
The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company so as to ensure total remuneration is competitive by market standards.

Structure
In determining the level and make-up of executive remuneration, the Remuneration Committee reviews market conditions and the circumstances of the Company to ensure that the remuneration offered is sufficient to attract executives of the highest calibre.

Fixed remuneration

The fixed remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Equity Based Remuneration

The equity based remuneration of all employees is reviewed by the Remuneration Committee as is considered necessary.

Table 1 - Option holdings of key management personnel

Directors	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2014	Exercisable	Not exercisable
A Ho	-	-	-	-	-	-	-
P Ford	500,000	750,000	-	(250,000)	1,000,000	1,000,000	-
J Curnock Cook	-	-	-	-	-	-	-
Total	**500,000**	**750,000**	**-**	**(250,000)**	**1,000,000**	**1,000,000**	**-**

Table 2 - Shareholdings of key management personnel

Directors	Opening balance	Granted as compensation	Net other change	Balance 30/06/2014
A Ho	440,000	7,653,500	-	8,093,500
G Cameron-Dow	-	-	-	-
P Ford	596,800	4,547,200	2,087,021	7,231,021
J Curnock Cook		4,732,794	(4,732,794)	-
Other Key Management Personnel				
P Comans	13,585,626	6,250,000	(600,000)	19,235,626
Total	**14,622,426**	**23,183,494**	**(3,245,773)**	**34,560,147**

Directors' Report (Continued)

Table 3 – Directors and key management personnel remuneration for the year ended 30 June 2014

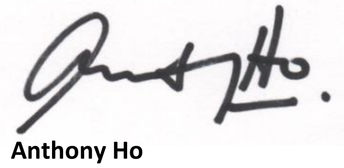
2014	Short term employee benefits Cash salary and fees	Non-monetary benefits	Other fees	Post-employment benefits	Share based payments	Total
Name	**$**	**$**	**$**	**$**	**$**	**$**
Directors						
A Ho	43,706	-	-	-	21,850	65,556
G Cameron-Dow	-				-	-
P Ford	29,133	-	-		14,567	43,700
J Curnock Cook	29,133	-	-	-	14,567	43,700
Other Key Management Personnel						
P Comans	-	-	-	-	10,000	10,000
Total	**101,972**	**-**	**-**	**-**	**60,984**	**162,866**

Registered Office

Bioxyne Limited
C/- Traverse Accountants
Suite 404, Level 4
25 Lime Street
Sydney NSW 2000
Australia

Signoff

This report is made in accordance with a resolution of directors.



Anthony Ho
Non Executive Chairman

30 September 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
Level 12, 60 Castlereagh Street Sydney NSW 2000
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T +61 2 8226 4500 **F** +61 2 8226 4501

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bioxyne Limited for the year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 30 September 2014

Bioxyne Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2014

	Notes	2014 $	2013 $
Revenue from continuing operations			
Sale of goods		2,305,227	880,497
Other income	2(v), 3	1,021,812	402,168
Cost of goods sold		(1,241,531)	(438,957)
Expenses			
Research and development		-	(603,175)
Business development		-	(33,298)
Marketing		-	(34,148)
Professional fees		(394,694)	(879,731)
Compliance costs		(117,902)	(146,565)
Legal fees		(51,809)	(420,282)
Employee benefits		(176,962)	(449,333)
General and administration		(141,989)	(226,983)
Finance costs		(11,325)	(6,605)
Profit/ (Loss) before income tax		**1,190,827**	**(1,956,412)**
Income tax (expense)	4	**-**	**(4,234,701)**
Other comprehensive income for the year		-	-
Total comprehensive Profit/(loss) for the year		**1,190,827**	**(6,191,113)**
Profit/ (Loss) is attributable to:			
Members of Bioxyne Limited		**1,190,827**	**(6,191,113)**
Earnings per share			
From continuing operations			
- Basic/diluted loss per share	22	0.01	(0.04)
From discontinued operations			
- Basic/diluted loss per share	22	-	-

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 2014

	Notes	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	5	992,378	210,621
Current tax receivables	6	20,188	370,785
Trade and other receivables	7	161,606	119,667
Total Current Assets		**1,174,172**	**701,073**
Non-Current Assets			
Other financial assets	8	325,000	-
Property plant and equipment	10	-	1,147
Total Non-Current Assets		**325,000**	**1,147**
Total Assets		**1,499,172**	**702,220**
LIABILITIES			
Current Liabilities			
Trade and other payables	11	427,257	912,949
Total Current Liabilities		**427,257**	**912,949**
Total Non-Current Liabilities		**-**	**-**
Total Liabilities		**427,257**	**912,949**
Net Assets/(Liabilities)		**1,071,915**	**(210,729)**
EQUITY			
Contributed equity	13	57,426,940	28,126,933
Reserves	14	123,304	640,280
Accumulated losses	14	(56,478,329)	(28,977,942)
Equity/(Deficiency in equity)		**1,071,915**	**(210,729)**

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 2014

	Notes	Contributed equity $	Accumulated Losses $	Reserves $	Total $
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)**
2014					
At 30 June 2013		28,126,933	(28,977,942)	640,280	(210,729)
Effect of disposal of HIPL	2(iii)	28,974,010	(29,401,695)	70,200	(357,483)
Total comprehensive income for the year	2(v)	-	1,190,827	-	1,190,825
Contributions of equity, net of transaction costs		325,997	-	-	325,997
Options issued during the year		-	-	123,305	123,305
Options cancelled during the year		-	710,481	(710,481)	-
At 30 June 2014		**57,426,940**	**(56,478,329)**	**123,304**	**1,071,915**

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 2014

	Notes	2014 $	2013 $
Cash flows from operating activities			
Receipts of other income (inclusive of goods and services tax)		2,377,705	910,516
Payments to suppliers and employees (inclusive of goods and services tax)		(2,136,109)	(3,418,280)
		241,596	**(2,507,764)**
Research and development tax rebate		370,785	1,538,232
Finance charges		(11,325)	(6,604)
Interest received		5,701	4,432
Net cash Inflow /(Outflow) from operating activities	18	**606,757**	**(971,704)**
Cash flows from investing activities			
Proceeds from disposal of HIPL		175,000	-
Net cash inflow from investing activities		**175,000**	**-**
Cash flows from financing activities			
Proceeds from issues of shares net of transaction costs	13(b)	-	402,701
Net cash inflow from financing activities		**-**	**402,701**
Net increase/(decrease) in cash and cash equivalents		781,757	(569,003)
Cash and cash equivalents at the beginning of the financial year		210,621	779,624
Cash and cash equivalents at end of the year	5	**992,378**	**210,621**

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

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 pursuant to the *Corporations Act 2001.*

(a) Basis of preparation

Reporting Entity

The financial report of Bioxyne Limited for the year ended 30 June 2014 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 Note2.

Comparative information is reclassified where appropriate to enhance comparability.

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 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 acquiree 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 'Non-current 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.

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) 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.

1 Summary of significant accounting policies (continued)

(ii) 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.

(d) 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.

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.

(e) 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.

1 Summary of significant accounting policies (continued)

(f) 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.

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.

(g) Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable Accounting Standard.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (ie the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (ie the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

1 Summary of significant accounting policies (continued)

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instrument, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

(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).

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.

1 Summary of significant accounting policies (continued)

(iii) Share - based payments

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.

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.

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.

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.

1 Summary of significant accounting policies (continued)

<u>De-recognition of financial liabilities</u>

The Group de-recognises 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 and amended accounting standards adopted by the Group

At the date of authorisation of the financial statements the following standards and interpretations have been applied where applicable;

- AASB 10 Consolidated Financial Statements
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurements
- AASB 119 (2011) Employee Benefits
- AASB 127 (2011) Separate Financial Statements
- AASB 128 (2011) Investments in Associates and Joint Ventures
- INT 20 Stripping Costs in the Production Phase of a Surface Mine
- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements

AASB 10 provides a revised definition of "control" and may result in an entity having to consolidate an investee that was not previously consolidated and/or deconsolidate an investee that was consolidated under the previous accounting pronouncements.

1 Summary of significant accounting policies (continued)

(u) New and amended accounting standards for application in future periods

The following 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 The key changes made to the Standard that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of AASB 9, the application of such accounting would be largely prospective. The directors do not anticipate that the adoption of AASB 9 will have a significant impact on the Group’s financial instruments.	1 January 2015	30 June 2016
AASB 2012-3 ‘Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities’ This Standard provides clarifying guidance relating to the offsetting of financial instruments, which is not expected to impact the Group’s financial statements.	1 January 2014	30 June 2015

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, where applicable, 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 23 (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) Disposal of Hunter Immunology Limited (HIPL) by Bioxyne Limited (BXN)

On 4 April 2012, BXN acquired HIPL. The transaction was considered to be a reverse acquisition of BXN by HIPL under AASB 3 *Business Combinations*.

The reverse acquisition accounting treatment had the following effects on the financial statements of BXN per AASB3.B22:

- The consolidated equity balance reflected the pre-acquisition equity balances of HIPL;
- The consolidated share equity balance equalled the pre-acquisition equity of HIPL plus the fair value of BXN;
- The equity structure of the consolidated entity reflected the equity structure of BXN in the Note disclosures.

In the current period BXN disposed of HIPL, which has resulted in adjustments to equity balances to reflect the equity balances of the consolidated entity with BXN as the parent for accounting and legal purposes as at 30 June 2014. This adjustment was required because the closing equity balances at 30 June 2013 reflected those of HIPL as the accounting parent in the group. The effect on the equity balance of the group has been disclosed in the Consolidated Statement of Changes of Equity under "Effect of Disposal of HIPL".

(iv) Consideration transferred for divestment

Included in the consideration for the disposal of HIPL were 1,969,697 shares which were issued at an issue price of 16.5 cents per share amounting to $325,000. The directors have satisfied themselves that the issue price of $325,000 approximated fair value at the time of the transaction and are of the opinion that such value has not changed materially as at the reporting date.

In additional to the above, part of the total consideration paid to BXN for the disposal of HIPL included a deferred consideration of $1million, payable on achievement of agreed milestones over the next 5 years. This has not been reported in the financial statements. The deferred consideration will be recognised as and when it is received.

The deferred consideration also includes an obligation to pay royalties, which is agreed to be 6.5% of the gross revenue received by the company, MHL or related entities in respect to the sale of the sublicensing or Intellectual property rights, including any sale proceeds or Sub-Royalties.

To the extent that products are manufactured based on the intellectual property, royalties are calculated as 2% of Gross revenue.

Further to the above, the parties also agreed that any tax benefit including *Research and Development Tax Incentive* from the ATO or other government organisation after the date of completion, that relates to expenditure prior to the completion date when received by the company will be payable to BXN in the following proportion.

75% to the Vendor (BXN) and;25% to the purchaser (MHL).At reporting date BXN is not aware of whether there is any tax benefit due.

(v) Gain on sale

The large movement in the profit from ordinary activities after tax is attributable to the disposal of Hunter Immunology Pty Limited (HIPL), which was completed on 24 February 2014.

Total net profit excluding other income (i.e. before the disposal of HIPL) was $261,220 (2013 loss: $1,956,412) which is due to an 152% growth in the revenue from the sale of PCC products. This is a significant improvement in the sales from the probiotics business.

The gain on sale as calculated and disclosed at Other income (Note 3) was a one off revenue $929,607 which consisted of the $500,000 in total consideration received throughout the year and reversals of accounting revaluations of impairments to goodwill that had taken place in the 2012 and 2013 FY's as required by AASB 3 when considering the deconsolidation of a subsidiary.

3 Other income

	2014 $	2013 $
Research and development tax Incentive	-	379,489
Government grants	-	6,927
Gain on disposal of HIPL	929,607	-
Interest received	5,702	4,432
Other income	86,503	11,320
	1,021,812	**402,168**

Government grants

Export marketing development grants of $nil (2013: $6,927) 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 2013 financial year.

Future Research and Development grant is dependent on the consolidated group conducting approved research and development programmes.

Gain on disposal of HIPL

The gain on sale as calculated was a one off revenue $929,607 which consisted of the $500,000 in total consideration received throughout the year and reversals of accounting revaluations of impairments to goodwill that had taken place in the 2012 and 2013 FY's as required be AASB 3 when considering the deconsolidation of a subsidiary.

4 Income tax benefit

(a) Income tax benefit

	2014 $	2013 $
Deferred tax	-	4,234,701
	-	**4,234,701**

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

	2014 $	2013 $
Profit/ (Loss) from continuing operations before income tax expense	1,190,827	(1,956,412)
Tax at the Australian tax rate of 30% (2013 - 30%)	**357,248**	**(586,924)**
Tax effect of amounts which are not (taxable)/deductible in calculating taxable income	(111,569)	79,399
De-recognition of tax benefit on carried forward losses	-	4,234,701
Tax (expense)/benefit not recognised	-	507,525
Unrecognised carried forward tax benefit applied in current year*	(245,679)	-
Total income tax expense	**-**	**4,234,701**

* The above unrecognised carried forward tax benefit applied in current year of $245,679 (2013: Nil) represents income taxes due but not payable as a result of the application of prior year losses available to the Company, but not currently recognised on the balance sheet due to the company's current policy with regard to the recognition of deferred tax assets (Note 1(f)).

	2014 $	2013 $
4 Income tax benefit (continued)		
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	26,370,163	27,189,096
Potential tax benefit @ 30%	**7,911,049**	**8,156,729**

5 Current assets - Cash and cash equivalents

	2014 $	2013 $
Cash at bank and in hand	992,378	210,621
	992,378	**210,621**

Cash at bank and in hand is non-interest bearing.

6 Current assets – Current tax receivables

	2014 $	2013 $
Current tax receivable	20,188	370,785
	20,188	**370,785**

7 Current assets – Trade and other receivables

	2014 $	2013 $
Trade debtors	120,924	106,898
Prepayments	40,682	12,769
	161,606	**119,667**

8 Other financial assets

	2014 $	2013 $
Non-current		
Available-for-sale financial assets	325,000	-
	325,000	**-**

(a) Available-for-sale financial assets

	2014 $	2013 $
Unlisted investments, at fair value:		
- shares in other corporations	325,000	-
Total available-for-sale investments at fair value	**325,000**	**-**

9 Goodwill

	2014 $	2013 $
Cost	-	1,511,132
Accumulated impairment losses	-	(1,511,132)
	-	-
Cost		
Balance at beginning of year	1,511,132	1,511,132
Amounts de-recognised from disposal of subsidiary	(1,511,132)	-
Balance at end of year	**-**	1,511,132
Accumulated impairment losses		
Balance at beginning of year	(1,511,132)	(1,511,132)
Amounts de-recognised from disposal of subsidiary	1,511,132	-
Balance at end of year	**-**	(1,511,132)

Impairment of goodwill

In the 2012 financial year, Hunter Immunology Limited (HIPL) acquired Bioxyne Limited for $3,236,586. At the time the transaction took place the net assets acquired totalled $1,725,454 resulting in a recorded goodwill on consolidation of $1,511,132.

The goodwill was subsequently impaired by the directors to nil recovery value. The gain on the disposal of HIPL was calculated based on the FV on the net assets of HIPL on the date of disposal (Note 2).

10 Property, plant and equipment

	2014 $	2013 $
Office equipment at cost	25,978	28,032
Accumulated depreciation	(25,978)	(26,885)
	-	**1,147**
Balance at beginning of year	1,147	3,308
Acquisition during the year	-	-
Disposed of in business combination	(1,147)	-
Depreciation	-	(2,161)
Balance at end of year	**-**	**1,147**

11 Current liabilities - Trade and other payables

	2014 $	2013 $
Trade payables	238,228	380,357
Share applications	-	310,200
Accrued expenses	189,030	179,303
GST payable	-	40,279
Other payables - employee benefits	-	2,810
	427,258	**912,949**

12 Deferred tax assets and liabilities

	2014 $	2013 $
Deferred tax assets		
Total deferred tax assets	**-**	**-**
Movement in deferred tax assets		
Opening balance 1 July 2013/2012	-	4,234,701
De-recognition of deferred tax assets – written off to profit and loss	-	(4,234,701)
Closing balance 30 June 2014/2013	**-**	**-**

13 Contributed equity

(a) Share capital

	2014 Shares	2014 $	2013 Shares	2013 $
Ordinary Shares Fully Paid	200,343,101	57,426,940	163,059,587	28,126,933

(b) Movements in ordinary share capital:

		Number of Shares	Issue price	$
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**
Opening balance	1-Jul-13	**163,059,587**		**28,126,933**
Effect of disposal of HIPL		-	-	28,974,010
Issue of shares				
- Allotment of ordinary shares (net of costs and options)		14,100,000	0.022	225,070
- Allotment of ordinary shares (net of costs and options)		23,183,514	0.006	100,927
Balance	**30-Jun-14**	**200,343,101**		**57,426,940**

13 Contributed equity (continued)

(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

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 ($)
placement	11,553,886	23/12/2013	31/03/2015	0.04
Attaching options issued pursuant to the 2013 transaction funding placement	2,000,000	23/12/2013	31/03/2015	0.04
	1,000,000	29/03/2012	01/01/2015	0.40
Total	14,553,886			

	2014 No.	2013 No.
Options		
Balance at beginning of year	5,737,000	18,493,120
Granted during the year	13,553,886	975,000
Expired during the year	(4,737,000)	(13,731,120)
Balance at end of year	14,553,886	5,737,000

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the ability to continue as a going concern.

14 Reserves and accumulated losses

	2014 $	2013 $
(a) Reserves		
Total reserves	**123,304**	**640,280**
Options reserve		
Movements in reserve were as follows:		
Balance 1 July 2013/2012	640,280	750,977
Effect of disposal of HIPL	70,201	-
Option issued	123,304	-
Options cancelled	(710,481)	(110,697)
Balance 30 June 2014/2013	**123,304**	**640,280**

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2014 $	2013 $
Opening accumulated losses	(28,977,942)	(22,897,526)
Effect of disposal of HIPL	(29,401,695)	-
Profit/ (Loss) for the year	1,190,827	(6,191,113)
Options cancelled	710,481	110,697
Balance 30 June 2014/2013	**(56,478,329)**	**(28,977,942)**

(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.

15 Remuneration of auditors

	2014	2013
Audit services		
Audit of financial reports – RSM Bird Cameron Partners	51,000	41,000
Total remuneration for audit services	**51,000**	**41,000**

16 Commitments

Capital commitments

As at 30 June 2014, the Group has no capital commitments.

17 Events occurring after the balance sheet date

No matter or circumstance has arisen since 30 June 2014 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.

18 Reconciliation of Profit/Loss after income tax to net cash outflow from operating activities

	2014 $	2013 $
Profit/(Loss) for the year	1,190,827	(6,191,113)
Depreciation	331	2,160
Non-cash employee benefits expense - share based payments	139,101	-
Accrued employee benefits (to be part settled in shares)	-	65,568
Gain on sale of HIPL	(929,607)	-
Change in operating assets and liabilities		
Decrease (Increase) in trade and other receivables	356,758	970,515
Decrease in prepayments	-	200,000
(Decrease) Increase in trade and other payables	(150,653)	(253,535)
Decrease (Increase) in deferred tax balances	-	4,234,701
Net cash inflow / (outflow) from operating activities	**606,757**	**(971,704)**

19 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 internationally.

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2014 and 30 June 2013.

Segment revenues and results

	Segment revenue		Segment profit	
	2014 $	2013 $	2014 $	2013 $
Probiotics	2,265,506	898,744	1,023,975	451,740
Immunotherapeutics	-	371,855	-	(256,570)
Other	1,061,533	12,066	1,061,533	12,066
Total for continuing operations	3,327,039	1,282,665	2,085,508	207,236
Central administration costs and directors salaries			(883,356)	(2,157,043)
Finance costs			(11,325)	(6,605)
Profit/(Loss) before tax - continuing operations			**1,190,827**	**(1,956,412)**

19 Segment information (continued)

Segment revenues and results

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2013: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note1. 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.

Segment assets

	2014 $	2013 $
Probiotics	1,153,984	317,464
Immunotherapeutics	-	384,756
Total segment assets	1,153,984	702,220
Unallocated	345,188	-
Consolidated total assets	1,499,172	702,220

Segment liabilities

Probiotics	427,258	707,919
Immunotherapeutics	-	205,030
Total segment liabilities	427,258	912,949
Unallocated	-	-
Consolidated total liabilities	427,258	912,949

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.

19 Segment information (continued)

Geographical information

	Australia		USA		Europe		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$	$	$
Revenue								
External sales	-	-	2,156,351	898,744	109,155	-	2,265,506	898,744
Gain on disposal on HIPL	929,607	-	-	-	-	-	929,607	-
Other revenues from external customers	131,926	383,921	-	-	-	-	131,926	383,921
Segment revenue	1,061,533	383,921	2,156,351	898,744	109,155	-	3,327,039	1,282,665

Assets and liabilities

	Australia 2014	Australia 2013	USA 2014	USA 2013	Europe 2014	Europe 2013	Total 2014	Total 2013
Segment assets	1,378,248	595,321	120,924	106,899	-	-	1,499,172	702,220
Segment liabilities	189,030	689,640	238,228	223,309	-	-	427,258	912,949
Segment depreciation	-	2,160	-	-	-	-	-	2,160

20 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
A.P. Ho	Chairman/Non Executive Director
P.D. Ford	Non-Executive Director
J.L Curnock Cook	Non-Executive director
P Comans	Chief Executive Officer

(b) Option holdings of key management personnel

Directors	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2014	Exercisable	Not exercisable
A Ho	-	-	-	-	-	-	-
P Ford	500,000	750,000*	-	(250,000)	1,000,000	1,000,000	-
J Curnock Cook	-	-	-	-	-	-	-
Total	**500,000**	**750,000**	**-**	**(250,000)**	**1,000,000**	**1,000,000**	**-**

*Does not include 2,000,000 broker options issued to Veritas Securities Limited pursuant to their role in the Transaction Funding Placement. Mr Patrick Ford is a Director of Veritas Securities Limited.

20 Key management personnel compensation (continued)

(c) Shareholdings of key management personnel

Directors	Opening balance	Granted as compensation	Net other change	Balance 30/06/2014
A Ho	440,000	7,653,500	-	8,093,500
P Ford	596,800	4,547,200	2,087,021	7,231,021
J Curnock Cook	-	4,732,794	-	4,732,794
Other Key Management Personnel				
P Comans	13,585,626	6,250,000	(600,000)	19,235,626
Total	**14,622,426**	**23,183,494**	**1,487,021**	**39,292,941**

(d) Details of remuneration

2014 Name	Short term employee benefits Cash salary and fees $	Non-monetary benefits $	Other fees $	Post-employment benefits $	Share based payments $	Total $
Directors						
A Ho	43,706	-	-	-	21,850	65,556
P Ford	29,133	-	-		14,567	43,700
J Curnock Cook	29,133	-	-	-	14,567	43,700
Other Key Management Personnel						
P Comans	-	-	-	-	10,000	10,000
Total	**101,972**	**-**	**-**	**-**	**60,984**	**162,956**

21 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 form 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:

	2014	2013
	$	$
Cash and cash equivalents	992,378	210,621
Trade debtors	120,924	106,898
Research and development tax incentive receivable	-	370,785
Other current assets	40,682	12,768

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.

21 Financial risk management (Continued)

	Weighted average interest rate 2014 %	Non-interest bearing 2014 $	Floating interest rate 2014 $	Fixed interest rate maturing within 1 year 2014 $	Total 2014 $
Financial Assets					
Cash and cash equivalents		-	992,378	-	992,378
Receivables		161,606	-	-	161,606
Total financial assets		161,606	992,378	-	1,153,984
Financial Liabilities					
Trade and other payables		427,258	-	-	427,258
Total financial liabilities		427,258	-	-	427,258

	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	161,606	161,606	-	-
Total	161,606	161,606	-	-
Financial liabilities				
Accounts payable	238,228	238,228	-	-
Other payables	189,030	189,030	-	-
Total	427,258	427,258	-	-

(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.

22 Earnings per share

	2014	2013
	$	$
From continuing operations		
Basic earnings per share	0.01	(0.04)
Diluted earnings per share	0.01	(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	182,315,907	156,897,677
- Diluted earnings per share	182,315,907	156,897,677
Weighted average number of options outstanding not included in diluted EPS calculations as the options are anti-dilutive in nature	14,553,886	5,737,000

The gain used to calculate earnings per share was $1,190,827 (2013: Loss $6,191,113).

23 Share based payments

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

13,553,886 options were issued in the 2014 financial year.

b) Options at year end

Details	No of options	Issue date	Date of expiry	Conversion price ($)
Attaching options issued pursuant to the 2013 transaction funding placement	11,553,886	23/12/2013	31/03/2015	0.04
	2,000,000	23/12/2013	31/03/2015	0.04
	1,000,000	29/03/2012	01/01/2015	0.40
Total	14,553,886			

c) Movements in options during the year

	2014	2013
	No.	No.
Options		
Balance at beginning of year	5,737,000	18,493,120
Granted during the year	13,553,886	975,000
Expired during the year	(4,737,000)	(13,731,120)
Balance at end of year	14,553,886	5,737,000

24 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 20.

(b) Transactions with other related parties

During the period:

- $52,775 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, as director's fees;
- $36,132 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 as director's fees.
- $32,500 was paid or accrued to Wigram Trading Pty Ltd, a company of which Philip Comans is a director for CEO services.

25 Fair Value Measurement

The Group measures and recognises the following assets and liabilities at fair value on a recurring basis after initial recognition:

- derivative financial instruments;
- financial assets held for trading; and
- available-for-sale financial assets.

The Group does not subsequently measure any liabilities at fair value on a non-recurring basis.

Fair Value Hierarchy

AASB 13: Fair Value Measurement requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

25 Fair Value Measurement (Continued)

Valuation Techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

In the absence of an active market for an identical asset or liability, the Group selects and uses one or more valuation techniques to measure the fair value of the asset or liability. The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured.

(i) **During the period there was no transfer from level 1 to 3 shares.**

	Fair Value Measurements at 30 June 2014 Using:		
	Quoted Prices in Active Markets for Identical Assets $ (Level 1)	Significant Observable Inputs $ (Level 2)	Significant Unobservable Inputs $ (Level 3)
Available-for-sale financial assets			
Investment in unlisted shares	-	-	**325,000**

26 Economic dependency

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

27 Parent Entity – Bioxyne Limited

	2014 $	2013 $
Financial position		
Assets		
Total current assets	1,174,172	317,464
Total non-current assets	325,000	179,727
Total assets	1,499,172	497,191
Liabilities		
Total current liabilities	427,258	1,630,961
Total non-current liabilities	-	-
Total liabilities	427,258	1,630,961
Equity		
Contributed equity	57,426,940	56,242,901
Reserves	123,305	710,481
Accumulated losses	(56,478,330)	(58,087,152)
Total equity/ (deficiency in equity)	**1,071,915**	**(1,133,770)**
Financial performance		
Profit/(Loss) for the year	850,117	(7,014,475)
Other comprehensive income	-	-
Total comprehensive Profit/(loss)	**850,117**	**(7,014,475)**

28 Reconciliation of Unaudited Appendix 4E to Audited Financial Statements

This financial report contains financial information which is different to that reported in the Appendix 4E released to the ASX on 29 August 2014.

Since lodgement non material adjustments have been made in the current year figures for the 30 June 2014 financial year to:

- Reduce the amount of cost of goods sold during the year ended 30 June 2014;
- Recognise accrued expenditure which increased the amount of expenses;
- Recognise the corresponding net difference of the expenses and accruals as a positive adjustment to current liabilities;
- Reallocate expenses to better match their comparative balances.

28 Reconciliation of Unaudited Appendix 4E to Audited Financial Statements (Continued)

		2014 $
Unaudited profit after tax per Appendix 4E		1,165,715
Add back: Cost of goods sold	32,639	
Less: Accrued expenses	(7,527)	
Subtotal:	**25,122**	
Audited profit after tax		**1,190,827**
Represented by:		
Increase in current assets		43,041
(Decrease) in current liabilities		(17,929)
Increase in total equity		**25,112**

29 Company details

Corporate Head Office and Principal Place of Business

C/- Traverse Accountants Pty Ltd
Suite 404, Level 4
25 Lime Street
Sydney NSW 2000
Telephone: (02) 8296 0000

Bioxyne Limited
Directors Declaration
For the year ended 30 June 2014

Declaration by Directors

The directors of the Company declare that, in the opinion of the directors:

(a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including

(i) giving a true and fair view of the financial position and performance of the consolidated entity; and
(ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;

(b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and

(c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Anthony Ho

Non Executive Chairman

30 September 2014

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF

BIOXYNE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Bioxyne Limited, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, 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 Bioxyne Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Bioxyne Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 15 of the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Bioxyne Limited for the year ended 30 June 2014 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

GNS

G N SHERWOOD
Partner

Sydney, NSW
Dated: 30 September 2014

Bioxyne Limited
Shareholder information
For the year ended 30 June 2014

ASX additional information

Additional information required by the Australian Stock Exchange Ltd and not shown elsewhere in this report is as follows. The information is current as at 29 September 2014.

(a) Distribution of equity securities

The number of shareholders, by size of holding, in each class of security are:

	Ordinary shares		
	Number of holders	**Number of shares**	**% of Issued Capital**
1 - 1,000	862	224,183	0.11%
1,001 - 5,000	274	736,997	0.37%
5,001 - 10,000	89	679,080	0.34%
10,001 - 100,000	347	13,709,205	6.84%
100,001 and over	205	184,993,636	92.34%
	1,777	200,343,101	100%

Unmarketable parcels:

	Minimum Parcel Size	**Holders**	**Units**
Minimum$ 500.00 parcel at $ 0.018 per unit	27,778	411	196,183,110

Bioxyne Limited
Shareholder information
For the year ended 30 June 2014

ASX additional information (continued)

(b) Twenty largest shareholders

The names of the twenty largest holders of ordinary shares as at 29 September 2014 are:

	Ordinary shares	% of shares
Fleming Sg Capital Special	39,868,277	19.9
Wigram Trading Pty Limited	19,147,671	9.6
Pt Soho Industri Pharmasi	9,678,085	4.8
Prof Robert Llewllyn Clancy &	9,564,390	4.8
Mr Anthony Ho	7,903,500	3.9
P Ford Superannuation Pty Ltd	7,231,021	3.6
Mr Makram Hanna	4,283,000	2.1
Cherryoak Investments Pty Ltd	4,000,000	2.0
Jetosea Pty Ltd	3,694,713	1.8
Newcastle Innovation Limited	3,668,125	1.8
Upsky Equity Pty Ltd	3,333,334	1.7
Willowdale Holdings Pty Ltd	3,333,334	1.7
Mr Paul Boudewyn Edward Bolt	2,998,125	1.5
Pearse Street Pty Ltd	2,153,276	1.1
Immune Investments Pty Ltd	2,008,536	1.0
Southam Investments 2003 Pty	2,000,000	1.0
Mckell Place Nominees Pty Ltd	1,500,000	0.8
Lyndcote Holdings Pty Ltd	1,490,949	0.7
Mr Paul Andrew Jopele	1,469,554	0.7
Prof Alan Jonathan Berrick	1,395,000	0.7
	130,720,890	**65.2**

(c) Substantial shareholders

The company has 2 substantial shareholders, as defined by the Corporations Act 2001, as at the date of this report.

(d) Voting rights

All ordinary shares (whether fully paid or not) carry one vote per share without restriction.