



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 2013**



Bioxyne Limited
2013 Financial Report

Table of Contents

	Page
Corporate Governance Statement	2
Chairman's Letter	7
Directors' Report	9
Auditor's Independence Declaration	19
Statement of Profit or Loss and Other Comprehensive Income	20
Statement of Financial Position	21
Statement of Changes in Equity	22
Statement of Cash Flows	23
Notes to the Financial Statements	24
Directors' Declaration	62
Independent Auditor's Report to the Members	63



Bioxyne Limited

Corporate Governance Statement

The Board of Directors of Bioxyne Limited ("Bioxyne") 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 to whom they are accountable.

Bioxyne has adopted the best practise 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

While the company has formal policies and procedures that are disseminated 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 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 the directors are appointed, the Company Secretary, in his welcoming letter reminds them of the Company's disclosure and share trading policies as well 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 9-10. 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 (appointed 30 October 2012)
Jeremy Curnock Cook	Non-executive director (appointed 13 December 2012)
Patrick Douglas Ford	Non-executive director

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	9 months
Jeremy Curnock Cook	8 months
Patrick Douglas Ford	5 years and 3 months (re-elected 23 June 2008)

Board Committees

The board has four committees:

- Audit and Risk Management Committee
- Remuneration Committee
- Technical Committee
- Commercialisation Committee

The company did not have a separate nominations committee during the year. All nominations for appointment as a director are considered by the whole Board.

Performance Evaluation

The company does not have a formal annual assessment of the performance of the Board, Committees and the Directors. However a continuous informal evaluation is undertaken as an ongoing process to ensure adherence of the Company's various Corporate Governance Policies.

A formal evaluation process was conducted of the Chief Financial Officer / Company Secretary but the process was not published as was considered to be a confidential evaluation of individuals and publishing it would not be appropriate. 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 disseminated to all employees and directors however it has not been released publicly.

The company's share trading policy for directors and employees has been 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 Directors do not consider it necessary to formalise 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 the in 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:

- Anthony Ho
- Patrick Ford

Qualifications of Audit Committee members

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.

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



Bioxyne Limited

Corporate Governance Statement (Continued)

Attestation by Chief Executive Officer

The Chief Executive Officer, Mr Phillip Comans 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 the in 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 as well 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. As at the date of this report all material market sensitive matters affecting the company are released through the ASX to all shareholders. Matters that are not necessarily market sensitive but of interest to shareholders are released by way of 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.

Principle 7: Recognition and management of risk.

The company's Audit Committee also acts as the Risk Management committee so the members are the same as detailed above.

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 the in Corporate Governance in the investor section of the company's website.

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



Bioxyne Limited
Corporate Governance Statement (Continued)

Principal 8: Remunerate fairly and responsibly

It is the company's objective to maximise stakeholder benefit 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 15.

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 during the year were:

- Anthony Ho
- Jeremy Curnock Cook
- Patrick Ford

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.



Chairman's Letter

Dear fellow shareholder,

On behalf of the directors of Bioxyne Limited (Bioxyne), I am pleased to report on the activities of the company for the year ended 30 June 2013.

Early in the financial year and following the release of the results of the clinical trial H-005 of the company's HI 164 project, we saw a significant erosion of shareholders value from the decline of the quoted price of Bioxyne's shares. The appointment of Toreya Partners to secure a potential partner for the Company that might lead to a possible alliance was unsuccessful. Resulting from that scenario, at an extraordinary general meeting of shareholders held on 30 October 2012, a number of directors were retired from the board and I was elected a non-executive director. At the annual general meeting of shareholders, Mr. Ian Mutton resigned as chairman and I was appointed chairman by the board.

The board was further re-constituted when Mr. Jeremy Curnock Cook representing a 20% shareholder was re-appointed as a non-executive director of the Company. In addition, Mr. David Radford, the Chief Executive Officer, was separated from the company with Dr. Phillip Comans appointed in his stead. The Company now has a small and cohesive board of 3 non-executive directors.

The immediate focus of the board was to:

1. Reduce the cash burn and operating base of the company;
2. Conduct a review of the HI 164 project ;
3. Mitigate the risk of the company by seeking to widen its business base.

The centralisation of all administrative, financial and company secretarial services to one responsible person in Mr. Jarrod White, the CFO gave clarity, focus and accountability. Administrative costs were brought under control commensurate with our scale of operation and that of being a microcap company. The biotechnology sector, especially for microcap companies, has had a challenging and volatile year. The company has been pro-actively managing and reducing our cash burn, with discretionary expenditures reduced significantly. Directors' fees were paid 50% in shares. And from 1 June 2013, fees were paid 100% in shares in a further effort to conserve cash. These payments in shares are subject to shareholders' approval at the next general meeting of shareholders. The payment of the remuneration of our CEO has also been re-structured on the basis of directors – payable in shares from 1 June 2013. The basis of remuneration for our CEO has also been re-negotiated to be time based. This is of great assistance to the company in managing its cost base.

On 21 January 2013, the board announced the findings of the results of the review conducted by Dr. Phillip Comans on the H-005 clinical trial. Notwithstanding that there were some positive markers to maybe support a further clinical trial, but in the face of a severe capital constrained market; we believe that it would be unlikely that the company would be able to raise capital to pursue the project.

To widen the base of operations, the company announced on 18 February 2013 of a proposed transaction to acquire Vitality Devices Pty Limited. The proposal came with the investment support of Phillips Asset Management, a major shareholder of the company. Vitality Devices was in the sales and distribution of CE marked and approved cardiac and diabetes implanted medical devices. The project gained the support of sophisticated and professional investor clients of Veritas Securities and a successful placement to raise \$508,371 before cost eventuated to fund the transaction costs. Your directors were disappointed when we announced on 23 May 2013 that the proposed Vitality Devices acquisition was terminated. Extensive due diligence identified a risk that we could not re-negotiate out of, with the overseas Licensors of the two licensed medical devices, that were licensed to Vitality Devices.



Chairman's Letter (Continued)

More recently Bioxyne has benefited from the weakening of the AUD to USD that saw a major lift in our sales of PCC probiotic dietary supplement products. Greater focus will be placed on expanding this part of our business.

Going forward

Your directors are committed to safeguard the value of the company's assets and to widen our base of operations.

The often asked question is where do we go from here with HI 164? The plan is to monetise the asset and to assist and facilitate it to continue with its development.

While disappointed that we were unable to complete the Vitality Device transaction, your directors are committed to continue with our evaluation of relevant projects that may add value to shareholders of Bioxyne.

On behalf of the board of directors I would like to thank shareholders, consultants and our suppliers of goods and services for their ongoing support.

It has been a watershed year.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Anthony Ho", with a stylized flourish at the end.

Anthony Ho
Non-executive Chairman

20 September 2013



Directors' Report

Your directors present their report on Bioxyne Limited (ASX: BXN) and its wholly owned subsidiary (the "Group") for the year ended 30 June 2013.

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 (appointed 30 October 2012)
Patrick Douglas Ford	Non-executive director
Jeremy Curnock Cook	Non-executive director (retired 30 October 2012, Re-appointed 13 December 2012)
David Radford	CEO and Managing Director (resigned 13 December 2012)
Ian Mutton	Non-executive chairman (resigned 29 November 2012)
Doug Wilson	Non-executive director (resigned 26 October 2012)
Glenn Crisp	Non-executive director (retired 30 October 2012)
William Harrison	Non-executive director (retired 29 November 2012)

Chief Executive Officer

Dr Phillip Comans was appointed Chief Executive Officer (CEO) of the Company on 12 December 2012 in place of Mr. David Radford.

Company Secretary

Mr Jarrod White (appointed 4 February 2013)
Mrs Laura Raymer (resigned 23 May 2013)
Mr Ashok Jairath (resigned 18 February, 2013)

Chief Financial Officer

Jarrod White, B. Bus, CA

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 financial and taxation services to the Company.

Information on Directors

Directors at Report Date

Anthony Ho B. Comm., CA, FAICD, FCIS (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.



Directors' Report (Continued)

He is currently the non-executive chairman of Apollo Minerals Limited, Hastings Rare Metals Limited, and a non executive director of Greenland Minerals & Energy Limited.

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 and Dolomatrix International Limited.

Jeremy Curnock Cook, BA (Hons), MA

Mr Curnock Cook retired on 30 October 2012 and was re-appointed on 12 December 2012

Mr. Curnock Cook is managing director of Bioscience Managers Limited and chairman of its Investment Committee. He established the Rothschild Bioscience Unit (UK) and was responsible for its life science funds including Biotechnology Investments Limited and the International Biotechnology Trust plc, which by the year 2000 together had more than \$1 billion in net asset value. Mr. Curnock Cook was also responsible for Rothschild establishing Australia's first dedicated biotechnology fund (now GBS Ventures). Most recently Mr. Curnock Cook previous directorships include AMRAD Corporation, Cantab Pharmaceuticals, Inflazyme Pharmaceuticals, GlycoDesign Therapeutics, Sirna Therapeutics, Sugan, Targeted Genetics and Vernalis.

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

Mr Ford was appointed on 17 May 2005

Mr Ford is a member of the Audit Committee and is also a member of the Remuneration Committee of the Board. Mr Ford is a Sydney based stockbroker with Veritas Securities Limited and also provides consulting services through his private company Diskdew Pty Ltd. He has an extensive history of capital raising and supplying advice to the Australian Biotechnology sector. He holds a Bachelor of Commerce degree from University of Canberra.

Directors Throughout the Financial Year

Glenn Crisp, B. Comm, LLB

Mr Crisp retired on 30 October 2012.

William Harrison, FRCP, FRCAP, FAFRM

Dr Harrison retired on 30 October 2012.

Ian Mutton, LLB (Non-Executive Chairman)

Mr Mutton resigned on 29 November 2012.

David Radford, BSc (Hons), MBA

Mr Radford resigned on 12 December 2012.

Dr Doug Wilson, MB, ChB, PhD, FRACP, FRACP

Dr Wilson resigned on 26 October 2012.



Directors' Report (Continued)

Principal Activities and Strategy

Bioxyne Limited is a biopharmaceutical company focused on respiratory disease. During the year, the principal continuing activities of the Group consisted of the research and development of products for the ongoing treatment of Chronic Obstructive Pulmonary Disease.

Bioxyne's second core activity is the manufacture and marketing of consumer dietary supplements based on the proprietary probiotic using *Lactobacillus fermentum*. The company has a global distribution agreement with Denmark's Chr Hansen to manufacture, market, supply and distribute its proprietary probiotic strain in dietary supplements, over the counter drugs, sports nutrition, slimming products and dairy products.

Dividends

No dividends are paid to members during the financial year (2012: \$Nil).

Review of operations

Ongoing Activities

The Group continued to export probiotics into the international market in FY 2012. Generated sales were particularly stronger in the second half of the financial year, partly assisted by the weakening of the Australian dollar against the US dollar. Strategies are being investigated to assess alternative market entries to expand this business.

During the financial year, the company gained access to the full data set from the H-005 clinical trial of Hi 164. This enabled a detailed review that is crucial in developing a way ahead for the company's HI-164 project.

Board Restructure

Following the November 2012 annual general meeting, the Board was reduced in size and reconstituted with the appointment of new chairman, Tony Ho and the re-joining to the Board of Jeremy Curnock Cook, together with director Patrick Ford. Dr Phillip Comans replaced David Radford as CEO.

Management and operating processes of the company were also simplified which commensurately reduced the cost base of the company.

Vitality Devices

The company had entered into a non-binding agreement to acquire Vitality Devices Pty Ltd, a marketer of medical devices, with territories throughout Australia and much of Asia. Matters that arose during the extensive due diligence resulted in the decision to terminate the agreement.

Funding

Throughout the year the company conducted a placement to fund the transaction costs of the proposed Vitality Devices transaction through Veritas Securities Limited (Patrick Ford is a Director of Veritas Securities Limited) to raise \$508,371 (before costs) with the issue of 23,107,772 shares. Under terms of the placement Veritas was paid a combined placement and management fee of 8% which was at arm's length terms given other commercial comparatives for similar sized listed entities.



Directors' Report (Continued)

Veritas Securities is also entitled to 2,000,000 Options exercisable at \$0.04 expiring 31 March 2015 as part of the placement fee.

The placement saw the issue of 9,007,772 shares to sophisticated and professional investor clients of Veritas Securities Limited at a price of \$0.022 per share and the application for 14,100,000 shares at \$0.022 cents by Phillip Asset Management Limited ("PAM") and P Ford Superannuation Fund ("P Ford Super").

As at report date the 14,100,000 shares and 2,000,000 options to PAM and P Ford Super are subject to shareholders' approval at the next shareholders meeting.

The company has remained funded through ongoing sales of its probiotic product which saw stronger sales by both volume and revenue over prior year. Subsequent to balance date the company received its largest ever single order for the supply of Fermentum PCC. This augers well for the future prospects of our PCC business.

The company is expecting a refund of \$370,785 from its 2013 R&D Tax Incentive. This refund together with ongoing stronger sales of Fermentum PCC will see the company covering its operating cash requirements in the ensuing year.

Operating Results

The net loss for the year was \$6,191,113 (2012: loss \$1,784,131) and is in line with Directors' expectations. The loss included a reversal of a deferred tax benefit of \$4,234,701 that was capitalised in the prior year. The results reflect full year operations for the Group and the continued development of our platform technologies.

Matters Subsequent to Balance Date

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

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

Other Matters Subsequent to Balance Date:

The Company received its largest ever single order for the supply of Fermentum PCC

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

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

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.



Directors' Report (Continued)

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 (as named herein) 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:

	2013	2012
	\$	\$
RSM Bird Cameron Partners		
Audit of financial reports	25,000	24,500
Other services	16,000	13,000
Total remuneration for audit and other services	41,000	37,500

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 (\$)
Consideration for acquisition of interests in Hunter Immunology Limited	750,000	27/11/2008	25/11/2013	0.40
	100,000	5/12/2008	03/12/2013	0.20
	125,000	26/05/2009	24/05/2014	0.40
	1,062,000	29/03/2012	01/09/2013	0.24
	2,700,000	29/03/2012	14/05/2014	0.70
	1,000,000	29/03/2012	01/01/2015	0.40
Total	5,737,000			



Directors' Report (Continued)

Meetings of directors

The numbers of meetings of the Group's board of directors held during the year ended 30 June 2013, and the numbers of meetings attended by each director were:

	A	B
Full Meetings of Directors		
Mr Anthony Ho	8	8
Mr Patrick Ford	15	16
Dr Jeremy Curnock Cook	11	14
*Mr Ian Mutton	10	10
*Mr Glenn Crisp	8	8
*Dr Doug Wilson	7	8
*Mr David Radford	10	10
*Dr William Harrison	5	10

A = Number of meetings attended

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

* = Directors retired or resigned 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 19.

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.

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 the Board 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



Directors' Report (Continued)

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 commercialisation 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

Objective

The Board of Directors recognises that the success of the company will depend, largely, upon 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.

Structure

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.

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 2013 is detailed in Table 3 of this report.

Directors' Report (Continued)

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 30/06/2013	Exercisable	Not exercisable
P Ford	633,334	-	-	(133,334)	500,000	500,000	-
*I Mutton	510,607	-	-	(60,607)	450,000	450,000	-
*G Crisp	450,000	-	-	-	450,000	450,000	-
*D Wilson	-	-	-	-	-	-	-
J Curnock Cook	-	-	-	-	-	-	-
*W Harrison	-	-	-	-	-	-	-
A Ho	-	-	-	-	-	-	-
Executives							
*D Radford	6,337,817	-	-	(6,337,817)	-	-	-
Other key management personnel							
*R Clancy	450,000	-	-	-	450,000	450,000	-
*K Healey	450,000	(450,000)	-	-	-	-	-
A Jairath	100,000	250,000	-	-	350,000	350,000	-
P Comans	-	450,000	-	-	450,000	450,000	-
Total	8,931,758	250,000	-	(6,531,758)	2,650,000	2,650,000	-

Directors' Report (Continued)

Table 2 - Shareholdings of key management personnel

Directors	Opening balance	Granted as compensation	Net other change	Balance 30/06/2013
P Ford	596,801	-	-	596,801
*I Mutton	545,569	-	150,000	695,569
*G Crisp	-	-	-	-
*D Wilson	-	-	-	-
J Curnock Cook***	31,355,427	-	-	31,355,427
*W Harrison	-	-	-	-
A Ho***	340,000	-	100,000	440,000
Executives				
*D Radford	-	-	-	-
Other key management personnel				
*R Clancy	9,564,390	-	-	9,564,390
A Jairath	100,000	-	-	100,000
P Comans***	13,585,626	-	-	13,585,626
Total	56,087,813	-	250,000	56,337,813

*denotes retired or resigned directors or management during the year

***The above were not classified as KMP during the year ended 30 June 2012 but have been included in the opening balances.

Table 3 – Directors and key management personnel remuneration for the year ended 30 June 2013

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

*denotes retired or resigned directors or management during the year

** includes termination payment of \$200,000 to David Radford



Directors' Report (Continued)

Registered Office

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

Signoff

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

A handwritten signature in black ink, appearing to read "Anthony Ho".

Anthony Ho
Non Executive Chairman

20 September 2013

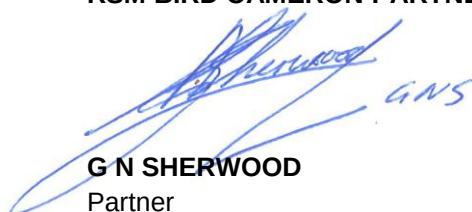
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bioxyne Limited for the year ended 30 June 2013, 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



G N SHERWOOD
Partner

Sydney, NSW
Dated: 20 September 2013



Bioxyne Limited

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

	Notes	2013 \$	2012 \$
Revenue from continuing operations			
Sale of goods		880,497	123,275
Other income	3	402,168	1,553,976
Cost of goods sold		(438,957)	(60,659)
Expenses			
Research and development		(603,175)	(3,541,198)
Business development		(33,298)	(154,809)
Marketing		(33,534)	(150,703)
General and administration		(2,123,508)	(1,985,902)
Impairment expense	11	-	(1,511,132)
Finance costs		(6,605)	(552,430)
Loss before income tax	4	(1,956,412)	(6,279,582)
Income tax (expense) benefit	5	(4,234,701)	4,495,451
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(6,191,113)	(1,784,131)
Loss is attributable to:			
Members of Bioxyne Limited		(6,191,113)	(1,784,131)
Earnings per share			
<i>From continuing operations</i>			
- Basic/diluted loss per share	24	(0.04)	(0.04)
<i>From discontinued operations</i>			
- Basic/diluted loss per share	24	-	-

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



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

	Notes	2013 \$	2012 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	210,621	779,624
Current tax receivables	7	370,785	1,529,528
Trade and other receivables	8	119,667	162,928
Total Current Assets		701,073	2,472,080
Non-Current Assets			
Deposit	9	-	200,000
Property plant and equipment	12	1,147	3,308
Deferred tax asset	14	-	4,234,701
Goodwill	11	-	-
Total Non-Current Assets		1,147	4,438,009
Total Assets		702,220	6,910,089
LIABILITIES			
Current Liabilities			
Trade and other payables	13	912,949	1,022,206
Total Current Liabilities		912,949	1,022,206
Total Non-Current Liabilities		-	-
Total Liabilities		912,949	1,022,206
Net (Liabilities) Assets		(210,729)	5,887,883
EQUITY			
Contributed equity	15	28,126,933	28,034,432
Reserves	16	640,280	750,977
Accumulated losses	16	(28,977,942)	(22,897,526)
Total (Deficit) Equity		(210,729)	5,887,883

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



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

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

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



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

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

*The proceeds from issue of shares include \$310,200 of shares issued awaiting shareholder approval currently reflected in note 13 as trade and other payables.

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



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

1 Summary of significant accounting policies

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

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

The financial statements were authorised for issue on 20 September 2013 by the directors of the company.

(a) Basis of preparation

Reporting Entity

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

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

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

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

Critical accounting estimates and judgements

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

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

Comparative information is reclassified where appropriate to enhance comparability.



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

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation

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

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

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

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

Business combinations

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

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

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



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

1 Summary of significant accounting policies (continued)

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

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

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

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

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

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



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

1 Summary of significant accounting policies (continued)

Goodwill

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

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

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

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

(c) Going concern

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

As disclosed in the financial statements, the company and consolidated entity incurred net losses of \$7,014,475 and \$6,191,113 respectively, and the consolidated entity had net cash outflows from operating activities of \$971,704 for the year ended 30 June 2013. As at that date the company and consolidated entity had net current liabilities of \$1,313,497 and \$211,876 respectively.

These factors indicate significant uncertainty as to whether the company and consolidated entity will continue as going concerns and therefore whether they will realise their assets and extinguish their liabilities in the normal course of business and at the amounts stated in the financial report.

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

- (i) The consolidated entity is expecting a refund of the 2013 Research and Development Tax Incentive of \$370,785 subsequent to year end;
- (ii) The company and the consolidated entity have the ability to reduce expenditure to reduce cash requirements.



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

1 Summary of significant accounting policies (continued)

- (iii) The ability of the consolidated entity to undertake further capital raisings to provide the required funding to meet the consolidated entity's ongoing operating costs and / or

The ability to enter into negotiations with a potential partner to commercialise the consolidated entity's core intellectual property which may provide the required funding to meet the consolidated entity's ongoing operating costs.

- (iv) Included in trade and other payables is \$310,200 in relation to shares issued and paid for that are awaiting shareholder approval.

Accordingly, the Directors believe that the company and consolidated entity will be able to continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the company and consolidated entity does not continue as going concerns.

(d) Foreign currency translation

- (i) Functional and presentation currency*

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

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

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

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

- (i) Transactions and balances*

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



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

1 Summary of significant accounting policies (continued)

(e) Revenue recognition

Interest income

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

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

Sale of goods

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

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

Research and Development Tax Incentive

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

(f) Government grants

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

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



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

1 Summary of significant accounting policies (continued)
(g) Income tax

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

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

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

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

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.



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

1 Summary of significant accounting policies (continued)

(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) Trade and other receivables

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

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

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



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

1 Summary of significant accounting policies (continued)

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

(l) Trade and other payables

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

(m) Provisions

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

(n) Employee benefits

(i) Wages and salaries and annual leave

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

(ii) Retirement benefit obligations

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

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



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

1 Summary of significant accounting policies (continued)

(iii) Share - based payments

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

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

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

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

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

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

(o) Contributed equity

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



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

1 Summary of significant accounting policies (continued)

(p) Goods and services tax (GST)

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

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

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

(q) Plant and equipment

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

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

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

Depreciation

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

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

Plant and equipment – ranging from 2 to 20 years

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

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



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

1 Summary of significant accounting policies (continued)

(r) Financial liabilities and equity instruments

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

Classification as debt or equity

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

Equity instruments

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

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

Convertible notes and compound instruments

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

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

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

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

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



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

1 Summary of significant accounting policies (continued)

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

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

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

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

Other financial liabilities

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

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



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

1 Summary of significant accounting policies (continued)

Derecognition of financial liabilities

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

(s) New accounting standards for application in future periods

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

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 9	<i>Financial Instruments</i>	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2015	Unlikely to be significant
2009-11	<i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2015	Unlikely to be significant
2010-7	<i>Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)</i>	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127 for amendments to AASB 9 in December 2010	1 January 2015	Unlikely to be significant
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	Unlikely to be significant
AASB 11	<i>Joint Arrangements</i>	Replaces the requirements of AASB 131 pertaining to the principles to be applied for financial reporting by entities that have in interest in arrangements that are jointly controlled.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	No Impact

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

1 Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
AASB 12	<i>Disclosure of Interests in Other Entities</i>	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	No Impact
AASB 128	<i>Investments in Associates and Joint Ventures</i>	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	No Impact
2011-7	<i>Amendments to Australian Accounting Standards arising from AASB 10,11,12,127,128</i>	Amends AASB 1,2,3,5,7,9,2009-11,101,107,112,118,121,124,132,133,136,138,139,1023 & 1038 and Interpretations 5,9,16 & 17 as a result of the issuance of AASB 10, 11, 12, 127 and 128	1 January 2013 (for-profit) / 1 January 2014 (Not For Profit)	No Impact
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013	Unlikely to be significant
2011-8	<i>Amendments to Australian Accounting Standards arising from AASB 13</i>	Amends AASB 1, 2, 3, 4, 5, 7, 9, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132 as a result of issuance of AASB 13 Fair Value Measurement.	1 January 2013	Unlikely to be significant
2012-1	<i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	This Standard makes amendments to AASB 3, 7, 13, 140 and 141 to establish reduced disclosure requirements for entities preparing general purpose financial statements under Australian Accounting Standards – Reduced Disclosure Requirements for additional and amended disclosures arising from AASB 13 and the consequential amendments implemented through AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13.	1 July 2013	Disclosure only

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

1 Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
2011-10	<i>Amendments to Australian Accounting Standards arising from AASB 119</i>	Amends AASB 1, 8, 101, 124, 134, 1049, 2011-8 & Interpretation 14 as a result of the issuance of AASB 119 Employee Benefits.	1 January 2013	Unlikely to be significant
AASB 1053	<i>Application of Tiers of Australian Accounting Standards</i>	This standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements.	1 July 2013	No Impact
2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard gives effect to Australian Accounting Standards – Reduced Disclosure Requirements and amends AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052.	1 July 2013	No Impact
2011-4	<i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	This Standard amends AASB 124 Related Party Disclosures to remove all the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.	1 July 2013	No Impact
2012-2	<i>Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	This Standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the (potential) effect of netting arrangements. It also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this Standard.	1 January 2013	Unlikely to be significant

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

1 Summary of significant accounting policies (continued)

Reference	Title	Summary	Application date (financial years beginning)	Expected Impact
2012-3	<i>Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	This Standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 January 2014	Unlikely to be significant
2012-5	<i>Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle</i>	This Standard makes amendments to AASB 1, 101, 116, 132, 134 & Interpretation 2 as a result from 2009-2011 Annual Improvements Cycle.	1 January 2013	No Impact
2012-6	<i>Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures</i>	This Standard amends the mandatory effective date of AASB 9 Financial Instruments so that AASB 9 is required to be applied for annual reporting periods beginning on or after 1 January 2015 instead of 1 January 2013.	1 January 2015	No Impact
2012-7	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	This Standard adds to or amends the Australian Accounting Standards – Reduced Disclosure Requirements for AASB 7, 12, 101 and 127.	1 July 2013	No Impact
2012-9	<i>Amendment to AASB 1048 arising from the Withdrawal of Australian Interpretation 1039</i>	This Standard amends AASB 1048 Interpretation of Standards as a consequence of the withdrawal of Australian Interpretation 1039 Substantive Enactment of Major Tax Bills in Australia.	1 January 2013	No Impact



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

2 Critical accounting estimates and judgement

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

(i) Research and development expenditure

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

(ii) Options

Fair values of options granted are independently determined using the Black-Scholes option pricing model at grant date. Refer to Note 27(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. In 2012, the directors considered it probable that such vesting conditions would be met, and consequently, the option expense was accounted for as an expense over the option exercise period. Subsequent to 30 June 2012, following the release of the results of the HI 005 clinical trials, the Directors have reassessed their views on the probability of the options vesting, and consequently, no options have been expensed for the year ended 30 June 2013.

(iii) Deferred tax assets

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

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

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

(v) Reverse acquisition

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



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

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

Government grants

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

4 Expenses

Loss before income tax includes the following specific expenses:

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

5 Income tax benefit

(a) Income tax benefit

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

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

Loss from continuing operations before income tax expense	(1,956,412)	(6,279,582)
Tax at the Australian tax rate of 30% (2012 - 30%)	(586,924)	(1,883,875)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	79,399	652,283
Derecognition/(Recognition) of tax benefit on carried forward losses	4,234,701	(3,367,081)
Movements in other deferred tax assets/liabilities	-	(317,048)
Benefit of tax losses not recognised	507,525	420,270
Total income tax expense (benefit)	4,234,701	(4,495,451)



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

	2013	2012
	\$	\$
5 Income tax benefit (continued)		
(c) Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	28,309,710	26,617,962
Potential tax benefit @ 30%	8,492,913	7,985,389

6 Current assets - Cash and cash equivalents

Cash at bank and in hand	210,621	779,624
	210,621	779,624

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

7 Current assets – Trade and other receivables

Current tax receivable - Research and development tax incentive	370,785	1,529,528
	370,785	1,529,528

8 Current assets - Other current assets

Trade debtors	106,898	118,670
GST receivable	-	43,412
Prepayments	12,769	846
	119,667	162,928

9 Deposits

Security deposit	-	200,000
	-	200,000

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

10 Business combinations

	Country of Incorporation	Percentage Owned %
Bioxyne Limited (Legal parent, accounting subsidiary)	Australia	100%

On 4 April 2012, Bioxyne Limited wholly acquired Hunter Immunology Limited. As noted in note 1(a), the acquisition was treated as a reverse acquisition as per AASB 3 Business Combinations.



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

10 Business combinations (continued)

Consideration transferred

	2013	2012
	\$	\$
Share capital issued	-	3,236,586
	-	3,236,586

The consideration in a reverse acquisition is deemed to have been incurred by Hunter Immunology Limited in the form of shares and options issues to shareholders of Bioxyne Limited. The acquisition date fair value of the consideration transferred has been determined by reference to the fair value of the issued shares of Bioxyne Limited immediately prior to the business combination.

Goodwill on acquisition

Purchase consideration (non-cash equity payment)	-	3,236,586
Net assets acquired in Bioxyne Limited at the date of acquisition	-	(1,725,454)
Goodwill	-	1,511,132

Assets and liabilities assumed at date of acquisition

Current assets	-	2,011,382
Non-current assets	-	2,136
Total assets	-	2,013,486
Current liabilities	-	288,032
Total liabilities	-	288,032
Net assets acquired	-	1,725,454

Net cash flow on acquisition of subsidiaries

Consideration paid in cash	-	-
Less: cash and cash equivalent balances acquired	-	(1,854,070)
	-	(1,854,070)

In 2012 a loss for the year was \$195,728 attributable to the additional activities of Bioxyne Limited. Revenue in 2012 included \$143,014 in respect of Bioxyne Limited.

Had the business combination been effected at 1 July 2011, the revenue of the Group from continuing operations would have been \$718,381 and the loss for the year from continuing operations would have been \$1,972,277. The directors of the Group consider these 'pro-forma' numbers to represent an approximate measure of the performance of the combined group on an annualised basis and to provide a reference point for comparison in future periods.



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

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

Impairment of goodwill

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

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

12 Property, plant and equipment

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



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

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

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

14 Deferred tax assets and liabilities

Deferred tax assets

Deferred tax assets comprise temporary difference attributable to:

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

Movement in deferred tax assets

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

Deferred tax liabilities

Deferred tax liability comprise temporary difference attributable to:

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

Movement in deferred tax liabilities

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



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

15 Contributed equity

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

(c) Ordinary shares

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

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

(d) Options

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



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

15 Contributed equity (continued)

(d) Options (continued)

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

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

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

(e) Capital risk management

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



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

16 Reserves and accumulated losses

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

Options reserve

Movements in reserve were as follows:

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

(b) Accumulated losses

Movements in accumulated losses were as follows:

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

(c) Nature and purpose of reserves

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

17 Remuneration of auditors

RSM Bird Cameron Partners

Audit of financial reports	25,000	24,500
Other services	16,000	13,000
Total remuneration for audit and other services	41,000	37,500

18 Commitments

Capital commitments

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



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

19 Events occurring after the balance sheet date

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

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

Other Matters Subsequent to Balance Date:

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

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

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

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

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



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

21 Segment information

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

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

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

Segment revenues and results

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

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

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



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

21 Segment Information (Continued)

Segment assets

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

Segment liabilities

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

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

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



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

21 Segment Information (Continued)

Other segment information

Impairment losses recognised for the year in respect of goodwill

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

Geographical information

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

Assets and liabilities

Segment assets	595,321	6,791,418	106,899	118,671	-	-	702,220	6,910,089
Segment liabilities	689,640	885,214	223,309	136,992	-	-	912,949	1,022,206
Segment depreciation	2,160	882	-	-	-	-	2,160	882

22 Key management personnel compensation

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

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

* denotes retired or resigned directors during the year



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

22 Key management personnel compensation (continued)

(b) Option holdings of key management personnel

	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2013	Exercisable	Not exercisable
Directors							
P Ford	633,334	-	-	(133,334)	500,000	500,000	-
I Mutton	510,607	-	-	(60,607)	450,000	450,000	-
G Crisp	450,000	-	-	-	450,000	450,000	-
D Wilson	-	-	-	-	-	-	-
J Curnock Cook	-	-	-	-	-	-	-
W Harrison	-	-	-	-	-	-	-
A Ho	-	-	-	-	-	-	-
Executives							
D Radford	6,337,817	-	-	(6,337,817)	-	-	-
Other key management personnel							
R Clancy	450,000	-	-	-	450,000	450,000	-
A Jairath	100,000	250,000	-	-	350,000	350,000	-
P Comans	450,000	-	-	-	450,000	450,000	-
Total	8,931,758	250,000	-	(6,531,758)	2,650,000	2,650,000	-

(c) Shareholdings of key management personnel

	Opening balance	Granted as compensation	Net other change	Balance 30/06/2013
Directors				
P Ford	596,801	-	-	596,801
I Mutton	545,569	-	150,000	695,569
G Crisp	-	-	-	-
D Wilson	-	-	-	-
J Curnock Cook***	31,355,427	-	-	31,355,427
W Harrison	-	-	-	-
A Ho***	340,000	-	100,000	440,000
Executives				
D Radford	-	-	-	-
Other key management personnel				
R Clancy	9,564,390	-	-	9,564,390
A Jairath	100,000	-	-	100,000
P Comans***	13,585,626	-	-	13,585,626
Total	56,087,813	-	250,000	56,337,813

***The above were not classified as KMP during the year ended 30 June 2012 but have been included in the opening balances.



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

22 Key management personnel compensation (continued)

(d) Details of remuneration

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

*denotes retired or resigned directors during the year

**includes \$200,000 termination payment to D Radford



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

23 Financial risk management

(a) Financial risk management

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

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

Credit risk

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

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

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

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

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

	2013	2012
	\$	\$
Cash and cash equivalents	210,621	779,624
Trade debtors	106,898	118,670
Research and development tax incentive receivable	370,785	1,529,528
Other current assets	12,768	44,258
Deposits	-	200,000

Liquidity risk

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

(b) Financial instrument composition and maturity analysis

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



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

23 Financial risk management (Continued)

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
	2013 %	2013 \$	2013 \$	2013 \$	2013 \$
Financial Assets					
Cash and cash equivalents		-	210,621	-	210,621
Receivables		106,898	-	-	106,898
Research and development tax incentive		370,785	-	-	370,785
Total financial assets		477,683	210,621	-	688,304
Financial Liabilities					
Trade and other payables		912,949	-	-	912,949
Total financial liabilities		912,949	-	-	912,949

	Carrying amount	Contractual cash flow due 1 to 3 months	Contractual cash flow due 3 months to 1 year	Contractual cash flow due 1 to 5 years
Financial Assets				
Receivables	106,898	106,898	-	-
Research and development tax incentive	370,785	370,785	-	-
Total	477,683	477,683	-	-
Current liabilities				
Accounts payable	380,356	380,356	-	-
Other payables	222,393	222,393	-	-
Total	602,749	602,749	-	-



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

23 Financial risk management (Continued)

(c) Net fair values

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

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

(d) Sensitivity analysis

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

24 Earnings per share

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

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



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

25 Share based payments

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

No options were issued in the 2013 financial year.

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

d) Options at year end

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

(d) Movements in options during the year

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

*The above options granted during the year have been included in the current year but was consideration for acquisition of interests in Hunter Immunology Limited in prior years as per the above table.



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

26 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(b) Transactions with other related parties

During the period:

- \$34,844 was paid to Crisp Legal a firm of which Glenn Crisp is a principal for legal services in the normal course of business at commercial rates;
- \$55,000 was paid to Crafers Connect Pty Ltd a company in which Ian Mutton is a director and shareholder for services rendered in the normal course of business at normal commercial rates;
- \$16,665 was paid to Mainz Consulting Limited, a company of which Doug Wilson is a director for consulting services in the normal course of business at commercial rates;
- \$13,929 was paid or accrued to Diskdew Pty Ltd, a company of which Patrick Ford is a director for consulting services in the normal course of business at commercial rates;
- \$40,670 was paid to Veritas Securities Limited for the placement fee of the capital placement during the year. Mr Patrick Ford is a director of Veritas.
- \$38,681 was paid or accrued to BioScience Managers Pty Ltd, a company of which Jeremy Curnock Cook is a director for consulting services in the normal course of business at commercial rates.
- \$71,500 was paid to Cabot Square, a company of which Ashok Jairath is a director for consulting services in the normal course of business at commercial rates;
- \$45,729 was paid or accrued to Wigram Trading Pty Ltd, a company of which Philip Comans is a director for consulting services in the normal course of business at commercial rates.

27 Economic dependency

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

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

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



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

28 Parent Entity – Bioxyne Limited

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

29 Company details

Corporate Head Office and Principal Place of Business

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



Bioxyne Limited
Directors Declaration
For the year ended 30 June 2013

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 [listed companies, listed disclosing entities and listed registered schemes only].
- (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

A handwritten signature in black ink, appearing to read "Anthony Ho".

Anthony Ho
Non Executive Chairman

20 September 2013

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 2013, 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 2013 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.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 (c) in the financial report, which indicates that the company and consolidated entity incurred net losses of \$7,014,475 and \$6,191,113 respectively, and the consolidated entity had net cash outflows from operating activities of \$971,704 for the year ended 30 June 2013. As at that date the company and consolidated entity had net current liabilities of \$1,313,497 and \$211,876 respectively. These conditions, along with other matters as set forth in Note 1 (c), indicate the existence of a material uncertainty which may cast significant doubt about the company and consolidated entity's ability to continue as going concerns and therefore, the company and consolidated entity may be unable to realise their assets and discharge their liabilities in the normal course of business.

Report on the Remuneration Report

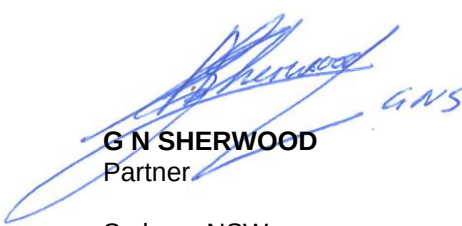
We have audited the Remuneration Report included in pages 14 to 17 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our 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 2013 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS


G N SHERWOOD
Partner

Sydney, NSW
Dated: 20 September 2013



Bioxyne Limited
Shareholder information
For the year ended 30 June 2013

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 13 September 2013.

(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	875	230,847	0.14
1,001 - 5,000	289	780,096	0.48
5,001 - 10,000	95	734,557	0.45
10,001 - 100,000	338	12,680,795	7.78
100,001 and over	181	148,633,292	91.15
	1,778	163,059,587	100.00

Unmarketable parcels:

	Minimum Parcel Size	Holders	Units
Minimum\$ 500.00 parcel at \$ 0.02 per unit	125,000	1,617	16,657,115

(b) Twenty largest shareholders

The names of the twenty largest holders of ordinary shares are:

	Ordinary shares	% of shares
Phillip Asset Management Limited	31,355,427	19.23
Wigram Trading Pty Limited	13,585,626	8.33
Pt Soho Industri Pharmasi	9,678,085	5.94
Prof Robert Llewellyn Clancy + Mrs Christine Mary Clancy	9,564,390	5.87
Cherryoak Investments Pty Ltd	5,441,822	3.34
Cherryoak Investments Pty Ltd	4,561,237	2.80
Newcastle Innovation Limited	3,668,125	2.25
Mr Paul Boudewyn Edward Bolt	2,998,125	1.84
Immune Investments Pty Ltd	2,823,496	1.73
Alcardo Investments Limited	2,442,366	1.50
Mr Kevin Ho + Mrs Vikki Ho	1,594,000	0.98
McKell Place Nominees Pty Ltd	1,552,772	0.95
Lyndcote Holdings Pty Ltd	1,490,949	0.91



Bioxyne Limited
Shareholder information
For the year ended 30 June 2013

ASX additional information (continued)

Mr Kok Keen Chong + Mrs Hue Nghi Chong	1,475,150	0.90
Prof Alan Jonathan Berrick	1,395,000	0.86
Gerald Pang	1,255,000	0.77
Nutsville Pty Ltd	1,244,048	0.76
Frere & Associates Pty Limited	1,236,625	0.76
Ms Anne Jeffs	1,109,865	0.68
Mr Garry Comans + Ms Teri Comans	1,092,000	0.67
	99,564,108	61.06

(c) Substantial shareholders

The company has 4 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.