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BIOXYNE LIMITED

ABN 97 084 464 193

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

Date: 31 August 2012

APPENDIX 4E

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

1. The reporting period is twelve months from 1 July 2011 to 30 June 2012. The previous reporting period is twelve months to 30 June 2011.
2. Key information relating to the above reporting periods is as follows:-

	30 June 2012	30 June 2011	Percentage Change
	\$	\$	%
Revenues from ordinary activities	1,667,251	1,238,301	35%
Loss from ordinary activities after tax attributable to members	(1,784,131)	(3,929,656)	(55%)
Net loss attributable to members	(1,784,131)	(3,929,656)	(55%)
Proposed dividend	-	-	-
Net tangible assets per issued security	0.038	(0.023)	NMF

3 to 9 See attached financials.

10. On 4 April 2012, the Company wholly acquired Hunter Immunology Limited.

11. There are no associates or joint venture entities.

12. Under the accounting standard applicable to business acquisitions, AASB 3 Business Combinations, the acquisition of Hunter Immunology Limited ("HIL") by BXN is required to be accounted for as a reverse acquisition of BXN by HIL. Under this scenario, HIL is deemed to be the acquirer and BXN is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the Consolidated Statement of Cash Flows is required to represent the continuation of the financial statements of HIL and its controlled entities.

As a result of the reverse acquisition methodology outlined above, the financial statements presented represent HIL and its controlled entities from the date of acquisition.

13. The company is not a foreign entity.

14. See commentary and the attached financials.

15. The accounts are in the process of being audited.



COMMENTARY ON RESULTS FOR THE PERIOD

REVENUE

The company continued to export probiotics into the international market in FY 2012. As a result of the strengthening Australian dollar sales decreased in FY12 when compared to previous years, which has necessitated a price increase being implemented early in FY13. Strategies are being investigated to assess alternative market entries in order to increase the cash flow generated by this business.

EXPENDITURE

Operating expenses are being reduced in light of the Phase 2 study results announced in June. The Company has embarked upon a restructuring that enables investigation of commercialisation opportunities, with a scaled decrease in R&D expenditure since June 2012. It is anticipated that running costs will reach a plateau by September as staff numbers are reduced to fit the company needs. The company is also actively managing all discretionary expenditure.

BUSINESS STRATEGY

The Company has embarked upon a commercialisation strategy for the HI 164 asset in partnership with Torrey Partners from New York. In parallel the Company is exploring opportunities for further studies to be conducted on HI 164, as well as potential short term revenue opportunities that may arise for the product. The Company continues to work with international partners to develop the probiotic business, with improving revenue streams early in FY13.



Bioxyne Limited
Consolidated Statement of Comprehensive Income
For the year ended 30 June 2012

	Notes	2012 \$	2011 \$
Revenue from continuing operations			
Sale of goods		123,275	-
Other income	3	1,553,976	1,238,301
Cost of goods sold			
		(60,659)	-
Expenses			
Research and development		(3,541,198)	(2,143,882)
Business development		(154,809)	(597,239)
Marketing		(150,703)	(58,277)
General and administration		(1,985,903)	(1,820,053)
Impairment expense		(1,511,131)	-
Finance costs		(552,430)	(653,354)
Loss before income tax		(6,279,582)	(4,034,504)
Income tax benefit	5	4,495,451	104,848
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		(1,784,131)	(3,929,656)
Loss is attributable to:			
Members of Hunter Immunology Limited		(1,784,131)	(3,929,656)
Basic earnings per share		(0.04)	(0.25)

The above Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.



Bioxyne Limited
Consolidated Statement of Financial Position
As at 30 June 2012

	Notes	2012 \$	2011 \$
ASSETS			
Current Assets			
Cash and cash equivalents	6	779,624	705,692
Current tax receivables	7	1,529,528	909,534
Other current assets	8	162,928	131,077
Total Current Assets		2,472,080	1,746,303
Non-Current Assets			
Deposit	9	200,000	200,000
Property plant & equipment	12	3,308	-
Deferred tax asset	15	4,234,701	-
Total Non-Current Assets		4,438,009	200,000
Total Assets		6,910,089	1,946,303
LIABILITIES			
Current Liabilities			
Trade and other payables	13	1,022,206	796,357
Total Current Liabilities		1,022,206	796,357
Non-Current liabilities			
Borrowings	14	-	4,581,444
Deferred tax liability	15	-	260,751
Total Non-Current Liabilities		-	4,842,195
Total Liabilities		1,022,206	5,638,552
Net Assets / (Liabilities)		5,887,883	(3,692,249)
EQUITY / (DEFICIT)			
Contributed equity	16	28,034,432	16,767,000
Reserves	17	750,977	654,146
Accumulated losses	17	(22,897,526)	(21,113,395)
Total Equity / (Deficit)		5,887,883	(3,692,249)

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 2012

	Contributed equity \$	Accumulated Losses \$	Reserves \$	Total \$
2011				
At 30 June 2010	16,589,039	(17,270,639)	473,540	(208,060)
Total comprehensive income for the year	-	(3,929,656)	-	(3,929,656)
Contributions of equity, net of transaction costs	177,961	-	-	177,961
Options expired and vested during the period	-	86,900	180,606	267,506
At 30 June 2011	16,767,000	(21,113,395)	654,146	(3,692,249)
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 expired and vested during the period	-	-	96,831	96,831
At 30 June 2012	28,034,432	(22,897,526)	750,977	5,887,883

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 2012

	Notes	2012 \$	2011 \$
Cash flows from operating activities			
Receipts of other income (inclusive of goods and services tax)		141,428	-
Payments to suppliers and employees (inclusive of goods and services tax)		(5,750,464)	(4,004,046)
		(5,609,036)	(4,004,046)
Research and development tax rebate		918,001	567,471
Finance charges		(20,320)	(3,658)
Interest received		15,981	111,296
Net cash (outflow) from operating activities	21	(4,695,374)	(3,328,937)
Cash flows from investing activities			
Office Bonds		-	(3,465)
Cash held by subsidiary on acquisition		1,854,070	-
Acquisition of property plant & equipment		(2,054)	-
Net cash inflow (outflow) from investing activities		1,852,016	(3,465)
Cash flows from financing activities			
Proceeds from issues of shares net of transaction costs		767,052	177,961
Proceeds from Convertible Note		3,000,000	-
Costs of raising equity and acquisition of subsidiary		(849,762)	-
Net cash inflow from financing activities		2,917,290	177,961
Net increase (decrease) in cash and cash equivalents		73,932	(3,154,441)
Cash and cash equivalents at the beginning of the financial year		705,692	3,860,133
Cash and cash equivalents at end of year	6	779,624	705,692

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 2012

1 Summary of significant accounting policies

(a) Basis of preparation

Reporting Entity

The financial report of Bioxyne Limited for the year ended 30 June 2012 covers Bioxyne Limited and Hunter Immunology Limited as a consolidated entity. 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.

Business Combination

On 4 April 2012, Bioxyne Limited wholly acquired Hunter Immunology Limited.

Under the accounting standard applicable to business acquisitions, AASB 3 Business Combinations, the acquisition of Hunter Immunology Limited ("HIL") by BXN is required to be accounted for as a reverse acquisition of BXN by HIL. Under this scenario, HIL is deemed to be the acquirer and BXN is deemed to be the subsidiary. Applying the reverse acquisition method of accounting, following the acquisition, the consolidated financial statements are required to represent the continuation of the financial statements of HIL and its controlled entities.

As a result of the reverse acquisition methodology outlined above, the consolidated financial statements presented represent HIL and its controlled entities from the date of acquisition.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

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.

(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.

(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.

While the Company has experienced recurring operating losses and negative cash flows from operations during the financial year of \$1,784,131 and \$4,695,374 respectively. This is typical of early stage drug development companies.

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



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

- (i) The consolidated entity has received a refund of the 2012 R&D Tax Incentive of \$1,529,528 subsequent to year end;
- (ii) 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
- (iii) 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.

(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 Company'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 Company'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 2012

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 Company 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.

(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 the Company 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 2012

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.

(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 Company 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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

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

(j) Cash and cash equivalent

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

(k) Other receivables

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

Collectability of other receivables is assessed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance made for doubtful debts is used when there is objective evidence that the Company 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).

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 Company 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 Company 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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(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 Company does not maintain a company superannuation plan. The Company 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 Company'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.

(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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

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.

(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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

1 Summary of significant accounting policies (continued)

(q) New Accounting Standards for Application in Future Periods

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

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9'	1 January 2013	30 June 2014
AASB 2010-2 (domestic) 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements	1 January 2013	30 June 2014



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

2 Critical accounting estimates and judgement

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

The Company 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 Company 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 16 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 entity's intellectual property. The vesting period is therefore also contingent upon a future event. The directors consider it probable that such vesting conditions will be met, and consequently, the option expense has been accounted for as an expense of the option exercise period.

(iii) Deferred Tax Assets

The directors have 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 company's subsidiary Hunter Immunology Limited (HIL). The ability of the company to realise these tax losses is dependent on the successful commercialisation of HIL's intellectual property.

	2012	2011
	\$	\$
3 Other income		
R&D tax Incentive	1,529,528	935,668
Government grants	-	191,337
Interest received	15,981	111,296
Other income	8,467	-
	1,553,976	1,238,301



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

3 Other income (continued)

Government grants

The Company did not apply for an export marketing development grant in the 2012 year as it did not meet the performance measure conditions (2011: \$191,337). The Company did not benefit directly from any other form of government assistance.

2012	2011
\$	\$

4 Expenses

Profit before income tax includes the following specific expenses:

Interest and finance charges paid/payable	552,430	653,485
Share option expense	-	267,506
Employee benefit expense	523,793	735,507

5 Income tax benefit

(a) Income tax benefit

Current tax benefit	(811,322)	-
Deferred tax	(3,684,129)	(104,848)
	(4,495,451)	(104,848)

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

Loss from continuing operations before income tax expense	(6,279,582)	(4,034,504)
Tax at the Australian tax rate of 30% (2011 - 30%)	(1,883,875)	(1,210,351)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income	652,283	553,661
Recognition of tax benefit on carried forward losses	(3,367,081)	-
Movements in other deferred tax assets/liabilities	(317,048)	-
Benefit of tax losses not recognised	420,270	551,842
Total income tax benefit	(4,495,451)	(104,848)

(c) Tax losses

Unused tax losses for which no deferred tax asset has been recognised	26,617,962	11,194,882
Potential tax benefit @ 30%	7,985,389	3,358,465

6 Current assets - Cash and cash equivalents

Cash at bank and in hand	779,624	608,641
Deposits at call	-	97,051
	779,624	705,692

Cash at bank and in hand is non-interest bearing. Deposits at call bore interest at 6% in 2011.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

	2012	2011
	\$	\$
7 Current assets - Current tax receivables		
Current tax receivable - Research and development tax incentive	1,529,528	909,534
	<hr/>	<hr/>
8 Current assets - Other current assets		
Trade debtors	118,670	-
GST receivable	43,412	82,630
Prepayments	846	19,928
Other receivables	-	28,519
	<hr/>	<hr/>
	162,928	131,077
	<hr/>	<hr/>
9 Deposits		
Security deposit	200,000	200,000
	<hr/>	<hr/>
	200,000	200,000
	<hr/>	<hr/>
Payment made as a security guarantee for a clinical trial, the trial is expected to continue until the 2012 financial period.		
10 Non-current assets - Other financial assets		
Investment - ATF Group Limited	50,000	50,000
Impairment of investment	(50,000)	(50,000)
Shares in subsidiary	1,332,630	1,332,630
Impairment of investment	(1,332,630)	(1,332,630)
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2012

11 Controlled Entities

	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.

The details of the acquisition are as follows:

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

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 2012

	2012	2011
	\$	\$
12 Property, plant and equipment		
Office equipment at cost	28,032	-
Accumulated depreciation	(24,724)	-
	<u>3,308</u>	<u>-</u>

13 Current liabilities - Trade and other payables

Trade payables	638,403	566,653
Accrued expenses	338,916	205,941
Other payables - employee benefits	44,887	23,763
	<u>1,022,206</u>	<u>796,357</u>

14 Non-current liabilities - Borrowings (Unsecured)

Convertible Notes	-	4,131,033
Interest on Convertible Notes	-	450,411
	<u>-</u>	<u>4,581,444</u>

Convertible notes

An additional \$3,000,000 in convertible note funds advanced throughout the financial year.

- (i) On 11 October 2011 Cherryoak Investments Pty Ltd, a sophisticated investor, signed a memorandum of understanding to advance \$1,000,000 in funds on the same basis as the convertible note terms as noted below (see 'Convertible Note Terms'). These funds were advanced and the notes converted at the conversion price in conjunction with the BXN transaction and terms of the note deed itself;
- (ii) Further \$250,000 in convertible note funds were advanced by Martin Place Securities Nominees Pty Ltd on behalf of several other underlying note holders. These funds were received in two tranches, on 1 November 2011 \$200,000 was received, and on 3 November 2011 the remaining \$50,000 in funds were received;
- (iii) A further \$1,750,000 in convertible note funds was agreed to be advanced by existing note holders, PT Soho Industri Pharmasi (\$500,000), and Phillip Asset Management Limited <IB AUST BIOSCIENCE FUND> (\$1,250,000). The notes were subject to the same Convertible Note Terms as outlined below.

Throughout the year all of the convertible notes on issue, including those issued in prior years and the current financial year, were converted due to the liquidity event being achieved by the Company.



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14 Non-current liabilities - Interest Bearing Liabilities (Unsecured) (continued)

This meant that the \$3,000,000 in face value notes issued throughout the year, in addition to \$74,105 interest, were converted into 61,482,103 Hunter Shares prior to acquisition and consolidation by BXN. Additionally the \$4,000,000 in face value Tranche 1 Convertible Notes advanced in prior financial years were converted on the same terms, however at an agreed conversion price of \$0.099, which in addition to interest of \$449,014 were converted into 55,040,542 Hunter shares prior to acquisition and consolidation by BXN.

Whilst there were other triggers for conversion, none of these are relevant to the presentation of the company's financial position, as the relevant cause for conversion has been disclosed and the impact of that conversion presented.

	2012 \$	2011 \$
15 Deferred tax assets and liabilities		
Deferred tax assets		
Deferred tax assets comprise temporary difference attributable to:		
Tax losses available	4,178,403	-
Accrue expenses	56,298	-
Total deferred tax assets	<u>4,234,701</u>	-
Movement in deferred tax assets		
Opening balance 1 July 2011/2010	-	-
Arising on recognition of carried forward tax losses	4,178,403	-
Credited to profit and loss	56,298	-
Closing balance 30 June 2012/2011	<u>4,234,701</u>	-
Deferred tax liabilities		
Deferred tax liability comprise temporary difference attributable to:		
Finance cost payable - convertible note	-	260,751
Total deferred tax liability	-	<u>260,751</u>
Movement in deferred tax liabilities		
Opening balance 1 July 2011/2010	260,751	365,599
On conversion of convertible note	(260,751)	-
Credited to profit and loss	-	(104,848)
Closing balance 30 June 2012/2011	-	<u>260,751</u>



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16 Contributed Equity

	2012	2012	2011	2011
	Shares	\$	Shares	\$
(a) Share capital				
Ordinary Shares Fully Paid	154,051,815	27,464,852	161,322,872	15,787,858
(b) Movements in ordinary share capital:		Number of	Issue price	\$
		Shares		
Opening balance	1-Jul-10	160,271,672		15,609,896
Issue of shares	6-Mar-11	1,051,200	0.20	210,240
Transaction costs				(32,279)
Balance	30-Jun-11	161,322,872		15,787,857
Opening balance	1-Jul-11	161,322,872		15,787,857
Issue of shares				
- Allotment of ordinary shares		3,835,262	0.20	767,053
- Conversion of T1 convertible notes ¹		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		154,051,815		27,464,852
		2012		2011
Other equity securities		\$		\$
Value of equity component on convertible notes		569,580		1,398,777
Deferred tax component		-		(419,634)
		569,580		979,143
Total contributed equity		28,034,432		16,767,000

(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.



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16 Contributed Equity (Continued)

(d) Options

During the financial year, the Company issued shares in the Company at \$0.20 with a free attaching option on a 'one for two' basis, as part of a rights issue to existing shareholders. This resulted in 1,917,631 options exercisable at \$0.35 being issued.

As part of David Radford's remuneration, he was issued 6,337,817 executive options in March 2012. These options will vest and be exercisable upon the successful commercialisation of the HI-164OV product.

(e) Capital risk management

The Company'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.

	2012	2011
	\$	\$
17 Reserves and accumulated losses		
(a) Reserves		
Total reserves	750,977	654,146
<u>Options reserve</u>		
Movements in reserve were as follows:		
Balance 1 July 2011/2010	654,146	473,540
Option expense	96,831	267,506
Options cancelled	-	(86,900)
Balance 30 June 2012/2011	750,977	654,146



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17 Reserves and accumulated losses (Continued)

	2012	2011
	\$	\$

(b) Accumulated losses

Movements in accumulated losses were as follows:

Opening accumulated losses	(21,113,395)	(17,270,639)
Loss for the year	(1,784,131)	(3,929,656)
Options cancelled	-	86,900
Balance 30 June	<u>(22,897,526)</u>	<u>(21,113,395)</u>

(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.

18 Remuneration of auditors

	2012	2011
	\$	\$
Audit services		
Audit of financial reports – RSM Bird Cameron Partners (2011: BDO Audit (NSW-VIC) Pty Ltd)	37,500	43,933
Total remuneration for audit services	<u>37,500</u>	<u>43,933</u>

19 Commitments

Capital commitments

As at 30 June 2012, the Company has completed the Phase II b clinical trial for HI-164OV. Following this, the Company does not have any significant capital commitments at 30 June 2012 (2011: \$982,461).



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20 Events occurring after the balance sheet date

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

On 30 August 2012, the Company received the refund of \$1,529,528 from the lodgement of the 2012 company tax return which included a claim for the R&D tax concession as disclosed at Note 8.

HI-164 OV Path to Commercialisation and Continued Results Analysis

The Company has engaged Torrey Partners to help engage in the marketing and commercialisation of the statistically significant Phase IIb trial results.

As announced by BXN on 12 July 2012 to the ASX this includes:

1. A non-confidential information package and 'slide deck' regarding HI-164 OV being prepared;
2. This package to be carefully marketed to a select group of 50 companies that have been identified as having an interest in the respiratory technology or vaccine space;
3. It is expected that indications of interest will take up to 2 months from this date at which point the Company will better understand the commercialisation potential of HI-164 OV.

On 16 July the Company held an investor presentation which further updated the statistical interpretation of the Phase IIb trial results. The overall consensus was that the subset of the < 65 population was a statistically significant result that warranted further explanation and efforts to commercialise to obtain shareholder value.

The Company is continuing to review such potential opportunities with Torrey Partners whom it has appointed to advise and facilitate for Hunter and BXN on the most relevant commercialisation strategies.

Other Matters Subsequent to Balance Date:

No other matter or circumstance has arisen since 30 June 2012 that has significantly affected, or may significantly affect:

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



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

	2012	2011
	\$	\$
Loss for the year	(1,784,131)	(3,929,656)
Depreciation	882	-
Non-cash employee benefits expense - share based payments	96,831	267,506
Accrued employee benefits	19,234	3,543
Impairment expense	1,511,132	
Change in operating assets and liabilities		
(Increase)/decrease in trade and other receivables	(601,842)	(656,783)
(Increase)/decrease in prepayments	-	4,638
(Decrease)/increase in trade and other payables	25,861	632,120
Deferred tax asset/liability movements	(4,495,451)	-
Convertible Note Liability movement	532,110	349,695
Net cash outflow from operating activities	(4,695,374)	(3,328,937)

22 Segment Information

The Company 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. Due to the nature of the entity's business, the company has only one reportable segment.

The following tables present revenue and profit information and certain asset and liability information regarding geographical segments.

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2012 and 30 June 2011.



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22 Segment Information (Continued)

	Australia		USA		Europe		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
Revenue								
External sales	-	-	118,049	926,207	-	13,437	118,049	939,644
Other revenues from external customers	5,226	(21,290)	-	-	-	-	5,226	(21,290)
Segment revenue	5,226	(21,290)	118,049	926,207	-	13,437	123,275	918,354
Other segment information								
Segment assets	6,910,088	220,733	-	-	-	-	6,910,088	220,733
Capital expenditure	-	-	-	-	-	-	-	-
Segment liabilities	1,022,206	96,390	-	-	-	-	1,022,206	96,390
Segment depreciation	882	1,562	-	-	-	-	882	1,562

The company has one major customer in the US, which accounts for 98% of the revenues.

23 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.D Ford	Chairman
S. O'Loughlin	Non-executive director (resigned 4 April 2012)
S Taylor	Non-executive director (resigned 4 April 2012)
A. K. Jairath	Chief Financial Officer & Company Secretary
D. J. Radford	Non-executive director (appointed 4 April 2012)
G. B Crisp	Non-executive director (appointed 4 April 2012)
J. D. Wilson	Non-executive director (appointed 18 April 2012)
I. M. Mutton	Non-executive director (appointed 04 April 2012)
J. L. Curnock Cook	Non-executive director (appointed 07 May 2012)
W. B. Harrison	Non-executive director (appointed 04 April 2012)



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23 Key Management Personnel Compensation (Continued)

Key management personnel remuneration has been included in the Remuneration Report section of the Director's report.

(b) Option holdings of key management personnel

	Opening balance	Net other change	Options exercised	Options lapsed	Balance 30/06/2012	Exercisable	Not exercisable
P Ford	250,000	383,334	-	-	633,334	633,334	-
I Mutton	510,607	-	-	-	510,607	510,607	-
D Radford	-	6,337,817	-	-	6,337,817	-	6,337,817
G Crisp	450,000	-	-	-	450,000	450,000	-
J Wilson	-	-	-	-	-	-	-
J Curnock Cook	-	-	-	-	-	-	-
W Harrison	-	-	-	-	-	-	-
Executives							
A Jairath	100,000	-	-	-	100,000	100,000	-
Total	1,310,607	6,721,151	-	-	8,031,758	1,693,941	6,337,817

(c) Shareholdings of key management personnel

	Opening balance	Granted as compensation	Net other change	Balance 30.6.2012
Directors				
P Ford	196,800	-	400,000	596,800
I Mutton	545,569	-	-	545,569
D Radford	-	-	-	-
G Crisp	-	-	-	-
J Wilson	-	-	-	-
J Curnock Cook	-	-	-	-
W Harrison	-	-	-	-
Executives				
A. Jairath	-	-	-	-
Total	742,369	-	400,000	1,142,369



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23 Key Management Personnel Compensation (Continued)

(d) Details of Remuneration

	Short term employee benefits		Other fees paid	Post-employment benefits	Share based payments	Total
	Cash salary and fees	Non-monetary benefits				
2012						
Name	\$	\$	\$	\$	\$	\$
Directors						
Ian Mutton	40,000	-	40,000	-	-	80,000
Glenn Crisp	60,000	-	140,952	-	-	200,952
Jeremy Curnock Cooke	30,000	-	-	-	-	30,000
Doug Wilson	40,000	-	10,921	-	-	50,921
David Radford	400,000	-	-	25,000	96,831	521,831
Patrick Ford	6,000	-	36,025	540	-	42,565
Simon O'Loughlin	18,500	-	-	1,665	-	20,165
Simon Taylor	18,500	-	-	1,665	-	20,165
William Harrison	20,000	-	-	-	-	20,000
Subtotal non-executive directors	633,000	-	227,898	28,870	96,831	986,599
<i>Other key management personnel</i>						
R Clancy	42,000	-	-	-	-	42,000
K Healey	10,000	-	-	-	-	10,000
Ashok Jairath	48,000	-	-	-	-	48,000
Laura Raymer	30,596	-	-	-	-	30,596
	130,596	-	-	-	-	130,596
	763,596	-	227,898	28,870	96,831	1,117,195



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24 Financial Risk Management

(a) Financial Risk Management

The company'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 company in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Credit risk

The company trades only with recognised, creditworthy third parties. It is the company'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 company's exposure to bad debts is not significant.

There is considerable concentration of credit risk within the company as it only has a few major customers at this stage of its development.

With respect to credit risk arising from other financial assets of the company, which comprise cash and cash equivalents, the company'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 company trades only with recognised third parties, there is no requirement for collateral security.

Liquidity risk

The company'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.



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24 Financial Risk Management (Continued)

	Weighted average interest rate	Non-interest bearing	Floating interest rate	Fixed interest rate maturing within 1 year	Total
	2012 %	2012 \$	2012 \$	2012 \$	2012 \$
Financial Assets					
Cash and cash equivalents	4.5%	-	779,624	-	779,624
Receivables	-	162,928	-	-	162,928
Total financial assets		162,928	779,624	-	942,552
Financial Liabilities					
Trade and other payables	-	1,022,206	-	-	1,022,206
Total financial liabilities		1,022,206	-	-	1,022,206

(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.



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25 Parent Entity – Hunter Immunology Limited

	2012	2011
	\$	\$
Financial position		
Assets		
Total current assets	1,849,606	1,746,303
Total non-current assets	4,436,362	200,000
Total assets	<u>6,285,968</u>	<u>1,946,303</u>
Liabilities		
Total current liabilities	821,339	796,357
Total non-current liabilities	772,468	4,842,195
Total liabilities	<u>1,593,807</u>	<u>5,638,552</u>
Equity		
Contributed equity	25,228,681	16,767,000
Reserves	654,146	654,146
Accumulated losses	(21,190,666)	(21,113,395)
Total equity	<u>4,692,161</u>	<u>(3,692,249)</u>
Financial performance		
Loss for the year	(77,271)	(3,929,656)
Other comprehensive income	-	-
Total comprehensive loss	<u>(77,271)</u>	<u>(3,929,656)</u>