



ABN: 97 084 464 193



BIOXYNE LIMITED

ABN 97 084 464 193

**Financial Report
for the Year Ended 30 June 2016**



Bioxyne Limited
2016 Financial Report

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Chairman's Letter

Dear fellow shareholder,

On behalf of the directors of Bioxyne Limited (the Company), I am pleased to report on the activities of the Company for the year ended 30 June 2016.

Sales increased by 29% over the previous year reflecting a greater focus following marketing visits to our major customer and global manufacturer and distributor. Our profitability also increased year on year with favourable exchange rates.

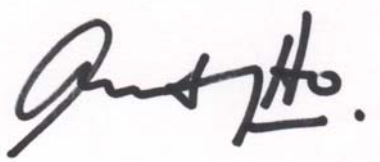
The Company's aim is to significantly expand the distribution of products containing its proprietary *Lactobacillus fermentum* VRI-003 (PCC®) strain of probiotics by investing in additional scientific and clinical evidence of the effectiveness of PCC® to promote health and wellness. The Company appointed Dr Peter French, a cell and molecular biologist, as Scientific Director in February 2016 to drive this development.

Late in the financial year we announced a clinical trial to support the Australian launch and marketing of Progastrim® (for immune and gut health) and proTract® for Atopic Dermatitis for infants. The trial is expected to commence in October 2016, and will assess the gastrointestinal health effects and benefits of 6 months consumption of PCC®. Scientific studies indicate that PCC® is likely to exert its potent effect on the immune system via effects on the bacterial composition of the gastrointestinal tract. This study is designed to further confirm that mechanism. Secondary endpoints include effects on general well-being, gastrointestinal function and weight loss.

The Company plans to increase sales through the launch of its two TGA registered over-the-counter products, Progastrim® and proTract®, in Q4 2016. The Company also aims to expand its over-the-counter dietary wellness supplements product range through product development and licensing over the next 12 months. To further support this effort, we have recently appointed Mr Guy Robertson, a finance executive with retail experience, as Chief Operating Officer.

On behalf of the Board I thank shareholders for their ongoing support as we move forward in this next exciting phase of our corporate development.

Yours sincerely,

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

Anthony Ho
Non-executive Chairman
29 September 2016



Directors' Report

Your directors present their report on Bioxyne Limited (ASX: BXN) for the year ended 30 June 2016.

Directors

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

| | |
|---------------------------|--|
| Anthony Ho | Non-executive Chairman |
| George Xavier Cameron-Dow | Non-executive Director |
| Patrick Douglas Ford | Non-executive Director |
| Peter French | Scientific Director (appointed 15 February 2016) |

Information on Directors as at Report Date

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

Mr Ho was appointed on 30 October 2012.

Mr Ho is an experienced company director and has extensive corporate and financial management experience, having held Finance Director/CFO roles with a number of ASX listed companies in the wholesale & distribution; and retail sectors. Mr. Ho also chairs audit committees in a number of ASX listed companies.

Mr. Ho holds a Bachelor of Commerce degree from the University of New South Wales and is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants.

Directorships of Listed Companies Now and in the last 3 years

Mr Ho is currently the non-executive chairman of Greenland Minerals & Energy Limited (ASX: GGG) and a non-executive director of Hastings Technology Metals Ltd (ASX: HAS).

Mr Ho was previously a non-executive Director of Apollo Minerals Limited (ASX: AON) where he also chaired the audit committee, from July 2009 to March 2016, and non-executive chairman of Esperance Minerals Ltd from September 2015 to March 2016.

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

Mr Cameron-Dow was appointed on 21 July 2014.

Mr. Cameron-Dow is a founding director of an investment fund management firm, Fleming Funds Management Pty Limited and corporate advisory firm, Fleming Capital Pty Limited. He brings extensive corporate experience having held executive and non-executive director positions with a number of private and ASX listed companies, across a range of industries including Pharmaceutical, Biosciences, Healthcare Products and Services, Food Technology and Financial Services.

Other Listed Public Company Directorships in the last 3 years:

Windward Resources Ltd - Non-Executive Director (appointed May 2012 – current)
Naracoota Resources Limited - Non-Executive Director (appointed October 2012 – March 2015)
Optiscan Limited – Non-Executive Director (appointed July 2015 – September 2015)
EVE Investments Ltd – Non-Executive Director (appointed March 2016 – current)



Directors' Report (Continued)

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

Mr Ford was appointed on 17 May 2005.

Mr Ford is the chairman of the Audit Committee.

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

Directorships of Listed Companies Now and in the last 3 years

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

Peter French, BSc, MSc, PhD, MBA, FRSM (Scientific Director)

Dr French was appointed on 15 February 2016

Dr French is a cell and molecular biologist who has been involved in the corporate biotechnology industry since 1998, when he founded stem cell storage company Cryosite Limited. From 2002 to 2006 he served as Managing Director of Probiomics Limited (a predecessor of Bioxyne) where he led the launch of six probiotic products based on the Company's *Lactobacillus fermentum* PCC strain in pharmacies in Australia and Singapore, as well as setting up a number of clinical studies on PCC®.

Directorships of Listed Companies Now and in the last 3 years

Until December 2015, Dr French was the Managing Director of Benitec Biopharma Limited (ASX:BLT), which also successfully dual listed on the NASDAQ in late 2015.

Chief Executive Officer

Day to day management of the Company was undertaken by the Scientific Director and Chairman, with Board input and oversight. The Company did not appoint a CEO during the year.

Subsequent to year end, the Company appointed Chief Operating Officer Mr Guy Robertson who will be responsible for the management of the Company.

Company Secretary

Mr Guy Robertson (appointed 1 September 2016)
Mr Jarrod Travers White (resigned 1 September 2016)

Chief Operating Officer and Chief Financial Officer

Guy Robertson, B. Com (Hons), CA

Mr Robertson was appointed as COO and CFO on 1 September 2016.

Mr Robertson has held a number of senior roles within the Jardine Matheson group of companies in Australia and Hong Kong including General Manager of Finance for Franklins Supermarkets, Chief Operating Officer and Chief Financial Officer for Colliers Jardine Asia Pacific based in Hong Kong and Chief Financial Officer and Managing Director for Jardine Lloyd Thompson.

Mr Robertson has significant experience as a Company Secretary and Director of ASX listed companies.



Directors' Report (Continued)

Principal Activities and Strategy

The Company's core activity is the development of, manufacture, marketing and distribution of consumer dietary supplements based on the proprietary probiotic strain of *Lactobacillus Fermentum PCC*. The Company has a global distribution agreement with Denmark's Chr Hansen to manufacture, market, supply and distribute its proprietary probiotic strain for over the counter dietary supplement products.

Dividends

No dividends were paid to members during the financial year (2015: \$Nil).

Review of operations

Ongoing Activities

The Company continued to export probiotics into the global markets in FY 2016 and has experienced increased sales in FY2016 attributed to incremental marketing, product development and strengthening of management.

The Company's announced 2016 goals were to further develop its core asset, the probiotic *Lactobacillus fermentum VRI-003 (PCC®)*.

Incremental expenditures incurred through the second half of the year included:

- Scientific support with the appointment of Scientific Director, Dr Peter French and a marketing consultant;
- Preparing for the launch of two PCC®-based products in Australia in second half of calendar year 2016 – Progastrim® and proTract® for Atopic Dermatitis – including listing on the Australian Register of Therapeutic Goods;
- Preparation for a clinical trial to examine the effect of PCC® to influence the composition of the gut microbiome and improve gut health in healthy adult human volunteers. Related Research & Development expenditure of \$123,120 was incurred;
- Increased marketing support costs of our major partners of Nu-Skin and Christian Hansen.

New Clinical Trial

The Company announced on 23 June 2016 that it is undertaking a new clinical trial to examine the effect of PCC® on gastrointestinal health of healthy adults to support its Australian launch and marketing of Progastrim* and proTract*. The clinical trial will commence recruitment following ethics committee approval (expected in October 2016). Marketing and product development costs are funded internally.

Operating Results

The net profit after tax for the year was \$223,846 (2015: \$201,039), with the improvement largely attributable to the increase in sales and favourable exchange rates.

Higher revenues in 2016 of \$1,924,454 (2015: \$1,492,109) were attributable to a focused marketing effort during the year.

Expenses for the year were \$942,963 (2015: \$725,651) with the increase attributable to research and development costs and increased marketing costs.



Directors' Report (Continued)

Shareholder equity increased to \$1,551,255 (2015: \$1,283,666) attributable to the result for the year and directors exercising their options contributing an additional \$43,743 to share capital.

Matters Subsequent to Balance Date

Change in Management Structure

On 1 September 2016, the Company appointed Mr Guy Robertson as Chief Operating Officer, Chief Financial Officer and Company Secretary.

No other matter or circumstance has arisen since 30 June 2016 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.

Likely developments and expected results of operations

Information on likely developments in the operations of the Company 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 Company.

Environmental regulation

The Company's 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 Company's obligations and is not aware of any breach of environmental requirements as they relate to the Company.

Indemnification of officers

During the financial year the Company paid premiums in respect of a contract insuring Directors, Chief Financial Officers and Company Secretary of Bioxyne 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.



Directors' Report (Continued)

Proceedings on behalf of the Company

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

No proceedings have been brought or intervened in on behalf of the Company 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 Company, its related practices and non-related audit firms:

| | 2016 | 2015 |
|---|--------|--------|
| | \$ | \$ |
| RSM Australia Partners | | |
| Audit of financial reports | 42,750 | 35,000 |
| Other services | - | - |
| Total remuneration for audit and other services | 42,750 | 35,000 |

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 (\$) |
|---|----------------|------------|----------------|-----------------------|
| Options issued under employee share option plan | 917,000 | 10/12/2014 | 10/12/2017 | 0.021 |
| Total | 917,000 | | | |

Meetings of directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2016, and the numbers of meetings attended by each director were:

| | A | B |
|-----------------------------------|----|----|
| Full Meetings of Directors | | |
| Mr Anthony Ho | 14 | 14 |
| Mr George Cameron-Dow | 13 | 14 |
| Mr Patrick Ford | 14 | 14 |
| Mr Peter French | 4 | 5 |

A = Number of meetings attended

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



Directors' Report (Continued)

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 11.

Auditor

RSM 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 Company.

Remuneration philosophy

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

Remuneration committee

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

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

Remuneration structure

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

Performance evaluation of Board Members and Senior Executives

No formal evaluation of senior executives has taken place during the year as the first executive was appointed in February 2016. A formal evaluation will be undertaken once the executives have a longer period of service.

The Chairman reviews the performance of the directors on an annual basis and in turn asks for feedback on his performance.

Non-executive director remuneration

Objective

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



Directors' Report (Continued)

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.

The remuneration of non-executive directors for the period ending 30 June 2016 is detailed in Table 3 of this report.

Senior manager and executive director remuneration

Objective

The Company 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.

The Company has not tabled figures for earnings and shareholders' funds for the last five years as, being a company in the development phase, these historical figures have little relevance in determining current remuneration structure. The Company appointed its first executive in February 2016 and its second on 1 September 2016. Board Directors are remunerated in accordance with comparative small ASX listed companies.

Table 1 - Option holdings of key management personnel

| Directors | Opening balance | Options exercised | Other Movements | Balance 30/06/2016 | Exercisable | Not exercisable |
|---------------|------------------|--------------------|------------------|--------------------|-------------|-----------------|
| A Ho | 1,000,000 | (1,000,000) | - | - | - | - |
| P Ford | 900,000 | (900,000) | - | - | - | - |
| G Cameron-Dow | 550,000 | (183,000) | (367,000) | - | - | - |
| P French | - | - | - | - | - | - |
| Total | 2,450,000 | (2,083,000) | (367,000) | - | - | - |

Table 2 - Shareholdings of key management personnel

| Directors | Opening balance | Options Exercised | Net other change | Balance 30/06/2016 |
|---------------|-------------------|-------------------|------------------|--------------------|
| A Ho | 8,590,000 | 1,000,000 | 500,000 | 10,090,000 |
| P Ford | 8,000,000 | 900,000 | 250,000 | 9,150,000 |
| G Cameron-Dow | - | 183,000 | - | 183,000 |
| P French | - | - | - | - |
| Total | 16,590,000 | 2,083,000 | 750,000 | 19,423,000 |

Directors' Report (Continued)

Table 3 – Directors and key management personnel remuneration for the year ended 30 June 2016

Short term employee benefits

| | Cash salary and fees | Non-monetary benefits | Other fees | Post-employment benefits | Share based payments | Total |
|------------------|----------------------|-----------------------|---------------|--------------------------|----------------------|----------------|
| 2016 Name | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| A Ho | 65,700 | - | 15,000 | - | - | 80,700 |
| P Ford | 40,950 | - | 15,000 | 2,850 | - | 58,800 |
| G Cameron-Dow | 40,000 | - | 15,000 | 3,800 | - | 58,800 |
| P French | 45,000 | - | - | 4,275 | - | 49,275 |
| Total | 191,650 | - | 45,000 | 10,925 | - | 247,575 |

Short term employee benefits

| | Cash salary and fees | Non-monetary benefits | Other fees | Post-employment benefits | Share based payments | Total |
|------------------|----------------------|-----------------------|---------------|--------------------------|----------------------|----------------|
| 2015 Name | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| A Ho | 65,700 | - | 25,000 | - | 3,571 | 94,271 |
| P Ford | 43,800 | - | - | - | 3,214 | 47,014 |
| G Cameron-Dow | 41,445 | - | - | - | 1,964 | 43,409 |
| J Curnock Cook | - | - | - | - | - | - |
| Total | 150,945 | - | 25,000 | - | 8,749 | 184,694 |

Registered Office

Bioxyme Limited
Suite 2508 Level 25
31 Market Street
Sydney NSW 2000

Sign off

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



Anthony Ho
Non-Executive Chairman
29 September 2016

RSM Australia Partners

Level 13, 60 Castlereagh Street Sydney NSW 2000

GPO Box 5138 Sydney NSW 2001

T +61 (0) 2 8226 4500

F +61 (0) 2 8226 4501

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Bioxyne Limited for the year ended 30 June 2016, 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.

A handwritten signature in blue ink that reads "RSM".

RSM AUSTRALIA PARTNERS

A handwritten signature in blue ink, appearing to read "W E Beuman".

W E Beuman
Partner

Sydney, NSW

Dated: 29 September 2016



Bioxyne Limited
Statement of Profit or Loss and
Other Comprehensive Income
For the year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|----------------|----------------|
| Revenue from continuing operations | | | |
| Sale of goods | | 1,924,454 | 1,492,109 |
| Other income | 3 | 100,881 | 161,165 |
| Cost of goods sold | | (858,526) | (726,584) |
| Expenses | | | |
| Research and development | | (123,120) | - |
| Business development | | (73,702) | (67,941) |
| Marketing | | (58,000) | (96,718) |
| Professional fees | | (279,803) | (199,677) |
| Compliance costs | | (79,946) | (80,967) |
| Legal fees | | (38,455) | (9,537) |
| Employee benefits | | (170,650) | (153,065) |
| General and administration | | (116,708) | (116,334) |
| Finance costs | | (2,579) | (1,412) |
| Profit before income tax | | 223,846 | 201,039 |
| Income tax (expense) | 4 | - | - |
| Other comprehensive income for the year | | - | - |
| Total comprehensive profit for the year | | 223,846 | 201,039 |
| Profit is attributable to: | | | |
| Members of Bioxyne Limited | | 223,846 | 201,039 |
| Earnings per share | | | |
| <i>From continuing operations</i> | | | |
| - Basic earnings per share | 19 | 0.001 | 0.001 |
| - Diluted earnings per share | 19 | 0.001 | 0.001 |

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



Bioxyne Limited
Statement of Financial Position
As at 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|--------------------------------------|-------|------------------|------------------|
| ASSETS | | | |
| Current Assets | | | |
| Cash and cash equivalents | 5 | 1,353,604 | 958,469 |
| Current tax receivables | 6 | 71,183 | 19,520 |
| Trade and other receivables | 7 | 259,871 | 210,048 |
| Total Current Assets | | 1,684,658 | 1,188,037 |
| Non-Current Assets | | | |
| Other financial assets | 8 | 325,000 | 325,000 |
| Total Non-Current Assets | | 325,000 | 325,000 |
| Total Assets | | 2,009,658 | 1,513,037 |
| LIABILITIES | | | |
| Current Liabilities | | | |
| Trade and other payables | 9 | 458,403 | 229,371 |
| Total Current Liabilities | | 458,403 | 229,371 |
| Total Non-Current Liabilities | | - | - |
| Total Liabilities | | 458,403 | 229,371 |
| Net Assets | | 1,551,255 | 1,283,666 |
| EQUITY | | | |
| Contributed equity | 10 | 57,478,121 | 57,426,940 |
| Reserves | 11 | 3,274 | 10,712 |
| Accumulated losses | 11 | (55,930,140) | (56,153,986) |
| Equity | | 1,551,255 | 1,283,666 |

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



Bioxyne Limited
Statement of Changes in Equity
For the year ended 30 June 2016

| | Contributed equity | Accumulated Losses | Reserves | Total |
|---|-----------------------|-----------------------|---------------|------------------|
| Notes | \$ | \$ | \$ | \$ |
| 2015 | | | | |
| At 30 June 2014 | 57,426,940 | (56,478,329) | 123,304 | 1,071,915 |
| Total comprehensive income for the year | - | 201,039 | - | 201,039 |
| Options issued during the year | - | - | 10,712 | 10,712 |
| Options cancelled during the year | - | 123,304 | (123,304) | - |
| At 30 June 2015 | 57,426,940 | (56,153,986) | 10,712 | 1,283,666 |
| 2016 | | | | |
| At 30 June 2015 | 57,426,940 | (56,153,986) | 10,712 | 1,283,666 |
| Total comprehensive income for the year | - | 223,846 | - | 223,846 |
| Shares issued and transfer from share | - | - | - | - |
| Option reserve on exercise of options | 51,181 | - | (7,438) | 43,743 |
| At 30 June 2016 | 57,478,121 | (55,930,140) | 3,274 | 1,551,255 |

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



Bioxyne Limited
Statement of Cash Flows
For the year ended 30 June 2016

| | Notes | 2016 \$ | 2015 \$ |
|---|-------|------------------|------------------|
| Cash flows from operating activities | | | |
| Receipts of other income (inclusive of goods and services tax) | | 1,918,908 | 1,464,029 |
| Payments to suppliers and employees (inclusive of goods and services tax) | | (1,568,594) | (1,637,425) |
| | | 350,314 | (173,396) |
| Finance charges | | (2,579) | (1,412) |
| Interest received | | 1,117 | 8,036 |
| Net cash inflow/(outflow) from operating activities | 15 | 348,852 | (166,772) |
| Net cash inflow from investing activities | | | |
| | | - | - |
| Cash flows from financing activities | | | |
| Proceeds from the issue of shares | | 43,743 | - |
| Net cash inflow from financing activities | | 43,743 | - |
| Net increase/(decrease) in cash and cash equivalents | | | |
| | | 392,595 | (166,772) |
| Cash and cash equivalents at the beginning of the financial year | | 958,469 | 992,378 |
| Foreign exchange adjustment to cash balance | | 2,540 | 132,863 |
| Cash and cash equivalents at end of the year | 5 | 1,353,604 | 958,469 |

The above 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 2016

1 Summary of significant accounting policies

These financial statements and notes represent those of Bioxyne Limited (the "Company")

(a) Basis of preparation

Reporting 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.

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 Company.

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 Company'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 2016

1 Summary of significant accounting policies (continued)

(b) Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of the Company 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 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.

(ii) Transactions and balances

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

(c) 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.

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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(d) 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.

(e) 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 2016

1 Summary of significant accounting policies (continued)

(f) Fair Value of Assets and Liabilities

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

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

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

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

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

(g) 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.

(h) 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 2016

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.

(i) Cash and cash equivalent

For the purposes of the 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.

(j) 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 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 Statement of Comprehensive Income.

(k) 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.

(l) 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 2016

1 Summary of significant accounting policies (continued)

(m) 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. The Company's legal or constructive obligation is limited to these contributions.

Contributions to complying third party superannuation funds 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

The fair value of options granted under the Employee Share Option Plan "ESOP" 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 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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

(n) 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.

(o) 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 Statement of Financial Position.

Cash flows are included in the 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.

(p) 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.

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

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 2016

1 Summary of significant accounting policies (continued)

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 Company 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.

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 Company 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 Company'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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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.

De-recognition of financial liabilities

The Company de-recognises financial liabilities when, and only when, the Company'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.

(q) Trade and other receivables

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

(r) New and amended accounting standards adopted by the Company

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

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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

The following Standards and Interpretations listed below were on issue but not yet effective:

| Standard/Interpretation | Effective for annual reporting periods beginning on or after | Expected to be initially applied in the financial year ending |
|--|--|---|
| <p><i>AASB 9 'Financial Instruments' (December 2014)</i></p> <p>AASB 9 introduces new requirements for the classification and measurement of financial assets and liabilities and includes a forward-looking 'expected loss' impairment model and a substantially-changed approach to hedge accounting. These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139.</p> <p>The directors do not anticipate that the adoption of AASB 9 will have a significant impact on the Group's financial instruments.</p> | 1 January 2018 | 30 June 2019 |
| <p>AASB 15 Revenue from Contracts with Customers</p> <p>AASB 15:</p> <ul style="list-style-type: none"> • Replaces AASB 118 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations: <ul style="list-style-type: none"> ○ establishes a new revenue recognition model ○ changes the basis for deciding whether revenue is to be recognised over time or at a point in time ○ provides new and more detailed guidance on specific topics (e.g. multiple element arrangements, variable pricing, rights of return, warranties and licensing) ○ expands and improves disclosures about revenue <p>The entity is yet to undertake a detailed assessment of the impact of AASB 15. However, based on the entity's preliminary assessment, the likely impact on the first time adoption of the Standard for the year ending 30 June 2019 includes:</p> <ul style="list-style-type: none"> • Change in timing of income recognition depending on performance consideration in the Group's contracts • Change in income measurement for possible variable consideration in the Group's contracts | 1 January 2018 | 30 June 2019 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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| <p><i>AASB 16 Leases</i></p> <p>AASB 16:</p> <ul style="list-style-type: none"> • Replaces AASB 117 Leases and some lease-related Interpretations • requires all leases to be accounted for 'on-balance sheet' by lessees, other than short-term and low value asset leases • provides new guidance on the application of the definition of lease and on sale and lease back accounting • largely retains the existing lessor accounting requirements in AASB 117 • requires new and different disclosures about leases <p>When this Standard is first adopted for the year ending 30 June 2020, there will be no material impact on the transactions and balances recognised in the financial statements.</p> | <p>1 January 2019</p> | <p>30 June 2020</p> |
| <p><i>AASB 2014-1 Amendments to Australian Accounting Standards</i></p> <p>Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14. When these amendments become effective for the first time for the year ending 30 June 2017, they will not have any impact on the entity.</p> <p>Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements. Refer to the section on AASB 9 above.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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| <p><i>AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations</i></p> <p>The amendments to AASB 11 state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a ‘business’, as defined in AASB 3 Business Combinations, should:</p> <ul style="list-style-type: none"> • apply all of the principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, i.e., the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and • provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards. <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |
| <p><i>AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation</i></p> <p>The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.</p> <p>The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (i.e., a revenue-based amortisation method might be appropriate) only in two (2) limited circumstances:</p> <ol style="list-style-type: none"> i. The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or ii. When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the transactions and balances recognised in the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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| <p><i>AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15</i></p> <p>AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15. Refer to the section on AASB 15 above.</p> | <p>1 January 2017</p> | <p>30 June 2018</p> |
| <p><i>AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)</i></p> <p>AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.</p> <p>Refer to the section on AASB 9 above.</p> | <p>1 January 2018</p> | <p>30 June 2019</p> |
| <p><i>AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements</i></p> <p>The amendments introduce the equity method of accounting as one of the options to account for an entity’s investments in subsidiaries, joint ventures and associates in the entity’s separate financial statements.</p> <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |
| <p><i>AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i></p> <p>The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures.</p> <p>The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors’ interests is recognised when the assets or subsidiary do not constitute a business.</p> <p>This amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).</p> <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

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| <p><i>AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle</i></p> <p>These amendments arise from the issuance of Annual Improvements to IFRSs 2012-2014 Cycle in September 2014 by the IASB.</p> <p>Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of AASB 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of AASB 5.</p> <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |
| <p><i>AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101</i></p> <p>The amendments:</p> <ul style="list-style-type: none"> • clarify the materiality requirements in AASB 101, including an emphasis on the potentially detrimental effect of obscuring useful information with immaterial information • clarify that AASB 101’s specified line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position can be disaggregated • add requirements for how an entity should present subtotals in the statement(s) of profit and loss and other comprehensive income and the statement of financial position • clarify that entities have flexibility as to the order in which they present the notes, but also emphasise that understandability and comparability should be considered by an entity when deciding that order, and • remove potentially unhelpful guidance in IAS 1 for identifying a significant accounting policy. <p>When these amendments are first adopted for the year ending 30 June 2017, there will be no material impact on the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

| | | |
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| <p><i>AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15</i></p> <p>AASB 2015-8 amends the mandatory application date of AASB 15 Revenue from Contracts with Customers so that AASB 15 is required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2017. It also defers the consequential amendments that were originally set out in AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15.</p> <p>When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.</p> | <p>1 January 2017</p> | <p>30 June 2018</p> |
| <p><i>AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs</i></p> <p>AASB 2015-9 inserts scope paragraphs into AASB 8 Operating Segments and AASB 133 Earnings per Share in place of application paragraph text in AASB 1057. In July and August 2015, the AASB reissued AASB 8, AASB 133 and most of the Australian Accounting Standards that incorporate IFRSs to make editorial changes. The application paragraphs in the previous versions of AASB 8 and AASB 133 covered scope paragraphs that appear separately in the corresponding IFRS 8 and IAS 33. In moving those application paragraphs to AASB 1057 when AASB 8 and AASB 133 were reissued in August, the AASB inadvertently deleted the scope details from AASB 8 and AASB 133. This amending Standard puts the scope details into those Standards, and removes the related text from AASB 1057. There is no change to the requirements or the applicability of AASB 8 and AASB 133.</p> <p>When this Standard is first adopted for the year ending 30 June 2017, there will be no impact on the financial statements.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |
| <p><i>AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128</i></p> <p>This Standard defers the mandatory application date of amendments to AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures that were originally made in AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture so that the amendments are required to be applied for annual reporting periods beginning on or after 1 January 2018 instead of 1 January 2016. The amendments have been deferred as the IASB is planning to address them as part of its longer term Equity Accounting project. However, early application of the amendments is still permitted.</p> <p>Refer to the section on AASB 2014-10 above.</p> | <p>1 January 2016</p> | <p>30 June 2017</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

1 Summary of significant accounting policies (continued)

| | | |
|---|---------------------------|-------------------------|
| <p><i>AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses.</i></p> <p>AASB 2016-1 amends AASB 112 Income Taxes to clarify how to account for deferred tax assets related to debt instruments measured at fair value, particularly where changes in the market interest rate decrease the fair value of a debt instrument below cost.</p> <p>When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.</p> | <p>1 January 2017</p> | <p>30 June 2018</p> |
| <p><i>AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107</i></p> <p>AASB 2016-2 amends AASB 107 Statement of Cash Flows to require entities preparing financial statements in accordance with Tier 1 reporting requirements to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.</p> <p>When these amendments are first adopted for the year ending 30 June 2018, there will be no material impact on the financial statements.</p> | <p>1 January 2017</p> | <p>30 June 2018</p> |
| <p><i>Clarifications to IFRS 15 Revenue from Contracts with Customers</i></p> <p>The amendments clarify the application of IFRS 15 in three (3) specific areas to reduce the extent of diversity in practice that might otherwise result from differing views on how to implement the requirements of the new standard. They will help companies: 1 Identify performance obligations (by clarifying how to apply the concept of ‘distinct’); 2 Determine whether a company is a principal or an agent in a transaction (by clarifying how to apply the control principle); 3 Determine whether a licence transfers to a customer at a point in time or over time (by clarifying when a company’s activities significantly affect the intellectual property to which the customer has rights). The amendments also create two (2) additional practical expedients available for use when implementing IFRS 15: 1 For contracts that have been modified before the beginning of the earliest period presented, the amendments allow companies to use hindsight when identifying the performance obligations, determining the transaction price, and allocating the transaction price to the satisfied and unsatisfied performance obligations. 2 Companies applying the full retrospective method are permitted to ignore contracts already complete at the beginning of the earliest period presented. The AASB is expected to publish the equivalent Australian amendments in quarter 2 of 2016.</p> <p>When these amendments are first adopted for the year ending 30 June 2019, there will be no material impact on the financial statements.</p> | <p>1 January 2018</p> | <p>30 June 2019</p> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

2 Critical accounting estimates and judgements

Estimates and judgements 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.

(i) Research and development expenditure

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

(i) Consideration received for divestment and subsequent measurement of Mariposa investment

On the 17th June 2015, the shares held in Mariposa Health Limited ('MHL') were exchanged for 213,138 shares in Mariposa Health Inc ('MHI'), a USA Delaware Corporation so that MHL became a subsidiary of MHI.

The directors are of the view that the underlying value of MHI resides within its intellectual property rights to the HI-1640V patents, including patient and trial data which is not recognised as an asset by MHI or its controlled entities. The directors are of the belief that there are no indicators of impairment in respect of the company's investment carried at a cost of \$325,000, given MHI is continuing towards a capital raising to enable it to undertake further feasibility assessments of its technology.

In addition to the above, part of the total consideration paid to BXN for the disposal of HIPL included a deferred consideration of \$1million, payable on achievement of agreed milestones over the next 5 years from 24 February 2014. This has not been recognised in the financial statements. The deferred consideration will be recognised as and when it is received.

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

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



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

| | 2016 | 2015 |
|--|------------------|------------------|
| | \$ | \$ |
| 3 Other income | | |
| Research and development tax Incentive | 53,252 | - |
| Interest received | 1,117 | 8,036 |
| Other income – royalties and foreign exchange | 46,512 | 153,129 |
| | 100,881 | 161,165 |
| 4 Income tax benefit | | |
| (a) Income tax benefit | | |
| Deferred tax | - | - |
| | - | - |
| (b) Numerical reconciliation of income tax expense to prima facie tax payable | | |
| Profit from continuing operations before income tax expense | 223,846 | 201,039 |
| Tax at the Australian tax rate of 30% (2015 - 30%) | 67,154 | 60,312 |
| Tax effect of amounts which are not (taxable) in calculating taxable income | (16,365) | (97,320) |
| Utilisation of prior year tax losses | (50,789) | - |
| Carried forward tax benefit not recognised | - | 37,008 |
| Total income tax expense | - | - |
| (c) Tax losses | | |
| Unused tax losses for which no deferred tax asset has been recognised | 26,324,227 | 26,493,525 |
| Potential tax benefit @ 30% | 7,897,268 | 7,948,057 |
| 5 Current assets - Cash and cash equivalents | | |
| Cash at bank and in hand | 1,353,604 | 958,469 |
| | 1,353,604 | 958,469 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

| | 2016 | 2015 |
|---|----------------|----------------|
| | \$ | \$ |
| 6 | | |
| Current assets – Current tax receivables | | |
| R&D Tax Incentive Receivable | 53,252 | - |
| GST receivable | 17,931 | 19,520 |
| | 71,183 | 19,520 |
| 7 | | |
| Current assets – Trade and other receivables | | |
| Trade debtors | 205,972 | 172,073 |
| Accrued Income | 17,006 | - |
| Prepayments | 36,893 | 37,975 |
| | 259,871 | 210,048 |
| 8 | | |
| Other financial assets | | |
| Non-current | | |
| Available-for-sale financial assets | 325,000 | 325,000 |
| | 325,000 | 325,000 |
| (a) Available-for-sale financial assets | | |
| Unlisted investments, at cost: | | |
| - shares in other corporations | 325,000 | 325,000 |
| Total available-for-sale investments at cost | 325,000 | 325,000 |
| 9 | | |
| Current liabilities - Trade and other payables | | |
| Trade creditors | 215,065 | 130,749 |
| Accrued Expenses | 239,026 | 98,622 |
| Employee Liabilities | 4,312 | - |
| | 458,403 | 229,371 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

10 Contributed equity

(a) Share capital

| | 2016 | 2016 | 2015 | 2015 |
|----------------------------|---------------|-------------|---------------|-------------|
| | Shares | \$ | Shares | \$ |
| Ordinary Shares Fully Paid | 202,426,101 | 57,478,121 | 200,343,101 | 57,426,940 |

(b) Movements in ordinary share capital

| | | Number of | Issue price | \$ |
|-------------------------------------|------------------|--------------------|--------------------|-------------------|
| | | Shares | | |
| Opening balance | 1-Jul-14 | 200,343,101 | | 57,426,940 |
| Balance | 30-Jun-15 | 200,343,101 | | 57,426,940 |
| Opening balance | 1-Jul-15 | 200,343,101 | | 57,426,940 |
| Exercise of Options | 5-May-16 | 2,083,000 | 0.021 | 43,743 |
| Transfer from share option reserve* | 5-May-16 | - | - | 7,438 |
| Balance | 30-Jun-16 | 202,426,101 | | 57,478,121 |

*The value of the options on initial recognition are transferred from share option reserve to share capital once exercised. Valuation based on the fair value at grant date being 10/12/2014 and was independently determined using a Black-Scholes option pricing model.

(c) Ordinary shares

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

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

(d) Options

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

| Details | No of options | Issue date | Date of expiry | Conversion price (\$) |
|---|----------------------|-------------------|-----------------------|------------------------------|
| Options issued under employee share option plan | 917,000 | 10/12/2014 | 10/12/2017 | 0.021 |
| Total | 917,000 | | | |

| Options | 2016 | 2015 |
|------------------------------|-------------|--------------|
| | No. | No. |
| Balance at beginning of year | 3,000,000 | 14,553,886 |
| Granted during the year | - | 3,000,000 |
| Expired during the year | - | (14,553,886) |
| Exercised during the year | (2,083,000) | - |
| Balance at end of year | 917,000 | 3,000,000 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

10 Contributed equity (Continued)

(e) Capital risk management

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

11 Reserves and accumulated losses

| | 2016 | 2015 |
|---------------------|--------------|---------------|
| | \$ | \$ |
| (a) Reserves | | |
| Total reserves | 3,274 | 10,712 |

Options reserve

Movements in reserve were as follows:

| | | |
|---|--------------|---------------|
| Balance 1 July | 10,712 | 123,304 |
| Option issued | - | 10,712 |
| Options cancelled | - | (123,304) |
| Transfer from share option reserve on exercise of options | (7,438) | - |
| Balance 30 June | 3,274 | 10,712 |

(b) Accumulated losses

Movements in accumulated losses were as follows:

| | | |
|----------------------------|---------------------|---------------------|
| Opening accumulated losses | (56,153,986) | (56,478,329) |
| Profit for the year | 223,846 | 201,039 |
| Options cancelled | - | 123,304 |
| Balance 30 June | (55,930,140) | (56,153,986) |

(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.

12 Remuneration of auditors

Audit services

| | | |
|---|---------------|---------------|
| Audit of financial reports – RSM Australia Partners | 42,750 | 35,000 |
| Total remuneration for audit services | 42,750 | 35,000 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

13 Commitments

Capital commitments

As at 30 June 2016, the Company has no capital commitments (2015: \$nil).

14 Events occurring after the balance sheet date

Mr Guy Robertson was appointed Chief Operating Officer, Chief Financial Officer and Company Secretary on 1 September 2016.

No matter or circumstance has arisen since 30 June 2016 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.

15 Reconciliation of profit after income tax to net cash outflow from operating activities

| | 2016 | 2015 |
|--|----------------|------------------|
| | \$ | \$ |
| Profit for the year | 223,846 | 201,039 |
| Non-cash employee benefits expense - share based payments | - | 10,712 |
| Foreign exchange gain | (2,540) | (132,863) |
| <i>Change in operating assets and liabilities</i> | | |
| Increase in trade and other receivables | (104,156) | (51,149) |
| Decrease in prepayments | 1,082 | 2,706 |
| (Decrease)/Increase in trade and other payables | 230,620 | (197,217) |
| Net cash inflow / (outflow) from operating activities | 348,852 | (166,772) |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

16 Segment information

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

The following table presents revenue and profit information and certain asset and liability information regarding geographical segments for the years ended 30 June 2016 and 30 June 2015.

Segment revenues and results

| | Segment revenue | | Segment profit | |
|--|------------------|------------------|-----------------------|-----------------------|
| | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ |
| Probiotics | 2,024,218 | 1,645,238 | 1,165,692 | 918,654 |
| Other | 1,117 | 8,036 | 1,117 | 8,036 |
| Total for continuing operations | <u>2,025,335</u> | <u>1,653,274</u> | <u>1,166,809</u> | <u>926,690</u> |
| Central administration costs and directors' salaries | | | (817,264) | (724,239) |
| Research and Development costs | | | (123,120) | - |
| Finance costs | | | (2,579) | (1,412) |
| Profit before tax - continuing operations | | | <u>223,846</u> | <u>201,039</u> |

Segment revenues and results

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2015: Nil).

The accounting policies of the reportable segments are consistent with the Company'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.

Segment assets

| | 2016 | 2015 |
|---------------------------|-------------------------|-------------------------|
| | \$ | \$ |
| Probiotics | 1,629,834 | 1,168,517 |
| Total segment assets | <u>1,629,834</u> | <u>1,168,517</u> |
| Unallocated | 379,824 | 344,520 |
| Consolidated total assets | <u>2,009,658</u> | <u>1,513,037</u> |

Segment liabilities

| | | |
|--------------------------------|-----------------------|-----------------------|
| Probiotics | 403,476 | 229,371 |
| Total segment liabilities | <u>403,476</u> | <u>229,371</u> |
| Unallocated | 54,927 | - |
| Consolidated total liabilities | <u>458,403</u> | <u>229,371</u> |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

16 Segment information (continued)

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.

Geographical information

| | Australia | | USA | | Europe | | Total | |
|--|-----------|---------|-----------|-----------|--------|--------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Revenue | | | | | | | | |
| External sales | - | - | 1,924,454 | 1,492,109 | 47,353 | 22,155 | 1,971,807 | 1,514,264 |
| Other revenues from external customers | 53,528 | 139,010 | - | - | - | - | 53,528 | 139,010 |
| Segment revenue | 53,528 | 139,010 | 1,924,454 | 1,492,109 | 47,353 | 22,155 | 2,025,335 | 1,653,274 |

Assets and liabilities

| | Australia | | USA | | Europe | | Total | |
|---------------------|-----------|-----------|---------|---------|--------|------|-----------|-----------|
| | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 | 2016 | 2015 |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Segment assets | 1,786,680 | 1,340,964 | 205,972 | 172,073 | 17,006 | - | 2,009,658 | 1,513,037 |
| Segment liabilities | 360,886 | 98,622 | 97,517 | 130,749 | - | - | 458,403 | 229,371 |

17 Key management personnel compensation

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

| Key Management Person | Position |
|-----------------------|---|
| A.P. Ho | Chairman/Non-Executive Director |
| P.D. Ford | Non-Executive Director |
| G.X. Cameron-Dow | Non-Executive director |
| P. W. French | Executive Director (Appointed 15 February 2016) |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

17 Key management personnel compensation (continued)

(b) Option holdings of key management personnel

| Directors | Opening balance | Options exercised | Other Movements | Balance 30/06/2016 | Exercisable | Not exercisable |
|------------------|------------------------|--------------------------|------------------------|---------------------------|--------------------|------------------------|
| A Ho | 1,000,000 | (1,000,000) | - | - | - | - |
| P Ford | 900,000 | (900,000) | - | - | - | - |
| G Cameron-Dow | 550,000 | (183,000) | (367,000) | - | - | - |
| P French | - | - | - | - | - | - |
| Total | 2,450,000 | (2,083,000) | (367,000) | - | - | - |

(c) Shareholdings of key management personnel

| Directors | Opening balance | Options Exercised | Net other change | Balance 30/06/2016 |
|------------------|------------------------|--------------------------|-------------------------|---------------------------|
| A Ho | 8,590,000 | 1,000,000 | 500,000 | 10,090,000 |
| P Ford | 8,000,000 | 900,000 | 250,000 | 9,150,000 |
| G Cameron-Dow | - | 183,000 | - | 183,000 |
| P French | - | - | - | - |
| Total | 16,590,000 | 2,083,000 | 750,000 | 19,423,000 |

(d) Details of remuneration

Short term employee benefits

| 2016 Name | Cash salary and fees | Non-monetary benefits | Other fees | Post-employment benefits | Share based payments | Total |
|------------------|-----------------------------|------------------------------|-------------------|---------------------------------|-----------------------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| Directors | | | | | | |
| A Ho | 65,700 | - | 15,000 | - | - | 80,700 |
| P Ford | 40,950 | - | 15,000 | 2,850 | - | 58,800 |
| G Cameron-Dow | 40,000 | - | 15,000 | 3,800 | - | 58,800 |
| P French | 45,000 | - | - | 4,275 | - | 49,275 |
| Total | 191,650 | - | 45,000 | 10,925 | - | 247,575 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

18 Financial risk management

(a) Financial risk management

The Company's financial instruments consist mainly of deposits with banks, accounts receivable and payables.

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

The Company does not speculate in financial assets.

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 one major customer 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.

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

| | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| Cash and cash equivalents | 1,353,604 | 958,469 |
| Trade debtors | 205,972 | 172,073 |
| Research and development tax incentive receivable | 53,252 | - |
| Other current assets | 71,830 | 57,495 |

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.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

(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 Statement of Financial Position.

| | Weighted average interest rate | Non-interest bearing | Floating interest rate | Fixed interest rate maturing within 1 year | Total |
|------------------------------------|--------------------------------------|-------------------------|---------------------------|---|------------------|
| | 2016 % | 2016 \$ | 2016 \$ | 2016 \$ | 2016 \$ |
| Financial Assets | 0.00 | | | | |
| Cash and cash equivalents | | - | 1,353,604 | - | 1,353,604 |
| Receivables | | 294,161 | - | - | 294,161 |
| Total financial assets | | 294,161 | 1,353,604 | - | 1,647,765 |
| Financial Liabilities | | | | | |
| Trade and other payables | | 458,403 | - | - | 458,403 |
| Total financial liabilities | | 458,403 | - | - | 458,403 |

| | 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 |
|------------------------------|-----------------|---|--|--|
| | 2016 \$ | 2016 \$ | 2016 \$ | 2016 \$ |
| Financial Assets | | | | |
| Accounts Receivables | 205,972 | 205,972 | - | - |
| Other Receivables | 88,189 | 34,937 | 53,252 | - |
| Total | 294,161 | 240,909 | 53,252 | - |
| Financial liabilities | | | | |
| Accounts payable | 215,065 | 215,065 | - | - |
| Other payables | 243,338 | 243,338 | - | - |
| Total | 458,403 | 458,403 | - | - |

(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 Statement of Financial Position and notes to the financial statements.



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

(d) Sensitivity Analysis

The Company 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 expected to be minimal.

19 Earnings per share

| | 2016 | 2015 |
|---|-------------|-------------|
| | \$ | \$ |
| Basic Earnings per share (cents per share) | 0.001 | 0.001 |
| Diluted Earnings per share (cents per share)* | 0.001 | 0.001 |

Weighted average number of shares

| | | |
|---|-------------|-------------|
| Basic earnings per share calculation | 200,661,881 | 200,343,101 |
| Diluted earnings per share calculation* | 200,741,551 | 200,343,101 |

Profit for the period used in earnings per share

| | | |
|----------------------------|---------|---------|
| From continuing operations | 223,846 | 201,039 |
|----------------------------|---------|---------|

**Includes 917,000 options deemed to be issued for no consideration in respect of employee options (2015 weighted average number of options outstanding not included in diluted EPS calculations as the options are anti-dilutive in nature)*

20 Share based payments

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

No options were granted in the 2016 financial year.

b) Options at year end

| Details | No of options | Issue date | Date of expiry | Conversion price (\$) |
|---|---------------|------------|----------------|-----------------------|
| Options issued under employee share option plan | 917,000 | 10/12/2014 | 10/12/2017 | 0.021 |
| Total | 917,000 | | | |

c) Movements in options during the year

| | 2016 | 2015 |
|------------------------------|-------------|--------------|
| | No. | No. |
| Options | | |
| Balance at beginning of year | 3,000,000 | 14,553,886 |
| Granted during the year | - | 3,000,000 |
| Expired during the year | - | (14,553,886) |
| Exercised during the year | (2,083,000) | - |
| Balance at end of year | 917,000 | 3,000,000 |



Bioxyne Limited
Notes to the Financial Statements
For the year ended 30 June 2016

21 Related party transactions

(a) Key management personnel

Disclosures relating to key management personnel are set out in Note 17.

(b) Transactions with other related parties

During the period:

- \$25,950 was paid to Diskdew Pty Ltd, a company of which Patrick Ford is a director of, for portion of director's fees and consulting services;
- \$15,000 was paid or accrued to Dhow Nominees Pty Ltd, a company of which George Cameron-Dow is a director of for consulting services'.

22 Economic dependency

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

23 Company details

Corporate Head Office and Principal Place of Business

Suite 2508, Level 25
31 Market Street
Sydney NSW 2000



Bioxyne Limited
Directors Declaration
For the year ended 30 June 2016

Declaration by Directors

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

- (a) the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including
 - (i) giving a true and fair view of the financial position and performance of the consolidated entity; and
 - (ii) complying with Australian Accounting Standards, including the Interpretations, and the Corporations Regulations 2001;
- (b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 1; and
- (c) the directors have been given the declarations required by s.295A of the Corporations Act 2001.
- (d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

Signed in accordance with a resolution of the directors made pursuant to s295(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
29 September 2016

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 ("the company"), which comprises the statement of financial position as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and 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.

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 company's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 10 of the directors' report for the year ended 30 June 2016. 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 2016 complies with section 300A of the *Corporations Act 2001*.



RSM AUSTRALIA PARTNERS


W E Beauman
Partner

Sydney, NSW
Dated: 29 September 2016



Bioxyne Limited Corporate Governance Statement

The Board of Directors of Bioxyne Limited (“Bioxyne” or the “Company”) is committed to maintaining high standards of Corporate Governance. This Corporate Governance Statement (Statement) discloses the extent to which the Company has followed the ASX Principles and Recommendations.

The information in this Statement has been approved by the Board and is current as at the date of this Report.

Role of the Board and Management

The respective roles and responsibilities of the Board and management are detailed in the Board Charter available on the Company’s website.

The Board Charter also sets out the matters expressly reserved to the Board and those delegated to management (see Management section of this Statement).

Appointment, Induction and Training

In selecting new Directors, the Board must ensure that the candidate has the appropriate range of skills, experience and expertise that will best complement Board effectiveness.

The Company ensures that appropriate background checks are undertaken regarding a potential new Director’s character, experience, education, criminal record and bankruptcy history before appointing or putting forward a candidate to shareholders for election as a Director.

The Company also provides its shareholders with all material information in its possession that is relevant to their decision on whether or not to elect or re-elect a Director through the Notice of Meeting, Director Resumes and other information contained in the Annual Report and on the Company’s website.

Upon appointment, each Director will receive a written agreement which sets out the terms of their appointment. New Directors will also attend an induction program where they are briefed on the Company’s:

- operations and the industry sectors in which it operates;
- financial, strategic, operational and risk management position;
- governance matters, policies and procedures; and
- the Director and committee member’s rights, duties and responsibilities.

Directors are also provided with regular professional development opportunities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Board Performance

The Company believes that it is important that the Board reviews its own performance to ensure it is performing at a high level. Under the Board Charter, the Board must conduct an annual performance review. The Charter sets out the process for this review.

A Board review was undertaken during the year by the Chairman.



Corporate Governance Statement (Continued)

Independence of the Board

The Board assesses the independence of Non-executive Directors against the definition of an independent Director and the factors set out in Box 2.3 of the ASX Corporate Governance Principles and Recommendations.

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

| Name | Position |
|---------------------------|------------------------|
| Anthony Ho | Non-executive director |
| George Xavier Cameron-Dow | Non-executive director |
| 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 | 3 years, 11 months |
| George Xavier Cameron-Dow | 2 years, 2 months |
| Patrick Douglas Ford | 11 years and 4 months |
| Peter French | 8 months |

The majority of the Board is independent. The terms of each director's appointment are set out in a letter of appointment. The performance of the board members is reviewed annually by the Chairman, who in turn asks for feedback on his performance. A review was undertaken during the year.

Skills and Experience

The skills and experience of each Director is set out in the matrix below.

| | Chairman | Scientific Director | Non-Executive Director | Non-Executive Director |
|-----------------------|--|--|--|---|
| Skills and Experience | Executive Leadership; Independent & ASX Non Executive Directorship experience; Strategy Development and Implementation; Project Acquisition and Management; Marketing and Investor Relations | Biotechnology scientific skills; Product development and marketing; executive leadership and ASX director experience | Mergers & Acquisitions; capital markets; capital raising; corporate development and finance, ASX director experience | Corporate advisory; investment fund management; ASX director experience |



Corporate Governance Statement (Continued)

Board Committees

The board has two committees:

- Audit and Risk Management Committee
- Remuneration Committee

Audit and Risk Management Committee

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

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

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

The members of the Audit and Risk Management Committee are:

- Patrick Ford (chairman)
- George Cameron-Dow

Only two independent directors have been appointed to the Audit and Risk Management Committee. This is sufficient given size and scale of the Company.

Qualifications of Audit and Risk Management Committee members

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

Mr. Cameron-Dow holds a Master of Management (cum laude) Wits, SEP Stanford (USA), FAICD, FAIM and has acted as Responsible Manager under an AFSL since 2006 and brings extensive risk management experience.

The Audit and Risk Management Committee convened twice during the year. Attendance by Committee members are as follows:

| | Attended | Eligible to Attend |
|--------------------|-----------------|---------------------------|
| Patrick Ford | 2 | 2 |
| George Cameron-Dow | 2 | 2 |



Risk

The Board oversees the Company's risk management framework and internal control systems through regular monitoring, assessment and review. The Board is required to review, at least annually, the effectiveness of the Company's risk management and internal control systems.

The Board reviews and assesses the Company's exposure to economic, environmental and social sustainability risks and determines the Company's approach to managing those risks.

Remuneration and Nomination

The Board has a number of processes that it uses for setting the level and composition of remuneration for Directors and ensuring that such remuneration is appropriate. These are described in the Remuneration section of the Annual Report. The Remuneration Report also includes a summary of policies and practices regarding the remuneration of Directors. The Remuneration Policy is also available on the Company's website.

The Board addresses succession issues and ensures that the Board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively through regular review and assessment. The Board does not have a Remuneration and Nomination Committee and addresses these matters as a board.

Internal Audit

The Company does not have an internal audit function, and due to its size. Based on current activities the Board does not believe that one is warranted at this time. The Board evaluates and monitors internal control processes to continually improve the effectiveness of its risk management.

External Auditor

The Company's external auditor, RSM Australia Partners, attends the Annual General Meeting (AGM) and a representative is available to answer questions from shareholders relevant to the audit at the AGM.

RSM Australia Pty Ltd independence declaration is contained in the 2016 Annual Report.

Management

The Company has:

- written agreements which set out the terms of their appointment;
- a process for periodically evaluating their performance; and
- policies and practices regarding remuneration for each of its employees and contractors.

CEO and CFO Declaration

The director acting as CEO during the year and the CFO have 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 their knowledge the integrity of the financial statements is in 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.

Company Secretary

The Company Secretary is accountable directly to the Board, through the Chair, on all matters to do with the proper functioning of the Board. The role of the Company Secretary is set out in more detail in the Board Charter.

Code of Conduct

The Company is committed not only to complying with its legal obligations, but also to acting ethically and responsibly. The Company expects a high level of honesty, care, fair dealing and integrity in the conduct of all business activities.

The Company has a Code of Conduct which sets the minimum standards of conduct expected of all Directors, officers, executives, employees and contractors of the Company. The Code of Conduct is available on the Company's website.

Diversity Policy

The Company is committed to ensuring an inclusive workplace that encourages and embraces diversity. However, the Company has not formally established measurable objectives for achieving gender diversity given the current stage of its operations and number of employees.

Continuous Disclosure

The Company must comply with continuous disclosure requirements arising from legislation and the ASX Listing Rules. The Company has in place a written policy for complying with its continuous disclosure obligations under the ASX Listing Rules. The Continuous Disclosure Policy is available on the Company's website.

Shareholder Communication

The Company is committed to regularly communicating with its shareholders in a timely and accessible manner, and to encouraging shareholder participation at its general meetings. The Company provides information about itself and its Corporate Governance to investors via its website. Shareholders also have the option to receive communications from, and send communications to, the Company and its share registry electronically. The Company also has a Shareholder Communications Policy which facilitates effective two-way communication with investors, as well as facilitates and encourages participation at meetings of security holders. The Shareholder Communications Policy is available on the Company's website.



Bioxyne Limited
Shareholder information
For the year ended 30 June 2016

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 21 September 2016.

(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 | 836 | 211,671 | 0.10 |
| 1,001 - 5,000 | 245 | 645,493 | 0.32 |
| 5,001 - 10,000 | 74 | 564,530 | 0.28 |
| 10,001 - 100,000 | 307 | 12,503,279 | 6.18 |
| 100,001 and over | 178 | 188,501,128 | 93.12 |
| | 1,640 | 202,426,101 | 100.00 |

Unmarketable parcels:

| | Minimum Parcel Size | Holders | Units |
|----------------------|---------------------|---------|-----------|
| Minimum \$500 parcel | 23,810 shares | 1,258 | 3,149,059 |

(b) Substantial shareholders

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

| Shareholder | Shares Held | % Held |
|------------------------|-------------|--------|
| VIG Limited | 39,868,277 | 19.9% |
| Wigram Trading Pty Ltd | 17,257,671 | 8.53% |

(c) Voting rights

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



(d) Twenty largest shareholders

The names of the twenty largest holders of ordinary shares as at 21 September 2016 are:

| Rank | Name | Units | % of Units |
|---|---|--------------------|--------------|
| 1. | CUSTODIAN NOMINEE CO LTD | 39,868,277 | 19.70 |
| 2. | WIGRAM TRADING PTY LIMITED | 17,257,671 | 8.53 |
| 3. | PT SOHO INDUSTRI PHARMASI | 9,678,085 | 4.78 |
| 4. | MR MAKRAM HANNA + MRS RITA HANNA <HANNA & CO P/L SUPER A/C> | 8,408,000 | 4.15 |
| 5. | MR ANTHONY HO + MS CHUI HO | 8,400,000 | 4.15 |
| 6. | P FORD SUPERANNUATION PTY LTD <PATRICK FORD SUPER FUND A/C> | 8,000,000 | 3.95 |
| 7. | SOUTHAM INVESTMENTS 2003 PTY LTD <WARWICKSHIRE INVESTMENT A/C> | 7,781,967 | 3.84 |
| 8. | PROF ROBERT LLEWELLYN CLANCY + MRS CHRISTINE MARY CLANCY <CLANCY SUPER FUND NO 2 A/C> | 6,081,541 | 3.00 |
| 9. | CALAMA HOLDINGS PTY LTD <MAMBAT SUPER FUND A/C> | 5,326,125 | 2.63 |
| 10. | NEWCASTLE INNOVATION LIMITED | 3,668,125 | 1.81 |
| 11. | MR PAUL BOUDEWYN EDWARD BOLT | 2,998,125 | 1.48 |
| 12. | JETOSEA PTY LTD | 2,444,713 | 1.21 |
| 13. | BERNE NO 132 NOMINEES PTY LTD <323731 A/C> | 2,400,000 | 1.19 |
| 14. | MCKELL PLACE NOMINEES PTY LTD | 2,135,274 | 1.05 |
| 15. | MR GEN CHANG JEFFERY TAY | 2,023,033 | 1.00 |
| 16. | OCTIFIL PTY LTD | 2,018,448 | 1.00 |
| 17. | BERNE NO 132 NOMINEES PTY LTD <221414 A/C> | 2,000,000 | 0.99 |
| 18. | BERNE NO 132 NOMINEES PTY LTD <224266 A/C> | 2,000,000 | 0.99 |
| 19. | IMMUNE INVESTMENTS PTY LTD <MRS TJ'S A/C> | 1,966,542 | 0.97 |
| 20. | SYMINGTON PTY LTD | 1,700,000 | 0.84 |
| Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL) | | 136,155,926 | 67.26 |
| Total Remaining Holders Balance | | 66,270,175 | 32.74 |