

30 April 2013

March 2013 Quarterly update and Appendix 4C

Highlights

In the quarter ending 31st March we reviewed the status of our business including, importantly, the financial position of the company. Of the options available, we concluded that the best way to proceed was to acquire a new business, Vitality Devices Pty Ltd. Vitality Devices will be established as a marketer of medical devices, with territories throughout Australia and much of Asia. Early revenue generation and projected sustainable profitability were considered attractive opportunities.

Considering the revised direction of the company, and our need to conserve cash, our laboratory operations in Newcastle were closed.

During the quarter we exceeded our planned sales from the probiotics business (PCC®). This was the result of increased sales through our existing sales channel, Deseret Laboratories (USA). Holding back on further spending on the COPD project, HI-164, with the exception of business critical activities, has seen R&D spend reduced to \$75,000 in the quarter. We expect it to reduce further in the coming quarter although there will be some amounts relating to the closure of the laboratory.

Staff costs in the quarter were higher than anticipated due to timing of expenses associated with the termination of the previous CEO, David Radford. These costs are non-recurring in the coming quarter.

Other Working capital of \$360,000 was lower than in previous quarters due to general cost containment. These costs will rise in the next quarter with the payment of advisory and legal fees associated with the Vitality Devices acquisition process. Capital raised during the quarter, \$508,000 is expected to be sufficient to cover the transaction costs of the acquisition and working capital during the period.

Overall, we have achieved our aim to contain costs while placing the company on a path leading to a new direction. We will continue to manage costs closely during this transition.

For more information, please contact:

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Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Bioxyne Limited

ABN

97 084 464 193

Quarter ended ("current quarter")

31 March 2013

Consolidated statement of cash flows

| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| Cash flows related to operating activities | | |
| 1.1 Receipts from customers | 236 | 510 |
| 1.2 Payments for | | |
| (a) staff costs | (108) | (353) |
| (b) advertising and marketing | - | (17) |
| (c) research and development | (75) | (560) |
| (d) leased assets | - | - |
| (e) other working capital | (360) | (1,593) |
| 1.3 Dividends received | | |
| 1.4 Interest and other items of a similar nature received | 1 | 3 |
| 1.5 Interest and other costs of finance paid | (22) | (53) |
| 1.6 Income taxes paid | | |
| 1.7 Other (R&D Tax Concession Proceeds) | - | 1,529 |
| Net operating cash flows | (328) | (534) |

+ See chapter 19 for defined terms.

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| | Current quarter \$A'000 | Year to date (9 months) \$A'000 |
|--|----------------------------|---------------------------------------|
| 1.8 Net operating cash flows (carried forward) | (328) | (534) |
| Cash flows related to investing activities | | |
| 1.9 Payment for acquisition of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.10 Proceeds from disposal of: | | |
| (a) businesses (item 5) | | |
| (b) equity investments | | |
| (c) intellectual property | | |
| (d) physical non-current assets | | |
| (e) other non-current assets | | |
| 1.11 Loans to other entities | | |
| 1.12 Loans repaid by other entities | | |
| 1.13 Cash held by subsidiary on acquisition | | |
| Net investing cash flows | - | - |
| 1.14 Total operating and investing cash flows | | |
| Cash flows related to financing activities | | |
| 1.15 Proceeds from issues of shares, options, etc. | 508 | 508 |
| 1.16 Proceeds from sale of forfeited shares | | |
| 1.17 Proceeds from issue of convertible notes | | |
| 1.18 Repayment of borrowings | | |
| 1.19 Dividends paid | | |
| 1.20 Cost of issuing equity | (41) | (106) |
| Net financing cash flows | 467 | 402 |
| Net increase (decrease) in cash held | 139 | (132) |
| 1.21 Cash at beginning of quarter/year to date | 508 | 780 |
| 1.22 Exchange rate adjustments to item 1.20 | (12) | (13) |
| 1.23 Cash at end of quarter | 635 | 635 |

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Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

| | Current quarter \$A'000 |
|---|----------------------------|
| 1.24 Aggregate amount of payments to the parties included in item 1.2 | 213 |
| 1.25 Aggregate amount of loans to the parties included in item 1.11 | - |
| 1.26 Explanation necessary for an understanding of the transactions | |
| Amounts included in item 1.24 include consultancy fees paid to directors or their nominees. All transactions with related parties have occurred on an arm's length basis. A payment of \$166,667 was paid in the quarter pursuant to the termination of former CEO David Radford. | |

Non-cash financing and investing activities

| | |
|--|--|
| 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows | |
| N/A | |
| 2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest | |
| N/A | |

Financing facilities available

Add notes as necessary for an understanding of the position.

| | Amount available \$A'000 | Amount used \$A'000 |
|---------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities | - | - |
| 3.2 Credit standby arrangements | - | - |

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Reconciliation of cash

| Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows. | | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|--------------------------|----------------------------|-----------------------------|
| 4.1 | Cash on hand and at bank | 635 | 508 |
| 4.2 | Deposits at call | - | - |
| 4.3 | Bank overdraft | - | - |
| 4.4 | Other (provide details) | - | - |
| Total: cash at end of quarter (item 1.23) | | 635 | 508 |

Acquisitions and disposals of business entities

| | Acquisitions (Item 1.9(a)) | Disposals (Item 1.10(a)) |
|-----|---|-----------------------------|
| 5.1 | Name of entity | - |
| 5.2 | Place of incorporation or registration | - |
| 5.3 | Consideration for acquisition or disposal | - |
| 5.4 | Total net assets | - |
| 5.5 | Nature of business | - |

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Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



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(Director/Company secretary)

Date: 30 April 2013

Print name: Jarrod T White

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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.
3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

+ See chapter 19 for defined terms.