



27 January 2023

REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022

Bioxyne Limited (ASX Code: BXN) (Bioxyne or the Company) is pleased to report on its activities for the quarter ended 31 December 2022.

Highlights

- **Strong cash balance at ~\$3.7 million**
- **Revenues up over previous quarter and prior year but 11% down for H1 FY2023 over prior half year attributable to lower PCC™ revenues**
- **Restructure of Asian based Direct Selling Business with sale of 49% to Singapore based Paramount Star**
- **Execution of Binding Term Sheet for acquisition of European focused Online Direct Sales Business, Breathe Life Sciences**

Results

Sales revenue (unaudited) for the quarter ended 31 December 2022 was \$0.67 million (2021: \$0.56 million), bringing the half year to \$1.20m (H1 2022: \$1.36m).

Indonesia revenues continued to grow steadily with the major contributor from nutritional supplement product BK18. The outlook for Col-Coffee™ is positive with increasing demand in Malaysia for this colostrum-based product. The Company has received the 3rd and 4th orders (approximately \$300,000 each) for its ColosNZ Pro colostrum product for Asia, to be delivered in H2 FY2023. As we moved towards a post pandemic marketplace, the Company's colostrum based immunity supplements are gaining acceptance in the Asian markets.

During the quarter the Company announced the restructure of its Asian Direct Selling Business with the sale of a 49% interest in the Direct Selling group of Companies (ASX Announcement 24 October 2022) to Singapore's Paramount Star. The consideration included \$1 million in cash. The gain on sale is reflected in the result for the half year. The sale was made effective from 1 July 2022.



The unaudited result for the half year, from continuing operations excluding the consideration referred to above and before deducting the minority interest is a small loss of approximately \$22k (HY2022: unaudited loss \$131k). This result included an impairment of \$148k (HY 2022 \$100k) for short life dated inventory. The Company's business model going forward is to produce to order which should negate the inventory write downs experienced in the last two years, largely brought about by COVID-19.

The Company had an operating cash outflow for the quarter of \$69k (and an operating cash outflow of \$414k for the half year). Cash inflows for the quarter comprised \$1m for the sale of 49% of the Direct Selling Business referred to above and \$1m from a share placement of 25 million shares at \$0.04 per share (see further comment below). Cash at the end of the quarter was a strong balance of \$3.79m.

Sale of 49% of Direct Selling Business

Post quarter end the Group restructured and sold a 49% interest in its Direct Selling Business (including its New Zealand based companies) to a private equity group based in Singapore. This will enable the Company to leverage a partner with a greater reach in Asia and accelerate the Asian direct selling business.

The consideration is \$1m in cash and the placement of 25,000,000 shares in Bioxyne at \$0.04 per share, being \$1,000,000. The shares are escrowed for various periods up to eighteen months. This transaction also provided incentive for our Asian partner to have an active interest in developing the Asian direct selling business and also having a keen interest in building shareholder value in Bioxyne.

Execution of Binding Term Sheet for Acquisition of European focused Online Direct Sales Business - Breathe Life Sciences

The Company announced on 19 December 2022 the execution of a Binding Term Sheet to acquire Breathe Life Sciences Pty Ltd (BLS).

BLS and its subsidiaries (Breathe Life Sciences) contract manufactures and commercialises plant-based wellness products and supplements, including cannabinoid (CBD), cannabis extracts, vitamins, manuka honey and mushroom complexes. Breathe Life Sciences operates in Australia, the UK, Japan, and Europe (France, Germany, Spain, Switzerland, Czech Republic) with 4 accredited contracted manufacturing facilities across 3 continents, and a team of 40+ people.



The acquisition of Breathe Life Sciences by Bioxyne will bring together two of the leading direct sales companies in the food supplement, health and wellness industry. Breathe Life Sciences is known for its innovative approach to developing plant-based products including CBD based therapies that promote health and wellness, while Bioxyne is a pioneer in the field of probiotic and dairy and colostrum-based wellness and immune supplements. Breathe Life Sciences is the owner and manufacturer of internationally recognised health brand, Dr Watson®, and Bioxyne is the owner of proprietary probiotic, *Lactobacillus fermentum PCC*®.

The acquisition will expand Bioxyne’s product range and, importantly, catapult the Company to be a global health and wellness company. The combined Bioxyne/Breathe Life Sciences group will have direct sales operations in:

| Asia Pacific | United Kingdom | Europe |
|---|---|---|
| <ul style="list-style-type: none"> Indonesia Malaysia Vietnam Japan Australia New Zealand | <ul style="list-style-type: none"> England Northern Ireland Scotland <p>USA</p> <ul style="list-style-type: none"> Wholesale sales PCC® through NuSkin | <ul style="list-style-type: none"> France Germany Spain Switzerland Czech Republic |

The transaction will also provide Breathe Life Sciences with the resources and support it needs to continue to innovate and grow.

Key Transaction Terms

Consideration for the acquisition is 1,230,000,000 fully paid ordinary shares in Bioxyne Limited, at a deemed issue price of \$0.03 per share. The consideration shares will be escrowed for 12 months.

Completion of the acquisition is subject to the following conditions precedent:

- Completion of satisfactory due diligence by both parties, which is underway
- BXN Shareholder approval, and any necessary regulatory and other third party approvals
- Entry by all BLS shareholders into binding long form share sale agreements with BXN
- New employment agreements for key BLS employees, including appropriate restraints
- No material adverse change occurring in relation to Breathe Life Sciences
- Other conditions customary for a transaction of this nature



Unless waived, the conditions precedent must be satisfied by 31 March 2023. BXN and BLS will work together, in good faith, to satisfy the conditions precedent and to implement the transaction. If the conditions precedent are not satisfied (or waived) by this date, then unless the date is extended by mutual agreement, either party may terminate the term sheet and the transaction.

It is proposed that the Board following completion will comprise,

| | |
|-----------------------------|--------------------------------|
| Anthony Ho (chairman, BXN) | Nam Huat Chua (joint CEO, BXN) |
| Sam Watson (joint CEO, BLS) | Jason Hines (BLS) |

The combined business will have joint CEO's with responsibility for Asia Pacific and Rest of World.

Completion will require BXN Shareholder approval and a shareholders' meeting is expected in March 2023. The Notice of Meeting and accompanying Explanatory Statement and an Independent Expert's Report is expected to be despatched to Shareholders in February 2023. Further details of the transaction will be contained in the Notice of Meeting, Explanatory Statement and Independent Expert's Report.

Corporate

Payments to related parties and their associates during the quarter of \$207,000 comprise director and non-executive director salaries, fees and superannuation. This payment included payments owing to the Managing Director for prior periods, which were accrued but not paid.



Product

The Bioxyne product suite comprises:

Lactobacillus Fermentum PCC[®] - patented strain of probiotics wholesale to contract manufacturers for use with their clients' consumer probiotics

Progastrim[™] (PCC[®]) - clinically tested proprietary patented probiotic, for general gut health and immune support

Mymana[™] – colostrum and fortified milk formula for nutrition and immune support

ColosNZ PRO[™] – enhanced colostrum and fortified milk formula for nutrition and immune support

Col-Coffee[™] - three in one instant coffee mix with colostrum

BK18[™] – NZ dairy-based formula with probiotics and vitamins for general health and immune support

Allura[™] – weight management and beauty drink for women

Mustang[™] – weight management and vitality shake for men

This quarterly activity report has been approved by the Board.

For more information, please contact:

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About Bioxyne

Bioxyne Limited (ASX:BXN) is an Australian health and wellness products company (incorporated in 2000) with a focus on clinically effective health and wellness products particularly in the gut and immune health areas.

Bioxyne is in the consumer dietary supplements and functional foods markets through its proprietary probiotic, *Lactobacillus fermentum* VRI-003 (PCC®), and through its direct sales business trading as Bioxyne International, the Company has developed a range of functional food products containing ingredients sourced primarily from New Zealand.

Bioxyne's probiotic business is supported by a manufacturing and distribution agreement with Chr. Hansen (Denmark) a global leader in the manufacturing of natural food additives and supplements products for the food, health, pharmaceutical and agriculture industries.

Bioxyne has a distribution agreement for PCC® with Nu-Skin Enterprises (USA) a successful worldwide **direct selling** company.

For more information on Bioxyne, please visit www.bioxyne.com

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Bioxyne Limited

ABN

97 084 464 193

Quarter ended ("current quarter")

31 December 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 629 | 754 |
| 1.2 Payments for | | |
| (a) research and development | | |
| (b) product manufacturing and operating costs | (273) | (429) |
| (c) advertising and marketing | | |
| (d) leased assets | | |
| (e) staff costs (including directors fees) | (223) | (338) |
| (f) administration and corporate costs | (203) | (405) |
| 1.3 Dividends received (see note 3) | | |
| 1.4 Interest received | 1 | 4 |
| 1.5 Interest and other costs of finance paid | | |
| 1.6 Income taxes paid | | |
| 1.7 Government grants and tax incentives | | |
| 1.8 Other (provide details if material) | | |
| 1.9 Net cash from / (used in) operating activities | (69) | (414) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | | |
| (b) businesses | | |
| (c) property, plant and equipment | | |
| (d) investments | | |
| (e) intellectual property | | |
| (f) other non-current assets | | |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 2.2 Proceeds from disposal of: | | |
| (a) entities | | |
| (b) businesses | 1,000 | 1,000 |
| (c) property, plant and equipment | | |
| (d) investments | | |
| (e) intellectual property | | |
| (f) other non-current assets | | |
| 2.3 Cash flows from loans to other entities | | |
| 2.4 Dividends received (see note 3) | | |
| 2.5 Other (provide details if material) | | |
| 2.6 Net cash from / (used in) investing activities | 1,000 | 1,000 |

| | | |
|---|--------------|--------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 1,000 | 1,000 |
| 3.2 Proceeds from issue of convertible debt securities | | |
| 3.3 Proceeds from exercise of options | | |
| 3.4 Transaction costs related to issues of equity securities or convertible debt securities | | |
| 3.5 Proceeds from borrowings | | |
| 3.6 Repayment of borrowings | | |
| 3.7 Transaction costs related to loans and borrowings | | |
| 3.8 Dividends paid | | |
| 3.9 Other (provide details if material) | | |
| 3.10 Net cash from / (used in) financing activities | 1,000 | 1,000 |

| | | |
|---|-------|-------|
| 4. Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 Cash and cash equivalents at beginning of period | 1,875 | 2,168 |
| 4.2 Net cash from / (used in) operating activities (item 1.9 above) | (69) | (414) |
| 4.3 Net cash from / (used in) investing activities (item 2.6 above) | 1,000 | 1,000 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|--|------------------------------------|--|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 1,000 | 1,000 |
| 4.5 | Effect of movement in exchange rates on cash held | (13) | 39 |
| 4.6 | Cash and cash equivalents at end of period | 3,793 | 3,793 |

| 5. | Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter \$A'000 | Previous quarter \$A'000 |
|------------|---|------------------------------------|-------------------------------------|
| 5.1 | Bank balances | 1,536 | 1,607 |
| 5.2 | Call deposits | 2,257 | 268 |
| 5.3 | Bank overdrafts | | |
| 5.4 | Other (provide details) | | |
| 5.5 | Cash and cash equivalents at end of quarter (should equal item 4.6 above) | 3,793 | 1,875 |

6. Payments to related parties of the entity and their associates

6.1 Aggregate amount of payments to related parties and their associates included in item 1

6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

207

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Quarterly cash flow report for entities subject to Listing Rule 4.7B

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

- 7.1 Loan facilities
- 7.2 Credit standby arrangements
- 7.3 Other (please specify)
- 7.4 **Total financing facilities**

| Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|--|-------------------------------------|
| | |
| | |
| | |
| | |

7.5 Unused financing facilities available at quarter end

- 7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

| |
|--|
| |
|--|

8. Estimated cash available for future operating activities**\$A'000**

| | | |
|-----|---|-------|
| 8.1 | Net cash from / (used in) operating activities (Item 1.9) | (69) |
| 8.2 | Cash and cash equivalents at quarter end (Item 4.6) | 3,793 |
| 8.3 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.4 | Total available funding (Item 8.2 + Item 8.3) | 3,793 |
| 8.5 | Estimated quarters of funding available (Item 8.4 divided by Item 8.1) | 55 |

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

- 8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 January 2023.....

Authorised by: ..The Board.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.