

Level 2, 66 Hunter Street  
Sydney NSW 2000  
Tel: (61-2) 9300 3344  
Fax: (61-2) 9221 6333  
E-mail: [pnightingale@biotron.com.au](mailto:pnightingale@biotron.com.au)  
Website: [www.biotron.com.au](http://www.biotron.com.au)

24 February 2011

The Manager Companies  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

(7 pages by email)

Dear Madam,

### **Biotron Share Purchase Plan**

The Directors of Biotron Limited (the 'Company') advise that the Company offers eligible shareholders the opportunity to subscribe for up to \$15,000 worth of new shares in the Company without brokerage or other transaction costs and at a discount to the prevailing market share price under a Share Purchase Plan ('SPP').

The Company's shares are being offered under the SPP at \$0.095 per share, a discount of approximately 18% to the volume weighted average share price in the five trading days immediately prior to the date of this announcement.

The SPP is available to shareholders with a registered address in either Australia or New Zealand on the record date of 23 February 2011. The offer is non-renounceable and is scheduled to close on 23 March 2011.

The maximum number of shares that can be issued under the SPP is 36,556,455.

The Company's intention is to follow the SPP, which is being managed by Bell Potter Securities, with a placement of up to 18.0 million shares on the same terms as the SPP.

The funds raised by the SPP together with the Company's existing cash reserves will be used to support the Company's ongoing operational costs, including funding the completion of the Phase II Hepatitis C virus ('HCV') clinical trial which is in progress, commencement of a Phase Ib/IIa HIV clinical trial and ensuring the Company is in a position to further advance the development of its HCV program or engage in the negotiation of a licensing deal.

Full SPP details are set out in the attached offer documentation which will be sent to Eligible Shareholders.

For further information, please contact Peter J. Nightingale, Company Secretary, on (61-2) 9300 3344.

Yours sincerely,



Peter J. Nightingale  
Company Secretary

pjn5853

24 February 2011

Dear Shareholder

### **Biotron Share Purchase Plan**

Biotron Limited ('Biotron' or 'the Company') is pleased to offer Eligible Shareholders the opportunity to participate in a capital raising initiative of Biotron through a Security Purchase Plan ('SPP'). The issue price is \$0.095, representing a discount of approximately 18% to the weighted average market price of the Company's shares for the five business days preceding the date that the SPP was announced.

Your support of your Company at this time is important to ensure that the Company is properly funded to:

- Complete the Phase II Hepatitis C virus ('HCV') clinical trial which is in progress.
- Commence a Phase Ib/IIa HIV clinical trial.
- Ensure that commercialisation negotiations following the completion of the HCV clinical trial are undertaken with the Company in a position of financial security.
- Provide the Company with the flexibility to pursue further HCV clinical trials if this course is determined to be in the best interests of shareholders.

The Directors encourage all Eligible Shareholders to support the Company and take advantage of this opportunity to acquire Biotron shares without brokerage or other transaction costs and at a discount to the Company's share price.

The Company's intention is to follow the SPP, which is being managed by Bell Potter Securities, with a placement of up to 18.0 million shares on the same terms as the SPP.

#### **Introduction**

Biotron has achieved great success in its antiviral drug development program to date, culminating in its lead investigation drug, BIT225, currently being trialed in a Phase II study in HCV positive patients.

This human trial is designed to assess the efficacy (the antiviral effectiveness) of BIT225 in HCV positive patients in combination with the current approved treatment. This reflects how BIT225 would most likely be used in a clinical setting, subject to continuing positive results and approvals. The successful completion of this human trial will represent a significant milestone for the Company and reflects many years of skilled scientific work.

The majority of potential drugs never reach this stage of clinical development. The significance of BIT225 reaching this point, and the work completed to get the drug there, should not be underestimated.

As the current Phase II HCV clinical trial is blinded, efficacy results are unknown at this time. A primary objective of the current trial is to test the safety aspects of BIT225 with an extended repeat dosage of the drug in combination with the current approved treatment. To date, several patients have completed their extended repeat dosage of BIT225 and there have been no material adverse safety issues reported.

Following the completion of this trial, the Company will assess the alternatives for maximising returns to shareholders. These may focus on completing a commercial deal with a pharmaceutical company to continue the development of BIT225 to a marketable drug or undertaking further clinical studies in-house to add value to a subsequent commercial deal.

Discussions with a number of pharmaceutical companies have been ongoing for some time. The Directors are keen to ensure that completion of commercial deal is not hurried or compromised by the Company's short term financial constraints.

### **Hepatitis C and HIV Programs**

In October 2010, Biotron commenced the third human trial of its lead drug, BIT225. This trial follows the successful completion of two preceding human trials of BIT225. In late 2007 a Phase Ia, first-in-human safety study in healthy volunteers was completed, and a Phase Ib/IIa trial of the drug in people infected with HCV, completed in late 2009. The latter was a 7-day dosage trial of the drug on its own in HCV-positive patients, and showed promising results, with a significant reduction in viral levels at the highest dose tested. We anticipate these results may be improved upon in this new trial as laboratory studies with BIT225 have shown the drug is able to significantly improve the activity of interferon and ribavirin, the drugs currently used to treat HCV.

The current Phase II HCV trial is designed to assess the safety of BIT225 given daily for 28 days, as well to assess its effect on the level of virus in the blood of the patients and to see whether the drug can improve the efficacy of interferon and ribavirin. Twenty four patients HCV (genotype 1) infected patients are being dosed twice daily with BIT225 or placebo for 28 days at the commencement of a standard course of treatment of interferon and ribavirin. Genotype 1 patients make up the majority of HCV infections in the Western world, and are the hardest to treat, with less than half responding to current approved treatment. There is an unmet medical need for drugs that will improve treatment outcomes for this group of patients.

This combination trial has been designed to provide the information that potential partners are likely to require in order to form a partnership for continued development. Antiviral drugs cannot be used on their own to treat chronic infections due to development of drug resistance, so this combination study reflects how BIT225 would be most likely to be used in a clinical setting, subject to continuing positive results and approvals. The existing drugs are often associated with severe side effects, and have limited benefit in a large percentage of patients. BIT225 was highly synergistic with these drugs in preclinical laboratory testing, which means that greater reductions in virus levels can be achieved using smaller quantities of the drugs in combination than if they were used individually.

The clinical trial is currently expected to conclude in May 2011, with preliminary, headline results available in late June or July 2011. Due to the design of the trial, results are not available until the end of the study. The trial is blinded and the study will only be unblinded at the conclusion of the trial.

While data from the patients dosed to date is incomplete and unknown to the Company, there have been no reported serious adverse events attributable to BIT225.

BIT225 is also in development for treatment of HIV, the virus that causes AIDS. BIT225 targets HIV in reservoir cells and represents an opportunity to attack HIV at its source in the body. Current HIV therapies have little or no effect on HIV in the underlying reservoir of infected cells where the virus hides from the immune system. BIT225 targets the Vpu protein of HIV, and recent studies have shown that Vpu protects HIV infected cells from the body's immune cells, effectively 'hiding' them so that they cannot be destroyed. By targeting Vpu with a drug such as BIT225, these infected cells may be 'woken up' and made susceptible to destruction by the body's immune system.

Biotron has been working on finalising design of a Phase Ib/IIa trial of BIT225 in HIV-infected patients, and has prepared trial protocols for submission to ethics and regulatory authorities. The Company now proposes to progress the submission of these documents and commence this important proof-of-concept study.

## **About BIT225**

BIT225 represents a first-in-class drug for treatment of HCV, targeting the p7 protein of HCV. It is estimated that in the USA alone, some 4 million people have been infected with Hepatitis C with 2.7 million suffering from chronic infection. Worldwide, 170 million people are infected. HCV causes inflammation of the liver, which may lead to fibrosis and cirrhosis, liver cancer and, ultimately, liver failure. Existing drugs for HCV have toxicity issues and limited effectiveness, leaving a significant need for new therapies. The worldwide market is currently almost US\$3.0 billion, but is estimated that this market will expand to over US\$10.0 billion as safe, effective therapies enter the market.

BIT225 also works against HIV, the virus that causes AIDS. BIT225 specifically targets HIV in reservoir cells and represents an opportunity to attack HIV at its source in the body. Current HIV therapies have little or no effect on HIV in the underlying reservoir of infected cells where the virus hides from the immune system.

## **Purpose of the Capital Raising**

The funds raised by the SPP will be used to fund a proof-of-concept Phase Ib/IIa HIV study of BIT225 in HIV infected patients. In addition, the funds will be used to ensure that the Company can appropriately assess the alternatives for the maximising of returns to shareholders which may focus on completing a commercial deal with a pharmaceutical company to continue the development of BIT225 to a marketable drug or further clinical studies which the Company can undertake to add value to a subsequent commercial deal with a pharmaceutical company.

## **Eligible Shareholders**

The right to participate in the SPP is available to holders of fully paid ordinary shares on the record date of 23 February 2011 and whose registered address is in Australia or New Zealand ('Eligible Shareholders'). Unfortunately, it is not practical for the SPP to be offered to our shareholders with a registered address in other countries.

Under the SPP, Eligible Shareholders are entitled to purchase up to \$15,000 in additional shares at \$0.095 representing a discount of approximately 18% to the weighted average share price for the five business days preceding 24 February 2011 and without having to pay any brokerage or other transaction costs.

## **How to Participate in the SPP**

Participation in the SPP by Eligible Shareholders is entirely optional. If you are in any doubt about your participation in the SPP, then you should contact a professional adviser. The offer is non-renounceable, which means that you cannot transfer your right to purchase securities under the SPP to another person or entity. The maximum amount of A\$15,000 will apply even if you receive more than one offer from the Company.

## **Issue Price of Securities**

The issue price of securities under the SPP is \$0.095. This price has been set at a discount of approximately 18% to the weighted average market price of the Company's securities calculated over the five business days preceding 24 February 2011.

The market price of the Company's securities will fluctuate during this offer, but this will not affect the issue price of the securities under the SPP. This means that the market price of the Company's securities at the time the securities are allotted under the SPP may be either higher or lower than the subscription price.

## **Maximum Raising**

The maximum number of securities that the Company will issue under the SPP is 36,556,467 and the maximum amount that would be raised under the SPP is approximately \$3.5 million. If the Company receives acceptances for more than the maximum, it will reduce the number of securities allotted to each holder of securities on a pro-rata basis.

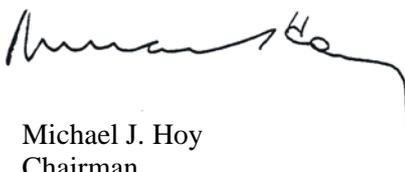
## **Application Instructions**

This offer will close at 5:00 pm (Sydney time) on 23 March 2011. Further details of the SPP are set out in the terms and conditions below. If you wish to participate in the SPP, please read the terms and conditions and return the application form that will be sent to you with payment prior to 23 March 2011.

The Directors encourage you to read these terms and conditions carefully and in their entirety. You should seek your own financial advice in relation to this offer and your participation in the SPP.

For further information, please contact Peter J. Nightingale, Company Secretary, on (61-2) 9300 3344.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Michael J. Hoy', with a long horizontal stroke extending to the right and a vertical line dropping down from the end.

Michael J. Hoy  
Chairman

Level 2, 66 Hunter Street  
Sydney NSW 2000  
Tel: (61-2) 9300 3344  
Fax: (61-2) 9221 6333  
E-mail: pnightingale@biotron.com.au  
Website: www.biotron.com.au

[Shareholder Name & Address]

[Shareholder Bar Code]

**THIS SAMPLE FORM IS FOR INFORMATION ONLY  
VALID APPLICATION FORMS WILL BE MAILED TO ELIGIBLE SHAREHOLDERS**

Record Date: 23 February 2011

**SHARE PURCHASE PLAN APPLICATION FORM  
OFFER CLOSSES 23 MARCH 2011**

This is an offer to eligible registered holders in Biotron Limited ('Biotron') to subscribe for additional fully paid ordinary shares under the terms and conditions of the Share Purchase Plan ('SPP') as set out on the other side of this application form.

Shares issued under this offer are priced at **\$0.095 per share** and shareholders may subscribe to one of the following three offers by ticking the appropriate box below:

| Offer A <input type="checkbox"/> | Offer B <input type="checkbox"/> | Offer C <input type="checkbox"/> |
|----------------------------------|----------------------------------|----------------------------------|
| 157,894                          | 105,263                          | 52,631                           |
| \$15,000                         | \$10,000                         | \$5,000                          |

If paying by cheque, record the details of your cheque below with the relevant payment amount.

| Drawer | Bank | Branch | \$ Amount |
|--------|------|--------|-----------|
|        |      |        |           |

**Please note:**

- Payments may only be made by BPAY, cheque or bank draft in Australian dollars and drawn on an Australian branch of an Australian financial institution. BPAY details will be provided on the Application Form to be sent to Eligible Shareholders.
- Your cheque should be made payable to 'Biotron Limited' and crossed 'Not Negotiable'.
- Cash payments will not be accepted.
- Should the exact amount not be tendered, Biotron reserves the right to return your Application Form and money.

Please provide the following details in case we need to contact you in regards to your application.

| Contact Name | Telephone Number 1 | Telephone Number 2 |
|--------------|--------------------|--------------------|
|              | ( )                | ( )                |

By returning this Application Form and your cheque to our office, you:

- agree to be bound by the terms and conditions of the SPP and the Company's Constitution; and
- certify and confirm that the subscription price for the shares subject of this offer, together with the subscription price of all other shares issued to me as a registered holder (or, where a beneficiary is noted on the register, to that beneficiary) under the SPP does not exceed \$15,000.

Your Application Form and cheque should be returned, **no later than 5.00pm (Sydney time) on 23 March 2011**, addressed to:

Biotron Limited  
Level 2, 66 Hunter Street  
Sydney NSW 2000

You should allow sufficient time for this to occur.

## Biotron Limited Security Purchase Plan Offer Terms and Conditions

Biotron Limited ('Biotron') is giving Eligible Shareholders the opportunity to subscribe for fully paid ordinary shares ('Shares') in Biotron through a Security Purchase Plan ('SPP'). Participation in the SPP is optional and subject to the following terms and conditions.

### Who is eligible to apply under this offer?

You are eligible to subscribe for Shares under this SPP if you were a registered holder of fully paid ordinary shares or Shares of Biotron at the close of business on the Record Date of 23 February 2011, with a registered address in either Australia or New Zealand ('Eligible Shareholders').

The offer under the SPP is non-renounceable, which means that you cannot transfer your right to purchase securities under the offer to anyone else.

### How much can you invest?

Eligible Shareholders may choose to apply for one of the following offers:

|                 | Number of Securities | Payment Amount |
|-----------------|----------------------|----------------|
| <b>Offer A:</b> | 157,894 Shares       | \$15,000.00    |
| <b>Offer B:</b> | 105,263 Shares       | \$10,000.00    |
| <b>Offer C:</b> | 52,631 Shares        | \$5,000.00     |

No brokerage or other transaction costs are payable by participants in the SPP.

### How to pay for the securities

You may pay for securities under the SPP only in accordance with the instructions on the other side of this page.

If your payment is not for the exact amount for one of the three offers, Biotron reserves the right to return your Application Form and funds and not issue any additional Biotron securities to you.

Eligible Shareholders who wish to pay by BPAY, must follow the instructions on the Application Form so that it is received by the Company before 5.00pm (Sydney time) on Wednesday, 23 March 2011. Your personalised Application Form carries the Biller Code and your unique personalised Customer Reference Number which you must use to take up the offer. If you make your payment with BPAY you do not need to return your Application Form. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

### When does the offer close?

The Closing Date is 23 March 2011. Applications received after 5.00pm (Sydney time) on 23 March 2011 will not be accepted.

### How was the issue price determined?

The issue price for each security under the SPP is \$0.095, which represents a discount of approximately 18% to the weighted average market price of Biotron securities for the five business days on which sales of Shares occurred preceding 24 February 2011, the date the SPP was announced.

The market price of Biotron securities may rise or fall. This means that the issue price of \$0.095 under the SPP may exceed the market price at the time of allotment of securities under the SPP. Accordingly, you should consult your stockbroker or professional adviser in relation to this offer and your participation under the SPP. Any change in the market price of Biotron securities will not affect the issue price of \$0.095.

### Why is your investment limited to \$15,000?

The SPP must comply with the Australian Securities & Investments Commission Class Order [CO 09/425] ('the Class Order'), which limits the participation of each Eligible Shareholder to \$15,000 worth of securities. This limit applies to all Eligible Shareholders even if you receive more than one offer from Biotron (for example, because you are a joint holder of securities or because you have more than one holding of securities under separate accounts). Biotron reserves the right to reject any application for securities where it believes that an Eligible Shareholder has not complied with this requirement.

Where a trustee or nominee is noted on the Biotron securities register as holding securities on behalf of another person (beneficiary), the trustee or nominee may, in respect of each such beneficiary, apply under the SPP for securities with a subscription price of up to \$15,000. For the purposes of this acceptance, the beneficiary is deemed to be the registered holder of the relevant securities.

### Allotment of Securities

The securities will be allotted as soon as practicable after the offer closes. Statements will be issued in respect of securities allotted to you under the SPP. You should await confirmation before trading in any securities you have applied for under this offer.

Securities allotted under the SPP will rank equally in all respects with all other fully paid ordinary shares in Biotron on the date of issue.

Biotron will, promptly after allotment of Shares under the SPP, make application for the Shares to be listed for quotation on the official list of the ASX.

### Refunds if the SPP is oversubscribed

If the total number of securities applied for by Eligible Shareholders under the SPP exceeds 36,556,467, then the number of securities allotted to each accepting Eligible Shareholder will be reduced on a pro-rata basis, subject to rounding the adjusted number of securities at the Directors' discretion.

Application moneys to be refunded will be posted to accepting Eligible Shareholders as soon as practical after the Closing Date. Interest will not be paid on money refunded.

### Change of offer

The SPP may be modified or terminated by Biotron any time. Biotron will advise the ASX of any modification or termination.

Without limiting the above, Biotron may resolve to allot to any person fewer securities than that person applied for under the SPP if the allotment of those securities would contravene any law or Listing Rule of the ASX.

### Dispute resolution

If any dispute arises in connection with the SPP, Biotron may settle it in any manner it thinks fit. It can do that generally, or in relation to any particular participant, application or security. Biotron's decision will be final and binding.

Biotron reserves the right to waive strict compliance with any provision of the SPP's terms and conditions. The power of Biotron in these circumstances may be exercised by the Directors or any delegate of the Directors in accordance with the Corporations Act 2001 and Biotron's Constitution.

### How can you make further inquiries?

If you have any questions in respect of the SPP, please contact Peter Nightingale on +61-2 9300 3344.