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29 September 2009

The Manager Companies  
ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

(45 pages by email)

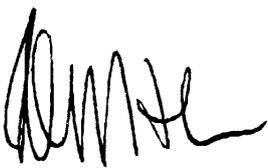
Dear Madam

**ANNUAL REPORT**

In accordance with Listing Rule 4.7, I attach the Company's Annual Report for the year ended 30 June 2009.

I also attach a copy of the Company's Notice of Annual General Meeting to be held on 16 October 2009.

Yours sincerely



Peter J. Nightingale  
Company Secretary

pjn4988



*Biotron*

**Annual Report 2009**

BIOTRON LIMITED ABN 60 086 399 144

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*Biotron*



## OPERATING and Financial Review

The period under review has seen significant advances on clinical progression of Biotron's antiviral drug development program, with continued focus on clinical development of the Company's lead drug, BIT225, in its HIV and Hepatitis C virus (HCV) programs.

Significant events achieved in this financial year include:

- » Commencement of a Phase Ib/IIa clinical trial of Biotron's lead drug, BIT225, in HCV infected subjects. This marked a major milestone for the Company.
- » Demonstration that BIT225 is highly synergistic when combined with a new class of HCV antiviral agents known as NS5B polymerase inhibitors.
- » Presentation of data from the Company's HIV and HCV programs at several international scientific conferences.
- » Initiation and successful completion of a Share Purchase Plan, raising \$807,500 for further clinical development of BIT225.

Since the end of the financial year under review, Biotron has announced the completion of the clinical phase of the Phase Ib/IIa trial, with successful dosing of all subjects. Data from the trial is currently being collated, analysed and reviewed to determine if it meets primary endpoint.

### Clinical Development of BIT225

BIT225 is an investigational, orally-administered, novel antiviral compound in development by Biotron for treatment of HIV and HCV infections. The successful completion of the first human trial of BIT225 during the second half of 2007 was a major value-adding milestone for Biotron. This trial followed on from the completion of a comprehensive program of

preclinical safety studies, and demonstrated the safety of the drug in humans and its suitability for progression into trials in patient populations. The completed Phase I clinical trial in healthy volunteers supported the continued development of BIT225 into proof-of-concept human trials. The trial data can be used to progress BIT225 in both HCV and HIV patient populations, which significantly reduces the costs and timelines of Biotron's clinical development program.

In the year under review, Biotron commenced a Phase Ib/IIa trial of BIT225 in HCV infected patients, after receipt of the necessary ethics and regulatory approvals. The commencement of this trial marked another major milestone for the Company. The trial, code-named BIT225-003, was run over the two sites in Australia. The trial is a placebo-controlled, randomised study of the safety, pharmacokinetics and antiviral activity of BIT225 in patients with HCV infection. The primary objective is to assess the safety and tolerability of BIT225. The secondary objectives are to assess the pharmacokinetics of BIT225 as well as to assess the antiviral efficacy of BIT225 in these patients.

Eighteen patients were randomly assigned to receive one of two dose levels of BIT225 or placebo. The use of two trial sites, based in Sydney and Brisbane, was aimed at maximising the recruitment rate for the trial. Patient recruitment was initially slower than expected, necessitating minor modifications to the trial design which were made with ethics and regulatory approvals. These resulted in a significant improvement in patient recruitment rates.

Since the end of the financial year, Biotron has announced the completion of the clinical phase of the Phase Ib/IIa trial, with successful dosing of all subjects. Data from the trial is currently being collated, analysed and reviewed to determine if it

meets primary endpoint, and it is expected that this review will be completed during September 2009.

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 limited effectiveness and toxicity issues, 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.

Studies performed by Southern Research Institute, Maryland, USA, during the year under review, using a surrogate cell culture system, demonstrated that Biotron's lead antiviral drug, BIT225, is synergistic when combined with a particular class of antiviral drug. These drugs inhibit the RNA-dependent RNA polymerase of HCV (also known as NS5B). NS5B inhibitors have been the focus of several international research and development programs and a number are in early clinical development. The finding is significant as there is a recognised need to develop antiviral drugs that work in combination to attack HCV. The finding that BIT225 works in combination with NS5B inhibitors to enhance the virus killing ability of both BIT225 and the NS5B inhibitors further improves the standing of BIT225 within this field.

These results extend the previously reported finding that BIT225 is synergistic with the current standard of care treatment for HCV (interferon and ribavirin). The results of this latest research demonstrate

## OPERATING AND FINANCIAL REVIEW

that higher levels of virus death could be effected using significantly lower levels of both drugs than if either is used alone. The major practical benefit of synergism between two anti-viral drugs is that, for therapeutic purposes, each drug would remain effective at lower plasma concentrations than if the combined effect was merely additive. This has the potential to decrease the risk of adverse drug side effects, and the potential for generation of drug resistant virus strains, as drug levels in the plasma fall below effective concentrations, is reduced.

The use of BIT225 in combination with either the current standard of care treatment, or with NS5B inhibitors, holds exciting potential therapeutic treatment of human HCV infections.

BIT225 also represents a novel, first in class approach to the treatment of HIV. 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. The market for HIV is very large, with the US market alone for HIV worth over US\$3.3 billion per annum. Biotron is currently progressing protocols and other documentation through the necessary ethics and regulatory processes, with the aim of progressing BIT225 into a Phase Ib/Ila trial in HIV-positive patients when funding permits.

These trials in HIV and HCV infected patients are critical steps in the Company's development. Demonstration that BIT225 can attack these viruses in patients will be a major advance in terms of Company and technology valuations. The Company is focused on achieving a successful outcome, and has been progressing discussions with potential pharmaceutical companies in anticipation of finalising a deal once these

trials have been completed. The proposed trials are designed to benefit shareholders through significantly increasing the value of Biotron in the market and to its future pharmaceutical company partners.

### Other Viral Programs

The Company has an impressive portfolio of clinical and preclinical antiviral programs developing drugs targeting HCV, HIV, Dengue virus and Influenza virus. At present, focus is on development of the HCV and HIV programs into trials in infected patient populations, and additional resources will be committed to these additional programs once the more advanced programs have been successfully commercialised or as resources become available.

The level of interest by the international community in Biotron's antiviral programs was reflected by the selection of Biotron to participate in prestigious international scientific conferences over the last 12 months. In October 2008, Biotron was selected to present at the 6th Australasian Viral Hepatitis conference in Brisbane, and Biotron scientists were selected to present data at the biannual HIV DART conference in the USA in December 2008 and at the annual Conference of Retroviral and Opportunistic Infections (CROI) in Montreal in February 2009. Recently, a paper on preclinical efficacy of BIT225 was presented to an international conference at the 2nd World Summit of Antivirals held in Beijing, China, by Biotron's collaborators at Southern Research Institute, Maryland, USA. Presentation at these meetings provided an excellent opportunity to further discuss the Company's technologies with potential pharmaceutical company partners.

During the year, ongoing discussions were held with potential partners regarding the Virion technology. Whilst keen to secure a partner to take the Company's compounds through into clinical development, Biotron

can significantly increase the value of the technology by undertaking Phase I and II clinical trials before forming an alliance. This may translate into much higher returns to the Company in the form of upfront payments as well as increased milestone and royalty payments in the future.

### Patents

Biotron is focused on progressing patents related to its antiviral programs through the international patenting process. The Company recognises that the key to establishment of partnerships is the expansion and continued strengthening of Biotron's intellectual property (IP) portfolio. Strong, defensible, international patents are essential to attract partners and to ensure a competitive advantage for the Company's products in the marketplace. Biotron continues to build a strong wall of patents around its IP to maximise the value of the technologies and to ensure its competitive position.

A summary of Biotron's patent portfolio is set out below:

TITLE	STATUS
WO0021538 Method of modulating ion channel functional activity.	Granted in Australia, New Zealand, USA and China.  Under examination elsewhere.
WO9813514 Method of determining ion channel activity of a substance.	Granted in Australia, Europe (selected countries), Japan and USA.  Under examination elsewhere.



TITLE	STATUS
WO04112687 Antiviral compounds and methods.	Granted in India, Singapore and South Africa.  Under examination elsewhere.
WO6135978 Antiviral compounds and methods.	Entered into national phase.
PCT/AU2008/001130 Hepatitis C antiviral compositions and methods	PCT filed in August 2008.

### Capital Raising

In the first quarter of 2009, Biotron initiated and completed capital raising to eligible shareholders via a Share Purchase Plan (SPP) and placement, raising \$807,500 to fund the completion of the Phase Ib/IIa HCV clinical trial and ensure the Company is in a position to complete negotiation of a licensing deal.

At the time of the last capital raising in late 2007, Biotron anticipated leveraging shareholder funds, as it had done so before, by accessing matching funding for

the Phase Ib/IIa trial through the Federal Government's Commercial Ready grant program. Regrettably, and without any indication to do so, the Federal Government cancelled the Commercial Ready grant program in the May 2008 Federal budget, right at the time that Biotron was finalising trial protocols. Biotron had not anticipated having to fully fund the trial, so the cancellation of the grant program has had a significant adverse impact on the financial position of the Company.

The cancellation of the Commercial Ready grant program caused the Company to hold the commencement of a second Phase Ib/IIa clinical trial for the treatment of HIV and focus the Company's financial resources on the HCV clinical trial. The HIV clinical trial, which has finalised protocols ready for submission for ethical and regulatory approvals, could be commenced quickly with sufficient financial resources.

The Company is focused on achieving a successful outcome from the HCV trial, and has been progressing discussions with potential pharmaceutical companies. The trial has been designed to benefit shareholders through significantly increasing the value of Biotron in the market and to its future pharmaceutical company partners.

The Directors would like to thank all those shareholders who supported the Company by participating in this capital raising.

On behalf of the Board we would like to thank the dedicated Biotron staff for their commitment and efforts during the year. Biotron is poised to achieve the outcome that we have all been working towards – demonstration that its antiviral drug development program can produce new, novel drugs which can attack virus infections in humans, resulting in significant clinical benefit to patients, and generating major financial benefits to our shareholders.

We look forward to the next year with confidence.

**Michael J. Hoy**

Chairman

**Michelle Miller**

Managing Director

# Statement of Corporate Governance

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, which comply with the Australian Stock Exchange ('ASX') Corporate Governance Council recommendations, unless otherwise stated.

## Board of Directors

The board of directors is responsible for the overall corporate governance of the Company including its strategic direction, setting remuneration, establishing goals for management and monitoring the achievement of these goals and ensuring the integrity of internal control and management information systems. It is also responsible for approving and monitoring financial and other reporting.

The composition of the board has been determined on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level. The names and further information regarding the skills, experience, qualifications and relevant expertise of the directors are set out in the Directors' Report. The board is composed of a minimum of three directors.

The composition of the board is monitored constantly to ensure that it provides the Company with the appropriate levels of both expertise and experience. The board comprises a majority of independent, non-executive directors including the Chairperson. The independence of directors is based on their capacity to put the best interests of the Company and its shareholders ahead of all other interests.

When a board vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then

completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Directors, other than the Managing Director, are subject to re-election by the shareholders at least every three years.

Having regard to the current membership of the board and the size, organisational complexity and scope of operations of the entity, a Nomination Committee, a Remuneration Committee and an Audit Committee have not been established.

Each director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld. A copy of the advice received by the director is made available to all other members of the board.

In the event that a potential conflict of interest may arise, involved directors must withdraw from all deliberations concerning the matter.

## Remuneration

The remuneration of the directors is determined by the board as a whole, with the director to whom a particular decision relates being absent from the meeting during the time that the remuneration level is discussed and decided upon.

For details on the amount of remuneration and any amount of equity based executive remuneration payment for each director, refer to the Key Management Personnel note to the financial statements and the Remuneration Report in the Directors' Report.

## Internal Controls

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no

cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the Company seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the Company.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management. Selected internal control mechanisms employed to support the business include:

- » Investment appraisal – the Company has documented guidelines for capital expenditure and investment appraisals. These include annual budgets, expenditure review procedures and appropriate levels of authority.
- » Business planning, budgeting and reporting – a comprehensive business planning process includes evaluation of strategies, objectives, and risks resulting in an annual budget approved by the board. Monthly actual performance is reported against budget and revised forecasts for the year are prepared regularly.
- » Quality and integrity of employees – there are clearly defined accountabilities, performance measures, and reinforcement of values and ethics by management.

The CEO and CFO state in writing to the board that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.



### External Auditors

Board nominees review the performance of the external auditors and meet with them during the half yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and the level of proposed audit fees. The auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

KPMG, the Company's auditors, were appointed on 20 November 2001.

### Ethical Standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, endeavouring at all times to enhance the performance and reputation of the Company. Every employee has direct access to a director to whom they may refer any ethical issues that may arise from their employment.

Directors, officers and employees are permitted to trade in the Company's securities only in accordance with the provisions of the Corporations Act and ASX Listing Rules. The directors are under an obligation to report any dealings by them in the Company's securities.

### The Role of Shareholders

The board ensures that the shareholders are informed of all major developments affecting the Company by the following means:

- » Distribution of the annual report is made available to all shareholders containing relevant information about the operations of the Company during the year in addition to disclosures required by the Corporations Act 2001.

- » Lodgement of quarterly reports with the ASX which show summarised financial information for the quarter. Copies of these reports are available to shareholders on request.
- » Lodgement of the half yearly report with the ASX which contains summarised and audit reviewed financial information. Copies of half yearly financial statements prepared in accordance with the Corporations Act are available to any shareholder on request.
- » Lodgement of the annual report with the ASX which contains full audited financial information prepared in accordance with the Corporations Act. Distribution of the annual report is made available to all shareholders.
- » Announcements to the ASX concerning any significant development in the Company's operations, financing and administration. All announcements are immediately available to the general public.
- » Disclosure of all major announcements to the ASX on the Company's website.
- » The Annual General Meeting is the main opportunity for the shareholders to hear the Managing Director and Chairman provide updates on the Company's performance, ask questions of the board and to express views and vote on various matters of business on the agenda.

The shareholders are responsible for voting on the appointment of directors.

### Risk Management

Due to the size of the Company, the number of officers and employees and the nature of the Company's business, a formal risk management policy and internal compliance and control system has not

been implemented. The chief executive officer and chief financial officer declare, in writing, to the board that the system of risk management and internal compliance and control which implements the policies adopted by the board has been assessed and found to be operating efficiently and effectively in all material respects.

Each director reviews the business risks affecting his particular area of expertise annually and reports to the board. The board then determines the appropriate actions to eliminate or minimise the identified business risks. The full board oversees the establishment, implementation and ongoing review of the Company's risk management and internal control system. The internal control system covers financial, operational and compliance risks.

Recommendations made by external auditors and other external advisers are investigated by the board and, where necessary, appropriate action is taken to ensure that the Company has the internal control environment to manage the key risks identified. Ways of enhancing existing risk management strategies, including segregation of duties, employment and training of suitably qualified and experienced personnel are investigated by the board.

### Performance Evaluation of the Board and Key Executives

Due to the size of the Company, the number of officers and employees and the nature of the Company's business, the board has adopted an informal and continuous performance evaluation process of the directors and key executives. The Company has not established formal performance review measures for the board or key executives nor has it established a nomination committee.

# Directors' Report

The directors present their report together with the financial report of Biotron Limited ('the Company') for the year ended 30 June 2009 and the auditor's report thereon.

## Directors

The names and particulars of the directors of the Company at any time during or since the end of the financial year are:

### **Mr Michael J. Hoy** *Independent and Non-Executive Chairman*

Mr Hoy has more than 30 years' corporate experience in Australia, the United Kingdom, USA and Asia. He is Chairman of CityPrint Holdings Pty Limited, Chairman of Telloso Technologies Limited and a former director of John Fairfax Holdings Limited and FXF Trust.

He has been a director since 7 February 2000 and Chairman since 16 March 2000.

### **Dr Michelle Miller, BSc, MSc, PhD,** *GCertAppFin (Finsia)* *Managing Director*

Dr Miller has worked for over 20 years in the bioscience industry, with extensive experience in managing commercial bioscience research. She completed her PhD in the Faculty of Medicine at Sydney University investigating molecular models of cancer development. Her experience includes a number of years at Johnson and Johnson developing anti-HIV gene therapeutics through preclinical research to clinical trials. She has experience in early-stage start-ups from time spent as Investment Manager with a specialist bioscience venture capital fund.

She was appointed as Managing Director on 21 June 2002.

### **Dr Michael S. Hirshorn, MBA, MB, BS** *Independent and Non-Executive Director*

Dr Hirshorn has 30 years experience in founding, building, managing and investing in technology companies. He played a major role in all commercial aspects of Cochlear Limited's development, was a founding director of Resmed Inc., and Chief Executive Marketing for Polartech Limited.

He has over eight years of private equity experience, raising a fund and investing and developing companies. He has served on numerous government advisory committees, including the Start IT and T Committee, the Start Grants Biological Sciences Committee of the Department of Industry, Science and Resources. He is currently a director of Dynamic Hearing and TGR BioSciences.

Dr Hirshorn was appointed as a director on 16 March 2000.

### **Mr Bruce Hundertmark** *Independent and Non-Executive Director*

Mr Hundertmark is an independent businessman and company director with a wide range of experience in diverse business operations. He has specialised in recent years in high technology based company start-up operations and in promoting the formation of venture capital companies including News Datacom Research Limited in Israel, News Datacom Limited in Hong Kong and both PT Indo Bio Products and PT Indo Bio Fuels in Indonesia.

He has been a director of numerous private and publicly listed companies including News International PLC, Sky Television PLC, Prudential Cornhill Insurance Limited, Harris Scarfe Limited, Bernkastel Wines Limited, Codan Limited, Samic Limited and Investment & Merchant Finance Corporation Limited.

Mr Hundertmark was appointed as a director on 16 March 2000.

### **Mr Peter G. Scott** *Non-Executive Director*

Mr Scott is a founding director of Biotron Limited with more than 30 years of commercial and entrepreneurial experience in Australia.

He is a director of Scott's Acorn Pty Ltd and was formerly Chairman and Managing Director of Scottcom Pty Ltd and Managing Director of ICAM Pty Ltd, audio visual and multimedia companies.

Mr Scott has been a director since 23 February 1999.

### **Peter J. Nightingale** *Company Secretary*

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for the past 22 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline Minerals Inc., Perseverance Corporation Limited, Valdora Minerals N.L., ETT Limited, Bolnisi Gold NL and Palmarejo Silver and Gold Corporation. Mr Nightingale is currently a director of Cockatoo Coal Limited and Planet Gas Limited.

Mr Nightingale has been company secretary since 23 February 1999.



### Directors' Meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the Company, while they were a director, during the year are:

	No. of Meetings Held	No. of Meetings Attended
Michael J. Hoy	6	6
Michelle Miller	6	6
Michael S. Hirshorn	6	6
Bruce Hundertmark	6	6
Peter G. Scott	6	6

### Directors' Interests

At the date of this report, the beneficial interests of each director of the Company in the issued share capital of the Company and options, each exercisable to acquire one fully paid ordinary share of the Company are:

	Fully Paid Ordinary Shares	Options	Option Terms (Exercise Price and Term)
Michael J. Hoy	1,408,214	500,000	\$0.35 at any time up to 30 September 2010
Michelle Miller	-	500,000	\$0.35 at any time up to 30 September 2010
	-	500,000	\$0.40 at any time from 30 September 2006 up to 30 September 2006 up to 30 September 2010
	-	500,000	\$0.45 at any time from 30 September 2007 up to 30 September 2010
Michael S. Hirshorn	-	200,000	\$0.35 at any time up to 30 September 2010
Bruce Hundertmark	-	200,000	\$0.35 at any time up to 30 September 2010
Peter G. Scott	9,014,000	-	-

## DIRECTORS' REPORT

### Option Holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each specified director and executive, including their personally-related entities, is as follows:

#### Option holdings - 2009

	Held at 1 July 2008	Granted as remuneration	Expired	Held at 30 June 2009	Vested and exercisable at 30 June 2009
<b>Directors</b>					
Michael J. Hoy	500,000	-	-	500,000	500,000
Michelle Miller	1,500,000	-	-	1,500,000	1,500,000
Michael S. Hirshorn	200,000	-	-	200,000	200,000
Bruce Hundertmark	200,000	-	-	200,000	200,000
Peter G. Scott	-	-	-	-	-
<b>Executives</b>					
Peter J. Nightingale	200,000	-	-	200,000	200,000

#### Option holdings - 2008

	Held at 1 July 2007	Granted as remuneration	Expired	Held at 30 June 2008	Vested and exercisable at 30 June 2008
<b>Directors</b>					
Michael J. Hoy	500,000	-	-	500,000	500,000
Michelle Miller	1,500,000	-	-	1,500,000	1,500,000
Michael S. Hirshorn	200,000	-	-	200,000	200,000
Bruce Hundertmark	200,000	-	-	200,000	200,000
Peter G. Scott	-	-	-	-	-
<b>Executives</b>					
Peter J. Nightingale	200,000	-	-	200,000	200,000

### Remuneration Report - Audited

The policy of remuneration of directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The board is responsible for reviewing its own performance. The non-executive directors are responsible for evaluating the performance of the executive directors who, in turn, evaluate the performance of all other senior executives. The evaluation process is intended to assess the Company's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally comprises salary and superannuation. Longer term incentives are able to be provided through the Company's Incentive Option Plan which acts to align the directors and senior executives' actions with the interests of the shareholders. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.



No directors or senior executives receive performance related remuneration. Options issued in prior periods as remuneration were subject to service conditions due to the nature of the Company's operations.

Details of director and senior executive remuneration and the nature and amount of each major element of the remuneration of each director and senior executive of the Company are:

	Year	Primary Salary and Fees	Post-Employment Superannuation Benefits	Equity Compensation Value of Options	Total	Options as a % of Remuneration
		\$	\$	\$	\$	
<b>Directors</b>						
<i>Non-executive</i>						
Michael J. Hoy (Chairman)	2009	55,046	4,954	-	60,000	-
	2008	60,000	5,400	-	65,400	-
Michael S. Hirshorn	2009	27,523	2,477	-	30,000	-
	2008	30,000	2,700	-	32,700	-
Bruce Hundertmark	2009	27,523	2,477	-	30,000	-
	2008	30,000	2,700	-	32,700	-
Peter G. Scott	2009	5,000	25,000	-	30,000	-
	2008	5,000	27,700	-	32,700	-
<i>Executive</i>						
Michelle Miller (Managing Director)	2009	200,000	18,000	-	218,000	-
	2008	200,000	18,000	2,403	220,403	1%
Total, all specified directors	2009	315,092	52,908	-	368,000	-
	2008	325,000	56,500	2,403	383,903	1%
<b>Executives</b>						
Peter J. Nightingale (Company Secretary)	2009	75,000	-	-	75,000	-
	2008	75,000	-	-	75,000	-
Total, all specified directors and executives	2009	390,092	52,908	-	443,000	-
	2008	400,000	56,500	2,403	458,903	1%

## DIRECTORS' REPORT

### Options granted as compensation - Audited

Details of options that were granted as compensation to each key management person:

Director	Grant Date	Number of options granted	Fair value at grant date	Option Terms (Exercise Price and Term)
Michelle Miller	14 October 2005	500,000	\$24,016	\$0.35 at any time up to 30 September 2010
Michelle Miller	14 October 2005	500,000	\$21,114	\$0.40 at any time from 30 September 2006 up to 30 September 2010
Michelle Miller	14 October 2005	500,000	\$18,701	\$0.45 at any time from 30 September 2007 up to 30 September 2010

The number of options that had vested as at 30 June 2009 is 1,500,000 (2008 – 1,500,000). There were nil options (2008 – 500,000) that vested during the year ended 30 June 2009, and no options were granted during or subsequent to year end.

The fair value of the options at grant date was determined based on the Black-Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.17 at the grant date, a volatility factor of 50% based on historic share price performance and a risk free interest rate of 5.25% based on the 10 year government bond rate.

### Consequences of Performance on Shareholder Wealth - Audited

In considering the Company's performance and benefits for shareholders wealth, the board have regard to the following indices in respect of the current financial year and the previous four financial years.

	2009	2008	2007	2006	2005
Net loss attributable to equity holders of the parent	\$1,776,099	\$1,882,093	\$3,234,004	\$2,198,973	\$1,883,575
Dividends paid	-	-	-	-	-
Change in share price	0.0 cents	(9.0) cents	4.5 cents	7.0 cents	(5.8) cents

The overall level of key management personnel's compensation is assessed on the basis of market conditions, status of the Company's projects, and financial resources of the Company.

### Service Contracts - Audited

There are no service contracts for the key management personnel.

### Non-executive Directors - Audited

Total compensation for all non-executive directors is determined by the board based on market conditions.

### Options

At the date of this report, unissued ordinary shares of the Company under option are:

Number of Options	Exercise Price	Expiry Date
5,450,000	\$0.35	30 September 2010
750,000	\$0.40	30 September 2010
500,000	\$0.45	30 September 2010

The options do not entitle the holder to participate in any share issue of the Company or any other body corporate.



### Principal Activities

The principal activities of the Company during the financial year were the funding and management of intermediate and applied biotechnology research and development projects.

### Financial Result and Review of Operations

The operating loss of the Company for the financial year after income tax was \$1,776,099 (2008 loss - \$1,882,093).

A review of the Company's operations for the year is set out in the Operating and Financial Review.

### Impact of Legislation and Other External Requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Company.

### Dividends

The directors recommend that no dividend be paid by the Company. No dividend has been paid or declared since the end of the previous financial year.

### State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

### Environmental Regulation

The Company's operations are not subject to significant environmental regulations under Commonwealth or State legislation in relation to its research projects.

### Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company, in future financial years.

### Likely Developments

During the year ended 30 June 2009, the Company continued to fund and manage its research and development projects. The success of these research projects, which cannot be assessed on the same fundamentals as trading and manufacturing enterprises, will determine future likely developments.

In the opinion of the directors, it would prejudice the interests of the Company to provide additional information, except as reported in this Annual Report, relating to likely developments in the operations of the Company.

### Indemnification of Officers and Auditors

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

### Non-audit Services

During the year KPMG, the Company's auditor, has performed certain other services in addition to their statutory duties.

The board has considered the non-audit services provided during the year by the auditor and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- » all non-audit services were subject to the corporate governance procedures adopted by the Company and have been reviewed by the board to ensure they do not impact the integrity and objectivity of the auditor; and
- » the non-audit services provided do not undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, as they did not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

A copy of the auditors' independence declaration as required under Section 307C of the Corporations Act 2001 is included in the Directors' Report.

## DIRECTORS' REPORT

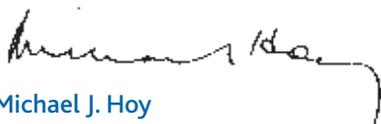
Details of the amounts paid to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2009	2008
	\$	\$
<b>Statutory audit</b>		
- Audit and review of financial reports (KPMG Australia)	26,240	18,043
<b>Services other than statutory audit</b>		
- Workers compensation review (KPMG Australia)	1,750	-
- Grant audit (KPMG Australia)	-	5,000

### Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out below and forms part of the Directors' Report for the year ended 30 June 2009.

This report has been signed in accordance with a resolution of the directors and is dated 28 August 2009:



**Michael J. Hoy**  
Chairman



**Michelle Miller**  
Managing Director



### Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Biotron Limited:

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2009, there have been:

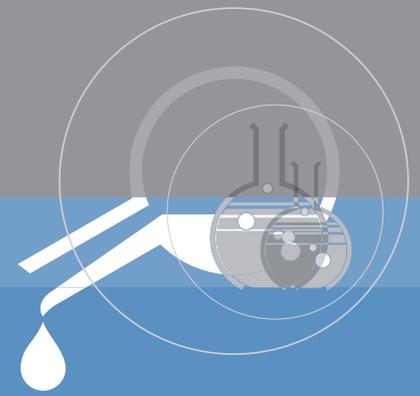
- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

  
KPMG

Brisbane 28 August 2009



**W.E. Austin**  
Partner



# INCOME Statement

FOR THE YEAR ENDED 30 JUNE 2009

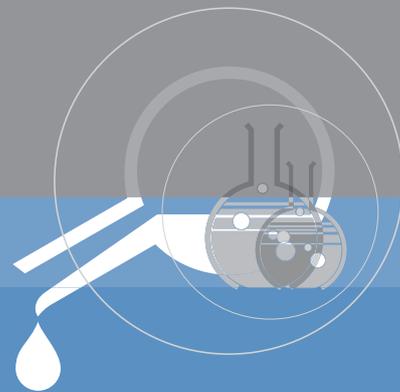
	Notes	2009	2008
		\$	\$
Other income	2	5,000	431,409
Administration and consultants' expenses		(172,000)	(289,473)
Depreciation	3	(47,731)	(40,444)
Employee and director expenses		(360,746)	(476,405)
Direct research and development expenses	3	(980,294)	(1,303,421)
Rent and outgoings expenses		(51,351)	(25,818)
Legal expenses		(6,675)	(8,978)
Other expenses from ordinary activities		(221,277)	(244,096)
<b>Operating loss before financing income</b>		<b>(1,835,074)</b>	<b>(1,957,226)</b>
Interest income		58,975	75,133
<b>Net financing income</b>		<b>58,975</b>	<b>75,133</b>
<b>Loss before tax</b>		<b>(1,776,099)</b>	<b>(1,882,093)</b>
Income tax expense	5	-	-
<b>Loss for the year</b>		<b>(1,776,099)</b>	<b>(1,882,093)</b>
Basic loss per share attributable to ordinary equity shareholders	4	(1.67) cents	(2.00) cents
Diluted loss per share attributable to ordinary equity shareholders	4	(1.67) cents	(2.00) cents

# STATEMENT of Recognised Income and Expense

FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
Loss for the year	(1,776,099)	(1,882,093)
<b>Total recognised income and expense for the year</b>	<b>(1,776,099)</b>	<b>(1,882,093)</b>

Other movements in equity arising from transactions with owners as owners are set out in note 11.



# Balance Sheet

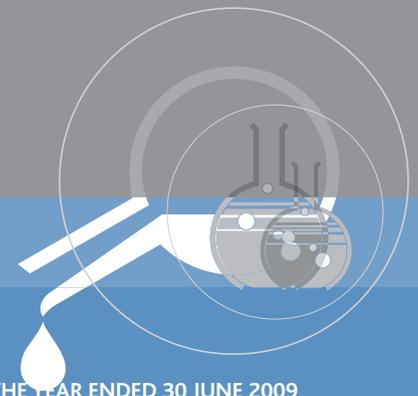
AS AT 30 JUNE 2009

	Notes	2009	2008
		\$	\$
<b>Current assets</b>			
Cash and cash equivalents		950,581	2,063,596
Trade and other receivables	6	27,520	59,483
Other	7	18,385	29,160
<b>Total current assets</b>		<b>996,486</b>	<b>2,152,239</b>
<b>Non-current assets</b>			
Plant and equipment	8	67,352	115,083
<b>Total non-current assets</b>		<b>67,352</b>	<b>115,083</b>
<b>Total assets</b>		<b>1,063,838</b>	<b>2,267,322</b>
<b>Current liabilities</b>			
Trade and other payables	9	136,397	317,627
Employee entitlements	10	85,935	106,318
<b>Total current liabilities</b>		<b>222,332</b>	<b>423,945</b>
<b>Total liabilities</b>		<b>222,332</b>	<b>423,945</b>
<b>Net assets</b>		<b>841,506</b>	<b>1,843,377</b>
<b>Equity</b>			
Issued capital	11	19,920,593	19,146,365
Reserves	12	359,608	359,608
Accumulated losses	13	(19,438,695)	(17,662,596)
<b>Total equity</b>		<b>841,506</b>	<b>1,843,377</b>

# STATEMENT of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009	2008
		\$	\$
<b>Cash flows from operating activities</b>			
Cash receipts in the course of operations		3,910	470,893
Payments for research and development		(1,081,839)	(1,219,196)
Cash payments in the course of operations		(883,264)	(937,163)
Cash used in operations		(1,961,193)	(1,685,466)
Interest received		68,950	63,147
<b>Net cash from operating activities</b>	14	(1,892,243)	(1,622,319)
<b>Cash flows from investing activities</b>			
Proceeds on sale of intellectual property		5,000	-
Payments for plant and equipment		-	(62,261)
<b>Net cash from/(used in) investing activities</b>		5,000	(62,261)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		807,500	2,499,000
Cost of issue of shares		(33,272)	(129,546)
<b>Net cash from financing activities</b>		774,228	2,369,454
<b>Net increase/(decrease) in cash and cash equivalents held</b>		(1,113,015)	684,874
<b>Cash and cash equivalents at the beginning of the financial year</b>		2,063,596	1,378,722
<b>Cash and cash equivalents at the end of the financial year</b>	14	950,581	2,063,596



# NOTES to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

## 1. REPORTING ENTITY

Biotron Limited (the 'Company') is a company domiciled in Australia.

### Basis of preparation

#### Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards ('AASBs') (including Australian Interpretations) adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001. The financial report of the Company also complies with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

The financial report was authorised for issue by the directors on 28 August 2009.

#### Basis of measurement

The financial statements have been prepared on the historical cost basis.

#### Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

#### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following note 1, Going concern:

#### Going concern

The financial report has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The Company has incurred significant trading losses of \$1,776,099 in the year ended 30 June 2009 and has accumulated losses of \$19,438,695 as at 30 June 2009. These conditions give rise to a material uncertainty that may cast significant doubt upon the Company's ability to continue as a going concern. The ongoing operation of the Company is dependent on:

- » the Company raising additional funding from shareholders or other parties; and/or
- » the Company reducing expenditure in line with available funding.

The directors have prepared cash flow projections that support the ability of the Company to continue as a going concern. These cash flow projections assume the Company obtains sufficient additional funding from shareholders or other parties. If such funding is not achieved, the Company plans to reduce expenditures significantly.

In the event that the Company does not obtain additional funding and/or reduce expenditure in line with available funding, it may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

#### Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the Company financial report.

#### New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2009, but have not been applied in preparing this financial report:

- » Revised AASB 101 Presentation of Financial Statements (2007) introduces the term total comprehensive income, which represents changes in equity during a period other than those changes resulting from transactions with owners in their capacity as owners. Total comprehensive income may be presented in either a single statement of comprehensive income (effectively combining both the income statement and all non-owner changes in equity in a single statement) or, in an income statement and a separate statement of comprehensive income. Revised AASB 101, which becomes mandatory for the Company's 30 June 2010 financial statements, is expected to have a significant impact on the presentation of the financial statements. The Company plans to provide total comprehensive income in a single statement of comprehensive income for its 2010 financial statements.
- » AASB 2008-1 Amendments to Australian Accounting Standard – Share-based Payment: Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of non-vesting conditions, requires non-vesting conditions to be reflected in grant-date fair value and provides the accounting

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

treatment for non-vesting conditions and cancellations. The amendments to AASB 2 will be mandatory for the Company's 30 June 2010 financial statements, with retrospective application. The Company has not yet determined the potential effect of the amendment.

- » AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Process and 2008-6 Further Amendments to Australian Accounting Standards arising from The Annual Improvements Process affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Company's 30 June 2010 financial statements, are not expected to have any impact on the financial statements.

### Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits.

### Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

### Property, plant and equipment

Property plant and equipment are stated at their historical cost less accumulated depreciation and impairment loss. Depreciation is recognised in profit or loss using the reducing balance method from the date of acquisition at rates between 13% and 40% per annum.

### Research and development

#### Grants

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue when there is reasonable assurance it will be received.

### Costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

### Trade and other payables

Trade and other payables are stated at their amortised cost, are non-interest bearing and are normally settled within 60 days.

### Employee entitlements

#### Wages, salaries, annual leave and sick leave

Liabilities for employee entitlements for wages, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the company expect to pay as at reporting date including related on-costs, such as workers compensation insurance and superannuation.

### Long service leave

Liabilities for employee entitlements for long service leave is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs, that benefit is discounted to determine its present value.

### Share capital

#### Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects. Dividends on ordinary shares are recognised as a liability in the period in which they are declared.

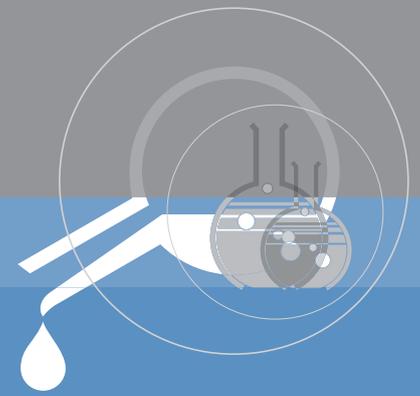
### Taxation

#### Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future are temporary differences and are not provided for. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the



carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **Goods and services tax**

Revenue, expenses and assets are recognised net of the amount of goods and services tax ('GST'), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

#### **Revenue recognition**

##### **Finance income**

Interest revenue is recognised as it accrues using the effective interest rate method.

##### **Earnings per share**

The Company presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary

shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

#### **Incentive option plan**

The Incentive Option Plan allows the Company's employees or directors, or individuals whom the Plan Committee determine to be employees for the purposes of the Plan, with the opportunity to acquire options over unissued shares in the Company. The fair value of options granted is measured at grant date and spread as an expense over the period during which the employees or directors become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formula, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

#### **Impairment**

##### **Financial assets**

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if any objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial

asset recognised previously in equity is transferred to profit and loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities the reversal is recognised directly in equity.

##### **Non-financial assets**

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed. In respect of other assets impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

### Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

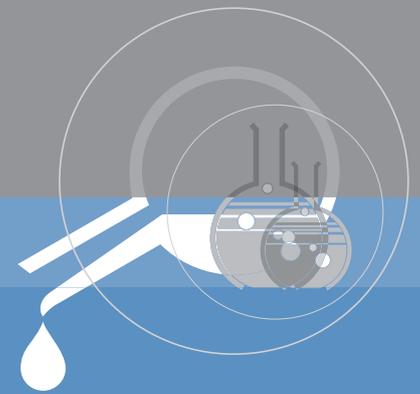
### Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

	2009	2008
	\$	\$
<b>2. OTHER INCOME</b>		
Research and development grants	-	431,409
Gain on sale of fixed assets	5,000	-
<b>Total</b>	<b>5,000</b>	<b>431,409</b>
<b>3. LOSS FROM OPERATING ACTIVITIES</b>		
Loss from ordinary activities has been arrived at after charging the following items:		
Auditors' remuneration paid to KPMG		
- Audit and review of financial reports	26,240	18,043
- Other audit services	1,750	5,000
Depreciation		
- Office equipment	24,831	8,763
- Plant and equipment	22,900	31,681
Direct research and development expenditure expensed as incurred	980,294	1,303,421
Provision for employee entitlements	(20,383)	60,913



#### 4. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2009 was based on the loss attributable to ordinary shareholders of \$1,776,099 (2008 - \$1,882,093) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2009 of 106,600,586 (2008 - 94,070,553), calculated as follows:

Net loss for the year	1,776,099	1,882,093
	<b>2009</b>	<b>2008</b>
	<b>Number</b>	<b>Number</b>
Issued ordinary shares at 1 July	104,443,565	89,743,565
Effect of shares issued on 21 December 2007	-	1,913,548
Effect of shares issued on 31 March 2008	-	2,129,222
Effect of shares issued on 22 May 2008	-	284,218
Effect of shares issued on 14 April 2009	2,157,021	-
Weighted average number of ordinary shares	106,600,586	94,070,553

Options disclosed in the Issued Capital note 11 are potential ordinary shares, but are not included in the calculation of diluted loss per share as they are not dilutive.

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>

#### 5. INCOME TAX EXPENSE

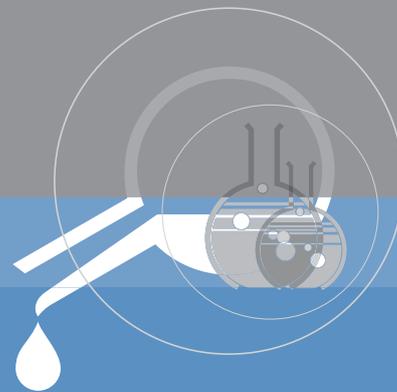
##### Numerical reconciliation between tax expense and pre-tax net profit

Loss before tax - continuing operations	(1,776,099)	(1,882,093)
Income tax using the domestic corporation tax rate of 30%	(532,830)	(564,628)
Increase in income tax expense due to:		
- Adjustments not resulting in temporary differences	2,371	3,090
- Unrecognised temporary differences	(24,045)	(41,243)
- Effect of tax losses not recognised	554,504	602,781
Income tax expense current and deferred	-	-
<b>Deferred tax assets have not been recognised in respect of the following items:</b>		
Deductible temporary differences (net)	85,004	99,068
Tax losses	6,618,540	6,064,035
Net	6,703,544	6,163,103

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

	2009	2008
	\$	\$
<b>6. RECEIVABLES</b>		
<b>Current</b>		
Other debtors	2,011	15,395
GST receivable	25,509	44,088
	<u>27,520</u>	<u>59,483</u>
<b>7. OTHER</b>		
Current prepayments	3,255	3,941
Security deposits	15,130	25,219
	<u>18,385</u>	<u>29,160</u>
<b>8. PLANT AND EQUIPMENT</b>		
Office equipment - at cost	157,439	157,439
Accumulated depreciation	(118,615)	(93,784)
	<u>38,824</u>	<u>63,655</u>
Plant and equipment - at cost	594,490	892,480
Accumulated depreciation	(565,962)	(841,052)
	<u>28,528</u>	<u>51,428</u>
Total plant and equipment - net book value	<u>67,352</u>	<u>115,083</u>
<b>Reconciliations</b>		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
<b>Office equipment</b>		
Balance at 1 July	63,655	10,156
Additions	-	62,262
Depreciation	(24,831)	(8,763)
Carrying amount at the end of the financial year	<u>38,824</u>	<u>63,655</u>
<b>Plant and equipment</b>		
Balance at 1 July	51,428	83,109
Depreciation	(22,900)	(31,681)
Carrying amount at the end of the financial year	<u>28,528</u>	<u>51,428</u>
Total carrying amount at the end of the financial year	<u>67,352</u>	<u>115,083</u>



	2009	2008
	\$	\$
<b>9. TRADE AND OTHER PAYABLES</b>		
<b>Current</b>		
Creditors	34,897	227,030
Accruals	101,500	90,597
	136,397	317,627
<b>10. EMPLOYEE ENTITLEMENTS</b>		
<b>Current</b>		
Employee annual leave provision	46,722	72,202
Long service leave provision	39,213	34,116
	85,935	106,318
	2009	2008
	Number	Number
Number of employees at the end of the financial year	4	4
<b>11. ISSUED CAPITAL</b>		
<b>Issued and paid up capital</b>		
114,537,315 (2008 - 104,443,565) fully paid ordinary shares	19,920,593	19,146,365
<b>Fully paid ordinary shares</b>		
Balance at the beginning of the financial year	19,146,365	16,865,134
Issue of shares	807,500	2,499,000
Costs of issue	(33,272)	(217,769)
Balance at the end of financial year	19,920,593	19,146,365

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings. In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

During the year ended 30 June 2009, the Company issued 10,093,750 (2008 – 14,700,000) ordinary shares through a Share Purchase Plan and placement for cash totalling \$807,500 (2008 – \$2,499,000). Total issue costs of \$33,272 (2008 – \$217,769) were recognised as a reduction of the proceeds of issue of these shares.

During the year ended 30 June 2009, no options were issued (2008 – 1,000,000). No ordinary shares have been issued as a result of the exercise of any option during the years ended 30 June 2009 and 30 June 2008.

The following options were on issue at 30 June 2009, each exercisable to acquire one fully paid ordinary share:

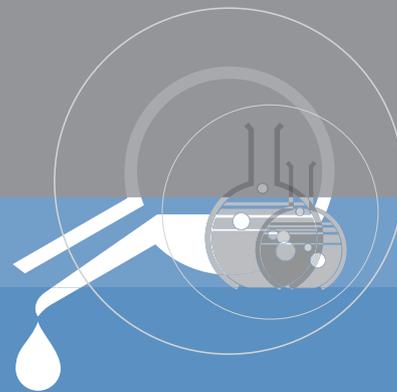
- » 1,000,000 options, each exercisable at 35 cents to acquire one fully paid ordinary share at any time up to 30 September 2010. These options were issued as part of underwriting fee on the Share Purchase Plan to Martin Place Securities during the year ended 30 June 2008.
- » 4,450,000 options, each exercisable at 35 cents to acquire one fully paid ordinary share at any time up to 30 September 2010 (of which certain options contained service conditions).
- » 750,000 options, each exercisable at 40 cents to acquire one fully paid ordinary share at any time up to 30 September 2010 (of which certain options contained service conditions).
- » 500,000 options, each exercisable at 45 cents to acquire one fully paid ordinary share at any time up to 30 September 2010 (of which certain options contained service conditions).

The fair value of the options at each grant date was determined based on the Black-Scholes formula. The model inputs for those options issued during the year ended 30 June 2008, were the Company's share price of \$0.22 at the grant date, a volatility factor of 89.4% based on historic share price performance and a risk free interest rate of 7.25% based on the 10 year government bond rate.

Total expense arising from share based payment transactions recognised during the year ended 30 June 2009 was nil (2008 – \$88,223).

During the year ended 30 June 2009, no options lapsed (2008 – 400,000 options with a value of \$25,112 lapsed unexercised).

The weighted average exercise price of options at year end was \$0.363 (2008 – \$0.363).



	2009	2008
	\$	\$
<b>12. RESERVES</b>		
<b>Equity compensation</b>		
Balance at the beginning of the financial year	359,608	296,497
Issue of options	-	88,223
Transfer to accumulated losses on lapse of options	-	(25,112)
Balance at the end of the financial year	<u>359,608</u>	<u>359,608</u>
This reserve represents the fair value, at the date of issue, of options issued as compensation.		
<b>13. ACCUMULATED LOSSES</b>		
Accumulated losses at the beginning of the financial year	17,662,596	15,805,615
Transfer from reserve	-	(25,112)
Net loss attributable to members of the Company	1,776,099	1,882,093
Accumulated losses at the end of the financial year	<u>19,438,695</u>	<u>17,662,596</u>
<b>14. STATEMENT OF CASH FLOWS</b>		
<b>Reconciliation of cash flows from operating activities</b>		
Loss for the period	(1,776,099)	(1,882,093)
<b>Adjustments for:</b>		
Depreciation of plant and equipment	47,731	40,444
Provisions	(20,383)	60,913
Equity compensation	-	-
Gain on sale of plant and equipment	(5,000)	-
<b>Changes in assets and liabilities</b>		
Decrease in receivables	31,963	(18,434)
Decrease in inventories	-	-
Decrease in prepayments	686	2,059
(Increase)/decrease in payables	(181,230)	200,010
Decrease/(increase) in other assets	10,089	(25,218)
<b>Net cash used in operating activities</b>	<u>(1,892,243)</u>	<u>(1,622,319)</u>
<b>Reconciliation of cash</b>		
For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank and cash on deposit net of bank overdrafts and excluding security deposits. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Balance Sheet as follows:		
Cash and cash equivalents in the statement of cash flows	<u>950,581</u>	<u>2,063,596</u>

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### 15. KEY MANAGEMENT PERSONNEL DISCLOSURES

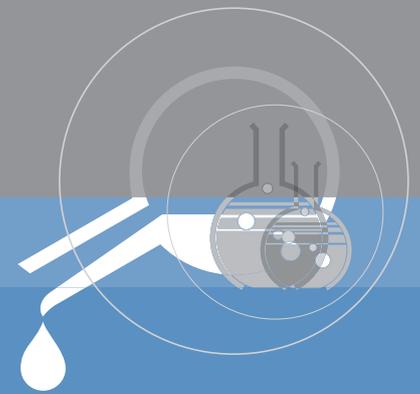
The policy of remuneration of directors and senior executives is to ensure the remuneration package properly reflects the person's duties and responsibilities, and that remuneration is competitive in attracting, retaining and motivating people of the highest quality. The board is responsible for reviewing its own performance. The non-executive directors are responsible for evaluating the performance of the executive directors who, in turn, evaluate the performance of all other senior executives. The evaluation process is intended to assess the Company's business performance, whether long term strategic objectives are being achieved and the achievement of individual performance objectives.

Remuneration generally comprises salary and superannuation. Longer term incentives are able to be provided through the Company's Incentive Option Plan which acts to align the directors and senior executives' actions with the interests of the shareholders. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.

No directors or senior executives receive performance related remuneration. No bonuses were paid during the year.

Details of director and senior executive remuneration and the nature and amount of each major element of the remuneration of each director and senior executive of the Company are:

	Year	Primary Salary and Fees	Post-Employment Superannuation Benefits	Equity Compensation Value of Options	Total	Options as a % of Remuneration
		\$	\$	\$	\$	
<b>Directors</b>						
<i>Non-executive</i>						
Michael J. Hoy (Chairman)	2009	55,046	4,954	-	60,000	-
	2008	60,000	5,400	-	65,400	-
Michael S. Hirshorn	2009	27,523	2,477	-	30,000	-
	2008	30,000	2,700	-	32,700	-
Bruce Hundertmark	2009	27,523	2,477	-	30,000	-
	2008	30,000	2,700	-	32,700	-
Peter G. Scott	2009	5,000	25,000	-	30,000	-
	2008	5,000	27,700	-	32,700	-
<i>Executive</i>						
Michelle Miller (Managing Director)	2009	200,000	18,000	-	218,000	-
	2008	200,000	18,000	2,403	220,403	1%
Total, all specified directors	2009	315,092	52,908	-	368,000	-
	2008	325,000	56,500	2,403	383,903	1%
<b>Executives</b>						
Peter J. Nightingale (Company Secretary)	2009	75,000	-	-	75,000	-
	2008	75,000	-	-	75,000	-
Total, all specified directors and executives	2009	390,092	52,908	-	443,000	-
	2008	400,000	56,500	2,403	485,903	1%



### Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each specified director and executive, including their personally-related entities, is as follows:

#### Fully paid ordinary shareholdings and transactions - 2009

	Held at 1 July 2008	Purchased	Received on exercise of options	Sales	Held at 30 June 2009
<b>Directors</b>					
Michael J. Hoy	1,345,714	62,500	-	-	1,408,214
Michelle Miller	-	-	-	-	-
Michael S. Hirshorn	-	-	-	-	-
Bruce Hundertmark	-	-	-	-	-
Peter G. Scott	8,924,414	89,586	-	-	9,014,000
<b>Executives</b>					
Peter J. Nightingale	1,639,897	62,500	-	-	1,702,397

#### Fully paid ordinary shareholdings and transactions - 2008

	Held at 1 July 2007	Purchased	Received on exercise of options	Sales	Held at 30 June 2008
<b>Directors</b>					
Michael J. Hoy	1,316,314	29,400	-	-	1,345,714
Michelle Miller	-	-	-	-	-
Michael S. Hirshorn	-	-	-	-	-
Bruce Hundertmark	-	-	-	-	-
Peter G. Scott	8,895,014	29,400	-	-	8,924,414
<b>Executives</b>					
Peter J. Nightingale	1,610,497	29,400	-	-	1,639,897

During the year ended 30 June 2009, Michael J. Hoy had an interest in an entity, CityPrint Holdings Pty Limited, which provided printing services to the Company. Payments to CityPrint Holdings Pty Limited, which were in the ordinary course of business and on normal terms and conditions, amounted to \$17,062 (2008 - \$24,259). Outstanding amounts at 30 June 2009 total nil (2008 - nil).

During the year ended 30 June 2009, Peter J. Nightingale had an interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the entity. Fees paid to MIS Corporate Pty Limited during the year, which were in the ordinary course of business and on normal terms and conditions, amounted to \$122,025 (2008 - \$122,588). Outstanding amounts at 30 June 2009 total nil (2008 - nil).

Apart from the details disclosed in this note, no director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving directors' interests existing at year end.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### Option holdings

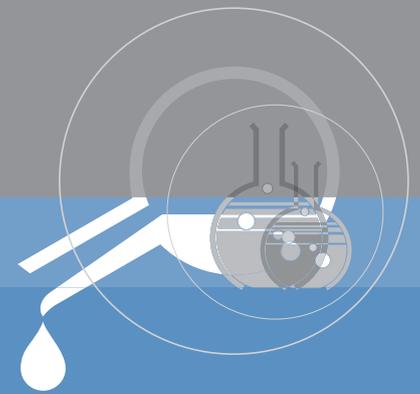
The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each specified director and executive, including their personally-related entities, is as follows:

#### Option holdings - 2009

	Held at 1 July 2008	Granted as remuneration	Expired	Held at 30 June 2009	Vested and exercisable at 30 June 2009
<b>Directors</b>					
Michael J. Hoy	500,000	-	-	500,000	500,000
Michelle Miller	1,500,000	-	-	1,500,000	1,500,000
Michael S. Hirshorn	200,000	-	-	200,000	200,000
Bruce Hundertmark	200,000	-	-	200,000	200,000
Peter G. Scott	-	-	-	-	-
<b>Executives</b>					
Peter J. Nightingale	200,000	-	-	200,000	200,000

#### Option holdings - 2008

	Held at 1 July 2007	Granted as remuneration	Expired	Held at 30 June 2008	Vested and exercisable at 30 June 2008
<b>Directors</b>					
Michael J. Hoy	500,000	-	-	500,000	500,000
Michelle Miller	1,500,000	-	-	1,500,000	1,500,000
Michael S. Hirshorn	200,000	-	-	200,000	200,000
Bruce Hundertmark	200,000	-	-	200,000	200,000
Peter G. Scott	-	-	-	-	-
<b>Executives</b>					
Peter J. Nightingale	200,000	-	-	200,000	200,000



## 16. EMPLOYEE AND DIRECTOR INCENTIVE OPTION PLAN

At 30 June 2009, the Company had 4 employees (2008 - 4). All other personnel are contracted by the Company on a consultancy basis.

The Company has an Incentive Option Plan to provide eligible persons, being employees or directors, or individuals whom the Plan Committee determine to be employees for the purposes of the Plan, with the opportunity to acquire options over unissued ordinary shares in the Company. The number of options granted or offered under the Plan will not exceed 10% of the Company's issued share capital and the exercise price of options will be the greater of the market value of the Company's shares as at the date of grant of the option or such amount as the Plan Committee determines. Options have no voting or dividend rights.

In the event that the employment or office of the optionholder is terminated, any options which have not reached their exercise period will lapse and any options which have reached their exercise period may be exercised within three months of the date of termination of employment. Any options not exercised within this three month period will lapse.

During the year ended 30 June 2009, no options were granted to employees (2008 - nil). No ordinary shares have been issued as a result of the exercise of any option granted pursuant to the Incentive Option Plan during the years ended 30 June 2009 and 30 June 2008.

## 17. FINANCIAL INSTRUMENTS DISCLOSURE

The Board has overall responsibility for the establishment and oversight of the risk management framework. Informal risk management policies are established to identify and analyse the risks faced by the Company.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and interest rate risk. The summaries below present information about the Company's exposure to each of these risks, their objectives, policies and processes for measuring and managing risk, the management of capital and financial instruments.

### Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements. The carrying amounts of the following assets represent the Company's maximum exposure to credit risk in relation to financial assets:

	Note	Carrying amount 2009	Carrying amount 2008
		\$	\$
Cash and cash equivalents		950,581	2,063,596
Trade and other receivables	6	27,520	59,483
Security deposits	7	15,130	25,219
		<b>993,231</b>	<b>2,148,298</b>

The Company mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia. Credit risk of trade and other receivables is very low as it consists predominantly of amounts recoverable from taxation authorities in Australia.

### Impairment losses

No impairment has been taken up against the Company's financial assets.

None of the Company's trade and other receivables are past due and no amount receivable has been renegotiated.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

Company	Carrying amount	Contractual cash flows	Less than one year	Between one and five years	Interest
	\$	\$	\$	\$	\$
<b>30 June 2009</b>					
Trade and other payables	136,397	(136,397)	(136,397)	-	-
<b>30 June 2008</b>					
Trade and other payables	317,627	(317,627)	(317,627)	-	-

Ultimate responsibility for liquidity management rests with the Board of Directors. The Company manages liquidity risk by maintaining adequate funding and monitoring of future rolling cash flow forecasts of its operations, which reflect management's expectations of expected settlement of financial assets and liabilities.

### Interest rate risk

The Company's income statement is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents and interest bearing security deposits.

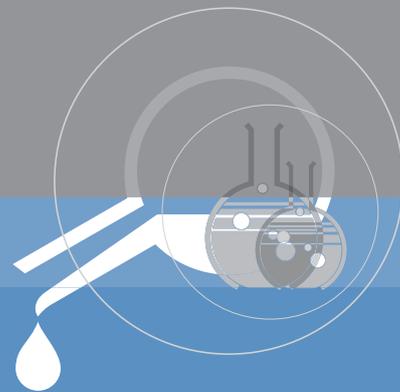
At balance date, the Company had the following mix of financial assets exposed to variable interest rate risk that are not designated as cash flow hedges:

	Note	2009	2008
		\$	\$
<b>Financial Assets</b>			
Cash and cash equivalents		950,581	2,063,596
Security deposits	7	15,130	25,219
Net exposure		965,711	2,088,815

### Sensitivity analysis

An increase of 100 basis points in interest rates throughout the reporting period would have decreased the loss for the period by the amounts shown below, whilst a decrease would have increased the loss by the same amount. The Company's equity consists of fully paid ordinary shares. There is no effect on fully paid ordinary shares by an increase or decrease in interest rates during the period.

	Loss for the period
	\$
<b>30 June 2009</b>	9,657
<b>30 June 2008</b>	20,888



### Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Company's operation. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

### Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable interest rates.

## 18. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the biotechnology industry in Australia.

### 19. OPERATING LEASE

The Company leases an office in North Ryde Sydney. The lease is for a period of 3 years with an option to renew lease after that 3 years. Lease payments are increased every year at an increment of 5% per annum.

During the year ended 30 June 2009, \$51,351 was recognised as an expense in the income statement in respect of the operating lease (2008 - \$25,818).

	2009	2008
	\$	\$
Less than one year	58,831	56,029
Between one and five years	25,009	83,840
More than five years	-	-

# DIRECTORS' Declaration

In the opinion of the directors of Biotron Limited:

1. a) the financial statements and notes set out on pages 13 to 31, and the remuneration disclosures that are contained in the Remuneration Report in the Directors' Report, set out on pages 8 to 10, are 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 2009 and of its performance for the financial year ended on that date; and
    - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Regulations 2001;
  - b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1;
  - c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2009. This report has been signed in accordance with a resolution of the directors and is dated 28 August 2009:

This report has been signed in accordance with a resolution of the directors and is dated 28 August 2009:



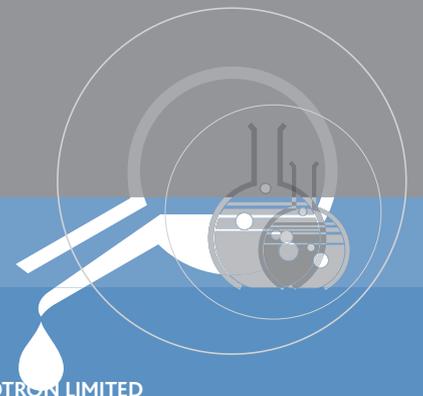
**Michael J. Hoy**

Chairman



**Michelle Miller**

Managing Director



# INDEPENDENT Audit Report TO THE MEMBERS OF BIOTRON LIMITED



## Report on the financial report

We have audited the accompanying financial report of Biotron Limited (the Company), which comprises the balance sheet as at 30 June 2009, and the income statement, statement of recognised income and expense and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 19 and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of Biotron Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In Note 1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial report comprising the financial statements and notes, complies 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 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Independence*

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

### *Auditor's opinion*

In our opinion:

- a) the financial report of Biotron 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 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1.

### *Material Uncertainty Regarding Continuation as a Going Concern*

Without qualifying our opinion, we draw attention to Note 1, "Going Concern" in the financial report. The conditions disclosed in Note 1 indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern and, therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

### *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 2008. 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 auditing standards.

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BIOTRON LIMITED

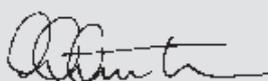
### Auditor's opinion

In our opinion, the remuneration report of Biotron Limited for the year ended 30 June 2009 complies with Section 300A of the Corporations Act 2001.



KPMG

Brisbane 28 August 2009:



W.E. Austin  
Partner

## ADDITIONAL Stock Exchange Information

### Home Exchange

The Company is listed on the Australian Stock Exchange Limited. The home exchange is Sydney.

### Use of Cash and Assets

Since the Company's listing on the Australian Stock Exchange, the Company has used its cash and assets in a way consistent with its stated business objectives.

### Class of Shares and Voting Rights

There is only one class of shares in the Company, fully paid ordinary shares.

The rights attaching to shares in the Company are set out in the Company's Constitution. The following is a summary of the principal rights of the holders of shares in the Company.

Every holder of shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote

on a vote taken by a show of hands, and, on a poll every holder of shares who is present in person or by proxy, attorney or representative has one vote for every fully paid share registered in the shareholder's name on the Company's share register.

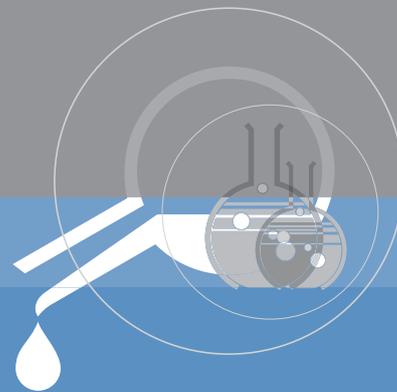
A poll may be demanded by the chairperson of the meeting, by at least 5 shareholders entitled to vote on the resolution or shareholders with at least 5% of the votes that may be cast on the resolution on a poll.

### Distribution of Equity Securityholders

As at 31 July 2009, the distribution of each class of equity was as follows:

Range	Fully Paid Ordinary Shares	30 September 2010 \$0.35 Options	30 September 2010 \$0.40 Options	30 September 2010 \$0.45 Options
1 - 1,000	51	-	-	-
1,001 - 5,000	397	-	-	-
5,001 - 10,000	293	-	-	-
10,001 - 100,000	562	-	-	-
100,001 and over	147	11	2	1
	<b>1,450</b>	<b>11</b>	<b>2</b>	<b>1</b>

At 31 July 2008, 364 shareholders held less than a marketable parcel of 4,167 shares.



## Twenty Largest Quoted Shareholders

At 31 July 2009 the twenty largest fully paid ordinary shareholders held 47.20% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%
1	Dr Angela Fay Dulhunty	9,968,362	8.70
2	Scott's A V Pty Ltd	9,014,000	7.87
3	Rigi Investments Pty Ltd	4,442,645	3.88
4	Twynam Agricultural Group Pty Ltd	3,700,000	3.23
5	Australian National University	3,072,058	2.68
6	CBDF Pty Ltd	2,875,254	2.51
7	Pathold No 222 Pty Ltd	2,500,000	2.27
8	Linkenholt Pty Ltd	2,000,000	1.75
9	Lenvat Pty Ltd	1,700,000	1.48
10	Chris and Bhama Parish	1,600,000	1.40
11	Philip and Marylyn Board	1,599,950	1.40
12	Wightholme Nominees Pty Ltd	1,570,000	1.37
13	Michael John Hoy	1,408,214	1.23
14	Christopher David Hammer	1,380,715	1.21
15	Ms Kurniaty Limardi	1,270,000	1.11
16	LSAF Holding Pty Ltd <Owen Family A/C>	1,250,000	1.09
17	Carrington Services Pty Ltd	1,200,000	1.05
18	Peter James Nightingale	1,175,714	1.03
19	Prof Alan Jonathan Berrick	1,150,000	1.00
20	Ian and Marion Platt-Hepworth	1,090,048	0.95

There are no current on-market buy-backs.

# Corporate Directory

## Directors:

Mr Michael J. Hoy (Chairman)  
Dr Michelle Miller (Managing Director)  
Dr Michael S. Hirshorn  
Mr Bruce Hundertmark  
Mr Peter G. Scott

## Auditors:

KPMG  
Level 16, Riparian Plaza  
71 Eagle Street  
BRISBANE QLD 4000

## Company Secretary:

Mr Peter J. Nightingale

## Home Exchange:

ASX Limited  
20 Bridge Street  
SYDNEY NSW 2000

## Registered Office:

Level 2, 66 Hunter Street  
SYDNEY NSW 2000

Phone: 61-2 9300 3344  
Fax: 61-2 9221 6333  
E-mail: [enquiries@biotron.com.au](mailto:enquiries@biotron.com.au)  
Homepage: [www.biotron.com.au](http://www.biotron.com.au)

## Solicitors:

Minter Ellison  
88 Phillip Street  
SYDNEY NSW 2000

## Principal Administration Office:

Suite 1.9, 56 Delhi Road  
NORTH RYDE NSW 2113

Phone: 61-2 9805 0488  
Fax: 61-2 9805 0688

## Share Registrar:

Computershare Investor Services Pty Limited  
PO Box 523  
BRISBANE QLD 4001

Phone: 61-7 3237 2100  
Fax: 61-7 3229 9860

Biotron Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.





***Biotron***

Level 2 • 66 Hunter Street • Sydney NSW 2000 • Australia

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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members is to be convened at Level 5, 207 Kent Street, Sydney, NSW, 2000 on 16 October 2009 at 11.00 am.

### AGENDA

#### ORDINARY BUSINESS

To receive and consider the Company's annual financial report, the directors' report and the auditors' report for the year ended 30 June 2009.

To consider and, if thought fit, pass the following resolutions, with or without amendment:

- Resolution 1.** 'That the Remuneration Report for the year ended 30 June 2009 be and is hereby adopted.'
- Resolution 2.** 'That Mr Bruce Hundertmark be and is hereby re-elected as a Director.'
- Resolution 3.** 'That Mr Peter G. Scott be and is hereby re-elected as a Director.'
- Resolution 4.** 'That the issue of 5,300,000 fully paid ordinary shares in the Company on 14 April 2009 for \$0.08 per share be and is hereby ratified for the purposes of ASX Listing Rule 7.4.'

To transact any other business that may be brought forward in accordance with the Company's Constitution.

By order of the Board



**Peter J. Nightingale**  
Company Secretary

11 September 2009

## EXPLANATORY MEMORANDUM

This is the Explanatory Memorandum Notice referred to in the Notice of Annual General Meeting of Biotron Limited to be convened at Level 5, 207 Kent Street, Sydney, NSW, 2000 on 16 October 2009 at 11.00 am.

### **Resolution 1 Adoption of the Remuneration Report**

The Remuneration Report, which can be found as part of the Directors' Report in the Company's 2009 Annual Report, contains certain prescribed details, sets out the policy adopted by the Board of Directors and discloses the payments to key management personnel, Directors and senior executives.

In accordance with section 250R of the Corporations Act, a resolution that the Remuneration Report be adopted must be put to the vote. The resolution is advisory only and does not bind Directors.

### **Resolution 2 Re-election of Bruce Hundertmark as a Director**

In accordance with Article 58 of the Company's Constitution and the Corporations Law, Bruce Hundertmark retires as a Director by rotation and, being eligible, offers himself for re-election.

### **Resolution 3 Re-election of Peter G. Scott as a Director**

In accordance with Article 58 of the Company's Constitution and the Corporations Law, Peter Scott retires as a Director by rotation and, being eligible, offers himself for re-election.

### **Resolution 4 Ratification of the Issue of Shares**

Resolution 4 seeks the ratification by shareholders of the issue of 5,300,000 fully paid ordinary shares in the Company on 14 April 2009 for the purposes of ASX Listing Rule 7.4. This ratification will provide the Company with the ability to raise further funds, if required, will maximise the flexibility of the Company's funds management and will facilitate planning for the Company's ongoing activities.

Details of the issue, as required by ASX Listing Rule 7.4 are as follows:

- Number of securities allotted: 5,300,000
- Issue price: \$0.08 per share
- Terms: Fully paid ordinary shares ranking pari passu with existing fully paid ordinary shares.
- Basis of determining the allottees: Clients of Bell Potter Securities.
- Intended use of funds: To support the Company's ongoing operational costs, including funding the completion of the Phase Ib/IIa HCV clinical trial and for working capital purposes.

The Company will disregard any votes cast on Resolution 4 by:

- The clients of Bell Potter Securities who participated in the issue; and
- any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

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)

**FORM OF PROXY**

I/we .....

of .....

being a member/members of Biotron Limited HEREBY APPOINT

.....  
or failing him, the Chairman of the Meeting, as my/our Proxy to vote for me/us and on my/our behalf at the Annual General Meeting of Members of the Company to be held at 11.00 am on 16 October 2009 and at any adjournment thereof.

The Proxy is directed by me/us to vote as indicated by the marks in the appropriate boxes below:

<b>RESOLUTION</b>	<b>FOR</b>	<b>AGAINST</b>	<b>ABSTAIN</b>
1. Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Bruce Hundertmark as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Re-election of Peter G. Scott as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Ratification of the issue of 5,300,000 shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If no directions are given, the Proxy may vote as the Proxy thinks fit or may abstain.

*If you do not wish to direct your Proxy how to vote, please place a mark in the box:*

*By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolution and votes cast by him other than as proxy holder will be disregarded because of that interest. The Chairman intends to vote undirected proxies in favour of each item.*

Dated this ..... day of ..... 2009

Signatures of Member(s) .....

THE COMMON SEAL of ..... A.C.N. ....

was hereunto affixed in accordance with

its Constitution in the presence of: .....

Director

Secretary

## PROXY INSTRUCTIONS

1. A member entitled to attend and vote is entitled to appoint not more than 2 proxies.
2. Where more than 1 proxy is appointed, each proxy must be appointment to represent a specified proportion of the member's voting rights.
3. A proxy need not be a member.
4. Companies must sign under seal.
5. All joint holders must sign.
6. All executors of deceased estates must sign.
7. The Company will disregard any votes cast on Resolution 4 by:
  - The clients of Bell Potter Securities who participated in the issue; and
  - any of their associates.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
  - it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
8. The Company has determined, in accordance with regulation 7.11.37 of the Corporations Regulations 2001 (Cth), that the Company's shares quoted on the Australian Stock Exchange Limited at 7.00 pm Sydney time on 14 October 2009 are taken, for the purposes of the Annual General Meeting to be held by the persons who held them at that time. Accordingly, those persons are entitled to attend and vote (if not excluded) at the meeting.
  9. Proxy forms must be received at the Company's registered office, Level 2, 66 Hunter Street, Sydney, NSW, 2000, or by facsimile on (61-2) 9221 6333, not less than 48 hours before the time appointed for holding the meeting.