

10 December 2009

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000

(40 pages by email)

Dear Madam

OPTION ENTITLEMENT ISSUE

The Directors are pleased to advise that Biotron Limited ('Biotron' or the 'Company') has secured the full underwriting by Bell Potter Securities Limited and Martin Place Securities Pty Limited of a 1 for 1 pro-rata non-renounceable entitlement issue of options ('New Options') to existing shareholders which raise approximately \$2.1 million and enable the Company to:

- (a) undertake a Phase II clinical trial of the Company's lead antiviral drug, BIT225, in combination with current approved drugs in patients infected with Hepatitis C virus ('HCV'), in particular to:
 - o prepare protocols for ethics and regulatory submissions to relevant authorities seeking necessary approvals for the trial;
 - o initiate, undertake and complete the trial at appropriate clinical trial sites; and
 - o complete data analysis and finalise reports at the conclusion of the trial;
- (b) progress discussions and negotiations with potential partners regarding concluding a licensing agreement for BIT225; and
- (c) meet the Company's working capital requirements.

Full details of the entitlement issue are set out in the attached Offer Document.

In addition to the underwriting agreement, the Company has entered into a Marketing Assistance Agreement with Bell Potter Securities Limited and Martin Place Securities Pty Limited and, as detailed in the Offer Document, if sufficient funds are raised from the early exercise of the New Options by 31 March 2010 these funds will be used to:

- (a) undertake a Phase Ib/IIa proof-of-concept clinical trial of the Company's lead antiviral drug, BIT225, in patients infected with HIV, in particular to:
 - o prepare protocols for ethics and regulatory submissions to relevant authorities seeking necessary approvals for the trial;
 - o initiate, undertake and complete the trial at appropriate clinical trial sites; and
 - o complete data analysis and finalise reports at the conclusion of the trial; and

- (b) progress the Company's early stage drug development projects, including designing and testing new drugs for treatment of Dengue.

Option Entitlement Issue

The principal terms of the New Option entitlement issue are as follows:

- (a) Entitlement: 1 New Option for each share held by Eligible Shareholders on the Record Date (22 December 2009).
- (b) Exercise price: 10 cents per New Option to acquire 1 fully paid ordinary share.
- (c) Expiry date: 30 December 2011.
- (d) Purchase price: 2 cents per New Option.
- (e) Piggy Back Option: Each New Option carries an additional right whereby if a New Option is exercised by 31 March 2010, one additional option to acquire one new fully paid ordinary share in the capital of the Company up to 30 March 2012 for \$0.20 ('Piggy Back Option') will be issued to the optionholder for each New Option exercised.

About Biotron

Biotron has an impressive pipeline of world-class clinical programs developing new drugs to treat significant viral diseases including Hepatitis C virus ('HCV') and HIV. To date Biotron has successfully completed two human trials of its lead drug BIT225 - including a 48 person first-in-human safety study in healthy volunteers in late 2007, and more recently a Phase Ib/IIa trial of the drug in people infected with HCV.

This recent trial was the first study of the drug in a patient population, with 18 infected patients randomly assigned to receive either one of two doses of BIT225, or placebo, taking the drug twice daily for 7 days.

Preliminary analysis indicates that the drug was safe and well tolerated, and most importantly, showed that BIT225 can reduce levels of the HCV in the treated patients. This was an important and exciting result, and supports the on-going development of the Company's drug.

The next stage of development of BIT225 is to test it in combination with the currently approved HCV drugs in patients infected with HCV, which, given that antiviral drugs cannot be used on their own to treat chronic infections due to development of drug resistance, is how BIT225 will most likely to be used in a clinical setting.

These existing drugs (interferon alpha and ribavirin) are often associated with severe side effects, and have limited benefit in a large percentage of patients. BIT225 has been shown to be highly synergistic with these drugs in preclinical laboratory testing, which means that greater reductions in virus levels can be achieved using smaller quantities of the drugs in combination than if they were used individually.

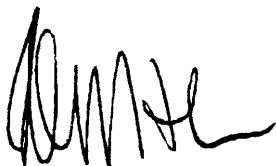
The combination study trial design is being finalised, clinical trial protocols are in development and proceeds from the entitlement issue will primarily be used to fund this combination clinical trial.

BIT225 also works against HIV, the virus that causes AIDS. BIT225 specifically targets HIV in reservoir cells and represents an opportunity to attack HIV at its source in the body. Current HIV therapies have little or no effect on HIV in the underlying reservoir of infected cells where the virus hides from the immune system. The Company proposes to progress BIT225 into a proof-of-concept Phase Ib/IIa trial in HIV-infected patients during 2010, subject to funding availability from the exercise of New Options.

In accordance with Listing Rule 3.10, I attach an Appendix 3B - New Issue Announcement, Application for Quotation of Additional Securities.

For further information, please contact Dr. Michelle Miller, CEO, on (61-2) 98050488 or Peter Nightingale, Company Secretary, on (61-2) 93003344.

Yours faithfully

A handwritten signature in black ink, appearing to read 'PJN', with a long horizontal flourish extending to the right.

Peter J. Nightingale
Company Secretary

pjn5136



ENTITLEMENTS ISSUE OFFER DOCUMENT

An Offer of 114,537,315 New Options
as a fully underwritten, non-renounceable issue
to holders of Shares on the basis of
1 New Option for every existing Share held on the Record Date
at an issue price of \$0.02 per New Option

Underwriters

Bell Potter Securities Limited
ACN 006 390 772

and

Martin Place Securities Pty Limited
ACN 094 927 947

An investment in New Options offered under this Offer Document should be considered speculative.

This document is important and requires your immediate attention. It should be read in its entirety before deciding to participate. If you are in doubt as to whether to accept your Entitlement, you should consult your stockbroker or other professional adviser.

CORPORATE DIRECTORY

Directors:	Contents:	Page
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There are risks associated with investing in biotechnology companies such as Biotron Limited. Some of these risks are set out in **Section 4** of this Offer Document.

Shareholders' enquiries should be directed to:
The Company Secretary on +61 2 9300 3344

IMPORTANT NOTICES

This Offer Document is dated 10 December 2009 and was lodged with ASIC and ASX on that date. Neither ASX nor ASIC, nor any of their officers, take any responsibility for the content of this Offer Document.

As the Company's securities are 'continuously quoted securities' (within the meaning given in the Corporations Act), this Offer Document is issued pursuant to section 713 of the Corporations Act. In general terms, a prospectus issued under that section is only required to contain information regarding the effect of the offer on the issuer, the rights and liabilities attaching to the options (and shares issued on conversion) and other specified forms of information. It is not required to, and this Offer Document does not, contain the same level of disclosure as required for an initial public offering of securities. Further information about the Company is publicly available and can be obtained from ASIC and ASX (including at its website: www.asx.com.au). The contents of any ASIC and ASX filing are not incorporated into this Offer Document and do not form part of the Offer. Investors should have regard to the Company's public filings with ASX and ASIC before making a decision whether or not to accept their Entitlement.

No offer is being made to Shareholders with a registered address outside Australia or New Zealand. The distribution of this Offer Document and the Entitlement and Acceptance Form (including electronic copies) outside those jurisdictions may be restricted by law. If you come into possession of these documents, you should observe such restrictions and should seek your own advice about such restrictions.

No person is authorised to give any information or make any representation in connection with the Offer which is not contained in this Offer Document. Any such extraneous information or representation may not be relied upon.

Applications for New Options by Eligible Shareholders may only be made on an original Entitlement and Acceptance Form as sent with this Offer Document. The Entitlement and Acceptance Form sets out the Entitlement of an Eligible Shareholder to participate in the Offer. Please read the instructions in this Offer Document and on the accompanying Entitlement and Acceptance Form regarding the acceptance of your Entitlement. By returning an Entitlement and Acceptance Form in accordance with the instructions on the Entitlement and Acceptance Form, you acknowledge that you have received and read this Offer Document, you have acted in accordance with the terms of the Offer detailed in this Offer Document and you agree to all of the terms and conditions as detailed in this Offer Document.

No securities will be offered on the basis of this Offer Document after the Closing Date.

An investment in the Company should be considered speculative. Please refer to **Section 4** relating to investment risks.

This Offer Document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

KEY DATES

The following key dates are indicative and may be subject to change without notice:

Lodgement of this Offer Document with ASIC and ASX	10 December 2009
Existing Shares trade ex-entitlement to participate in the Offer	16 December 2009
Record Date to determine entitlement to participate in the Offer	22 December 2009
Despatch of Offer Document and Entitlement and Acceptance Forms	30 December 2009
Closing Date for acceptance of applications for New Options	14 January 2010
Existing Shares commence trading on a deferred settlement basis	15 January 2010
Existing Shares cease trading on a deferred settlement basis	22 January 2010
Allotment date and despatch of Holding Statements	22 January 2010
Date of quotation by ASX of New Options on a normal settlement basis	25 January 2010

1. THE OFFER

1.1 Details of the Offer

Biotron Limited ('**Biotron**' or the '**Company**') is making a fully underwritten, non-renounceable pro rata offer ('**Offer**') of options, each to acquire one fully paid ordinary share in the capital of the Company. Each New Option may be exercised up to 30 December 2011 for \$0.10 ('**New Options**') and is issued at an issue price of \$0.02 per New Option to Shareholders with a registered address in Australia or New Zealand ('**Eligible Shareholders**') on the basis of 1 New Option for every existing Share held on the Record Date.

Each New Option will carry an additional right whereby if a New Option is exercised by 31 March 2010, one additional option to acquire one new fully paid ordinary share in the capital of the Company up to 30 March 2012 for \$0.20 ('**Piggy Back Option**') will be issued to the optionholder for each New Option exercised.

The Record Date for the purpose of the Offer is 7.00 pm (Sydney time) on 22 December 2009 and the Closing Date for Eligible Shareholders to lodge their Entitlement and Acceptance Forms and make payment is 5.00 pm (Sydney time) on 14 January 2010. The number of New Options to which you are entitled is shown on the accompanying Entitlement and Acceptance Form. Eligible Shareholders may also subscribe for a greater number of New Options than is shown on the Entitlement and Acceptance Form accompanying this Offer Document by participating in the Shortfall Facility as detailed in **Section 1.5**.

At the Record Date, the Company has on issue 114,537,315 Shares and 6,700,000 unlisted options (which carry no entitlement to participate in the Offer). The Company expects that 114,537,315 New Options will be issued under the Offer which will raise \$2,290,746. This number may increase if any of the existing unlisted options are exercised prior to the Record Date.

The New Options will form a new class of equity security. The Company will apply to ASX within seven days of the date of this Offer Document to have the New Options listed for official quotation.

The table below shows the lowest and highest trading prices of the Company's Shares on ASX during the past 12 months and the latest sale prices of the Shares on ASX prior to the date of the Offer Document.

	Shares prices and dates
High price and date	17.5 cents on 6 October 2009
Low price and date	6.1 cents on 22 January 2009
Latest price and date	10.0 cents on 8 December 2009

1.2 Purpose of the Offer

The amount the Company expects to raise from the Offer is \$2,290,746. The Company intends to use the funds raised to:

- (a) undertake a Phase II clinical trial of the Company's lead antiviral drug, BIT225, in combination with current approved drugs in patients infected with Hepatitis C virus ('HCV'), in particular to:
 - o prepare protocols for ethics and regulatory submissions to relevant authorities seeking necessary approvals for the trial;
 - o initiate, undertake and complete the trial at appropriate clinical trial sites; and
 - o complete data analysis and finalise reports at the conclusion of the trial;
- (b) progress discussions and negotiations with potential partners regarding concluding a licensing agreement for BIT225; and
- (c) meet the Company's working capital requirements, including the costs of the Offer.

If sufficient funds are raised from the early exercise of the New Options by 31 March 2010 these funds will be used to:

- (a) undertake a Phase Ib/IIa proof-of-concept clinical trial of the Company's lead antiviral drug, BIT225, in patients infected with HIV, in particular to:
 - o prepare protocols for ethics and regulatory submissions to relevant authorities seeking necessary approvals for the trial;
 - o initiate, undertake and complete the trial at appropriate clinical trial sites; and
 - o complete data analysis and finalise reports at the conclusion of the trial; and
- (b) progress the Company's early stage drug development projects, including designing and testing new drugs for treatment of Dengue.

1.3 Application for listing New Options on ASX

The Company will apply to ASX within seven days of the date of this Offer Document for official quotation by ASX of the New Options offered under this Offer Document.

If quotation is denied by ASX, or if for any other reason the Offer does not proceed, all application monies received will be refunded in full without interest and no New Options will be issued.

The ASX takes no responsibility for the contents of this Offer Document. The fact that the ASX may grant official quotation of the New Options is not to be taken in any way as an indication of the merits of the Company, the Offer or the New Options under this Offer Document.

1.4 Treatment of Overseas Shareholders

Neither this Offer Document nor the Entitlement and Acceptance Form constitutes an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

The Company will not make an Offer to Shareholders with a registered address outside Australia or New Zealand ('**Excluded Shareholders**'). The Company has decided that it is unreasonable to extend the Offer to Excluded Shareholders having regard to:

- (a) the number of Shareholders in each jurisdiction outside Australia and New Zealand;
- (b) the number and value of New Options that would be offered to Shareholders in each jurisdiction outside of Australia and New Zealand; and
- (c) the cost of complying with the legal requirements, and requirements of regulatory authorities, in each jurisdiction outside of Australia and New Zealand.

The Company will send to each Excluded Shareholder details of the issue and advise that the Company will not offer New Options to that Shareholder.

The Directors reserve the right to treat as invalid any Entitlement and Acceptance Form that appears to the Directors or the Company's agents to have been submitted in violation of any applicable securities laws.

1.5 Shortfall Facility

Eligible Shareholders may subscribe for a greater number of New Options than is shown on the Entitlement and Acceptance Form accompanying this Offer Document. Subscriptions in excess of Entitlements will be allotted out of the shortfall, if any, of the total number of New Options subscribed for compared to the total number of New Options offered under this Offer Document ('**Shortfall Facility**').

If the number of New Options subscribed for in excess of Entitlements exceeds the number of Options available under the Shortfall Facility, the New Options subscribed for in excess of Entitlements will be issued to on a pro-rata basis among Shareholders subscribing under the Shortfall Facility to the extent that they subscribe under the Shortfall Facility and any surplus application monies will be returned to the applicants.

Any New Options not taken up under the Shortfall Facility will be dealt with under the terms of the Underwriting Agreement.

1.6 No rights trading

The rights to New Options under the Offer are non-renounceable. Accordingly, there will be no trading of rights on ASX and you may not transfer your rights to subscribe for New Options under the Offer to any other party. If you do not take up your Entitlement to subscribe to New Options under the Offer by the Closing Date, the Offer to you will lapse.

1.7 Underwriting Agreement

The Company has entered into an Underwriting Agreement dated 10 December 2009 with Bell Potter Securities Limited ('**Bell Potter**') and Martin Place Securities Pty Limited ('**MPS**') whereby Bell Potter and MPS have agreed to underwrite all the New Options to be issued under the Offer by each of Bell Potter and MPS agreeing to severally underwrite 50% of the New Options to be issued under the Offer. Pursuant to the Underwriting Agreement, the Company has given warranties and covenants to Bell Potter and MPS which are customary in an agreement of this nature.

Bell Potter and MPS are unrelated parties of the Company. The terms and conditions of the Underwriting Agreement, which are set out in **Section 5.1** are on arms length commercial terms.

1.8 Marketing Assistance Agreement

The Company has entered into a Marketing Assistance Agreement dated 10 December 2009 with Bell Potter and MPS whereby Bell Potter and MPS have agreed to provide the Company with investor and public relations services and assistance in the marketing of the Company's securities until 31 March 2010.

The Company has agreed to pay Bell Potter and MPS a fee equal to 6% (plus GST) of the value of New Options exercised by 31 March 2010, to a maximum of 25% of the New Options, for the provision of the services under the Marketing Assistance Agreement.

1.9 Continuous reporting and disclosure obligations

The Company is a disclosing entity for the purpose of the Corporations Act and is, therefore, subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules.

In particular, the Company is subject to ASX's continuous disclosure obligation under ASX Listing Rule 3.1. This requires the Company to notify ASX immediately of any information concerning the Company, of which it becomes aware, which a reasonable person would expect to have a material effect on the price or value of the Company's securities. The Company is also required to prepare and lodge with ASIC and ASX both yearly and half yearly statements accompanied by an audit or review report. Copies of document lodged with ASIC may be obtained from ASIC or inspected at an ASIC office.

The Company will provide free of charge to any person who asks before the Offer closes, a copy of:

- (a) the annual financial report of the Company for the year ended 30 June 2009 being the most recently lodged annual financial report of the Company before the date of this Offer Document; and
- (b) any continuous disclosure notices given by the Company to ASX after the lodgement of the annual financial report of the Company for the year ended 30 June 2009 with ASIC and before lodgement of a copy of this Offer Document with ASIC.

1.10 Enquiries

If you have any enquiries in relation to this Offer Document, the Entitlement and Acceptance Form or your Entitlement, please contact the Company Secretary by telephone on +61 2 9300 3344 or by facsimile on +61 2 9221 6333 or consult your professional adviser.

2. HOW TO ACCEPT YOUR OFFER

Eligible Shareholders may apply for more New Options than is shown on the Entitlement and Acceptance Form accompanying this Offer Document and these applications will be dealt with as set out in **Section 1.5** of this Offer Document.

Your options with respect to the Offer are as follows:

- (a) if you wish to accept your Entitlement in full:
 - o complete the Entitlement and Acceptance Form, filling in the details in the spaces provided;
 - o attach your cheque for the amount indicated on the Entitlement and Acceptance Form; and
 - o forward both of the above to the Company at the address noted below; or
- (b) if you wish to accept your Entitlement in full and apply for more New Options than your Entitlement (under the Shortfall Facility):
 - o complete the Entitlement and Acceptance Form, filling in the details in the spaces provided, including the number of New Options you wish to apply for under the Shortfall Facility;
 - o attach your cheque for the appropriate application monies (at \$0.02 per New Option); and
 - o forward both of the above to the Company at the address noted below; or
- (c) if you wish to accept part only of your Entitlement:
 - o fill in the number of New Options you wish to accept in the space provided on the Entitlement and Acceptance Form;
 - o attach your cheque for the appropriate application monies (at \$0.02 per New Option);
 - o forward both of the above to the Company at the address noted below; or
- (d) if you do not wish to accept any of your Entitlement, you are not obliged to do anything.

Any part of your Entitlement not taken up will form part of the Shortfall Facility.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to '**Biotron Limited**' and crossed '**Not Negotiable**'.

Your completed Entitlement and Acceptance Form and cheque must reach the Company at the address below no later than 5:00pm (Sydney time) on the Closing Date:

Level 2, 66 Hunter Street, Sydney NSW 2000 AUSTRALIA.

The Directors reserve the right to reject any applications for New Options that are not made in accordance with the terms of this Offer Document or the instructions on the Entitlement and Acceptance Form.

3. EFFECT OF THE OFFER ON THE COMPANY

3.1 Capital structure of the Company

As at the date of this Offer Document, the Company has 114,537,315 Shares on issue and the following unlisted options:

- (a) 5,450,000 options, each exercisable at 35 cents to acquire one Share at any time until 30 September 2010;
- (b) 750,000 options, each exercisable at 40 cents to acquire one Share at any time until 30 September 2010; and
- (b) 500,000 options, each exercisable at 45 cents to acquire one Share at any time until 30 September 2010.

The effect of the Offer on the Company's capital structure is as follows:

	Existing capital structure	New Options offered under this Offer Document	Capital structure after the Offer assuming full take up
Shares	114,537,315	-	114,537,315
Options			
- 30/9/10 35 cents	5,450,000	-	5,450,000
- 30/9/10 40 cents	750,000	-	750,000
- 30/9/10 45 cents	500,000	-	500,000
- 30/12/11 10 cents	-	114,537,315	114,537,315

3.2 Statement of financial position

The impact of the Offer on the Company's balance sheet is detailed below.

	30 June 2009	Adjusted 30 June 2009	Proforma
	\$	\$	\$
CURRENT ASSETS			
Cash and cash equivalents	950,581	516,000	2,619,301
Trade and other receivables	27,520	27,520	27,520
Other	18,385	18,385	18,385
TOTAL CURRENT ASSETS	<u>996,486</u>	<u>561,905</u>	<u>2,665,206</u>
NON-CURRENT ASSETS			
Plant and equipment	67,352	67,352	67,352
TOTAL NON-CURRENT ASSETS	<u>67,352</u>	<u>67,352</u>	<u>67,352</u>
TOTAL ASSETS	<u>1,063,838</u>	<u>629,257</u>	<u>2,732,558</u>
CURRENT LIABILITIES			
Trade and other payables	136,397	136,397	136,397
Employee entitlements	85,935	85,935	85,935
TOTAL CURRENT LIABILITIES	<u>222,332</u>	<u>222,332</u>	<u>222,332</u>
TOTAL LIABILITIES	<u>222,332</u>	<u>222,332</u>	<u>222,332</u>
NET ASSETS	<u>841,506</u>	<u>406,925</u>	<u>2,510,226</u>
SHAREHOLDERS' EQUITY			
Issued capital	19,920,593	19,920,593	19,920,593
Reserves	359,608	359,608	2,512,909
Retained losses	(19,438,695)	(19,873,276)	(19,923,276)
TOTAL EQUITY	<u>841,506</u>	<u>406,925</u>	<u>2,510,226</u>

The above balance sheets have been prepared as follows:

- (a) The '30 June 2009' balance sheet is the Company's audited balance sheet as at 30 June 2009.
- (b) The 'Adjusted 30 June 2009' balance sheet is the Company's 30 June 2009 balance sheet adjusted to reflect cash expenditure since 30 June 2009 on the Company's research and development projects and working capital expenditures.
- (c) The 'Proforma' balance sheet is based on the Company's 'Adjusted 30 June 2009' balance sheet adjusted to reflect the issue of 114,537,315 New Options at \$0.02 each under the Offer, less the costs of the Offer estimated to be \$187,445.

4. RISK FACTORS

This section identifies what the Directors regard as the major risks associated with an investment in the Company. This list of risk factors should not be taken as exhaustive of the risks faced by the Company or by an investment in the Company. These risk factors and others not specifically referred to below may, in the future, affect the financial prospects, condition or performance of the Company and the value of the Shares issued on exercise of the New Options.

The nature of the Company's business and the fact that all of its projects are research projects increases the risks associated with an investment in the Company. Accordingly, an investment in the Company should be considered speculative. The Directors make no representation that further research and development or commercialisation will be successful or that market growth and penetration will be realised at commercially sustainable levels. Intending subscribers should read the whole of this Offer Document in order to fully appreciate such matters and the manner in which the Company intends to operate before any decision is made to subscribe for New Options.

While the Directors believe that prudent management will minimise the risks to shareholders, investors need to consider the risks involved in an investment in the Company before making a decision whether or not to apply for New Options offered under this Offer Document.

4.1 Company and industry risk factors

The principal risk factors to the Company and/or its industry include the following:

Business – Product development

- (a) Some of the most significant risks relate to the fact that in some cases the Company is developing therapeutic drugs for human consumption. These products must undergo vigorous testing to satisfy regulatory authorities which endeavour to ensure that they have no long term detrimental effects on humans. The Company's operations may require approvals from regulatory authorities which may not be forthcoming, either at all or in a timely manner, or which may not be able to be obtained on terms acceptable to the Company. There may be different requirements from authorities in different countries, and these may delay or even preclude the marketing of a product in certain countries. While the Company believes that all requisite approvals will be forthcoming, and its obligations for expenditure will be predicated on any requisite approvals being obtained, investors should be aware that the Company cannot guarantee that any or all requisite approvals will be obtained or maintained. A failure to obtain or maintain any approval would mean that the ability of the Company to participate in or develop any project, or possibly acquire any project, may be limited or restricted either in part or in whole.
- (b) There is risk associated with the inherent uncertainty involved with medical research and product development, particularly at the early stage of development. Projects can be delayed, suspended or unsuccessful at any stage, or the research may become unviable for a number of unexpected reasons. The Directors make no representation that further research and development will be successful or that market growth or penetration will be realised.

- (c) There can be no guarantee that the assumptions on which any financial forecasts, feasibility study and development strategies upon which the Company bases its decisions to proceed will ultimately prove to be valid or accurate. The forecasts, feasibility studies and development strategies depend on various factors many of which are outside the control of the Company.
- (d) The testing, marketing and the sale of new technology based products entails an inherent risk of product liability, and there can be no assurance that product liability claims will not be asserted against the Company.

Capital

- (e) The Company has a low market capitalisation which may result in the Shares issued on exercise of the New Options being relatively illiquid.
- (f) In order to proceed with the development of any of its projects, the Company is likely to be required to raise additional equity or debt capital in the future. There is no assurance that it will be able to raise capital when it is required or that the terms associated with providing such capital will be satisfactory to the Company, which may prejudice the Company's ongoing ability to participate in these projects.

Staff

- (g) The Company's future success depends on its continuing ability to retain and attract highly qualified technical, research and development and managerial personnel. Competition for such personnel can be intense and there can be no assurance that the Company will be able to retain its key managerial, research and development and technical employees or that it will be able to attract and retain additional highly qualified personnel in the future. The inability to attract and retain the necessary personnel could have a material and adverse effect upon the Company's business, results of operations and financial condition.

Competition

- (h) There are competing drug discovery and development programs in most of the disease areas being researched by the Company. There can be no assurance that other parties will not develop, or achieve commercialisation of, products or intellectual property that compete with or supersede the Company's potential products or intellectual property.
- (i) The Company's competitors in Australia and abroad are numerous and include, among others, major multinational companies. There can be no assurance that the Company's competitors will not succeed in developing technologies and products that are more effective than any which are being developed by the Company.
- (j) Despite the existence of a general statutory framework in Australia and international conventions which are intended to protect against certain anti-competitive practices, there can be no assurance that the applicable laws will be enforced sufficiently to protect the Company from anti-competitive practices by its competitors or that major competitors will not use their strategic positions to gain a competitive advantage in some future period, whether by means of price reductions or by other means.

Financial performance

- (k) The amount, timing and payment of any dividend will depend on a range of factors including future capital and research and development requirements and the financial position generally of the Company at the time. There will also be factors that affect the ability of the Company to pay dividends and the timing of those dividends that will be outside the control of the Company and its Directors. The Directors are, therefore, unable to give any assurance regarding the payment of dividends in the future.

Intellectual property

- (l) The Company's success will depend, in part, on its ability to obtain adequate and valid patent protection, maintain trade secret protection and operate without infringing the proprietary rights of third parties or having third parties circumvent the Company's rights.

While the Company believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places the Company does business or enable the Company's rights to be enforced with sufficient adequacy.

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions, including the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if the Company succeeded or succeeds in obtaining the grant of patents, that others will not seek to imitate the Company's products, and in doing so, attempt to design their products in such a way as to circumvent the Company patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

Regarding the Company's patent applications, no guarantee can be given that such protection will be obtained by the Company. If such patents are not granted it may be possible for a third party to imitate and use the Company's intellectual property without its authorisation or to develop and use similar technology independently. The Company will pursue vigorously both its existing and all future patent applications for Australian and foreign patents in relation to its products. Whilst the Directors believe that at least some of the Company's patent applications should be successful, no guarantee can be given nor does the grant of a patent guarantee that the patent concerned is valid or that the patented technology does not infringe the rights of others.

The Company may wish to expand into foreign countries in the future and the laws of many foreign countries treat the protection of proprietary rights differently from the laws in Australia. Those laws may not protect the Company's proprietary rights to the same extent as do laws in Australia.

4.2 General risks

- (a) The price and value of the New Options and Shares issued on exercise of the New Options will fluctuate. Many factors affect the price and value of shares including local and international stock markets, movements in interest rates, economic and political conditions and investor and consumer sentiment. In recent times there has been a high level of volatility on world stock markets and no predictions can be made as to when that period of volatility will end.
- (b) Changes to legal requirements, including taxation laws, may result in the imposition of additional taxes, imposts and other charges by government from time to time. The Company's profitability can be affected by changes in laws and policies and the interpretation and application thereof.
- (c) A broad range of other macro economic and political risks factors exist which are beyond the control of the Company and will affect the Company's operations, including exchange rates, interest rates and government policies.

Therefore, the New Options to be issued pursuant to this Offer Document carry no guarantee with respect to the future market value of those New Options. No assurance as to future profitability of the Company, or dividends for New Shares issued on exercise of New Options, can be given as they are dependent on future earnings, the cost of future research and the working capital requirements of the Company.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for the New Options.

5. ADDITIONAL INFORMATION

5.1 Underwriting Agreement

The Company has entered into an Underwriting Agreement dated 10 December 2009 with Bell Potter Securities Limited ('**Bell Potter**') and Martin Place Securities Pty Limited ('**MPS**') whereby Bell Potter and MPS have agreed to underwrite all the New Options to be issued under the Offer by each of Bell Potter and MPS agreeing to severally underwrite 50% of the New Options to be issued under the Offer.

The Underwriter is entitled to appoint sub-underwriters at any time in its absolute discretion.

Representations, Warranties and Indemnities

The Underwriting Agreement contains various warranties, representations and undertakings that are customary for agreements of this type, and imposes various obligations on the Company, including ensuring that the Offer Document complies with the disclosure requirements of the Corporations Act.

The Company has indemnified the Underwriter against all claims, losses, damages, costs and liabilities which they suffer or incur arising out of or in connection with the Offer Document or the issue of the Offer Document to the extent that such claims, losses, damages, costs and liabilities are not caused by the Underwriter.

Fees and Costs

The Company must pay to the Underwriter:

- (a) an underwriting fee of 5% plus GST of the total funds to be raised by the Offer; and
- (b) a management fee of 1% of the total funds to be raised by the Offer.

The Company will pay the costs and expenses of the Underwriter in relation to the Offer, including all legal costs that the Underwriter reasonably incurs in respect of the Offer (up to a maximum of \$5,000).

Implications for control of the Company

The Company considers that neither the underwriting nor sub-underwriting arrangements will result in a change of control of the Company. The reasons for this are:

- (a) the New Options do not carry any voting rights. Voting rights only arise when the New Options are exercised to acquire fully paid ordinary shares in the capital of the Company; and
- (b) Bell Potter and MPS have appointed 8 and 3 sub-underwriters respectively and if each Underwriter and each sub-underwriter accept the Offer in full but no Shareholder accepts the Offer and all of the New Options are exercised, no Underwriter or sub-underwriter will have voting power in the Company of more than 9%.

Termination

The Underwriters may terminate the Underwriting Agreement by notice in writing to the Company, without cost or liability to the Underwriters, immediately if prior to completion of the Offer:

- (a) **change to Option terms and constituent documents:** the terms of the Options or any other securities of the Company or the constitution of the Company are modified or repealed or the Company proposes any such modification or repeal;
- (b) **documents misleading:** any:
 - (i) information in the Offer Document and all other notices and documents issued or published by or on behalf of the Company in respect of the Options which is untrue, incorrect or misleading;
 - (ii) omission from the Offer Document and all other notices and documents issued or published by or on behalf of the Company in respect of the Options; or
 - (iii) anything that may require the issue of a supplementary or replacement offer document,

which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect;
- (c) **default:** the Company breaches the Underwriting Agreement and fails to remedy the breach to the reasonable satisfaction of the Underwriters or any warranty or representation by the Company under this agreement is or becomes materially untrue;
- (d) **material change:** a change occurs after the date of this agreement affecting or relating to:
 - (i) the Company; or
 - (ii) the industry in which the Company operates;

which in the reasonable opinion of the Underwriters has or is likely to either:
 - (iii) have a material adverse effect; or
 - (iv) materially change, or result in a material change to, the operations of the Company;
- (e) **contravention:** the Company contravenes:
 - (i) any law, regulation, authorisation, ruling, consent, judgment, order or decree of any Governmental Agency;
 - (ii) its constitution or another constituent document;
 - (iii) the Listing Rules; or
 - (iv) an encumbrance or document which is binding on:

- (A) the Company; or
- (B) an asset of the Company;

which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect;

- (f) **ASX**: ASX approval has not been given by the second Business Day after the Closing Date or ASX refuses or withdraws ASX approval;
- (g) **Insolvency Event**: an insolvency event occurs in relation to the Company;
- (h) **Prescribed Event**: a Prescribed Event occurs in relation to the Company;
- (i) **market movement**: at any time after the date of this agreement:
 - (i) the All Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the date of this agreement; or
 - (ii) the S&P/ASX Small Ordinaries Index is 10% or more below its level as at the close of trading immediately preceding the date of this agreement; or
- (j) **war**: an outbreak of new hostilities or a state of war, whether declared or not, arises after the date of this agreement, or an escalation of hostilities already in existence occurs, involving, or a terrorist act is threatened or carried out after the date of this agreement in or against any diplomatic, military, commercial or political institution, establishment, body or personnel of:
 - (i) Australia;
 - (ii) Japan;
 - (iii) any member country of the European Union;
 - (iv) the United States of America;
 - (v) Russia;
 - (vi) Indonesia;
 - (vii) Peoples' Republic of China;
 - (viii) New Zealand;
 - (ix) Hong Kong;
 - (x) Taiwan;
 - (xi) Singapore; or
 - (xii) Malaysia;

which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect;

- (k) **change of law:** any Australian government adopts or announces any change in law or policy which in the reasonable opinion of the Underwriters has or is likely to have a material adverse effect;
- (l) **officers and senior managers:** after the date of this agreement an officer or senior manager of the Company resigns or is removed from office, is charged with or convicted of a criminal offence or becomes a bankrupt, or steps are taken to achieve such an outcome;
- (m) **Timetable not met:** any event specified in the Timetable does not occur within 14 days after the date specified for that event;
- (n) **required meetings:** any meeting of the Company required by any Governmental Agency or law or the rules of the ASX to approve this agreement, the Offer or anything related to the Offer is not held or does not produce the required approval;
- (o) **Shares:** any securities that have been issued by the Company which at the date of this agreement are officially quoted on the ASX:
 - (i) are suspended from quotation whether temporarily or otherwise; or
 - (ii) are the subject of an ASX statement to the effect that the securities will be suspended or cease to be quoted;
- (p) **statement of ASX:** the ASX makes a statement to any person that official quotation of the Underwritten Options will not be granted;
- (q) **interest rate increase:** at any time after the date of this agreement, the indicator rate for bonds issued by the Commonwealth of Australia, which have a tenor of either three or ten years, rises 1.0% or more above the level of the indicator rate as at the close of business on the date immediately prior to the date of this agreement (as published in the Australian Financial Review on the date of this agreement);
- (r) **conduct defective:** any of the making of the Offer, the issue of the Offer Document and all other notices and documents issued or published by or on behalf of the Company in respect of the Options or the distribution of those documents constitutes misleading or deceptive conduct;
- (s) **Company offers Shareholders refund:** any circumstance arises after the Offer Document is lodged with ASIC that results in the Company doing any of the following: repaying, or offering to repay, any monies the Company receives from Applicants; or offering one or more Applicants an opportunity to withdraw their Entitlement and Acceptance Form(s);
- (t) **Offer Document withdrawn:** at any time after the date of this agreement, the Company withdraws the Offer Document;
- (u) **Supplementary Offer Document required but not issued:** the Underwriters reasonably form the view that a supplementary offer document in relation to the Offer is required and the Company fails to lodge a supplementary offer document in a form acceptable to the Underwriters; or
- (v) **Other Underwriter terminates:** the other Underwriter terminates its underwriting obligations, including by terminating this agreement between it and the Company under the Underwriting Agreement.

Sub-Underwriting Agreements

As noted in this **Section 5.1** above, Bell Potter and MPS have entered into sub-underwriting arrangements with various parties. These sub-underwriters may be paid a commission by Bell Potter or MPS and any commission will be payable by Bell Potter or MPS out of the fees they receive from the Company under the Underwriting Agreement.

5.2 Terms of the New Options

The terms of the New Options are as detailed below.

- (a) **(Entitlement)** Each New Option entitles the optionholder to subscribe for one fully paid ordinary share in the capital of the Company.
- (b) **(Issue price)** The issue price of each New Option is \$0.02.
- (c) **(Exercise price)** The exercise price of each New Option is \$0.10.
- (d) **(Option period)** Each New Option may be exercised in whole or in part at any time before 30 December 2011. A New Option not exercised automatically expires on 30 December 2011.
- (e) **(Certificates)** The Company must give each optionholder a holding statement stating:
 - (i) the number of New Options issued to the optionholder;
 - (ii) the exercise price of the New Options; and
 - (iii) the date of issue of the New Options.
- (f) **(Participation rights)** An optionholder is not entitled to participate in any new issue to existing Shareholders of securities in the Company unless they have exercised their New Options before the record date for determining entitlements to the new issue of securities and participate as a result of holding Shares.
- (g) **(Notice of new issues)** The Company must give an optionholder, in accordance with the ASX Listing Rules, notice of:
 - (i) the proposed terms of the issue or offer proposed under clause (f); and
 - (ii) the right to exercise their New Options under clause (f).
- (h) **(Bonus issues)** If the Company makes a bonus issue of Shares or other securities to Shareholders (except an issue in lieu of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the New Option before the record date for determining entitlements to the issue, then the number of underlying Shares over which the New Options is exercisable is increased by the number of Shares which the optionholder would have received if the optionholder had exercised the New Option before the record date for determining entitlements to the issue.

- (i) **(Pro rata issues)** If the Company makes a pro rata issue of Shares (except a bonus issue) to existing Shareholders (except an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) and no Share has been issued in respect of the New Option before the record date for determining entitlements to the issue, the exercise price of each New Option is reduced in accordance with the ASX Listing Rules.
- (j) **(Reorganisation)** If there is a reorganisation (including consolidation, sub-division, reduction or return) of the share capital of the Company, then the rights of the optionholder is changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.
- (k) **(Calculation and adjustments)** Any calculations or adjustments which are required to be made under the terms of issue will be made by the board of Directors of the Company and will, in the absence of manifest error, be final and conclusive and binding on the Company and the optionholder.
- (l) **(Notice of change)** The Company must within a reasonable period give to each optionholder notice of any change pursuant to the terms of issue to the exercise price of any New Options held by an optionholder or the number of Shares which the optionholder is entitled to subscribe for on exercise of a New Option.
- (m) **(Method of exercise and payment)** To exercise New Options, the optionholder must give the Company or its share registry, at the same time:
 - (i) a written exercise notice (in the form approved by the board of the Company from time to time) specifying the number of New Options being exercised and shares to be issued;
 - (ii) payment of the exercise price for the Shares the subject of the exercise notice by way of bank cheque or by other means of payment approved by the Company; and
 - (iii) the certificate, if any, for the New Options.
- (n) **(Exercise all or some options)** An optionholder may only exercise New Options in multiples of 10,000 unless the optionholder exercises all New Options held by the optionholder. New Options will be deemed to have been exercised on the date the application is lodged with the Directors.
- (o) **(Option certificates)** If an optionholder exercises less than the total number of New Options registered in the optionholder's name:
 - (i) the optionholder must surrender their option certificate (if any); and
 - (ii) the Company must cancel the option certificate (if any) and issue the optionholder a new option certificate or holding statement stating the remaining number of New Options held by the optionholder.
- (p) **(Issue of Shares on exercise)** Within 10 business days after receiving an application for exercise of New Options and payment by an optionholder of the exercise price, the Company must issue the optionholder the number of Shares in the capital of the Company specified in the application.

- (q) **(Piggy back option)** Upon issue of a Share on exercise of a New Option (provided that the notice of exercise is validly exercised and received by the Company on or prior to 31 March 2010), the Company will issue one further option to the optionholder ('**Piggy Back Option**') for each New Option so exercised and the Piggy Back Option will be on the same terms and conditions as New Options, except that:
 - (i) the issue price under condition (b) is zero;
 - (ii) the exercise price under condition (c) is \$0.20;
 - (iii) the exercise period under condition (d) will be until 30 March 2012;
 - (iv) this condition (q) will not apply; and
 - (v) references to 'New Option' will be references to the Piggy Back Option.
- (r) **(Ranking of Shares on issue)** Subject to the Company's constitution, all Shares issued on the exercise of New Options rank in all respects (including rights relating to dividends) pari passu with the existing Shares of the Company at the date of issue.
- (s) **(Quotation)** The Company will apply to ASX for official quotation of:
 - (i) the New Options; and
 - (ii) the Shares issued on exercise of the New Options.

5.3 Rights attaching to Shares

Each Share issued on exercise of the New Options will be issued as a fully paid ordinary share. The Shares will, from the date of their allotment, rank equally with all Shares of the Company then on issue.

The rights and liabilities attaching to Shares are:

- (a) set out in the Constitution, a copy of which is available for inspection at the Company's Registered Office at Level 2, 66 Hunter Street, Sydney NSW 2000; and
- (b) in certain circumstances, regulated by the Corporations Act, the ASX Listing Rules and the general law.

The following is a summary of the principal rights of the Shares:

- (a) **(Voting)** 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. On a poll every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every Share registered in the Shareholder's name in 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 by Shareholders with at least 5% of the votes that may be cast on the resolution on a poll.
- (b) **(Dividends)** Dividends (if any) are payable out of the Company's profits and are declared or determined to be payable by the Directors. Dividends declared (whether interim or final) will be payable on the Shares at a fixed amount per Share.

- (c) **(Transfer of Shares)** Shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the Corporations Act for the purpose of facilitating transfers of shares, by an instrument in writing in a form approved by ASX or in any other usual form or in any form approved by the Directors. The Directors Company may refuse to register any transfer of Shares, other than a Proper ASTC Transfer where permitted by the ASX Listing Rules. The Company must not refuse or fail to register or give effect to or delay or in any way interfere with a Proper ASTC Transfer of Shares or other securities.
- (d) **(Meetings and notice)** Each Shareholder is entitled to receive notice of and to attend the Company's general meetings and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the ASX Listing Rules.
- (e) **(Liquidation rights)** The Company has only one class of shares on issue, which all rank equally in the event of liquidation. Once all of the Company's liabilities are satisfied, a liquidator may, with the authority of a special resolution of Shareholders, divide among the Shareholders at the time the whole or any part of the remaining assets of the Company. The liquidator may with the sanction of a special resolution of the Company vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder of the Company can be compelled to accept any Shares or other securities in respect of which there is any liability.
- (f) **(Shareholder liability)** As the Shares offered under the Offer Document are fully paid shares, they are not subject to any calls for money by the Directors and will, therefore, not become liable for forfeiture.
- (g) **(Alteration of Constitution)** The Constitution can only be amended by a special resolution passed by at least three quarters of the Shareholders who are present and voting at a general meeting. At least 28 days' written notice of the special resolution must be given.
- (h) **(Creation and issue of additional Shares)** The allotment and issue of any additional Shares is under the control of the Directors and, subject to any restrictions on the allotment of Shares imposed by the Corporations Act, the Directors may allot or otherwise dispose of those additional Shares on such terms and conditions as they see fit.
- (i) **(Variations of Rights)** The rights attaching to any class of Shares may be altered either with the approval of a special resolution passed by the Shareholders in that class at a general meeting or with the written consent of Shareholders holding 75% of the issued Shares in that class.
- (j) **(Ranking with existing Shares)** The Shares issued on exercise of the New Options issued under to this Offer Document shall rank equally in all respects with the existing issued Shares.

5.4 CHESS

The Company participates in the CHESS system of securities transfer. CHESS (the Clearing House Electronic Sub-register System) is operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of the ASX.

Being admitted to CHESS, the Company will not issue certificates to persons who are allotted New Options issued under this Offer Document. Instead, each holder of New Options will be provided with an 'Allotment Notice' or a 'Holding Statement' which sets out the number of New Options to be issued to them under this Offer Document.

The Allotment Notice will provide details of an optionholder's 'Holder Identification Number' (HIN) (in the case of a holding on the CHESS sub-register), and the Holding Statement will provide details of an optionholder's 'Security holder Reference Number' (SRN) (in the case of a holding on the issuer sponsored sub-register).

Following distribution of the initial Allotment Notices and Holding Statements to all optionholders, a Holding Statement will only routinely be provided to an optionholder at the end of any subsequent month during which the balance of the optionholder's holding of New Options changes.

It is the responsibility of optionholders to determine their holding before trading in New Options. Applicants who sell New Options before receiving their Holding Statements do so at their own risk.

5.5 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment which applies to them by consulting their own professional tax advisers. Taxation consequences will depend on the particular circumstances of each shareholder. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences connected with dealings in the New Options.

5.6 Directors' interests and related parties

Other than as detailed in this Offer Document, no Director, proposed Director, Underwriter or promoter of the Company:

- (a) has any interest in the formation or promotion of the Company, or had such an interest in the last two years;
- (b) has any interest in any property proposed to be acquired by the Company in connection with its formation or promotion or the Offer, or had such an interest in the last two years;
- (c) has any interest in the Offer; and
- (d) is, or during the last 2 years was, a partner of (or has, or during the last 2 years, had any beneficial interest in) a firm which has, or during the last 2 years had, any interest in the promotion of, or any property proposed to be acquired by, the Company in connection with its promotion.

Further, no benefit has been given or agreed to be given to a Director or proposed Director, in cash or shares or otherwise, either to induce him / her to become, or to qualify him / her as, a Director or otherwise for services rendered by him / her in connection with the formation or promotion of the Company or the Offer.

Details of the interests of the Directors in the securities of the Company immediately before lodgement of this Offer Document with ASIC, including those held directly and indirectly, are as follows:

- (a) Michael J. Hoy: 1,408,214 Shares and 500,000 options (exercise price of 35 cents, exercisable before 30/9/10).
- (b) Michelle Miller: 500,000 options (exercise price of 35 cents, exercisable before 30/9/10);
500,000 options (exercise price of 40 cents, exercisable before 30/9/10); and
500,000 options (exercise price of 45 cents, exercisable before 30/9/10).
- (c) Michael S. Hirshorn: 200,000 options (exercise price of 35 cents, exercisable before 30/9/10).
- (d) Bruce Hundertmark: 200,000 options (exercise price of 35 cents, exercisable before 30/9/10).
- (e) Peter G. Scott: 9,014,000 Shares.

Each Director who is a Shareholder will be entitled to participate in the Offer.

5.7 Expenses

The Company must pay to the Underwriter:

- (a) an underwriting fee of 5% (plus GST) of the total funds to be raised under the Offer; and
- (b) a management fee of 1% (plus GST) of the total funds to be raised under the Offer.

The Company will pay the costs and expenses of the Underwriter in relation to the Offer, including all legal costs that the Underwriter reasonably incurs in respect of the Offer (up to a maximum of \$5,000).

The total estimated expenses of the Offer (including the underwriting fee, legal fees and other consulting fees, registration fees and other expenses) will be approximately \$187,445 plus GST which is payable by the Company.

6. AUTHORISATIONS AND CONSENTS

6.1 Consents

Bell Potter Securities Limited has given, and has not withdrawn before lodgement of this Offer Document with ASIC, its consent to being named in this document in the form and context in which it is named.

Martin Place Securities Pty Limited has given, and has not withdrawn before lodgement of this Offer Document with ASIC, its consent to being named in this document in the form and context in which it is named.

Computershare Investor Services Pty Limited has given, and has not withdrawn before lodgement of this Offer Document with ASIC, its consent to being named in this document in the form and context in which it is named.

6.2 Directors' authorisations

This Offer Document is issued by Biotron Limited ABN 60 086 399 144. Each Director consents to the lodgement of this Offer Document with ASIC.

Signed by Michael J. Hoy in accordance with a resolution of the Directors:

A handwritten signature in dark ink, appearing to read "Michael J. Hoy". The signature is written in a cursive style with a large initial 'M' and a long, sweeping tail.

Michael J. Hoy
Chairman

10 December 2009

7. GLOSSARY

'ASIC' means the Australian Securities and Investments Commission.

'ASX' means ASX Limited.

'ASX Listing Rules' means the listing rules of ASX from time to time.

'Closing Date' means the last date that completed Entitlement and Acceptance Forms, together with application monies, will be accepted by the Company, being 14 January 2010.

'Company' or 'Biotron' means Biotron Limited ABN 60 086 399 144.

'Constitution' means the constitution of the Company.

'Corporations Act' means the *Corporations Act 2001(Cth)*.

'Director' means a director of the Company.

'Eligible Shareholder' has the meaning given to it in **Section 1.1**.

'Entitlement' means an Eligible Shareholder's entitlement to participate in the Offer as detailed in that Eligible Shareholder's Entitlement and Acceptance Form.

'Entitlement and Acceptance Form' means the form so entitled accompanying this Offer Document.

'Excluded Shareholders' has the meaning given to it in **Section 1.4**.

'New Option' means an option issued by the Company pursuant to this Offer Document.

'Offer' means the offer of New Options pursuant to this Offer Document.

'Offer Document' means this document dated 10 December 2009.

'Prescribed Event' means:

- (a) the Company converts all or any of its shares into a larger or smaller number of shares;
- (b) the Company resolves to reduce its share capital in any way;
- (c) the Company:
 - (i) enter into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) the Company issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
- (e) the Company issues, or agrees to issue, convertible notes;

- (f) the Company disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
- (g) the Company charges, or agrees to charge, the whole, or a substantial part, of its business or property; or
- (h) the Company resolves to be wound up;

'Proper ASTC Transfer' has the same meaning as in the *Corporations Regulations 2001 (Cth)*.

'Record Date' means 5:00 pm (Sydney time) on 22 December 2009.

'Share' means a fully paid ordinary share in the Company.

'Shareholders' means the holders of Shares.

'Shortfall Facility' has the meaning given to it in **Section 1.5**.

'Underwriting Agreements' means the agreements detailed at **Section 1.7**.

'Underwriters' means Bell Potter Securities Limited (ABN 25 006 390 772) and Martin Place Securities Pty Limited (ABN 30 094 927 947), each severally underwriting 50% of the New Options.

'Voting power' has the meaning given to it in the Corporations Act.

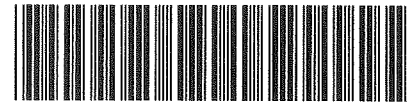
'\$' means Australian dollars unless otherwise indicated.

Please return completed form to:
Biotron Limited
Level 2, 66 Hunter Street
Sydney NSW 2000

Enquiries: +61 2 93003344
Facsimile: +61 2 92216333
Email: enquiries@biotron.com.au

000001
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SAM
MR JOHN SMITH 1
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890 IND

Use a black pen.
Print in CAPITAL letters
inside the grey areas.

A	B	C	1	2	3
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For your security keep your SRN/HIN confidential.

Entitlement and Acceptance Form (including Additional Securities)

Non-Renounceable Entitlement Issue closing <Time> <Time Zone> on <Date>

Non-Renounceable Entitlement Issue of <Units1> New <Security1> for every <Units2> <Security2> registered and entitled to participate at the record date at an issue price of <A\$xx.xx> per New <Security1>.

A

Securityholder Entitlement details	
Subregister	Issuer
Existing <Security2> entitled to participate at Record Date on <Date>	XXX,XXX,XXX
Entitlement to New <Security1> on a <Units1> for <Units2> basis	XXX,XXX,XXX
Amount payable on full acceptance at <A\$xx.xx> per New <Security1>	X,XXX,XXX.XX
Entitlement Number	123456789012

Important:

- This document is of value and requires your immediate attention. If you do not understand it, or are in doubt as to how to deal with it, you should consult your accountant, stockbroker, solicitor or other professional adviser immediately.
- This Entitlement and Acceptance Form should not be relied upon as evidence of the current entitlement of the person named in this Entitlement and Acceptance Form.
- Receipt of this form by <Time> <Time Zone> on <Date> with your payment will constitute acceptance in accordance with the terms of the Prospectus dated <Date>.

To be completed by securityholder

B Number of New <Securities1> applied for	C Number of extra New <Securities1> applied for	D Amount enclosed at <A\$xx.xx> per New <Security1>
<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

I/We enclose my/our payment for the amount shown below being payment of <A\$xx.xx> per New <Security1>. I/We hereby authorise you to register me/us as the holder(s) of the New <Security1> allotted to me/us, and I/we agree to be bound by the Constitution of the Company.

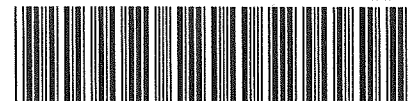
ASXAAASXAAA 2NR

See back of form for completion guidelines



Pin cheque(s) here. Do not staple.

Entitlement X,XXX	Payable X,XXX
-------------------	---------------



Entitlement Number: <xxxxxxxxxx>

B Number of New <Securities1> applied for	C Number of extra New <Securities1> applied for	D Amount enclosed at <A\$xx.xx> per New <Security1>
<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

E Payment Details	Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

Make your cheque or bank draft payable to <Client Name> - <Security> Offer

F Enter your contact details	Contact Name	Telephone Number - Business Hours / After Hours
	<input type="text"/>	() <input type="text"/>

How to complete the Entitlement and Acceptance Form (including Additional Securities)

Please complete all relevant sections of the Entitlement and Acceptance Form using BLOCK LETTERS in black ink. Note that photocopies will not be accepted. These instructions are cross-referenced to each section of the Entitlement and Acceptance Form.

A	Details of your Entitlement based on your Securityholding at <Time> <Time Zone> on <Date> are shown in box A on the front of this Entitlement Form.	D	Application Monies Enter the total amount of application monies payable. To calculate this amount, multiply the total number of New <Securities1> applied for in box B & C by <A\$xx,xxx>. Please ensure you complete Section D on the top and bottom of the form.
B	New Securities Applied for You can apply to accept either all, or part of, your Entitlement. Enter in box B the number of New <Securities1> you wish to accept from your Entitlement. <ul style="list-style-type: none">To accept your Entitlement in full, write in box B the number of New <Securities1> shown in box A as your Entitlement.To accept part of your Entitlement only, write in box B the number of New <Securities1> for which you wish to apply. Please ensure you complete Section B on the top and bottom of the form.	E	Payment Details Make your cheque or bank draft payable to <Client Name> Security Offer in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank. Complete the cheque details in the boxes provided. The total amount must agree with the amount shown in box D. Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Acceptance being rejected. Pin (do not staple) your cheque(s) to the Entitlement and Acceptance Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.
C	Additional Securities Applied for Enter the number of extra New <Securities1> you wish to apply for (if any). No Eligible Securityholder is assured of receiving any New <Securities1> applied for in excess of their Entitlement and any amount by which applications from Eligible Securityholders exceed their Entitlements may be scaled back at <Client Name> discretion, in such manner as <Client Name> considers is reasonable in the circumstances. Please ensure you complete Section C on the top and bottom of the form.	F	Contact Details Enter your contact details. These are not compulsory but will assist us if we need to contact you.

2 NR

The directors reserve the right to make amendments to this form where appropriate. This form may not be used to effect an address change. Please contact Computershare Investor Services Pty Limited on 1300 850 505 for an appropriate form, or download a Change of Address Notification form from www.computershare.com

CHES holders must contact their Controlling Participant

Lodgement of Acceptance
Acceptance Forms must be received at the Registered Office of the Company, Level 2, 66 Hunter Street, Sydney NSW 2000, by no later than 5.00pm (Sydney time) on 14 January 2010. Return the Entitlement and Acceptance Form with cheque(s) attached to:

Biotron Limited
Level 2, 66 Hunter Street
Sydney NSW 2000

Privacy Statement
Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or e-mail privacy@computershare.com.au

If you have any enquiries concerning your entitlement, please contact the Company Secretary on +61 2 93003344.



Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

BIOTRON LIMITED

ABN

60 086 399 144

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

- | | | |
|---|--|--|
| 1 | +Class of +securities issued or to be issued | Fully paid ordinary shares |
| 2 | Number of +securities issued or to be issued (if known) or maximum number which may be issued | 114,537,315 |
| 3 | Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion) | Options, each to acquire 1 fully paid ordinary share by 30/12/11 at an exercise price of 10 cents and each Option to receive a bonus option to acquire 1 fully paid ordinary share by 30/3/12 at an exercise price of 20 cents and each if exercised by 31/3/10. |

+ See chapter 19 for defined terms.

4	<p>Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>No.</p> <p>When Options are exercised to acquire fully paid ordinary shares. No participation until Options are exercised to acquire fully paid ordinary shares.</p> <p>The new securities are Options with rights as set out in the attached Offer Document.</p>								
5	Issue price or consideration	\$0.02 per Option.								
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	For the purposes as set out in the attached Offer Document.								
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	TBA								
8	Number and +class of all +securities quoted on ASX (including the securities in clause 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">114,537,315</td> <td style="text-align: center;">Fully paid ordinary shares</td> </tr> <tr> <td style="text-align: center;">114,537,315</td> <td style="text-align: center;">30/12/11 \$0.10 options</td> </tr> </tbody> </table>	Number	+Class	114,537,315	Fully paid ordinary shares	114,537,315	30/12/11 \$0.10 options		
Number	+Class									
114,537,315	Fully paid ordinary shares									
114,537,315	30/12/11 \$0.10 options									
9	Number and +class of all +securities not quoted on ASX (including the securities in clause 2 if applicable)	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 50%;">Number</th> <th style="width: 50%;">+Class</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">5,450,000</td> <td style="text-align: center;">30/9/10 \$0.35 options</td> </tr> <tr> <td style="text-align: center;">750,000</td> <td style="text-align: center;">30/9/10 \$0.40 options</td> </tr> <tr> <td style="text-align: center;">500,000</td> <td style="text-align: center;">30/9/10 \$0.45 options</td> </tr> </tbody> </table>	Number	+Class	5,450,000	30/9/10 \$0.35 options	750,000	30/9/10 \$0.40 options	500,000	30/9/10 \$0.45 options
Number	+Class									
5,450,000	30/9/10 \$0.35 options									
750,000	30/9/10 \$0.40 options									
500,000	30/9/10 \$0.45 options									
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Remains unchanged								

+ See chapter 19 for defined terms.

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	No
12	Is the issue renounceable or non-renounceable?	Non-renounceable
13	Ratio in which the +securities will be offered	1 for 1
14	+Class of +securities to which the offer relates	Fully paid ordinary shares
15	+Record date to determine entitlements	22 December 2009
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	No
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has +security holders who will not be sent new issue documents <small>Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.</small>	All countries other than Australia and New Zealand
19	Closing date for receipt of acceptances or renunciations	14 January 2010
20	Names of any underwriters	Bell Potter Securities Limited (as to 50%) and Martin Place Securities Pty Limited (as to 50%)
21	Amount of any underwriting fee or commission	Underwriting fee: 5% of the funds raised Management fee: 1% of the funds raised
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	N/A

+ See chapter 19 for defined terms.

25	If the issue is contingent on +security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	30 December 2009
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	10 December 2009
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do +security holders sell their entitlements <i>in full</i> through a broker?	N/A
31	How do +security holders sell <i>part</i> of their entitlements through a broker and accept for the balance?	N/A
32	How do +security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Despatch date	22 January 2010

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(tick one)

(a) Securities described in Part 1

(b) All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders TBA

36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over TBA

37 N/A A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

N/A

39 Class of +securities for which quotation is sought

N/A

+ See chapter 19 for defined terms.

<p>40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>N/A</p>
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<p>41 Reason for request for quotation now</p> <p>Example: In the case of restricted securities, end of restriction period</p> <p>(if issued upon conversion of another security, clearly identify that other security)</p>	<p>N/A</p>
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<p>42 Number and +class of all +securities quoted on ASX (<i>including</i> the securities in clause 38)</p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th style="padding: 2px 5px;">Number</th> <th style="padding: 2px 5px;">+Class</th> </tr> <tr> <td style="text-align: center; padding: 5px;">N/A</td> <td style="text-align: center; padding: 5px;">N/A</td> </tr> </table>	Number	+Class	N/A	N/A	
Number	+Class					
N/A	N/A					

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

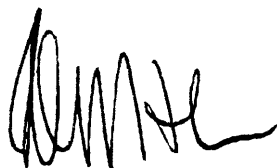
- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
- There is no reason why those +securities should not be granted +quotation.
- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.



Sign here:

Date: 10 December 2009

Company Secretary

Print name: Peter J. Nightingale

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+ See chapter 19 for defined terms.