

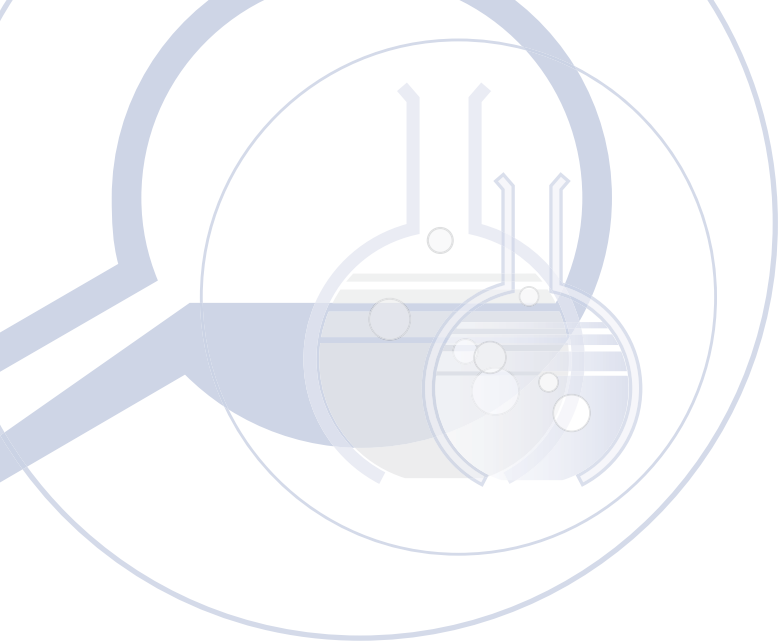
Biotron

BIOTRON LIMITED ABN 60 086 399 144



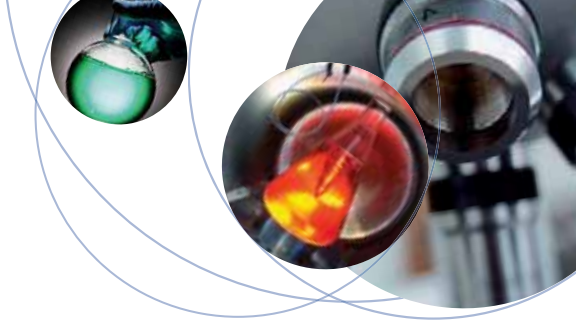
ANNUAL REPORT

2010



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OPERATING AND FINANCIAL REVIEW

Review of Operations

The period under review has seen a continual focus on the clinical progression of Biotron's antiviral drug development program, specifically on the 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:

- Successful conclusion 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.
- Finalisation of design of Phase IIa clinical trial of BIT225, completion of documentation for ethics and regulatory submissions, and submission of documentation to relevant authorities for approval for trial.
- Appointment of an experienced CRO (contract research organisation) that specialises in HIV and HCV clinical trials, to manage the clinical trial at sites in South America and Asia.
- Demonstration that BIT225 can limit the spread of HIV in cells taken from HIV infected patients.
- Presentation of data from the Company's HCV and HIV programs at international scientific conferences.
- Initiation and successful completion of a \$2.1 million capital raising via an option issue, which was fully underwritten by Bell Potter and Martin Place Securities.
- A further \$641,000 was raised from the early exercise of options at the end of March 2010.

Clinical Development of BIT225

Biotron has an impressive pipeline of world class clinical programs developing new drugs to treat significant viral diseases including HCV and HIV. To date, Biotron has successfully completed two human trials of its lead drug BIT225 - an investigational, orally-administered, novel antiviral compound in development by Biotron for treatment of HCV and HIV infections. These trials include 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, completed in late 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 which treat HCV have limited effectiveness and toxicity issues, leaving a significant need for new therapies.

Biotron's Phase Ib/IIa trial was the first study of the drug in a patient population. A total of 18 infected patients, randomly assigned to receive either one of two doses of BIT225, or placebo, taking the drug twice daily for 7 days. The study was successfully completed, with analysis indicating that within that trial design the drug appeared to be safe and well tolerated, and most importantly, showed that BIT225 can reduce levels of the HCV in a number of treated patients receiving the highest dose of drug, compared to those receiving placebo. 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.

During the first half of 2010, Biotron's focus has been on finalising the design of this combination trial, and in preparing the detailed documentation required by ethics and regulatory authorities. The approval process is a multistep process, involving ethics committees and review boards overseeing the trial sites, and government authorities which are responsible for issuing permits to import drug and final approvals to start the trial, progressing to the next stage of testing of BIT225 against the Hepatitis C virus. This trial will test the drug over a longer treatment period in combination with the approved drugs in patients infected with HCV genotype 1, the most common variant of the virus in the Western world. Not only is genotype 1 the most common type of HCV, but it is also the form that is most resistant to current approved drugs, with less than 50% of treated patients responding to treatment.

Biotron's application documentation has successfully passed the first step in the ethics approval process, and is now progressing through the next stage of approvals. We anticipate the trial will conclude before the end of 2010.

The worldwide market for HCV treatment 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. The pharmaceutical industry is particularly interested in new drugs that specifically target the replication cycle of the Hepatitis C virus, and there is considerable interest in the outcomes of Biotron's Phase IIa combination trial.

OPERATING AND FINANCIAL REVIEW

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. Late in 2009, Biotron scientists presented a paper at an international conference, reporting that BIT225 is able to limit the spread of virus in cells isolated from HIV-infected patients.

The Company proposes to progress BIT225 into a proof-of-concept Phase Ib/IIa trial in HIV infected patients when funding permits.

These trials in HCV and HIV 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 updating potential commercial partners on progress on a regular basis while progressing its clinical trial program. First-in-class drugs are often very attractive to pharmaceutical companies as they can provide an opportunity to secure the largest market share, in contrast with 'me-too' next generation of existing classes of drug. However, this benefit is often linked to the need to provide evidence that the new class, with a new mode of action, has clinical benefit.

The HCV Phase IIa combination trial has been specifically designed with the aim of providing the information that potential partners are likely to require in order to form a partnership with an international pharmaceutical company for continued development.

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. Right now, the clearer commercial path for Biotron is firstly focusing on its Hepatitis C program, and secondly, exploiting BIT225 to reduce the viral reservoirs in HIV infected patients.

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 December 2009, Biotron was selected to present at the biannual HepDART conference in the USA as well as the International Workshop on HIV Persistence. In May 2010, Biotron attended the annual international biotech

industry partnering conference, BIO2010, in Chicago USA, and presented to an investor showcase preceding that conference.

Patents

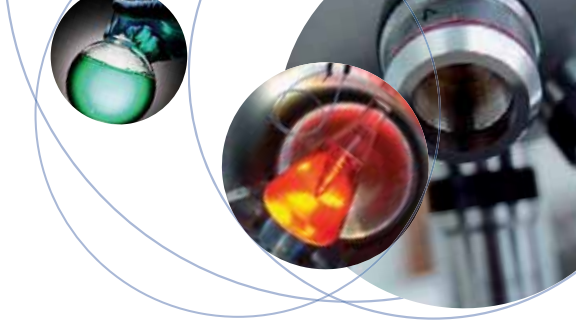
Biotron is focused on progressing patents related to its antiviral programs through the international patenting process. The Company recognises that the key to establishment of partnerships is the expansion and continued strengthening of Biotron's intellectual property (IP) portfolio. Strong, defensible, 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
W00021538 Method of modulating ion channel functional activity Priority - 12 October 1998	Granted in Australia, Canada, China, New Zealand, and USA Under examination elsewhere
W09813514 Method of determining ion channel activity of a substance Priority - 27 September 1996	Granted in Australia, Japan, Europe and USA Under examination elsewhere
W004112687 Antiviral compounds and methods Priority - 26 June 2003 Granted in India	New Zealand, Singapore and South Africa Under examination elsewhere
W06135978 Antiviral compounds and methods Priority - 24 June 2005	Granted in South Africa Waiting for or under examination elsewhere
W02009/018609 Hepatitis C antiviral compounds and methods Priority - 3 August 2007	Waiting for examination in all jurisdictions

New Director

This past year has seen the Company welcome a new director to Biotron's board with credentials we believe will be important to further Biotron's commercial success. Dr Denis Wade has been a director of several private and public companies in the pharmaceutical sector, including Heartware Limited and HeartWare International Inc. Among other stellar appointments, he has served as a managing director and chairman of Johnson and Johnson Research Pty Ltd, and is a former chairman of the Clinical Pharmacology Section of the International Union of Pharmacology.



Capital Raising

In December 2009, the Company initiated a capital raising via an option issue, which was fully underwritten by Bell Potter and Martin Place Securities. The issue closed, over-subscribed, in early January 2010, raising \$2.1 million. A number of shareholders elected for early exercise of these options at the end of March 2010, raising an additional \$641,000 in funds.

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.

A handwritten signature in black ink, appearing to read "Michael J. Hoy".

Michael J. Hoy
Chairman

A handwritten signature in black ink, appearing to read "Michelle Miller".

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.

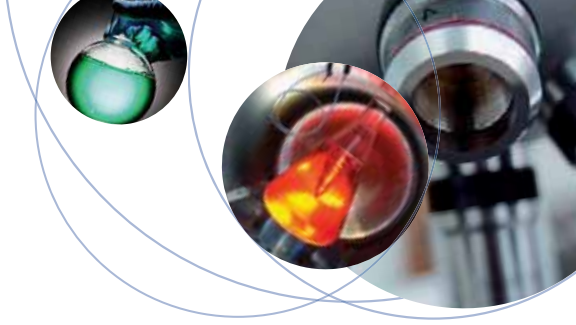
Internal Controls

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 CEO and CFO 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.

STATEMENT OF CORPORATE GOVERNANCE

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.

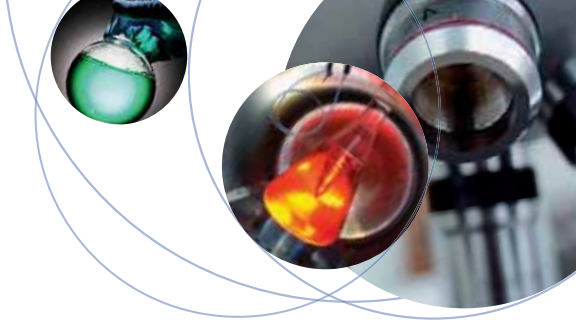
Share Trading Policy

The board restricts directors, executives and employees from acting on material information until it has been released to the market. Share trading by directors, executives or employees is not permitted at any time whilst in the possession of price sensitive information not already available to the market. In addition, the Corporations Act prohibits the purchase or sale of securities whilst a person is in possession of inside information.

Restricted Persons can only trade the Company's securities during specific trading windows. All periods outside the specific trading windows are closed periods where Restricted Persons are prohibited from trading in the Company's securities unless in special circumstances and with the approval of the Chairman.

Trading windows are the 60 days from the first trading day after each of the following:

- the day half year results are announced;
- the day full year results are announced; and
- the day of the Annual General Meeting.



DIRECTORS' REPORT

The directors present their report together with the financial report of Biotron Limited ('the Company') for the year ended 30 June 2010 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 Tellesto 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 funds, 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.

Dr Denis N. Wade

Non-Executive Director

Dr Denis Wade has been involved for over 40 years with the development of research-based pharmaceuticals and medical devices in both industry and academia. He has been a director of several private and public companies in the Health-care sector, including Heartware Limited and subsequently HeartWare International Inc., since December 2004. He was a Director and Chairman of Gene Shears Pty Limited and, from 1987 until his retirement in 2002, Dr. Wade was Managing Director and Chairman of Johnson & Johnson Research Pty Ltd, a research and development company of Johnson and Johnson Inc. He was also a member of the J&J Corporate Office of Science and Technology. Prior to that, Dr. Wade was the Foundation Professor of Clinical Pharmacology at the University of New South Wales and served as a member of a number of State and Federal bodies related to the drug industry, including the P3 Committee.

He is a former Chairman of the Australian Academy National Committee for Pharmacology, the Australasian Society for Clinical and Experimental Pharmacology and Toxicology and a former Chairman of the Clinical Pharmacology Section of the International Union of Pharmacology.

DIRECTORS' REPORT

Dr Wade holds a First Class Honours degree in Medicine and Science from the University of Sydney and a Doctorate of Philosophy from the University of Oxford. He was awarded an Honorary Doctorate of Science by the University of New South Wales and is a Fellow of the Royal Australasian College of Physicians and of the Australian Academy of Technological Sciences and Engineering. In 1999 he was made a Member of the Order of Australia.

Dr Wade was appointed as a Director on 30 April 2010.

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 Peter Scott resigned on 1 April 2010.

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.

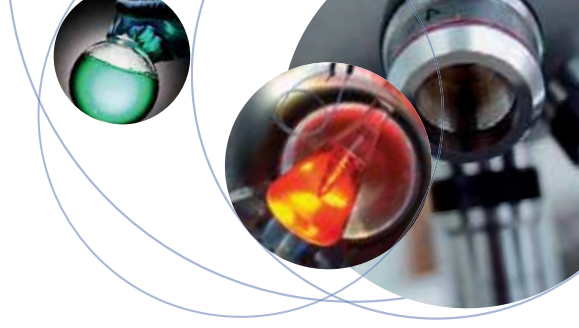
As a director or company secretary Mr Nightingale has, for the past 22 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Pangea Resources Limited, Timberline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

Director	Directors' Meetings	
	No. of Eligible Meetings to Attend	No. of Meetings Attended
Michael J. Hoy	6	6
Michelle Miller	6	6
Michael S. Hirshorn	6	6
Bruce Hundertmark	6	5
Denis N. Wade	1	1
Peter G. Scott	5	5



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 1,408,214	\$0.35 at any time up to 30 September 2010 \$0.10 at any time up to 30 December 2011
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 2010
	-	500,000	\$0.45 at any time from 30 September 2007 up to 30 September 2010
Michael S. Hirshorn	130,000	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
Denis N. Wade*	475,000	162,500	\$0.20 at any time up to 30 March 2012

* Dr Denis N. Wade held 475,000 shares and 162,500 options at the time of becoming a director.

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 - 2010

	Held at 1 July 2009	Purchased	Expired	Held at 30 June 2010	Vested and Exercisable at 30 June 2010
Directors					
Michael J. Hoy	500,000	1,408,214	-	1,908,214	1,908,214
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
Denis N. Wade*	-	-	-	162,500	162,500
Peter G. Scott**	-	500,000	-	-	-
Executives					
Peter J. Nightingale	200,000	2,287,785	-	2,487,785	2,487,785

* Dr Denis N. Wade held 162,500 options at the time of becoming a director.

** Mr Peter G. Scott held 500,000 options when he resigned from office on 1 April 2010.

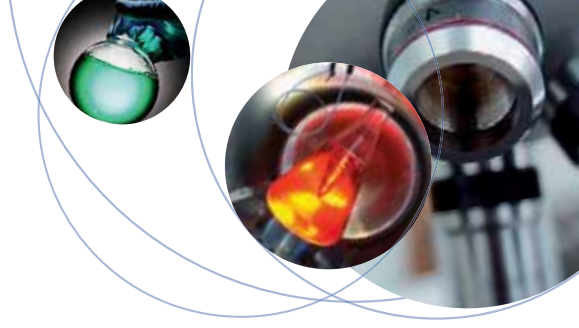
Option holdings - 2009

	Held at 1 July 2008	Purchased	Expired	Held at 30 June 2009	Vested and Exercisable at 30 June 2009
Directors					
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	-	-	-	-	-
Executives					
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 \$	Total \$
Directors Non-executive Michael J. Hoy (Chairman)	2010	55,046	4,954	60,000
	2009	55,046	4,954	60,000
Michael S. Hirshorn	2010	27,523	2,477	30,000
	2009	27,523	2,477	30,000
Bruce Hundertmark	2010	27,523	2,477	30,000
	2009	27,523	2,477	30,000
Peter G. Scott	2010	20,642	1,858	22,500
	2009	5,000	25,000	30,000
Denis N. Wade	2010	4,587	-	4,587
	2009	-	-	-
Executive Michelle Miller (Managing Director)	2010	219,230	19,731	238,961
	2009	200,000	18,000	218,000
Executives	2010	75,000	-	75,000
Peter J. Nightingale (Company Secretary)	2009	75,000	-	75,000

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 2010 is 1,500,000 (2009 – 1,500,000). There were no options that vested during the year ended 30 June 2010, no options were granted during or subsequent to year end and no options lapsed during the year.

DIRECTORS' REPORT

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.

	2010	2009	2008	2007	2006
Net loss attributable to equity holders of the Company	\$1,872,244	\$1,776,099	\$1,882,093	\$3,234,004	\$2,198,973
Dividends paid	-	-	-	-	-
Change in share price	(0.02) cents	0.0 cents	(9.0) cents	4.5 cents	7.0 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

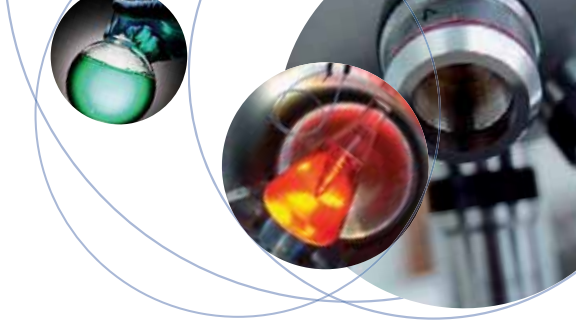
At the date of this report, unissued ordinary shares of the Company under option are:

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
108,119,266	\$0.10	30 December 2011
* 6,418,049	\$0.20	30 March 2012

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

* During the year, the Company issued 6,418,049 ordinary shares as a result of the exercise of \$0.10 options. There is no amount unpaid on the shares issued. A further 6,418,049 \$0.20 'Piggy Back' options were issued for no consideration as a result of the early exercise of these options. Refer Note 11.

Number of Shares	Amount Paid on Each Share
6,418,049	\$0.10



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 \$1,872,244 (2009 loss - \$1,776,099).

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 2010, 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, performed no other services in addition to their statutory duties.

The board has considered the non-audit services provided during the prior year by the auditor and is satisfied that the provision of those non-audit services during the prior 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 did 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.

DIRECTORS' REPORT

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

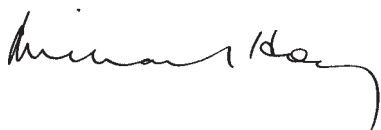
Details of the amounts paid and accrued to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2010 \$	2009 \$
Statutory audit		
- Audit and review of financial reports	<u>34,375</u>	<u>26,240</u>
Services other than statutory audit		
- Grant audit	<u>-</u>	<u>1,750</u>

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 16 and forms part of the Directors' Report for the year ended 30 June 2010.

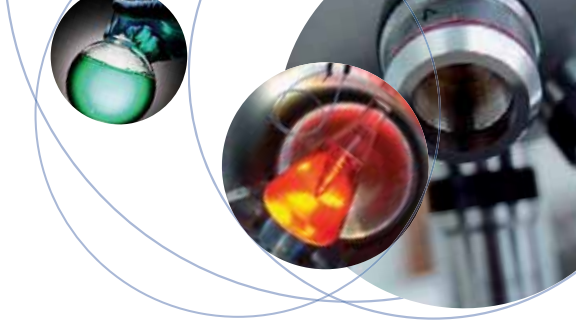
This report has been signed in accordance with a resolution of the directors and is dated 30 August 2010:



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 2010, 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

W.E. Austin

Partner
Brisbane 30 August 2010

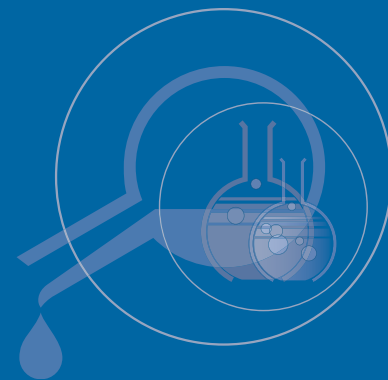


STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Other income	2	-	5,000
Administration and consultants' expenses		(196,335)	(172,000)
Depreciation	3	(23,122)	(47,731)
Employee and director expenses		(380,171)	(360,746)
Direct research and development expenses	3	(965,313)	(980,294)
Rent and outgoings expenses		(58,233)	(51,351)
Legal expenses		-	(6,675)
Other expenses from ordinary activities		(292,076)	(221,277)
Operating loss before financing income		(1,915,250)	(1,835,074)
Interest income		43,006	58,975
Net financing income		43,006	58,975
Loss before tax		(1,872,244)	(1,776,099)
Income tax expense	5	-	-
Loss for the year		(1,872,244)	(1,776,099)
Other comprehensive income		-	-
Total comprehensive loss for the year		(1,872,244)	(1,776,099)
Basic loss per share attributable to ordinary equity shareholders	4	(1.61) cents	(1.67) cents
Diluted loss per share attributable to ordinary equity shareholders	4	(1.61) cents	(1.67) cents

The above statement of comprehensive income should be read in conjunction with the accompanying notes



STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2010

	Notes	2010	2009
		\$	\$
Current assets			
Cash and cash equivalents		1,780,567	950,581
Trade and other receivables	6	9,471	27,520
Other	7	23,577	18,385
Total current assets		1,813,615	996,486
Non-current assets			
Plant and equipment	8	44,230	67,352
Total non-current assets		44,230	67,352
Total assets		1,857,845	1,063,838
Current liabilities			
Trade and other payables	9	62,212	136,397
Employee entitlements	10	78,075	85,935
Total current liabilities		140,287	222,332
Total liabilities		140,287	222,332
Net assets		1,717,558	841,506
Equity			
Issued capital	11	20,750,759	19,920,593
Reserves		2,277,738	359,608
Accumulated losses		(21,310,939)	(19,438,695)
Total equity		1,717,558	841,506

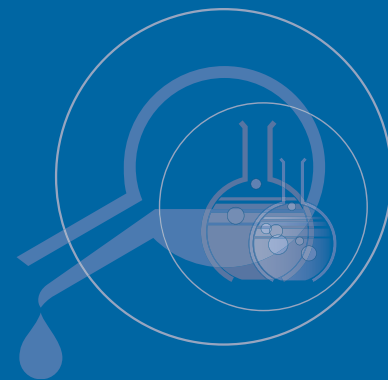
The above statement of financial position should be read in conjunction with accompanying notes

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

Attributable to equity holders of the Company	Notes	Share Capital	Option Premium Reserve	Retained Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2008		19,146,365	359,608	(17,662,596)	1,843,377
Total comprehensive income for the year					
Loss for the year		-	-	(1,776,099)	(1,776,099)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		19,146,365	359,608	(19,438,695)	67,278
Transactions with owners, recorded directly in equity					
Contribution by and distribution to owners					
Ordinary shares issued		807,500	-	-	807,500
Cost of the share issue		(33,272)	-	-	(33,272)
Balance at 30 June 2009	11	19,920,593	359,608	(19,438,695)	841,506
Balance at 1 July 2009		19,920,593	359,608	(19,438,695)	841,506
Total comprehensive income for the year					
Loss for the year		-	-	(1,872,244)	(1,872,244)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(1,872,244)	(1,872,244)
Transaction with owners, recorded directly in equity					
Contribution by and distribution to owners					
Ordinary shares/options issued		641,805	2,290,746	-	2,932,551
Cost of the option issue		-	(244,255)	-	(244,255)
Share based payment transaction		60,000	-	-	60,000
Exercise of options		128,361	(128,361)	-	-
Balance at 30 June 2010	11	20,750,759	2,277,738	(21,310,939)	1,717,558

The statement of changes in equity is to be read in conjunction with the accompanying notes



STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010	2009
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		-	3,910
Payments for research and development		(1,138,088)	(1,081,839)
Cash payments in the course of operations		(765,239)	(883,264)
Cash used in operations		(1,903,327)	(1,961,193)
Interest received		45,017	68,950
Net cash used in operating activities	12	(1,858,310)	(1,892,243)
Cash flows from investing activities			
Proceeds on sale of plant and equipment		-	5,000
Payments for plant and equipment		-	-
Net cash from investing activities		-	5,000
Cash flows from financing activities			
Proceeds from issue of shares and options		2,932,551	807,500
Cost of issue of shares and options		(244,255)	(33,272)
Net cash from financing activities		2,688,296	774,228
Net increase/(decrease) in cash and cash equivalents held		829,986	(1,113,015)
Cash and cash equivalents at the beginning of the financial year		950,581	2,063,596
Cash and cash equivalents at the end of the financial year	12	1,780,567	950,581

The above statement of cash flows should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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 30 August 2010.

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 amounts recognised in the financial statements are described in the following notes.- 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 a trading loss of \$1,872,244 in the year ended 30 June 2010 and has accumulated losses of \$21,310,939 as at 30 June 2010. The Company has cash on

hand of \$1,780,587 at 30 June 2010 and used \$1,853,310 of cash in operations for the year then ended. 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.

Changes in accounting policies

Commencing on 1 July 2009, the Company changed its accounting policies in the following areas:

- presentation of financial statements; and
- operating segments.

Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company, except as explained in the notes which address changes in accounting policies.

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 accumulated impairment losses. 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

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.

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. Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

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.

Presentation of financial statements

The Company applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Company presents in the consolidated statement of changes in equity all owners changes in equity, whereas all non-owners changes in equity are presented in the consolidated statement of comprehensive income.

Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the changes in accounting policy only impacts presentation aspects, there is no impact on earnings per share.

Segment reporting

Determination and presentation of operating segments

As of 1 July 2009 the Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company's chief operating decision maker. This change in accounting policy is due to the adoption of AASB 8 Operating Segments. Previously, operating segments were determined and presented in accordance with AASB 114 Segment Reporting. The new accounting policy in respect of segment operating disclosures is presented as follows.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed

by the Company's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly of corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

Since the change in accounting policy only impacts presentation and disclosure aspects, there is no impact on earnings per share.

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 2010, but have not been applied in preparing this financial report.

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 will become mandatory for the Company's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Company has not yet determined the potential effect of the standard.
- AASB 124 *Related Party Disclosures* (revised December 2009) simplifies and clarifies the intended meaning of the definition of a related party and provides a partial exemption from the disclosure requirements for government-related entities. The amendments, which will become mandatory for the Company's 30 June 2012 financial statements, are not expected to have any impact on the financial statements.
- AASB 2009-5 *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 2011 financial statements, are not expected to have a significant impact on the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

- AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issue* [AASB 132] (October 2010) clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. The amendments, which will become mandatory for the Company's 30 June 2011 financial statements, are not expected to have any impact on the financial statements.
- IFRIC 19 *Extinguishing Financial Liabilities with Equity Instruments* addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability. IFRIC 19 will become mandatory for the Company's 30 June 2011 financial statements, with retrospective application required. The Company has not yet determined the potential effect of the interpretation.
- AASB 2010-3 *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 2011 financial statements, are not expected to have a significant impact on the financial statements.
- AASB 2010-4 *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 2012 financial statements, are not expected to have a significant impact on the financial statements.



	2010	2009
	\$	\$
2. OTHER INCOME		
Gain on sale of fixed assets	-	5,000
Total	<u>-</u>	<u>5,000</u>

3. LOSS FROM OPERATING ACTIVITIES

Loss from ordinary activities has been arrived at after charging the following items:

Auditors' remuneration paid to KPMG		
- Audit and review of financial reports	34,375	26,240
- Other services	-	1,750
Depreciation		
- Office equipment	14,995	24,831
- Plant and equipment	8,127	22,900
Direct research and development expenditure expensed as incurred	965,313	980,294
Provision for employee entitlements	(7,860)	(20,383)

4. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2010 was based on the loss attributable to ordinary shareholders of \$1,872,244 (2009 - \$1,776,099) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2010 of 116,088,866 (2009 - 106,600,586), calculated as follows:

Net loss for the year	<u>1,872,244</u>	<u>1,776,099</u>
-----------------------	------------------	------------------

	2010	2009
	Number	Number
Issued ordinary shares at 1 July	114,537,315	104,443,565
Effect of shares issued on 14 April 2009	-	2,157,021
Effect of shares issued on 8 April 2010	1,477,030	-
Effect of shares issued on 28 May 2010	74,521	-
Weighted average number of ordinary shares	<u>116,088,866</u>	<u>106,600,586</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 \$	2009 \$
5. INCOME TAX EXPENSE		
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax - continuing operations	(1,872,244)	(1,776,099)
Income tax using the domestic corporation tax rate of 30%	(561,673)	(532,830)
Increase in income tax expense due to:		
- Adjustments not resulting in temporary differences	295	2,371
- Unrecognised temporary differences	(42,527)	(24,045)
- Effect of tax losses not recognised	603,905	554,504
Income tax expense current and deferred	-	-

Deferred tax assets have not been recognised in respect of the following items:

Deductible temporary differences (net)	114,386	85,004
Tax losses	7,431,227	6,618,540
Net	7,545,613	6,703,544

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.

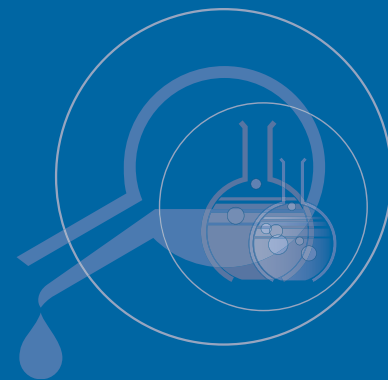
6. RECEIVABLES

Current

Other debtors	1,875	2,011
GST receivable	7,596	25,509
	9,471	27,520

7. OTHER

Current prepayments	8,447	3,255
Security deposits	15,130	15,130
	23,577	18,385



	2010	2009
	\$	\$
8. PLANT AND EQUIPMENT		
Office equipment - at cost	157,439	157,439
Accumulated depreciation	(133,610)	(118,615)
	<u>23,829</u>	<u>38,824</u>
Plant and equipment - at cost	594,490	594,490
Accumulated depreciation	(574,089)	(565,962)
	<u>20,401</u>	<u>28,528</u>
Total plant and equipment - net book value	<u><u>44,230</u></u>	<u><u>67,352</u></u>

Reconciliations

Reconciliations of the carrying amounts for each class of plant and equipment are set out below:

Office equipment

Balance at 1 July	38,824	63,655
Depreciation	(14,995)	(24,831)
Carrying amount at the end of the financial year	<u>23,829</u>	<u>38,824</u>

Plant and equipment

Balance at 1 July	28,528	51,428
Depreciation	(8,127)	(22,900)
Carrying amount at the end of the financial year	<u>20,401</u>	<u>28,528</u>
Total carrying amount at the end of the financial year	<u><u>44,230</u></u>	<u><u>67,352</u></u>

9. TRADE AND OTHER PAYABLES

Current

Creditors	32,324	34,897
Accruals	29,888	101,500
	<u>62,212</u>	<u>136,397</u>

10. EMPLOYEE ENTITLEMENTS

Current

Employee annual leave provision	34,047	46,722
Long service leave provision	44,028	39,213
	<u>78,075</u>	<u>85,935</u>
Number of employees at the end of the financial year	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
	\$	\$
11. ISSUED CAPITAL		
Issued and paid up capital		
121,755,364 (2009 - 114,537,315) fully paid ordinary shares	<u>20,750,759</u>	<u>19,920,593</u>
Fully paid ordinary shares		
Balance at the beginning of the financial year	19,920,593	19,146,365
Issue of shares	641,805	807,500
Share base payment transaction	60,000	-
Exercise of options	128,361	-
Costs of issue	-	(33,272)
Balance at the end of financial year	<u>20,750,759</u>	<u>19,920,593</u>

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 ordinary shares through a Share Purchase Plan and placement for cash totalling \$807,500. Total issue costs of \$33,272 were recognised as a reduction of the proceeds of issue of these shares.

During the year ended 30 June 2010, the Company issued 114,537,315 options at \$0.02 each (2009 nil). Total issue costs of \$244,255 were recognised as a reduction of the proceeds of the issue of these options. Also during the year ended 30 June 2010, a further 6,418,049 options were issued for no consideration as a result of the early exercise of these options.

During the year ended 30 June 2010, the Company issued 6,418,049 ordinary shares through the exercise of options for cash totalling \$641,805.

During the year ended 30 June 2010, the Company issued 800,000 shares for \$60,000 in consideration for the provision of market research services. The shares issued were valued by reference to the closing share price on the date of issue.

The following options, which were issued during the year ended 30 June 2010 for cash consideration or as a 'piggyback option' upon the early exercise of an existing option, were on issue at 30 June 2010:

- 108,119,266 options, each exercisable at 10 cents to acquire one fully paid ordinary share at any time up to 30 December 2011.
- 6,418,049 options, each exercisable at 20 cents to acquire one fully paid ordinary share at any time up to 30 March 2012.

The following options, were issued during the year ended 30 June 2008 and were on issue at 30 June 2010:

- 1,000,000 options, each exercisable at 35 cents to acquire one fully paid ordinary share at any time up to 30 September 2010.
- 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 2010 was \$60,000 (2009 – \$nil).

During the year ended 30 June 2010, no options lapsed (2009 – nil).

The weighted average exercise price of options at year end was \$0.12 (2009 – \$0.363).

	2010	2009
	\$	\$
12. STATEMENT OF CASH FLOWS		
Reconciliation of cash flows from operating activities		
Loss for the period	(1,872,244)	(1,776,099)
Adjustments for:		
Depreciation of plant and equipment	23,122	47,731
Provisions	(7,860)	(20,383)
Share based payment	60,000	
Gain on sale of plant and equipment	-	(5,000)
Changes in assets and liabilities		
Decrease in receivables	18,049	31,963
(Increase)/decrease in prepayments	(5,192)	686
(Decrease) in payables	(74,185)	(181,230)
Decrease in other assets	-	10,089
Net cash used in operating activities	(1,858,310)	(1,892,243)
Reconciliation of cash		
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 Statement of Financial Position as follows:		
Cash and cash equivalents in the statement of cash flows	1,780,567	950,581

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

13. 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.

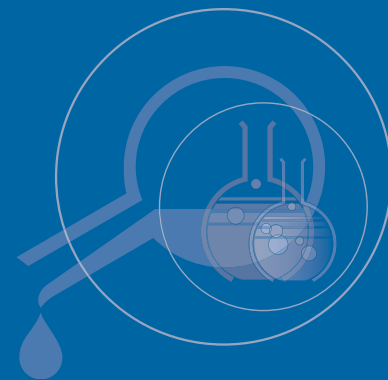
Remuneration generally comprises salary and superannuation. Longer term incentives are able to be provided through the Company's Incentive Option Plan which acts to align the directors and senior executives' actions with the interests of the shareholders. The remuneration disclosed below represents the 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 \$	Total \$
Directors				
<i>Non-executive</i>				
Michael J. Hoy	2010	55,046	4,954	60,000
(Chairman)	2009	55,046	4,954	60,000
Michael S. Hirshorn	2010	27,523	2,477	30,000
	2009	27,523	2,477	30,000
Bruce Hundertmark	2010	27,523	2,477	30,000
	2009	27,523	2,477	30,000
Peter G. Scott	2010	20,642	1,858	22,500
	2009	5,000	25,000	30,000
Denis N. Wade	2010	4,587	-	4,587
	2009	-	-	-
<i>Executive</i>				
Michelle Miller	2010	219,230	19,731	238,961
(Managing Director)	2009	200,000	18,000	218,000
Executives				
Peter J. Nightingale	2010	75,000	-	75,000
(Company Secretary)	2009	75,000	-	75,000
Total	2010	429,551	31,497	461,048
	2009	390,092	52,908	443,000

During 2010 and 2009, no long term benefits, termination benefits or share-based payments were paid.



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 - 2010

	Held at 1 July 2009	Purchased	Received on Exercise of Options	Sales	Held at 30 June 2010
Directors					
Michael J. Hoy	1,408,214	-	-	-	1,408,214
Michelle Miller	-	-	-	-	-
Michael S. Hirshorn	-	130,000	-	-	130,000
Bruce Hundertmark	-	-	-	-	-
Denis N. Wade*	-	-	-	-	475,000
Peter G. Scott**	9,014,000	-	-	-	-
Executives					
Peter J. Nightingale	1,702,397	-	-	-	1,702,397

* Dr Denis N. Wade held 475,000 shares at the time of becoming a director.

** Mr Peter G. Scott held 9,014,000 shares when he resigned as director on 1 April 2010.

Fully paid ordinary shareholdings and transactions - 2009

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

During the year ended 30 June 2010, 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 \$21,239 (2009 - \$17,062). Outstanding amounts at 30 June 2010 total \$nil (2009 - \$nil).

During the year ended 30 June 2010, 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 \$121,526 (2009 - \$122,025). Outstanding amounts at 30 June 2010 total \$nil (2009 - \$nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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.

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 - 2010

	Held at 1 July 2009	Purchased	Expired	Held at 30 June 2010	Vested and Exercisable at 30 June 2010
Directors					
Michael J. Hoy	500,000	1,408,214	-	1,908,214	1,908,214
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
Denis N. Wade*	-	-	-	162,500	162,500
Peter G. Scott**	-	500,000	-	-	-
Executives					
Peter J. Nightingale	200,000	2,287,785	-	2,487,785	2,487,785

* Dr Denis N. Wade held 162,500 options at the time of becoming a director.

** Mr Peter G. Scott held 500,000 options when he resigned from office on 1 April 2010.

Option holdings - 2009

	Held at 1 July 2008	Purchased	Expired	Held at 30 June 2009	Vested and Exercisable at 30 June 2009
Directors					
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 Scott	-	-	-	-	-
Executives					
Peter J. Nightingale	200,000	-	-	200,000	200,000



14. EMPLOYEE AND DIRECTOR INCENTIVE OPTION PLAN

At 30 June 2010, the Company had 4 employees (2009 - 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 2010, no options were granted or forfeited to employees (2009 - 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 2010 and 30 June 2009.

15. 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:

	Notes	Carrying amount 2010 \$	Carrying amount 2009 \$
Cash and cash equivalents		1,780,567	950,581
Trade and other receivables	6	9,471	27,520
Security deposits	7	15,130	15,130
		<u>1,805,168</u>	<u>993,231</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

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.

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
	\$	\$	\$	\$	\$
30 June 2010					
Trade and other payables	62,212	(62,212)	(62,212)	-	-
30 June 2009					
Trade and other payables	136,397	(136,397)	(136,397)	-	-

Ultimate responsibility for liquidity management rests with the board. 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	2010 \$	2009 \$
Financial Assets			
Cash and cash equivalents		1,780,567	950,581
Security deposits	7	15,130	15,130
Net exposure		1,795,697	965,711



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.

	\$
30 June 2010	11,276
30 June 2009	9,657

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.

16. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the biotechnology industry in Australia.

17. OPERATING LEASE

The Company leases an office in North Ryde Sydney. The lease is currently under negotiations for a period of 3 years starting from November 2010 with an option to renew lease after that 3 years. Lease payments are increased every year at an increment of 5% per annum. This increment percentage is under negotiation.

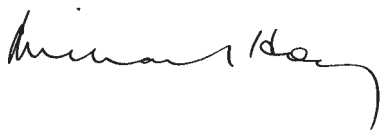
During the year ended 30 June 2010, \$58,233 was recognised as an expense in the income statement in respect of the operating lease (2009 - \$51,351).

	2010	2009
	\$	\$
Less than one year	24,871	58,831
Between one and five years	-	25,009
More than five years	-	-

DIRECTORS' DECLARATION

1. In the opinion of the directors of Biotron Limited:
 - a) the financial statements and notes set out on pages 17 to 36, and the Remuneration Report in the Directors' Report, set out on pages 11 to 13, 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 2010 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 2010.

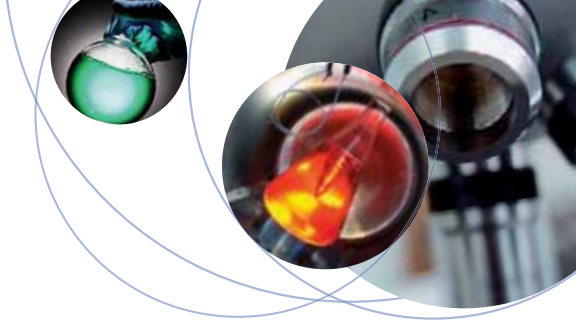
This report has been signed in accordance with a resolution of the directors and is dated 30 August 2010:



Michael J. Hoy
Chairman



Michelle Miller
Managing Director



INDEPENDENT AUDITOR'S 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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a description of significant accounting policies and other explanatory notes 1 to 17 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.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BIOTRON LIMITED



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 2010 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 11 to 13 of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion

In our opinion, the Remuneration Report of Biotron Limited for the year ended 30 June 2010 complies with Section 300A of the Corporations Act 2001.

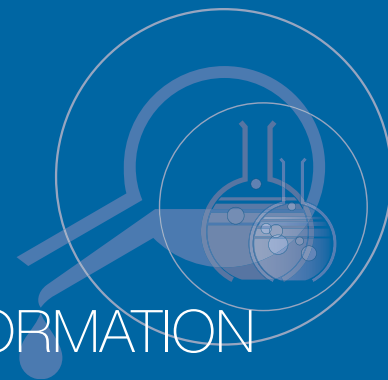


KPMG



**W.E. Austin
Partner**

Brisbane 30 August 2010



ADDITIONAL STOCK EXCHANGE INFORMATION

FOR THE YEAR ENDED 30 JUNE 2010

Home Exchange

The Company is listed on the ASX Limited. The home exchange is Sydney.

Use of Cash and Assets

Since the Company's listing on the ASX, 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	30 December 2011 \$0.10 Options	30 March 2012 \$0.20 Options
1 - 1,000	58	-	-	-	2	-
1,001 - 5,000	373	-	-	-	38	20
5,001 - 10,000	303	-	-	-	50	21
10,001 - 100,000	635	-	-	-	197	58
100,001 and over	167	12	2	1	124	11
	1,536	12	2	1	411	110

At 31 July 2010, nil shareholders held less than a marketable parcel of shares.

ADDITIONAL STOCK EXCHANGE INFORMATION

ADDITIONAL STOCK EXCHANGE INFORMATION FOR THE YEAR ENDED 30 JUNE 2010

Twenty Largest Quoted Shareholders

At 31 July 2010 the twenty largest fully paid ordinary shareholders held 42.51% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%
1	Dr Angela Fay Dulhunty	9,968,362	8.19
2	Scott's A V Pty Ltd	9,014,000	7.40
3	Rigi Investments Pty Ltd	4,492,645	3.69
4	Twynam Agricultural Group Pty Ltd	3,700,000	3.04
5	CBDF Pty Ltd	2,875,254	2.36
6	Pathold No 222 Pty Ltd	2,650,000	2.18
7	Martin Place Securities Staff Superannuation Fund Pty Ltd	2,300,000	1.89
8	Chris and Bhama Parish	1,600,000	1.31
9	Philip and Marylyn Board	1,599,950	1.31
10	Linkenholt Pty Ltd	1,500,000	1.23
11	Michael John Hoy	1,408,214	1.16
12	ANZ Nominees Limited	1,358,829	1.12
13	Edstop Pty Ltd	1,248,276	1.03
14	Ian and Marion Platt-Hepworth	1,228,420	1.01
15	Carrington Services Pty Ltd	1,200,000	0.99
16	Wightholme Nominees Pty Ltd	1,200,000	0.99
17	Peter James Nightingale	1,175,714	0.97
18	Prof Alan Jonathan Berrick	1,150,000	0.94
19	Christopher David Hammer	1,090,715	0.90
20	Ramsab Pty Ltd	1,000,000	0.82

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
Dr Denis N. Wade

Company Secretary:

Mr Peter J. Nightingale

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
Homepage: www.biotron.com.au

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

Auditors:

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

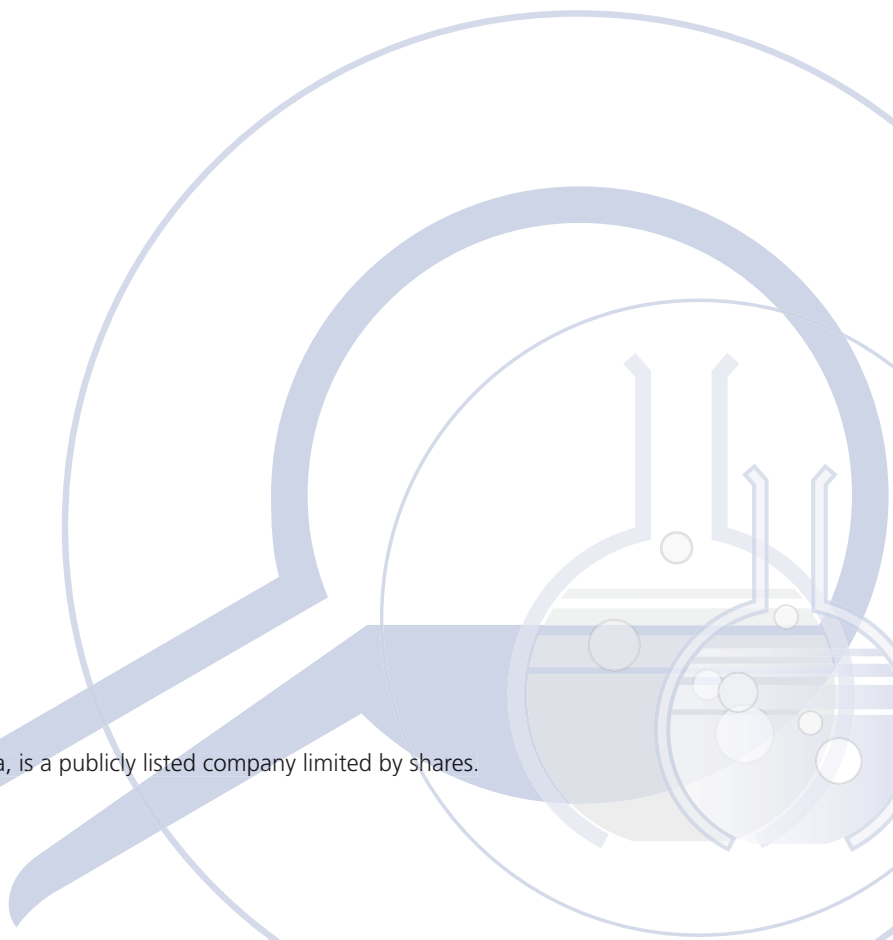
Home Exchange:

ASX Limited
20 Bridge Street
SYDNEY NSW 2000

Solicitors:

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000

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



Biotron



BIOTRON LIMITED Level 2, 66 Hunter Street, Sydney, NSW 2000, Australia

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of members is to be convened at Level 3, 66 Hunter Street, Sydney, NSW, 2000 on 26 November 2010 at 11.00 am.

AGENDA

ORDINARY BUSINESS

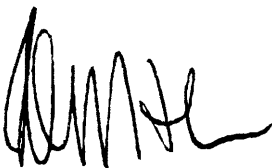
To receive and consider the Company's annual financial report, the directors' report and the auditors' report for the year ended 30 June 2010.

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 2010 be and is hereby adopted.'
- Resolution 2.** 'That Dr Michael S. Hirshorn be and is hereby re-elected as a Director.'
- Resolution 3.** 'That Dr Denis N. Wade be and is hereby elected as a Director.'
- Resolution 4.** 'That, for the purposes of ASX Listing Rule 10.11, the grant of 5,000,000 options to Michelle Miller in accordance with the terms as set out in the Explanatory Memorandum accompanying this Notice of Meeting is approved'.

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

22 October 2010

pjn5610

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 3, 66 Hunter Street, Sydney, NSW, 2000 on 26 November 2010 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 2010 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 Michael Hirshorn as a Director

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

Resolution 3 Election of Denis Wade as a Director

Having been appointed as a Director during the year, in accordance with Article 56 of the Company's Constitution and the Corporations Law, Denis Wade retires as a Director and, being eligible, offers himself for election.

Resolution 4 Approval of Grant of Options to Michelle Miller for the purposes of ASX Listing Rule 10.11

As part of her remuneration as Managing Director, Resolution 4 proposes the granting of three tranches of options to Michelle Miller with the following principal terms and conditions:

- Class of securities to be issued: 30 October 2015 options
- Number of options to be issued: 5,000,000
- Issue price: \$nil
- Entitlement per option: Exercisable at any time after the vesting date and before the expiry date to acquire 1 fully paid ordinary share
- Exercise price per option: the greater of the amount equal to 100% above the market value of the Company's shares (as determined under section 139FA of the Income Tax Assessment Act 1936) on the date of the grant of the options and:
 - \$0.15 for the first tranche of 1,000,000 options
 - \$0.20 for the second tranche of 1,000,000 options
 - \$0.25 for the third tranche of 3,000,000 options
- Vesting date: Immediately following shareholder approval of the grant of options for the first tranche of 1,000,000 options
30 October 2011 for the second tranche of 1,000,000 options
30 October 2012 for the third tranche of 3,000,000 options
- Expiry date: the earlier of 30 October 2015 and the date which is 1 month after the date of ceasing to be an officer of the Company (other than due to the occurrence of a Special Circumstance as defined by the Biotron Incentive Option Plan)

By obtaining shareholder approval for Resolution 4 as required by ASX Listing Rule 10.11, the Company will satisfy the requirements of Exception 14 of ASX Listing Rule 7.2 and thereby not require shareholder approval for these issues under Listing Rule 7.1.

The options issued under Resolution 4 allow for the rights of the optionholder to be changed to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation. The optionholder cannot participate in new issues without exercising the options.

All options granted under Resolution 4 may be allotted immediately following shareholder approval at the Annual General Meeting and, in any event, within one month following the close of the meeting.

No funds will be raised from the issue of the options. In the event that any of the options are exercised, the funds raised will be used to continue the development of the Company's biotechnology projects and for working capital purposes.

The options which may be granted are intended to provide an incentive to Michelle Miller to recognise her contribution to the Company. The Directors consider that the incentive represented by these options is a cost effective and efficient incentive offered by the Company when compared with alternative forms of incentive such as cash bonuses or increased remuneration.

Voting Exclusion Statement

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

- Michelle Miller; and
- any associates of Michelle Miller.

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
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E-mail: pnightingale@biotron.com.au
Website: 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 26 November 2010 and at any adjournment thereof.

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

RESOLUTION	FOR	AGAINST	ABSTAIN
1. Adoption of the Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Re-election of Michael S. Hirshorn as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Election of Denis N. Wade as a Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of the grant of options to Michelle Miller	<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 2010

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:
 - Michelle Miller; and
 - any associates of Michelle Miller.

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 24 November 2010 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.