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31 August 2012

The Manager - Companies
ASX Limited
20 Bridge Street
SYDNEY NSW 2000

(51 pages by email)


Dear Madam,

YEAR END ACCOUNTS AND PRELIMINARY FINAL REPORT

I attach the Company's Year End Accounts and Appendix 4E Preliminary Final Report for the year ended 30 June 2012.

Full details of the Company's Operating and Financial Review are contained in the attached Annual Report which forms part of this Preliminary Final Report.

Yours sincerely



Peter J. Nightingale
Company Secretary

pjn6857

Appendix 4E

Preliminary final report

Name of entity

BIOTRON LIMITED

ABN or equivalent company reference

60 086 399 144

Financial year ended ('current period')

30 JUNE 2012

Results for announcement to the market

Revenues from ordinary activities	N/A	Nil	to	Nil
Loss from ordinary activities after tax attributable to members	Up	24.7%	to	\$2,378,052
Net loss for the period attributable to members	Up	24.7%	to	\$2,378,052
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Previous corresponding period				
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Record date for determining entitlements to the dividend.	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached Annual Report for the year ended 30 June 2012.				
NTA backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	3.6 cents		1.2 cents	

The attached Annual Report which forms part of this Appendix 4E has been audited.

BIOTRON LIMITED

A.B.N. 60 086 399 144

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2012**

BIOTRON LIMITED

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BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

The period under review has seen significant advancement across all aspects of the Company's antiviral drug development program. The continued focus on the planned stepwise clinical development of the Company's lead drug BIT225 has resulted in positive outcomes in the advancement of the drug for treatment of Hepatitis C virus ('HCV'). Additionally, BIT225 has moved into the clinic for its second indication, HIV, with a Phase 1b/2a trial currently in progress. Plans are well advanced for a trial of BIT225 in HCV/HIV co-infected patients scheduled to commence before the end of the 2012 calendar year. In parallel, Biotron has progressed a range of activities that support its clinical program. Formulation studies to produce capsules of drug are in progress in the USA, and an international drug manufacturer is currently making 10 kilograms of clinical grade BIT225. Both of these activities are aimed at positioning BIT225 for larger, longer term studies.

Significant events achieved in this financial year include:

- Successful completion of the Company's Phase 2a clinical trial of its lead drug BIT225 in HCV-infected patients, demonstrating that BIT225 has good activity against genotype 1 HCV, and further, that it improves the outcome for patients receiving the current approved treatment of interferon and ribavirin.
- Commencement of a Phase 1b/2a clinical trial of BIT225 in HIV-infected patients.
- Progressing plans for a trial of BIT225 in patients co-infected with HIV and HCV, which is anticipated to commence in the second half of 2012.
- Contracting international specialist organisations for a range of supporting activities, including formulation studies on BIT225, manufacture of 10 kilograms of cGMP BIT225, and 3 month preclinical toxicology studies to support longer term dosing.
- Presentation of data from the Phase 2a HCV trial at an international scientific conference in the USA.
- Showcasing the Company to the international investment community at various events in the USA as well as locally.
- Appointment of two new directors, Dr Susan Pond and Mr Robert Thomas, to the Company's Board.
- Approximately 80 million 30 December 2011 options were exercised by the optionholders, raising \$8 million.

Hepatitis C Virus Clinical Program

During the financial year ended 30 June 2012, the Company successfully completed the third human trial of its lead drug, BIT225, an investigational, orally-administered, novel antiviral compound in development by Biotron for treatment of HCV and HIV infections.

The trial (protocol BIT225-005) was a Phase 2a trial of BIT225 in combination with the currently approved treatment for HCV - interferon and ribavirin ('IFN/RBV'). The trial was designed to assess the safety of Biotron's drug given daily for 28 days, as well to assess its effect on the level of virus in the blood of the patients. The trial was also designed to see whether BIT225 improves the efficacy of IFN/RBV in patients infected with the difficult to treat variant of HCV known as genotype 1. Twenty four HCV infected patients were dosed twice daily with BIT225 or placebo for 28 days at the commencement of a standard course of treatment of IFN/RBV. At the conclusion of dosing with BIT225 or placebo, the patients continued to receive the standard course of IFN/RBV for a further 44 weeks.

Genotype 1 patients make up the majority of HCV infections in the Western world, and are the hardest to treat, with less than half responding to current approved treatment. There is a major unmet medical need for drugs that will improve treatment outcomes for this group of patients.

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As was reported in December 2011, the trial successfully demonstrated that BIT225 has good anti-HCV activity. The drug significantly lowered the levels of virus in patients receiving BIT225 along with IFN/RBV when compared to those who only received IFN/RBV.

Almost 90% of patients who had received BIT225 plus IFN/RBV were free of virus after three months, compared to approximately 60% of patients who received IFN/RBV alone. This was despite BIT225 being administered only during the first 28 days of treatment. The antiviral activity of BIT225 in this trial reflects the previously reported high synergistic activity with IFN/RBV that was seen in cell culture models of HCV infection.

This encouraging result validates Biotron's approach to treatment of this virus. This trial was a crucial step in the development path of BIT225, and followed on from a seven day clinical trial (protocol BIT225-003) of the drug on its own in HCV-positive patients. That monotherapy trial showed promising results. The results of the Phase 2a BIT225/IFN/RBV combination trial confirmed the anticipated significant activity.

Patients involved in the Phase 2a combination trial are being followed until the end of the IFN/RBV treatment period. These scheduled end of treatment visits are currently in progress. Ongoing pharmacokinetic and resistance studies are in progress on samples collected from trial participants and additional data is anticipated during the second half of 2012.

It is estimated that in the USA alone some 4 million people have been infected with Hepatitis C, of which 2.7 million suffer from chronic infection. Worldwide, 180 million people (3% of the world population) are infected. HCV causes inflammation of the liver, which, apart from the acute disease, may lead to cirrhosis, liver cancer and, ultimately, liver failure. Despite the limitations of existing drugs, the worldwide market for anti-HCV drugs is currently almost US\$3.3 billion but it is estimated that this market will expand to over US\$10.0 billion as safe, effective therapies enter the market.

Antiviral drugs cannot be used on their own to treat chronic infections because of the risk of developing drug resistance. In a clinical setting, BIT225 would most likely be used in combination with other anti-HCV drugs, subject to continuing positive results and approvals. The pharmaceutical industry is currently focused on developing several new classes of drugs, known as direct-acting antiviral ('DAA') drugs, for HCV which are likely to be used in combination with each other, and which may replace the problematic IFN/RBV treatment. BIT225 represents a first-in-class drug for treatment of HCV, targeting the p7 protein of HCV. In addition to having the potential to be used in combination with IFN/RBV to improve patient outcomes, BIT225 also has the potential to be used in combination with these other new classes of DAA drugs being developed.

Biotron is in the early planning stages for a larger Phase 2 trial of BIT225 in HCV-infected patients. This study is expected to have a 12 week treatment period, and will include additional HCV genotypes. The design of this study is currently being finalised. Further details will be released during the second half of 2012.

HIV Clinical Program

BIT225 is also active against HIV, the virus that causes AIDS. In September 2011, Biotron commenced a Phase 1b/2a clinical trial (protocol BIT225-004) of BIT225 in 24 HIV-infected patients who are anti-retroviral drug treatment naive.

Preclinical efficacy data has indicated that BIT225 represents a first-in-class opportunity to target the HIV virus in monocyte lineage cells where, until now, the virus has been able to 'hide' from current drug therapies. This strategy of targeting virus reservoirs is an area of great interest to HIV researchers globally, with most programs still in very early research stages of development.

Biotron's approach is novel and relatively advanced. 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. If successful, we anticipate that BIT225 could be used in combination with existing anti-retroviral therapies.

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The trial suffered initial delays in recruitment due to extensive flooding in Bangkok, where the trial is underway, and surrounding provinces. Recruitment has been slower than anticipated - as with all clinical trials, there are rules that dictate criteria for inclusion and exclusion of potential participants. The target population for this trial is quite specific (patients who are HIV-positive, with high viral load and good T cell counts, but who have not received other HIV drugs), which means not everyone who wants to participate in the trial is eligible. Biotron is working closely with the trial site to improve recruitment rates, and it is expected that the trial will be completed this calendar year.

HIV/HCV Co-Infection Clinical Program

The proportion of patients infected with both HIV and HCV is significant, and this co-infected group offers particular challenges to treatment with current therapies. HCV is a more serious disease in HIV-positive patients, and is a leading cause of death in these patients. It has been estimated that between 25% and 40% of HIV-positive patients in the USA are co-infected with HCV, and these people have a significantly worse prognosis than mono-infected patients. Both the USA and European drug regulatory agencies are recognising the need for new treatment strategies for this difficult-to-treat population.

Biotron's lead drug, BIT225, is uniquely placed, due to its dual anti-HIV and anti-HCV activity. For this reason we have been progressing documentation for regulatory and ethics submissions for a trial of BIT225 in HIV/HCV co-infected patients (protocol BIT225-006). The aim of this trial will be to generate the first efficacy data in this unique, specific population with a significant unmet medical need. Additionally, the trial will provide detailed pharmacokinetic information data on BIT225 in the presence of other anti-HIV drugs.

In addition, this new study is expected to generate important safety and pharmacokinetic data with BIT225 in co-infected patients, as well as extend the efficacy data to other HCV genotypes, including genotypes 2 and 3.

The trial protocol has been finalised, and together with other supporting documentation is at the trial site and scheduled to go before the ethics committee for approval in early September. It is anticipated that the trial will be underway this calendar year.

Biotron's trials in HIV and HCV patients are important steps in the Company's development programs. Demonstration that BIT225 can attack these viruses in patients will be a major advance in terms of Company and technology valuations. The proposed trials are designed to benefit shareholders through increasing the value of Biotron's technologies to its future pharmaceutical company partners. Biotron continues to actively promote its technologies and engage with potential international partners, and remains focused on achieving a commercial outcome to its programs.

New Formulations, Drug Manufacture and Extended Toxicity Studies

In addition to the Company's clinical programs discussed above, additional activities which support these programs are underway. These supporting activities are equally central to achieving a successful commercial outcome for BIT225.

One of the most important activities is the development of a new, improved formulation of BIT225 in capsule or tablet form suitable for use in extended trials in larger patient populations. To date, BIT225 has been given to trial participants in powder form, suspended just before dosing in a taste masking liquid. The formulation studies are currently underway with a USA company that specialises in this area, and are expected to be completed before the end of 2012.

Another key activity is extending preclinical (non-human) safety studies out to three months duration. Before commencing clinical studies, Biotron tested BIT225 in animals for 28 days. The aim of those studies was to determine the toxicity profile of the drug, and the results allowed dosing of patients for a maximum of 28 days. Over the last year or so, clinical trials of other new classes of DAA drugs for treating HCV have moved to 3 month dosing regimens. Given Biotron's aim of seeing BIT225 used in combination with these new DAAs, the next logical step in the preclinical testing of BIT225 is to undertake 3 month toxicity studies. The data from these studies will enable Biotron to dose patients with BIT225 for up to 3 months.

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To facilitate these formulation and toxicity studies, 10 kilograms of clinical grade BIT225 drug is currently being manufactured. As previously reported, in 2006 Biotron successfully developed a scaleable manufacturing process and had kilogram quantities of clinical grade BIT225 manufactured. This material has been used in the four clinical trials performed with BIT225, with ongoing stability studies performed on the drug every 6 months. Impressively, these studies have shown that BIT225 is a very stable compound, with no significant degradation of its chemical composition over the 6 years of these trials. Stocks of drug are, however, dwindling, so manufacturing of another batch of drug is currently in progress to support future studies. An international manufacturing company has been contracted to perform this work, which is advancing well, with completion scheduled for the final quarter of 2012.

In addition to progressing the development of BIT225 for treatment of HIV and HCV, Biotron has been progressing its back-up drug program. BIT225 was previously identified as the lead candidate from Biotron's library of over 250 compounds. Other compounds also have good antiviral activity, and one promising compound is currently undergoing preliminary preclinical tests to determine whether it is a potential clinical candidate.

Other Viral Programs

The Company has a 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 (including the potential benefit in the HIV/HCV co-infected population), and secondly, exploiting BIT225 to reduce the viral reservoirs in HIV infected patients.

Outlook for the Next 12 Months

As set out above, the past 12 months has seen impressive progress across Biotron's antiviral drug development program. It is anticipated that Biotron will continue to significantly advance its activities, and by 30 June 2013 we expect to have:

- completed final pharmacokinetic and resistance studies, as well as one year follow up, on participants in the HCV BIT225 IFN/RBV combination trial;
- completed the HIV trial currently in progress;
- commenced and completed the proposed HIV/HCV co-infection trial;
- completed cGMP manufacture of 10 kilograms of BIT225, and developed a robust formulation;
- completed 3 month preclinical toxicity studies;
- commenced a 12 week trial of BIT225 against a wider range of HCV genotypes; and
- progress a second generation, back-up drug through preclinical studies towards the clinic.

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 portfolio. Strong, defensible, international patents are essential to attract partners and to ensure a competitive advantage for the Company's products in the marketplace.

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

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Title	Status
WO0021538 Method of modulating ion channel functional activity Priority - 12 October 1998	Granted in Australia, Canada, China, Japan, New Zealand, and USA Under examination elsewhere (Hong Kong and Europe)
WO9813514 Method of determining ion channel activity of a substance Priority - 27 September 1996	Granted in Australia, Canada, Japan, Europe, and USA
WO04112687 Antiviral compounds and methods Priority - 26 June 2003	Granted in Australia, China, India, Japan, Korea, New Zealand, Singapore and South Africa Under examination elsewhere (Brazil, Canada, Europe, Hong Kong, USA)
WO06135978 Antiviral compounds and methods Priority - 24 June 2005	Granted in New Zealand and South Africa Waiting for or under examination elsewhere
WO2009/018609 Hepatitis C antiviral compounds and methods Priority - 3 August 2007	Waiting for or under examination in all jurisdictions

Corporate

In late December 2011, the successful capital raising via exercise of options ensured that Biotron has the finances to advance the preclinical and clinical programs discussed above. Eighty per cent of options were exercised, raising \$8 million. The Directors would like to thank all those shareholders who supported the Company by exercising these options.

During the first half of 2012 we welcomed two new directors to Biotron's Board. We are confident that Dr Susan Pond and Mr Robert Thomas have the necessary experience and relevant expertise to ensure solid advancement of the Company's clinical and commercialisation programs.

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 systematic approach to antiviral drug development can produce new, novel drugs which can attack virus infections in humans, resulting in significant clinical benefit to patients, and generating major financial benefits to our shareholders.

We look forward to the next year with confidence.



Michael J. Hoy
Chairman



Michelle Miller
Managing Director

BIOTRON LIMITED

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.

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders.

The Board of Directors supports the Principles of Good Corporate Governance and Best Practice Recommendations developed by the ASX Corporate Governance Council (Council). Whilst the Company's practices are largely consistent with the Council's guidelines, the Board considers that the implementation of some recommendations are not appropriate having regard to the nature and scale of the Company's activities and size of the Board. The Board uses its best endeavours to ensure exceptions to the Council's guidelines do not have a negative impact on the Company and the best interests of shareholders as a whole. When the Company is not able to implement one of the Council's recommendations the Company applies the 'if not, why not' explanation approach by applying practices in accordance with the spirit of the relevant principle.

The following discussion outlines the ASX Corporate Governance Council's eight principles and associated recommendations and the extent to which the Company complies with those recommendations.

Details of all of the Council's recommendations can be found on the ASX website at <http://www.asx.com.au>.

Principle 1 – Lay solid foundations for management and oversight

Board of Directors

The Board is responsible for, and has the authority to determine, all matters relating to the policies, practices, management and operations of the Company. The Board is also responsible for the overall corporate governance and management oversight of the Company and recognises the need for the highest standards of behaviour and accountability in acting in the best interests of the Company as a whole.

The Board also ensures that the Company complies with all of its contractual, statutory and any other legal or regulatory obligations. The Board has the final responsibility for the successful operations of the Company.

Where the Board considers that particular expertise or information is required, which is not available from within their members, appropriate external advice may be taken and reviewed prior to a final decision being made by the Board.

Without intending to limit the general role of the Board, the principal functions and responsibilities of the Board include the following:

- formulation and approval of the strategic direction, objectives and goals of the Company;
- the prudential control of the Company's finances and operations and monitoring the financial performance of the Company;
- the resourcing, review and monitoring of executive management;
- ensuring that adequate internal control systems and procedures exist and that compliance with these systems and procedures is maintained;
- the identification of significant business risks and ensuring that such risks are adequately managed;
- the timeliness, accuracy and effectiveness of communications and reporting to shareholders and the market; and
- the establishment and maintenance of appropriate ethical standards.

BIOTRON LIMITED

STATEMENT OF CORPORATE GOVERNANCE

The Company has followed Recommendation 1.1 by establishing the functions reserved to the Board and those delegated to senior executives as disclosed above.

The Company has followed Recommendation 1.2 by evaluating the performance of senior executives. The Board reviews the performance of the Company's senior executives on a face to face basis with the performance evaluation of the Managing Director being conducted by the Chairman of the Board.

The Company has taken the appropriate measures to provide each director and senior executive with a copy of the Company's policies which spells out the rights, duties and responsibilities that they should follow.

The Company has followed Recommendation 1.3 by conducting the evaluations of senior executives in accordance with the process described above.

Principle 2 – Structure the Board to add value

Board of Directors - Composition, Structure and Process

The Board has been formed so that it has effective composition, size and commitment to adequately discharge its responsibilities and duties given the Company's current size, scale and nature of its activities.

The Company has followed Recommendations 2.1, 2.2 and 2.3 as disclosed below.

Independent directors

The Board is made up of six directors, five of which, including the Chairman, are independent directors. The Managing Director is the only executive director.

Regular assessment of independence

An independent director, in the view of the Company, is a non-executive director who:

- is not a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company;
- within the last three years has not been employed in an executive capacity by the Company, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional advisor or a material consultant to the Company, or an employee materially associated with a service provider;
- is not a material supplier or customer of the Company, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The composition of the Board is reviewed periodically with regards to the optimum number and skills of directors required for the Board to properly perform its responsibilities and functions.

Having regard to the current membership of the Board and the size, organisational complexity and scope of operation of the Company, a Nomination Committee has not been established and therefore Recommendation 2.4 has not been followed.

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STATEMENT OF CORPORATE GOVERNANCE

Performance review and evaluation

The Company has followed Recommendations 2.5 and 2.6 by disclosing the process for evaluating the performance of the Board, and disclosure requirements under Principle 2 below.

It is the policy of the Board to ensure that the directors and executives of the Company are equipped with the knowledge and information they need to discharge their responsibilities effectively, and that individual and collective performance is regularly and fairly reviewed. Although the Company is not of a size to warrant the development of formal processes for evaluating the performance of its Board, individual directors and executives, there is on-going monitoring by the Chairman and the Board. The Chairman also speaks to directors individually regarding their role as a director.

Induction and education

The Company has the policy to provide each new director or officer with a copy of the following documents:

- Code of Conduct;
- Continuous Disclosure Policy;
- Share Trading Policy; and
- Shareholders Communication Policy.

Access to information

Each director has access to Board papers and all relevant documentation.

Skills, knowledge and experience

Directors are appointed based on the specific corporate and governance skills and experience required by the Company. The Board consists of a relevant blend of personal experience in accounting and finance, law, financial and investment markets, financial management and public company administration, and, director-level business or corporate experience required by the Company.

Professional advice

Board members, with the approval of the Chairman, may seek from time to time external professional advice.

Term of appointment as a director

The Constitution of the Company provides that a director, other than the Managing Director, may not retain office for more than three calendar years or beyond the third Annual General Meeting following his or her election, whichever is longer, without submitting himself or herself for re-election. One third of the directors (excluding the Managing Director) must retire each year and are eligible for re-election. The directors who retire by rotation at each Annual General Meeting are those with the longest length of time in office since their appointment or last election.

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.

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STATEMENT OF CORPORATE GOVERNANCE

Internal controls

The Board 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.

Principle 3 – Promote ethical and responsible decision making

Code of Conduct and Ethical Standards

All directors, executives and employees act with the utmost integrity and objectivity in carrying out their duties and responsibilities, endeavouring at all times to enhance the reputation and performance 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. The Company has followed Recommendation 3.1 and has adopted a formal Code of Conduct.

Access to Company information and confidentiality

All directors have the right of access to all relevant Company books and to the Company's executive management. In accordance with legal requirements and agreed ethical standards, directors and executives of the Company have agreed to keep confidential information received in the course of exercising their duties and will not disclose non-public information except where disclosure is authorised or legally mandated.

Share dealings and disclosures

The Company has adopted a policy relating to the trading of Company securities. The Board restricts directors, executives and employees from acting on material information until it has been released to the market. Executives, employees and directors are required to consult the Chairman prior to dealing in securities in the Company or other companies in which the Company has a relationship.

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.

The trading windows for restricted persons are 60 days after the release of the half year results, the full year results or the holding of the Annual General Meeting. Restricted persons are prohibited from trading in the Company's securities outside these trading windows unless in special circumstances and with the approval of the Chairman.

Conflicts of interest

To ensure that directors are at all times acting in the best interests of the Company, directors must:

- disclose to the Board actual or potential conflicts of interest that may or might reasonably be thought to exist between the interests of the director and the interests of any other parties in carrying out the activities of the Company; and
- if requested by the Board, within seven days or such further period as may be permitted, take such necessary and reasonable steps to remove any conflict of interest.

If a director cannot, or is unwilling to remove a conflict of interest then the director must, as required by the Corporations Act, absent himself from the room when Board discussion and/or voting occurs on matters about which the conflict relates.

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Related party transactions

Related party transactions include any financial transaction between a director and the Company as defined in the Corporations Act or the ASX Listing Rules. Unless there is an exemption under the Corporations Act from the requirement to obtain shareholder approval for the related party transaction, the Board cannot approve the transaction. The Company also discloses related party transactions in its financial statements as required under relevant Accounting Standards.

Board diversity

Given the small size of the Company, the Company has not set a policy concerning diversity and therefore Recommendations 3.2, 3.3, 3.4 and 3.5 have not been followed. However, the Company's Board does take into account the gender, age, ethnicity and cultural background of potential Board members.

Principle 4 – Safeguard integrity in financial reporting

Audit and Risk Committee

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Company, an Audit Committee has not been established and therefore Recommendations 4.1, 4.2, 4.3 and 4.4 have not been followed.

The objective of a committee is to make recommendations to the Board regarding various matters including the adequacy of the external audit, risk management and compliance procedures, to evaluate from time to time the effectiveness of the financial statements prepared for the Board and to ensure that independent judgement is always exercised. These functions of an Audit Committee are performed by the full Board.

Principle 5 – Make timely and balanced disclosure

The Company has followed Recommendations 5.1 and 5.2 and has adopted a formal Continuous Disclosure Policy.

Continuous Disclosure to the ASX

The Board has designated the Chairman, Managing Director and Company Secretary as being responsible for overseeing and co-ordinating disclosure of information to the ASX as well as communicating with the ASX. Accordingly the Company will notify the ASX promptly of information:

- concerning the Company, that a reasonable person would expect to have a material effect on the price or value of the Company's securities; and
- that would, or would be likely to, influence persons who commonly invest in securities in deciding whether to acquire or dispose of the Company's securities.

Announcements are made in a timely manner, are factual and do not omit material information in order to avoid the emergence of a false market in the Company's securities.

Principle 6 – Respect the rights of shareholders

The Company has followed Recommendations 6.1 and 6.2 and has designed a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings as disclosed below.

Communication to the market and shareholders

The Board recognises its duty to ensure that its shareholders are informed of all major developments affecting the Company's state of affairs. The Board considers that information will be communicated to shareholders and the market through:

BIOTRON LIMITED

STATEMENT OF CORPORATE GOVERNANCE

- the Annual Report which is distributed to shareholders (usually with the Notice of Annual General Meeting);
- the Annual General Meeting and other general meetings called to obtain shareholder approvals as appropriate;
- the half-yearly financial statements;
- quarterly cash flow reports; and
- other announcements released to the ASX as required under the continuous disclosure requirements of the ASX Listing Rules and other information that may be mailed to shareholders or made available through the Company's website.

The Company actively promotes communication with shareholders through a variety of measures, including the use of the Company's website and email. The Company's reports and ASX announcements are made available on the Company's website, www.biotron.com.au, and on the ASX website, www.asx.com.au, under ASX code 'BIT'. The Company also maintains an email list for the distribution of the Company's announcements via email.

Principle 7 – Recognise and manage risk

The Company has followed Recommendation 7.1 and has designed policies for the oversight and management of material business risks as disclosed below.

The Board is responsible for the identification, monitoring and management of significant business risks and the implementation of appropriate levels of internal control, recognising however that no cost effective internal control system will preclude all errors and irregularities. The Board regularly reviews and monitors areas of significant business risk.

Having regard to the current membership of the Board and the size, organisational complexity and scope of operations of the Company, Recommendation 7.2 is not relevant because the Board has the oversight function of risk management and internal control systems. Therefore, the risk management functions and oversight of material business risks are performed directly by the Board and not by management.

Internal control and risk management

The Board reviews systems of external and internal controls and areas of significant operational, financial and property risk and ensures arrangements are in place to contain such risks to acceptable levels.

Appropriate insurance policies are kept current to cover all potential risks and maintaining Directors' and Officers' professional indemnity insurance.

Internal audit function

The internal audit function is carried out by the Board. The Company does not have an internal audit department nor has an internal auditor. The size of the Company does not warrant the need or the cost of appointing an internal auditor.

CEO and CFO declarations

The Company has adopted and complied with Recommendation 7.3. The Board has determined that the Managing Director and the Company Secretary are the appropriate persons to make the CEO and CFO declarations as required under section 295A of the Corporations Act. The Board is also satisfied that the internal control system is operating effectively in all material respects.

The Company has followed Recommendation 7.4 by disclosing the information above.

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Principle 8 – Remunerate fairly and responsibly

Having regard to the current membership of the Board and the size, organisational complexity and scope of operation of the Company, a Remuneration Committee has not been established and therefore Recommendations 8.1, 8.2, 8.3 and 8.4 have not been followed.

However, the functions and responsibilities listed below were carried out by the Board.

Remuneration responsibilities

The role and responsibility of the Board is to review and make recommendations in respect of:

- executive remuneration policy;
- executive director and senior management remuneration;
- executive incentive plan;
- non-executive directors' remuneration;
- performance measurement policies and procedures;
- termination policies and procedures;
- equity based plans; and
- required remuneration and remuneration benefits public disclosure.

Remuneration policy

The directors' remuneration is adopted by shareholders at the Annual General Meeting. The salary and emoluments paid to officers are approved by the Board. Consultants are engaged as required pursuant to service agreements. The Company ensures that fees, salaries and emoluments are in line with general standards for publicly listed companies of the size and type of the Company. All salaries of directors and officers are disclosed in the Annual Report of the Company.

In line with Recommendation 8.2, the Company has a policy to remunerate its directors and officers based on fixed and incentive component salary packages to reflect the short and long term objectives of the Company.

The salary component of the CEO's remuneration is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

The salary component of non-executive and executive directors is made up of:

- fixed remuneration; and
- equity based remuneration when invited to participate by the Board in the executive share option plan of the Company.

BIOTRON LIMITED

DIRECTORS' REPORT

The directors present their report together with the financial report of Biotron Limited ('the Company') for the year ended 30 June 2012 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 Telleso 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 & 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.

Mr Bruce Hundertmark BE (Chemical)
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 US Consultants Inc., 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.

He holds a Bachelors Degree in Engineering (Chemical) from the University of Adelaide and has completed studies to bachelors degree level in economics at the University of Queensland and chemistry at the University of Adelaide. He has worked in the UK, the USA, Japan, Bahrain, Qatar and Indonesia for extensive periods of time in various positions.

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

BIOTRON LIMITED

DIRECTORS' REPORT

***Dr Susan M. Pond AM, MD DSc, FTSE
Independent and Non-Executive Director***

Dr Pond has a strong scientific and commercial background having held executive positions in the biotechnology and pharmaceutical industry for 12 years, most recently as chairman and managing director of Johnson & Johnson Research Pty Limited (2003 - 2009). She has held many previous board positions including as executive director of Johnson & Johnson Pty Limited and non-executive director and chairman of AusBiotech Limited.

Dr Pond is currently on the boards of the Australian Nuclear Science and Technology Organisation, Commercialisation Australia, the Centenary Institute and the Australian Academy of Technological Sciences and Engineering, of which she is vice-president. She is a Fellow of the Australian Institute of Company Directors.

Dr Pond holds a first class honours degree in Bachelor of Medicine and Surgery from the University of Sydney and a doctor of medicine degree from the University of New South Wales. She has obtained specialist clinical credentials in internal medicine, clinical pharmacology and clinical toxicology and has held academic appointments at the University of California, San Francisco and the University of Queensland before joining industry.

Dr Pond was appointed as a director on 7 March 2012.

***Mr Robert B. Thomas BEc, MSDIA, SF Fin, FICD
Independent and Non-Executive Director***

Mr Thomas has over 35 years' experience in the securities industry, with Potter Partners (now UBS), County NatWest and Citigroup.

He is the chairman of TAL Limited (formerly Tower Australia Limited) and a director of Virgin Australia Limited, Heartware Limited and REVA Medical Limited. He chairs the Stockbrokers Association of Australia and Grahger Capital Securities, is the president of the Library Council of NSW and a director of O'Connell Street Associates Pty Limited and Aus Bio Limited. He is a member of the Advisory Boards of Nomura Australia and Inteq Limited.

Mr Thomas has a Bachelor of Economics degree from Monash University (1963 - 1966). He has been a member of the Securities Institute of Australia since 1976 and was appointed as a Fellow to the Institute in 1997. He is a Master Stockbroker and is a Fellow of the Institute of Company Directors.

Mr Thomas was appointed as a director on 7 March 2012.

***Dr Denis N. Wade
Independent and Non-Executive Director***

Dr 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 healthcare 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, was managing director and chairman of Johnson & Johnson Research Pty Ltd, a research and development company of Johnson & 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.

BIOTRON LIMITED

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.

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

Dr Hirshorn was a director from 16 March 2000 to 18 November 2011.

We were all saddened by the death during the year of Dr Michael Hirshorn. He had a 30 year career of founding, building, managing and investing in technology companies. As a director of the Company since its ASX Listing, he played a major role in the development of the Company. He was previously involved in all commercial aspects of Cochlear Limited's development, was a founding director of Resmed Inc., and chief executive marketing for Polartech Limited.

He was involved in private equity fund raisings and 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.

***Mr 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 more than 25 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 Bolnisi Gold N.L., Callabonna Uranium Limited, Mogul Mining N.L., Pangea Resources Limited, Perseverance Corporation Limited, Sumatra Copper & Gold plc, Timberline Minerals, Inc. and Valdora Minerals N.L. Mr Nightingale is currently a director of ASX listed Augur Resources Ltd, Cockatoo Coal Limited and Planet Gas Limited and unlisted public companies Equus Resources Limited and Nickel Mines Limited.

Mr Nightingale has been Company Secretary since 23 February 1999.

BIOTRON LIMITED

DIRECTORS' REPORT

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
Bruce Hundertmark	6	4
Susan M. Pond	2	1
Robert B. Thomas	2	2
Denis N. Wade	6	6
Michael S. Hirshorn	2	1

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	2,974,322	-	-
Michelle Miller	-	1,000,000	\$0.22 at any time up to 30 October 2015
	-	1,000,000	\$0.22 from 30 October 2011 to 30 October 2015
	-	3,000,000	\$0.25 from 30 October 2012 to 30 October 2015
Bruce Hundertmark	50,000	-	-
Susan M. Pond	250,000	-	-
Robert B. Thomas	5,250,000	-	-
Denis N. Wade	1,232,894	-	-
Peter Nightingale	2,487,785	-	-

BIOTRON LIMITED

DIRECTORS' REPORT

Option Holdings

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

Option holdings - 2012

	Held at 1 July 2011	Purchased/ Granted	Exercised	Expired	Held at 30 June 2012	Vested and Exercisable at 30 June 2012
Directors						
Michael J. Hoy	1,408,214	-	1,408,214	-	-	-
Michelle Miller	5,000,000	-	-	-	5,000,000	2,000,000
Bruce Hundertmark	-	-	-	-	-	-
Susan M. Pond	- [^]	-	-	-	-	-
Robert B. Thomas	- [^]	-	-	-	-	-
Denis N. Wade	162,500	600,000	600,000	162,500	-	-
Michael S. Hirshorn	-	-	-	-	-*	-
Executives						
Peter J. Nightingale	2,487,785	-	2,487,785	-	-	-

[^]Number of options held at date of appointment as a director.

* Number of options held when ceased to be a director.

Option holdings - 2011

	Held at 1 July 2010	Purchased/ Granted	Expired	Held at 30 June 2011	Vested and Exercisable at 30 June 2011
Directors					
Michael J. Hoy	1,908,214	-	500,000	1,408,214	1,408,214
Michelle Miller	1,500,000	5,000,000	1,500,000	5,000,000	1,000,000
Michael S. Hirshorn	200,000	-	200,000	-	-
Bruce Hundertmark	200,000	-	200,000	-	-
Denis N. Wade	162,500	-	-	162,500	162,500
Executives					
Peter J. Nightingale	2,687,785	-	200,000	2,487,785	2,487,785

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.

BIOTRON LIMITED

DIRECTORS' REPORT

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 current and prior periods as remuneration were subject to service conditions due to the nature of the Company's operations.

The Board has considered the votes cast against the adoption of the remuneration report at the 2011 annual general meeting and believe that the remuneration paid to key management personnel is fair and reflective of industry remuneration standards.

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 Fees \$	Superannuation \$	Share Based Payments \$	Total \$	Options as % of Remuneration
Directors						
<i>Non-executive</i>						
Michael J. Hoy (Chairman)	2012	59,633	5,367	-	65,000	-
	2011	55,046	4,954	-	60,000	-
Bruce Hundertmark	2012	30,581	2,752	-	33,333	-
	2011	27,523	2,477	-	30,000	-
Susan M. Pond	2012	11,715	1,054	-	12,769	-
	2011	-	-	-	-	-
Robert B. Thomas	2012	11,715	1,054	-	12,769	-
	2011	-	-	-	-	-
Denis N. Wade	2012	21,407	11,927	-	33,333	-
	2011	27,523	2,477	-	30,000	-
Michael S. Hirshorn	2012	11,468	1,032	-	12,500	-
	2011	27,523	2,477	-	30,000	-
<i>Executive</i>						
Michelle Miller (Managing Director)	2012	291,346	26,221	210,246	527,813	40%
	2011	240,385	21,635	255,446	517,466	49%
Executives						
Peter J. Nightingale (Company Secretary)	2012	75,000	-	-	75,000	-
	2011	75,000	-	-	75,000	-

BIOTRON LIMITED

DIRECTORS' REPORT

Options granted as compensation - Audited

There were no options granted to key personnel during the financial year.

Details of options that were granted as compensation to each key management person in the prior year are as follows:

Director	Grant Date	Number of Options Granted	Fair Value at Grant Date \$	Option Terms (Exercise Price and Term)
Michelle Miller	24 December 2010	1,000,000	105,000	\$0.22 at any time up to 30 October 2015
Michelle Miller	24 December 2010	1,000,000	105,000	\$0.22 at any time from 30 October 2011 up to 30 October 2015
Michelle Miller	24 December 2010	3,000,000	312,000	\$0.25 at any time from 30 October 2012 up to 30 October 2015

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 \$0.12 at the grant date, a volatility factor of 141% based on historic share price performance, a risk free interest rate of 5.47% based on the 10 year government bond rate and no dividends paid.

The number of options that had vested as at 30 June 2012 is 2,000,000 (2011 – 1,000,000). No options were granted subsequent to year end.

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 three financial years.

	2012	2011	2010	2009
Net loss attributable to equity holders of the Company	\$2,378,052	\$1,907,527	\$1,872,244	\$1,776,099
Dividends paid	-	-	-	-
Change in share price	(1.0) cents	4.8 cents	(0.02) cents	0.0 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.

BIOTRON LIMITED

DIRECTORS' REPORT

Options

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

Number of Options	Exercise Price	Expiry Date
2,000,000	\$0.22	30 October 2015
3,000,000	\$0.25	30 October 2015

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 80,278,131 ordinary shares as a result of the exercise of \$0.10 options and issued 53,705 ordinary shares as a result of the exercise of \$0.20 options. There is no amount unpaid on the shares issued.

Number of Shares	Amount Paid on Each Share
80,278,131	\$0.10
53,705	\$0.20

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 \$2,378,052 (2011 loss – \$1,907,527).

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, significant changes in the state of affairs of the Company that occurred during the year ended 30 June 2012 were as follows:

- On 30 March 2012, 53,705 options were exercised to acquire one fully paid ordinary share at \$0.20 each. The Company raised \$10,741.
- On 6 January 2012, 79,865,226 options were exercised to acquire one fully paid ordinary share at \$0.10 each. The Company raised \$7,986,522.
- On 25 November 2011, 406,005 options were exercised to acquire one fully paid ordinary share at \$0.10 each. The Company raised \$40,600.
- On 24 October 2011, 6,900 options were exercised to acquire one fully paid ordinary share at \$0.10 each. The Company raised \$690.

BIOTRON LIMITED

DIRECTORS' REPORT

Environmental Regulations

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 2012, 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.

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.

	2012	2011
	\$	\$
Statutory audit		
- Audit and review of financial reports	<u>32,250</u>	<u>30,500</u>

BIOTRON LIMITED

DIRECTORS' REPORT

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 23 and forms part of the Directors' Report for the year ended 30 June 2012.

This report has been signed in accordance with a resolution of the directors and is dated 31 August 2012:

A handwritten signature in blue ink, appearing to read 'Michael J. Hoy', with a small vertical mark above the first letter.

Michael J. Hoy
Chairman

A handwritten signature in black ink, appearing to read 'Michelle Miller', with a small horizontal mark above the first letter.

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 2012, 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

KPMG

A handwritten signature in blue ink, appearing to read 'Adam Twemlow', with a long horizontal flourish extending to the right.

Adam Twemlow
Partner

Brisbane

31 August 2012

BIOTRON LIMITED

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012 \$	2011 \$
Other income	2	503,700	447,490
Administration and consultants' expenses		(225,600)	(195,000)
Depreciation	3	(10,871)	(14,438)
Employee and director expenses		(781,697)	(701,084)
Direct research and development expenses	3	(1,729,015)	(1,159,336)
Rent and outgoings expenses		(61,819)	(65,083)
Travel expenses		(40,944)	(56,390)
Other expenses from ordinary activities		<u>(243,496)</u>	<u>(229,892)</u>
Operating loss before financing income		<u>(2,589,742)</u>	<u>(1,973,733)</u>
Interest income		<u>211,690</u>	<u>66,206</u>
Net financing income		<u>211,690</u>	<u>66,206</u>
Loss before tax		<u>(2,378,052)</u>	<u>(1,907,527)</u>
Income tax expense	5	<u>-</u>	<u>-</u>
Loss for the year		<u>(2,378,052)</u>	<u>(1,907,527)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(2,378,052)</u>	<u>(1,907,527)</u>
Basic loss per share attributable to ordinary equity shareholders	4	<u>(1.26) cents</u>	<u>(1.49) cents</u>
Diluted loss per share attributable to ordinary equity shareholders	4	<u>(1.26) cents</u>	<u>(1.49) cents</u>

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

BIOTRON LIMITED

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2012

	Notes	2012 \$	2011 \$
Current assets			
Cash and cash equivalents		7,891,781	2,144,831
Trade and other receivables	6	503,700	452,524
Other assets	7	43,254	15,655
Total current assets		8,438,735	2,613,010
Non-current assets			
Plant and equipment	8	22,991	31,610
Total non-current assets		22,991	31,610
Total assets		8,461,726	2,644,620
Current liabilities			
Trade and other payables	9	52,865	140,544
Employee entitlements	10	139,314	103,776
Total current liabilities		192,179	244,320
Total liabilities		192,179	244,320
Net assets		8,269,547	2,400,300
Equity			
Issued capital	11	32,548,656	23,087,673
Reserves		465,692	2,171,485
Accumulated losses		(24,744,801)	(22,858,858)
Total equity		8,269,547	2,400,300

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

BIOTRON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

Attributable to equity holders of the Company

	Notes	Issued Capital \$	Option Premium Reserve \$	Accumulated Losses \$	Total \$
Balance at 1 July 2010		20,750,759	2,277,738	(21,310,939)	1,717,558
Total comprehensive income for the year					
Loss for the year		-	-	(1,907,527)	(1,907,527)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(1,907,527)	(1,907,527)
<i>Transactions with owners, recorded directly in equity</i>					
Contribution by and distribution to owners					
Ordinary shares/options issued		2,490,453	-	-	2,490,453
Cost of options issued		(155,630)	-	-	(155,630)
Share based payment transactions		-	255,446	-	255,446
Transfer expired options		-	(359,608)	359,608	-
Exercise of options		2,091	(2,091)	-	-
Balance at 30 June 2011	11	<u>23,087,673</u>	<u>2,171,485</u>	<u>(22,858,858)</u>	<u>2,400,300</u>
Balance at 1 July 2011		23,087,673	2,171,485	(22,858,858)	2,400,300
Total comprehensive income for the year					
Loss for the year		-	-	(2,378,052)	(2,378,052)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(2,378,052)	(2,378,052)
<i>Transactions with owners, recorded directly in equity</i>					
Contribution by and distribution to owners					
Ordinary shares/options issued		8,038,554	-	-	8,038,554
Cost of shares issued		(1,501)	-	-	(1,501)
Share based payment transactions		-	210,246	-	210,246
Transfer expired options		-	(492,109)	492,109	-
Exercise of options		1,423,930	(1,423,930)	-	-
Balance at 30 June 2012	11	<u>32,548,656</u>	<u>465,692</u>	<u>(24,744,801)</u>	<u>8,269,547</u>

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

BIOTRON LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Notes	2012	2011
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		447,490	-
Payments for research and development		(1,720,933)	(1,159,336)
Cash payments in the course of operations		<u>(1,225,419)</u>	<u>(875,611)</u>
Cash used in operations		(2,498,862)	(2,034,947)
Interest received		<u>211,010</u>	<u>66,206</u>
Net cash used in operating activities	12	<u>(2,287,852)</u>	<u>(1,968,741)</u>
Cash flows from investing activities			
Payments for plant and equipment		<u>(2,252)</u>	<u>(1,818)</u>
Net cash used in investing activities		<u>(2,252)</u>	<u>(1,818)</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		8,038,554	2,490,453
Cost of issue of shares and options		<u>(1,500)</u>	<u>(155,630)</u>
Net cash from financing activities		<u>8,037,054</u>	<u>2,334,823</u>
Net increase in cash and cash equivalents held		5,746,950	364,264
Cash and cash equivalents at the beginning of the financial year		<u>2,144,831</u>	<u>1,780,567</u>
Cash and cash equivalents at the end of the financial year	12	<u><u>7,891,781</u></u>	<u><u>2,144,831</u></u>

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

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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 31 August 2012.

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.

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.

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.

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 other income when the grant becomes receivable and the Company complies with all attached conditions.

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Goods and services tax

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

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

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

Revenue recognition

Finance income

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

Earnings per share

The Company presents basic and diluted earnings per share ('EPS') data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options granted to employees.

Incentive option plan

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

Impairment

Financial assets

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

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

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit and loss.

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

Non-financial assets

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

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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.

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.

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Company's 2016 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
2. OTHER INCOME		
Research and development rebate	503,700	447,490

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	32,250	30,500
Depreciation		
- Office equipment	6,779	9,127
- Plant and equipment	4,092	5,311
Direct research and development expenditure expensed as incurred	1,729,015	1,159,336
Provision for employee entitlements	35,537	25,701

4. LOSS PER SHARE

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of \$2,378,052 (2011 – \$1,907,527) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2012 of 188,157,762 (2011 – 127,850,937), calculated as follows:

Net loss for the year	2,378,052	1,907,527
	2012	2011
	Number	Number
Issued ordinary shares at 1 July	147,965,108	121,755,364
Effect of shares issued on 17 November 2010	-	61,354
Effect of shares issued on 2 March 2011	-	1,644
Effect of shares issued on 28 March 2011	-	2,087,370
Effect of shares issued on 11 April 2011	-	3,945,205
Effect of shares issued on 24 October 2011	4,713	-
Effect of shares issued on 25 November 2011	241,828	-
Effect of shares issued on 9 January 2012	39,932,613	-
Effect of shares issued on 3 April 2012	13,500	-
Weighted average number of ordinary shares	188,157,762	127,850,937

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
5. INCOME TAX EXPENSE		
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax - continuing operations	<u>(2,378,052)</u>	<u>(1,907,527)</u>
Income tax using the domestic corporation tax rate of 30%	(713,416)	(572,258)
Increase in income tax expense due to:		
- Adjustments not resulting in temporary differences	(150,666)	79,437
- Unrecognised temporary differences	836,541	521,363
- Effect of tax losses not recognised	<u>27,541</u>	<u>(28,542)</u>
Income tax expense current and deferred	<u>-</u>	<u>-</u>
Deferred tax assets have not been recognised in respect of the following items:		
Deductible temporary differences (net)	174,876	133,007
Tax losses	<u>8,180,001</u>	<u>7,609,593</u>
Net	<u>8,354,877</u>	<u>7,742,600</u>
<p>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.</p>		
6. TRADE AND OTHER RECEIVABLES		
Current		
Other debtors	503,700	447,490
GST receivable	<u>-</u>	<u>5,034</u>
	<u>503,700</u>	<u>452,524</u>
7. OTHER ASSETS		
Current prepayments	28,123	524
Security deposits	<u>15,131</u>	<u>15,131</u>
	<u>43,254</u>	<u>15,655</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
8. PLANT AND EQUIPMENT		
Office equipment - at cost	139,947	137,695
Accumulated depreciation	<u>(127,953)</u>	<u>(121,174)</u>
	<u>11,994</u>	<u>16,521</u>
Plant and equipment - at cost	506,463	506,463
Accumulated depreciation	<u>(495,466)</u>	<u>(491,374)</u>
	<u>10,997</u>	<u>15,089</u>
Total plant and equipment - net book value	<u>22,991</u>	<u>31,610</u>

Reconciliations

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

Office equipment

Balance at 1 July	16,521	23,829
Additions	2,252	1,819
Depreciation	<u>(6,779)</u>	<u>(9,127)</u>
Carrying amount at the end of the financial year	<u>11,994</u>	<u>16,521</u>

Plant and equipment

Balance at 1 July	15,089	20,401
Depreciation	<u>(4,092)</u>	<u>(5,312)</u>
Carrying amount at the end of the financial year	<u>10,997</u>	<u>15,089</u>
Total carrying amount at the end of the financial year	<u>22,991</u>	<u>31,610</u>

9. TRADE AND OTHER PAYABLES

Current

Creditors	27,915	88,544
Accruals	<u>24,950</u>	<u>52,000</u>
	<u>52,865</u>	<u>140,544</u>

10. EMPLOYEE ENTITLEMENTS

Current

Employee annual leave provision	65,273	50,163
Long service leave provision	<u>74,041</u>	<u>53,613</u>
	<u>139,314</u>	<u>103,776</u>

Number of employees at the end of the financial year	<u>4</u>	<u>4</u>
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BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

	2012	2011
	\$	\$
11. ISSUED CAPITAL		
Issued and paid up capital		
228,296,944 (2011 – 147,965,108) fully paid ordinary shares	<u>32,548,656</u>	<u>23,087,673</u>
Fully paid ordinary shares		
Balance at the beginning of the financial year	23,087,673	20,750,759
Issue of shares	8,038,554	2,490,453
Exercise of options	1,423,930	2,091
Costs of issue	<u>(1,501)</u>	<u>(155,630)</u>
Balance at the end of financial year	<u>32,548,656</u>	<u>23,087,673</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 2012, the Company issued ordinary shares following the exercise of 80,278,131 \$0.10 options for cash totalling \$8,027,813 and 53,705 \$0.20 options for cash totalling \$10,741. There were no amounts unpaid on the shares issued and there were no material share issue costs.

During the year ended 30 June 2011, the Company issued 26,105,215 ordinary shares through a Share Purchase Plan and placement for cash totalling \$2,480,000. Total issue costs of \$155,630 were recognised as a reduction of the proceeds of issue of these shares.

During the year ended 30 June 2011, the Company issued 104,529 ordinary shares through the exercise of options for cash totalling \$10,453.

There were no options issued during the 2012 financial year.

The following options were issued during the year ended 30 June 2011 and were on issue at 30 June 2012:

- 1,000,000 options with a fair value at grant date of 10.5 cents, each exercisable at 22 cents to acquire one fully paid ordinary share at any time up to 30 October 2015.
- 1,000,000 options with a fair value at grant date of 10.5 cents, each exercisable at 22 cents to acquire one fully paid ordinary share at any time after 30 October 2011 up to 30 October 2015.
- 3,000,000 options with a fair value at grant date of 10.4 cents, each exercisable at 25 cents to acquire one fully paid ordinary share at any time after 30 October 2012 up to 30 October 2015.

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 2011 were the Company's share price of \$0.12 at the grant date, a volatility factor of 141% based on historic share price performance, a risk free interest rate of 5.47% based on the 10 year government bond rate and no dividends paid.

Total expense arising from share based payment transactions recognised during the year ended 30 June 2012 was \$210,246 (2011 – \$255,446).

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

During the year ended 30 June 2012, the following options lapsed:

- 6,364,344 options, each exercisable at 20 cents to acquire one fully paid ordinary share at any time up to 30 March 2012.
- 27,736,606 options, each exercisable at 10 cents to acquire one fully paid ordinary share at any time up to 30 December 2012.

During the year ended 30 June 2011, the following options lapsed:

- 102,500 options, each exercisable at 20 cents to acquire one fully paid ordinary share at any time up to 30 March 2012.
- 79,865,226 options, each exercisable at 10 cents to acquire one fully paid ordinary share at any time up to 30 December 2011.

The weighted average exercise price of options at year end was \$0.24 (2011 – \$0.11). The weighted average life of options at year end was 3.33 years (2011 – 0.68 years).

	2012 \$	2011 \$
12. STATEMENT OF CASH FLOWS		
Reconciliation of cash flows from operating activities		
Loss for the period	<u>(2,378,052)</u>	<u>(1,907,527)</u>
Adjustments for:		
Depreciation of plant and equipment	10,871	14,438
Provisions	35,537	25,701
Share based payment	210,246	255,446
Changes in assets and liabilities		
Increase in receivables	(51,176)	(443,053)
(Increase)/decrease in prepayments	(27,599)	7,923
(Decrease)/increase in payables	<u>(87,679)</u>	<u>78,331</u>
Net cash used in operating activities	<u><u>(2,287,852)</u></u>	<u><u>(1,968,741)</u></u>
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	<u>7,891,781</u>	<u>2,144,831</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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. During the year ended 30 June 2012 compensation of key management personnel totalled \$772,518 (2011 – \$742,466), which comprised primary salary and fees of \$512,865 (2011 – \$453,000), superannuation of \$49,407 (2011 – \$34,020), and share based payments with a fair value of \$210,246 (2011 – \$255,446).

During 2012, no long term benefits or termination payments were paid. During 2011, 5,000,000 options were granted to the Managing Director.

Individual directors and executives compensation disclosures

Information regarding individual directors and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the remuneration report section of the Directors' Report.

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.

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 - 2012

	Held at 1 July 2011	Purchased	Received on exercise of options	Sales	Held at 30 June 2012
Directors					
Michael J. Hoy	1,566,108	-	1,408,214	-	2,974,322
Michelle Miller	-	-	-	-	-
Bruce Hundertmark	-	50,000	-	-	50,000
Susan M. Pond	- [^]	250,000	-	-	250,000
Robert B. Thomas	5,250,000 [^]	-	-	-	5,250,000
Denis N. Wade	475,000	157,894	600,000	-	1,232,894
Michael S. Hirshorn	130,000	-	-	-	130,000*
Executives					
Peter J. Nightingale	1,702,397	157,894	2,487,785	-	4,348,076

[^]Number of shares held at date of appointment as a director.

*Number of shares held when ceasing to be a director.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Fully paid ordinary shareholdings and transactions - 2011

	Held at 1 July 2010	Purchased	Received on exercise of options	Sales	Held at 30 June 2011
Directors					
Michael J. Hoy	1,408,214	157,894	-	-	1,566,108
Michelle Miller	-	-	-	-	-
Michael S. Hirshorn	130,000	-	-	-	130,000
Bruce Hundertmark	-	-	-	-	-
Denis N. Wade	475,000	-	-	-	475,000
Executives					
Peter J. Nightingale	1,702,397	-	-	-	1,702,397

During the year ended 30 June 2012, 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 \$27,607 (2011 – \$25,089). There were no outstanding amounts at 30 June 2012 (2011 – \$746).

During the year ended 30 June 2012, 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 \$144,000 (2011 – \$120,000). There was no outstanding amounts at 30 June 2012 (2011 – \$11,000).

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 - 2012

	Held at 1 July 2011	Exercised	Expired	Held at 30 June 2012	Vested and exercisable at 30 June 2012
Directors					
Michael J. Hoy	1,408,214	1,408,214	-	-	-
Michelle Miller	5,000,000	-	-	5,000,000	2,000,000
Bruce Hundertmark	-	-	-	-	-
Susan M. Pond	-	-	-	-	-
Robert B. Thomas	-	-	-	-	-
Denis N. Wade	162,500	-	162,500	-	-
Michael S. Hirshorn	-	-	-	-	-
Executives					
Peter J. Nightingale	2,287,785	2,287,785	-	-	-

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Option holdings - 2011

	Held at 1 July 2010	Purchased	Expired	Held at 30 June 2011	Vested and exercisable at 30 June 2011
Directors					
Michael J. Hoy	1,908,214	1,408,214	500,000	1,408,214	1,408,214
Michelle Miller	1,500,000	5,000,000	1,500,000	5,000,000	1,000,000
Michael S. Hirshorn	200,000	-	200,000	-	-
Bruce Hundertmark	200,000	-	200,000	-	-
Denis N. Wade	162,500	-	-	162,500	162,500
Executives					
Peter J. Nightingale	2,487,785	-	200,000	2,287,785	2,287,785

14. EMPLOYEE AND DIRECTOR INCENTIVE OPTION PLAN

At 30 June 2012, the Company had 4 employees (2011 – 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 2012, no options were issued under the incentive option plan. During the year ended 30 June 2011, 5,000,000 options were issued to the Managing Director. No ordinary shares have been issued as a result of the exercise of any option granted pursuant to the Incentive Option Plan during the current and prior financial year.

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

Credit risk

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

	Note	Carrying amount 2012 \$	Carrying amount 2011 \$
Cash and cash equivalents		7,891,781	2,144,831
Trade and other receivables	6	503,700	452,524
Security deposits	7	15,131	15,131
		8,410,612	2,612,486

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 and other government authorities in Australia.

Impairment losses

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

None of the Company's trade and other receivables are past due and no receivables have 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 2012					
Trade and other payables	52,865	(52,865)	(52,865)	-	-
30 June 2011					
Trade and other payables	140,544	(140,544)	(140,544)	-	-

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

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. The average interest rate on funds held during the year was 4.13% (2011 – 3.75%).

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	2012 \$	2011 \$
Financial assets			
Cash and cash equivalents		7,891,781	2,144,831
Security deposits	7	<u>15,131</u>	<u>15,131</u>
Net exposure		<u>7,906,912</u>	<u>2,159,962</u>

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.

<u>64,048</u>	<u>16,049</u>
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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 operations. 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 for a period of 3 years starting from November 2010 with an option to renew lease after that 3 years.

During the year ended 30 June 2012, \$61,819 was recognised as an expense in the Statement of Comprehensive Income in respect of the operating lease (2011 – \$65,083).

Lease obligations are not provided for in the financial statements and are payable:

	2012 \$	2011 \$
Less than one year	51,629	51,629
Between one and five years	17,210	68,839

BIOTRON LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the directors of Biotron Limited:
 - a) the financial statements and notes set out on pages 24 to 41, and the Remuneration Report in the Directors' Report, set out on pages 17 to 19, 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 2012 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 2012.

This report has been signed in accordance with a resolution of the directors and is dated 31 August 2012:



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 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 2(a), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 of the financial report that gives a true and fair view 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, a true and fair 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*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Biotron Limited on 31 August 2012, would be in the same terms if given to the directors as at the time of this auditor's report.



**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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.
- b) the financial report also complies with International Financial Reporting Standards as disclosed in note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2012. 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 2012 complies with Section 300A of the Corporations Act 2001.

KPMG

KPMG

31 August 2012

Adam Twemlow
Partner

BIOTRON LIMITED

ADDITIONAL STOCK EXCHANGE INFORMATION

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 2012, the distribution of each class of equity was as follows:

Range	Fully Paid Ordinary Shares	30 October 2015 \$0.22 Options	30 October 2015 \$0.25 Options
1 - 1,000	73	-	-
1,001 - 5,000	370	-	-
5,001 - 10,000	317	-	-
10,001 - 100,000	708	-	-
100,001 and over	291	1	1
	1,759	1	1

At 31 July 2012, 473 shareholders held less than a marketable parcel of shares.

BIOTRON LIMITED

Twenty Largest Quoted Shareholders

At 30 June 2012 the twenty largest fully paid ordinary shareholders held 36.63% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%
1	Dr Angela Fay Dulhunty	9,968,362	4.37
2	Scott's A V Pty Ltd	9,014,000	3.95
3	CBDF Pty Limited	5,750,508	2.52
4	Rigi Super Fund Pty Ltd	5,399,426	2.37
5	Bell Potter Nominees LTD	5,150,000	2.26
6	Prof Alan Jonathan Berrick	5,090,000	2.23
7	Rob Thomas Super Fund	5,000,000	2.19
8	Mr. Russell Dean Thomson	4,136,000	1.81
9	Pathold No 222 Pty Ltd	4,000,000	1.75
10	Rigi Investments Pty Ltd	3,984,692	1.75
11	Twynam Agricultural Group Pty Ltd	3,700,000	1.62
12	Fordholm Investments Pty Ltd	3,000,000	1.31
13	Umbiram Pty Ltd	2,974,322	1.30
14	Mr. Peter James Nightingale	2,834,750	1.24
15	Linkenholt Pty Limited	2,692,100	1.18
16	Ramsab Pty Ltd	2,300,000	1.01
17	Lenvat Pty Ltd	2,200,000	0.96
18	Mr. Christopher David Hammer	2,191,730	0.96
19	Rigi Investments Pty Limited	2,135,000	0.94
20	Mrs. Narelle Fay	2,105,000	0.92

There are no current on-market buy-backs.

BIOTRON LIMITED

CORPORATE DIRECTORY

Directors:

Mr Michael J. Hoy (Chairman)
Dr Michelle Miller (Managing Director)
Mr Bruce Hundertmark
Dr Susan M. Pond
Mr Robert B. Thomas
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 19, 56 Delhi Road
NORTH RYDE NSW 2113
Phone: 61-2 9805 0488
Fax: 61-2 9805 0688

Share Registrar:

Computershare Investor Services Pty Limited
117 Victoria Street
West End QLD 4101
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.