Biotron Limited ABN 60 086 399 144

BITNews

May 2012

Dear Shareholder

This is an important period of consolidation for your company as we progress clinical and commercialisation plans for our lead compound, BIT225, in both HCV and HIV indications.

Interest is mounting globally in new compounds which are capable of tackling HCV in particular. To this end, we have several key milestones slated for 2012 that we anticipate will focus international interest on our company and begin to signal solid investor returns.

A recent Bell Potter research report put a 12 month target price of $0.40 on our stock with an "optimistic case" of $0.51 per share, noting that pertinent milestones achieved in 2012 should begin to move the share price upward.

A copy of the report can be found on Biotron's website:
http://www.biotron.com.au/research.htm

HIV Trial

One of those first important milestones is to complete the phase Ib/2a HIV trial currently underway in Bangkok. Some of you have been anticipating further detail on this trial, which began in September last year.

While recruitment was delayed due to the Asian flood crisis in late 2011 and early 2012, we are pleased to report patient dosing is in progress and is proceeding well.

Despite the frustrating early delays, this trial remains on track for completion in Q2 this year, with all 24 patients expected to be recruited and dosed by the end of June.

As previously reported, BIT225 has potent anti-HIV activity and works on the Vpu protein of HIV.

This unique mode of action enables BIT225 to target remnants of the virus which have eluded current gold standard therapies and are effectively 'hiding' in reservoir cells. Existing anti-viral drugs cannot target this source of HIV in the body.

Biotron's 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.

Ultimately, we anticipate that BIT225 could be used in combination with existing anti-retroviral therapies.

Co-infected HIV/HCV Patients

Another key milestone for Biotron this year is to undertake a phase IIa trial in HIV/HCV co-infected patients.

It is estimated up to 30% of HIV infected patients are also HCV infected and these people have a significantly worse prognosis than mono-infected patients.

Both USA and European drug regulatory agencies are recognising the need for new treatment strategies for this difficult-to-treat population. BIT225 is uniquely placed, due to its dual anti-HIV and anti-HCV activity.

The aim of the proposed study in HIV/HCV infected patients is to generate first human data in a unique, specific population with significant unmet medical need, and detailed first pharmacokinetic information of BIT225 in the presence of other drugs.

In addition, the trial is expected to generate important safety and pharmacokinetic data with BIT225 in HIV/HCV co-infected patients, as well as extending our efficacy data to other HCV genotypes including genotypes 2 and 3.

Protocols and other documentation for ethics and regulatory authorities are in the final stage of preparation, and we are working towards commencing this trial (BIT225-006) mid 2012. We anticipate completing it before the end of this year.

New formulations, drug manufacture and extended toxicity studies

Some of the most important activities planned for 2012 are ones that support the company's clinical program. These activities are not cheap, nor fast, and not always very newsworthy. However, they are central to achieving a successful commercial outcome for BIT225.

One of the most important is the development of a new, improved formulation of BIT225 in capsule or tablet form that can be used for 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.

Now that we have shown that this new mode-of-action drug is active in patients infected with difficult-to-treat genotype 1 HCV, it is the right time to develop a more standard capsule or tablet formulation.

This is critical for future trials to minimise any dose-related toxicity, and to improve user-friendliness.

Another key activity is extending preclinical (non-human) safety studies out to three months. Before commencing clinical studies, Biotron tested BIT225 in animals for 28 days. The aim of that study was to determine the toxicity profile of the drug, and the results allowed us to dose patients for a maximum of 28 days.

Over the last year or so, clinical trials of other new classes of direct-acting antiviral (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.

To facilitate these formulation and toxicity studies, Biotron is currently having 10kg of clinical grade BIT225 drug manufactured.

You may recall that 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 we have performed on 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 degradation of its chemical composition over the 6 years of these trials.

Stocks of drug are, however, dwindling, so another batch of drug is being synthesised to support future studies.

This is expected to be a relatively straight forward process, as we will use the scaled-up process

developed back in 2006 to make the new batch of drug.

These outlined formulation, toxicology and manufacturing activities are scheduled to run throughout 2012. Contracts are currently being finalised with international suppliers and we will provide relevant updates as they come to hand.

Update on HCV clinical program

In terms of Biotron's HCV program, we are now completing a one year follow up on all patients involved in last year's phase I/II trial which recorded positive data, showing that BIT225 performed well as an add-on to conventional interferon/ribavirin therapy.

As reported in late 2011, 12 weeks after initial dosing a 'cure' (no detectable levels of virus present in blood) was achieved in 87% of patients who received BIT225 with the conventional interferon/ribavirin therapy versus 63% for patients who received a placebo with the conventional interferon/ribavirin therapy.

Ongoing pharmacokinetic and resistance studies are being carried out on samples collected from patients who participated in this trial and we anticipate being able to provide additional data during the second half of 2012.

On the conclusion of the formulation and toxicology studies outlined above, Biotron expects to initiate a larger phase II trial in HCV for a 12 week treatment window instead of four, including additional HCV genotypes.

The design of this study is currently being finalised, and further details will be released later in the year.

Finances

The successful capital raising via exercise of options in December last year has ensured we have the finances to advance these preclinical and clinical programs. Eighty per cent of options were exercised, raising $8 million.

Thank you to those who exercised these options. Your support is appreciated and we anticipate being able to reward your loyalty.

Board

In other news, we welcome two new directors to Biotron's board. Dr Susan Pond and Mr Robert Thomas have recently been appointed to your company and we are confident the skill sets both bring to Biotron will ensure solid advancement of the company's clinical and commercialisation programs.

Dr Pond has held executive positions in the biotechnology and pharmaceutical industry for twelve years, most recently as chairman and managing director of Johnson & Johnson Research Pty Limited (2003-2009).

She has also served on other boards, including as executive director of Johnson & Johnson Pty Limited and non-executive director and chairman of AusBiotech Limited.

Mr Thomas brings more than 35 years experience in the securities industry, with Potter Partners (now UBS), County Natwest and Citigroup.

A chairman of TAL Limited (formerly Tower Australia Limited) and a Director of Virgin Australia Limited, Heartware Limited and REVA Medical Limited, he also chairs the Stockbrokers Association of Australia and Grahger Capital Securities.

Mr Thomas has been a member of the Securities Institute of Australia since 1976 and was appointed a fellow to the Institute in 1997. He is a Master Stockbroker and is a fellow of the Institute of Company Directors.

Licensing Potential

Finally, we again refer to the recent Bell Potter Research Report, which 'assumed' a licensing deal within the next two years for Biotron in both HCV and HIV indications.

The report argued that the 2011 results in particular positioned Biotron for a lucrative partnering deal or the acquisition of Biotron by a larger company, 'given the strong demand that has emerged in recent months for new HCV drugs'.

It noted recent multi-billion dollar deals in the HCV space involving Roche, Gilead Sciences, Bristol MyersSquib and Novartis. All of this augurs well for Biotron and its first in class drug opportunity.

Be assured we are continuing to promote our science to the international community and look forward to bringing further positive news and solid returns.

We thank you for your continued patience and support in 2012.

Sincerely,

Michelle Miller

CEO & Managing Director

REMINDER TO SHAREHOLDERS

Please ensure that your contact details are kept up to date. Occasionally we have correspondence being returned to sender. We want to be able to continue to send you newsletters, Annual Reports and AGM documentation (you can elect to receive these in electronic or hardcopy formats).

Please update your contact details via Computershare - we are unable to do this on your behalf. Computershare's contact details are on Biotron's website - *www.biotron.com.au/contacts.htm*.

In addition, please subscribe to receive Biotron updates via email. The link is on Biotron's website - *www.biotron.com.au/subscribe.aspx*.

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