Biotron

Financial Report

FOR THE YEAR ENDED 30 JUNE 2002

Biotron Limited ABN 60 086 399 144

Biotron

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CHAIRMAN'S REPORT

The last year has been one of significant progress for Biotron Limited ('the Company'). Specific details are set out in the Review of Operation but developments in the Company's Tier 1 Projects should be highlighted:

- The lead Virion compound, BIT009, has been shown to inhibit replication of HIV-1 in human cells. This result validates Virion's core technology and opens up a new exciting class of anti-HIV therapeutics.

- One of the C-Test project's cancer diagnostic products, CT-2, has progressed into the first of a series of clinical trials. This trial is directed at specific and sensitive diagnosis of prostate cancer.

These two projects have enormous commercial potential, addressing unmet medical needs with huge potential markets and have strong competitive positions.

Due to the more advanced stage of the development of these Tier 1 Projects, coupled with their potential to generate returns in a shorter timeframe, the Company has focused on the commercial development of these two projects. The Company is aiming for partnerships or alliances for these projects in the first half of 2003. With this aim in mind, technical and commercial milestones have been set and are being monitored rigorously by management and the Board.

As a result of this deliberate focus on these Tier 1 Projects, it is envisaged that more resources will be committed to Tier 2 Projects when additional funds become available from the commercialisation of the Tier 1 Projects.

The priorities for the forthcoming year include increasing shareholder value through the establishment of partnerships with pharmaceutical companies for the clinical development of BIT009 and the C-Test diagnostic platform. The Company plans to advance BIT009 further into preclinical development with the aim of initiating Phase I clinical trials in the second quarter of 2003. Additional clinical trials are also planned for CT-2, specifically for colorectal and breast cancers.

The Company recognises the central role of its intellectual property portfolio in creating shareholder value and we will continue to expand and strengthen our cancer diagnostic and viral therapeutic patent applications.

By exercising rigorous cost control, your Company has sufficient capital on hand to comfortably achieve these goals.

On behalf of the shareholders and Directors, I would like to thank all Biotron staff for the untiring efforts during the year. Thanks to their commitment and dedication, your Company is well placed to meet the next stage of its development.

Yours sincerely

Michael J. Hoy
Chairman

REVIEW OF OPERATIONS

OVERVIEW

During the year ended 30 June 2002 there has been a continued focus on the commercial development of the key biomedical projects managed and funded by the Company.

The following significant events were achieved during the year under review:

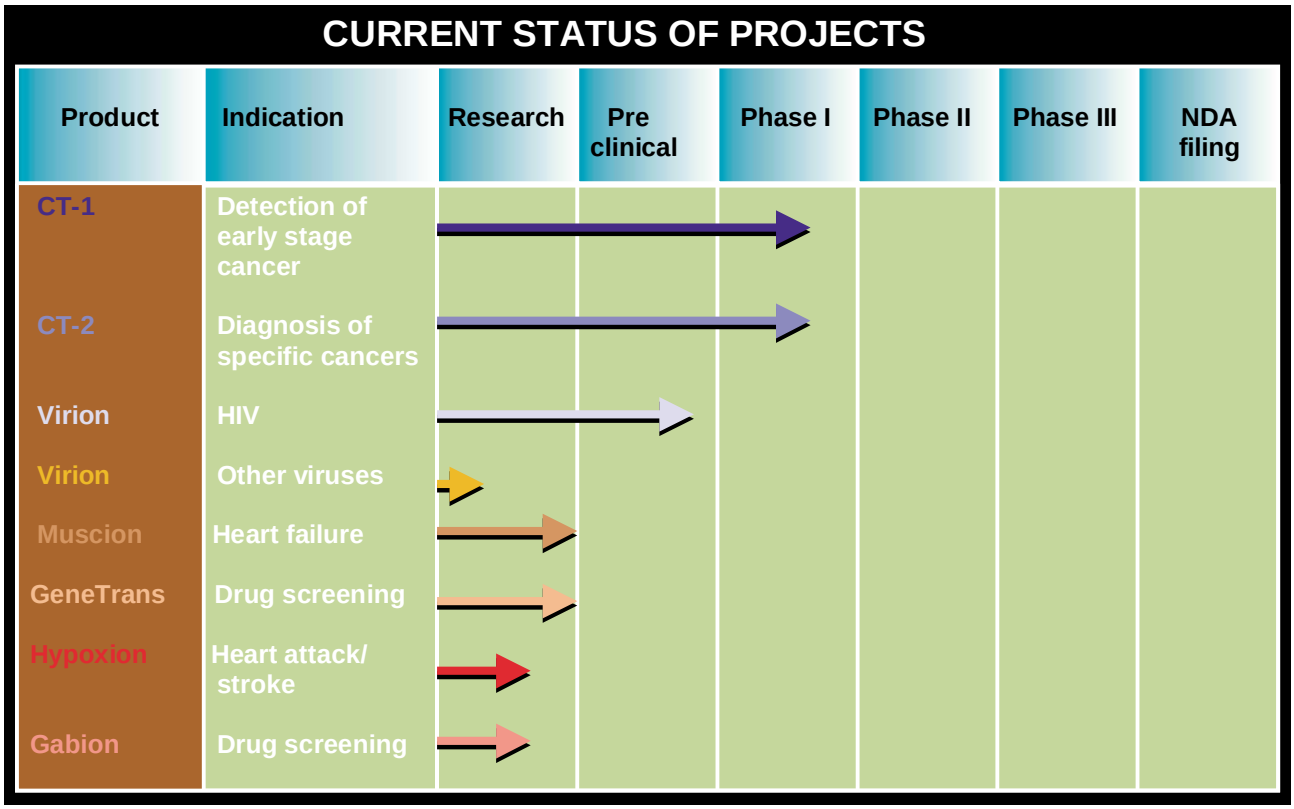
- Commencement of clinical trials of the Company's CT-1 diagnostic test in conjunction with National Health Sciences Centre Limited ('NHSC').
- The completion of a strategic collaboration agreement with Bruker Daltonics Inc and Affiliates, a multi-national leading developer and provider of innovative life science tools based on mass spectrometry.
- The Company's researchers were recognised internationally with the publication of a paper in the prestigious European Biophysics Journal.
- The appointment of Professor Peter Schofield to the Biotron Research Panel. Professor Schofield, a distinguished scientist, is the Director of the Neurobiology Research Program and NHMRC Principal Research Fellow at the Garvan Institute of Medical Research. He is also a Professor at the School of Medicine at the University of New South Wales, in Sydney.
- The Company's patent application 'Method for Determining Ion Channel Activity of a Substance' was allowed by the USA Patent Office, significantly strengthening the Company's intellectual property position.
- Independent studies demonstrated that BIT-009, the lead compound from the Virion Project, is able to inhibit the replication of HIV, the virus that causes AIDS, in human cells. The drug was shown to be effective at very low concentrations and was not toxic to the cells.
- Commencement of clinical trials of the Company's CT-2 diagnostic test at St Vincent's Clinic, Sydney, for detection of prostate cancer.
- Completion of a collaborative agreement with Waters Australia ('Waters'), a subsidiary of Waters Corporation, under which Waters will assist Biotron with the purification of the CT-1 biomarker and the elucidation of the structure of this molecule.
- The appointment of Dr Michelle Miller to the position of Managing Director of Biotron. Dr Miller has over 20 years experience in the bioscience industry, including 10 years experience in managing commercially-focused biomedical research at the international level, and has experience in start-up companies from a number of years with a specialist bioscience venture capital fund.

BIOTRON'S PROJECTS

Biotron has the rights to develop, exploit and commercialise six biomedical projects known as C-Test, Virion, Muscion, Hypoxion, Gabion and GeneTrans. An independent valuation of the projects during the previous financial year concluded that the Company's projects have a value in the range $25.6 million to $36.8 million with a mean valuation of $31.2 million. The Company has not revalued its projects for the purposes of this financial report. If the Company were to adopt the independent expert's mean valuation of $31.2 million for the Company's projects, the total assets reported on the Statement of Financial Position would be increased by $31.2 million.

During the year under review, the Company's efforts have been focused on the C-test and Virion projects. These projects are at a later stage of development and are reaching the stage where they are suitable for partnering with multinational pharmaceutical companies.

The remaining Tier 2 projects are underpinned by a platform technology, research on ion channels in membranes, which allows several scientists to work in different, yet related, areas of research with the results of work in one area providing benefits to other research activities. Additional resources will be committed to these projects once they reach specific commercially focused milestones.



C-Test

Cancer cells have a number of characteristics that distinguish them from normal cells. These characteristics, also known as tumour markers, are often specific for a specific type of cancer or for a particular stage of development of the cancer e.g. early vs late stage. While a number of different tumour markers have been identified in recent years, in general they have been found to lack sensitivity and specificity for specific cancers, which limits their utility. There is a real need for new tests that allow unambiguous cancer diagnoses to be made. The best tests will be simple, non-invasive tests that allow rapid and accurate diagnosis of the type of cancer and its stage. There is also a huge market for a simple diagnostic test that simply detects the presence of any type of cancer at a very early stage. Such a test would be of particular value in monitoring for tumour recurrence following chemotherapy or surgical removal of a tumour.

Based on research conducted by Professor Christopher Parish, the C-Test Project is developing two independent diagnostic tests for early detection and diagnosis of cancer. The first, CT-1 is designed to detect the presence of any type of cancer and the second, CT-2, is designed to diagnose the type of cancer. Both tests are non-invasive and use mass spectrometry to detect levels of novel cancer biomarkers in the blood of cancer patients.

Diagnostic tests, in particular simple, non-invasive tests such as CT-1 and CT-2, have fewer regulatory hurdles and a faster time to market compared to therapeutic drugs. Cancer is the second largest cause of death in the USA and the Australian Commonwealth Government publication, Health Insite, identifies cancer as the leading cause of premature death in Australia. The current world cancer diagnostic market is in excess of US$2 billion and is expected to grow by about 5% per year, mainly due to the trend of population aging which will result in an increasing number of people in the population who fall within the higher risk demographics of cancer.

CT-1

The basis of CT-1 is the detection of a single, specific molecule that disappears when cancer is present. It is known that certain glycolipid-like molecules are

secreted by the immune system and Biotron's work shows that the presence of malignant tumours results in a rapid disappearance of these molecules from the circulation. Biotron has successfully conducted a program of tests on human blood as further proof of concept and also to optimise collection, extraction and detection methods to be used in the full scale clinical trial. The Company has initiated a full-scale clinical trial of CT-1, which will be conducted on the Company's behalf by the NHSC. The NHSC was founded six years ago as a centre of innovation in clinical research with its founding members including the Australian National University, the University of Canberra, the Canberra Clinical School, the Canberra Hospital and the ACT Department of Health and Community Care.

In recent months a major effort has been made to elucidate the exact structure of the CT-1 molecule. Information on the structure of the molecule will further strengthen the Company's patent position and will facilitate preparation and analysis of patient blood samples. Elucidation of the structure of the CT-1 biomarker will also significantly reduce the time and cost of the CT-1 clinical trial.

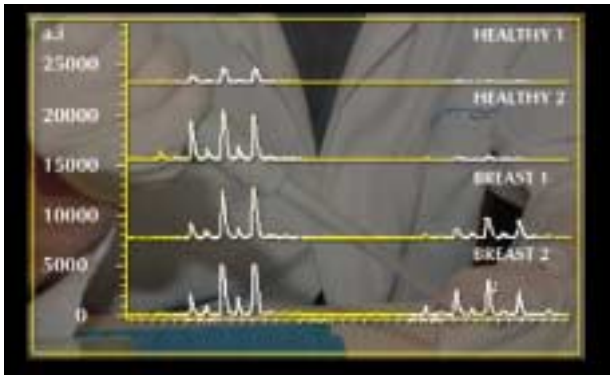
In June 2002 Biotron entered into a collaborative agreement with Waters Australia, a subsidiary of Waters Corporation. Waters Corporation is a major USA based multinational corporation and is the world's leading supplier of high performance liquid chromatography instrumentation and consumables, as well as thermal analysis and mass spectrometry products. Waters will use its liquid chromatography expertise to assist Biotron with the purification of the CT-1 biomarker. This will enable the Company to significantly simplify and optimise the method of purification of patients' serum samples by extracting the CT-1 biomarker from other molecules present in serum. Improved purification of serum samples prior to analysis by mass spectrometry will result in faster and cheaper sample processing, thereby significantly enhancing the CT-1 test and expediting the commercialisation of the product.

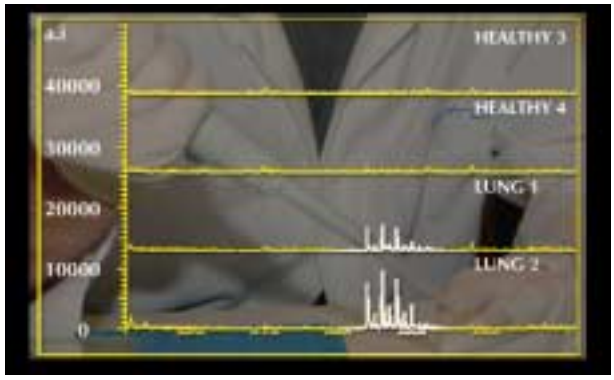
Further, the CT-1 molecule is a very attractive target for anti-cancer therapeutics, and, with information on the structure in hand, the Company will be in a strong position to participate in the development of a new class of drugs to treat cancer.

CT-2

Biotron is developing a second cancer diagnostic test known as CT-2. The basis for CT-2 is the pattern of expression levels of a series of different biomarkers, in contrast to CT-1 which is looking at a single, specific biomarker. The aim of this work is to develop a diagnostic test that will diagnose the cancer type on the basis of the pattern of expression of small non-protein biomarkers that are found in serum. Preliminary studies have shown that the serum from patients with different cancer types have different, unique expression patterns or 'fingerprints'.

The Company has started a clinical trial of CT-2 at St. Vincent's Clinic, Sydney. This CT-2 clinical trial, being conducted in the Urology Department of St. Vincent's Clinic by Dr Philip Brenner and colleagues, involves 120 volunteers with newly diagnosed prostate cancer. Additional patients with benign prostatic hyperplasia as well as patients without prostate cancer are also included in the trial as controls. The trial will enable the Company to determine the spectrometric fingerprint for prostate cancer and is expected to take





Preliminary results showing different expression profiles or 'fingerprints' in sera from different cancer patients.

approximately six months to complete. As existing assays such as the PSA test are considered unreliable and lack specificity, the development of a very specific, sensitive and, importantly, a non-invasive assay for prostate cancer will be a major advance.

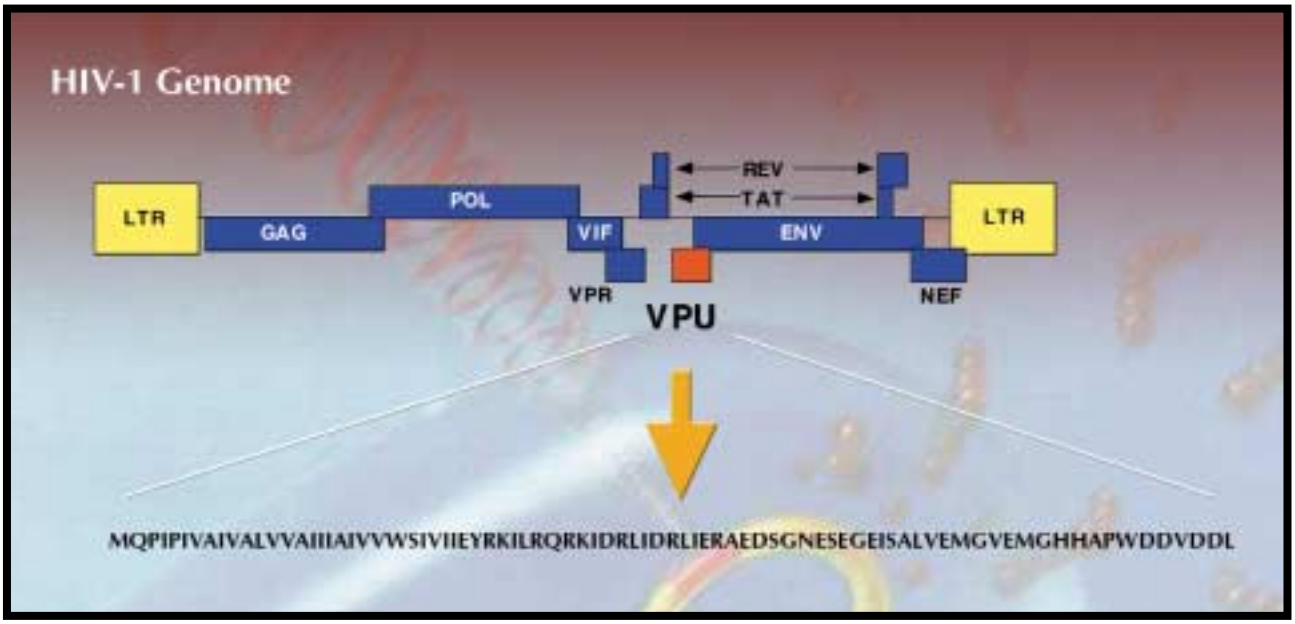
The Company plans to run four CT-2 clinical trials during 2002/03, each for a different cancer type. The cancers are being chosen on the basis of disease incidence and unmet medical need. A second CT-2 trial is planned to commence in the last quarter of 2002.

As a result of these CT-2 trials, the Company will have developed a test that distinguishes between each of the four major cancer types, and will also have developed tests specific for diagnosis of each of the cancers trialled. The tests will then be at an appropriate stage for commercialisation in the major overseas markets through an alliance with a major diagnostic company.

Virion

The Virion Project is aimed at developing novel antiviral agents that will interact with a new kind of target, virus ion channels, to depress HIV replication. Biotron researchers have shown that a particular class of compounds blocks the ion channel activity of one of the HIV proteins called Vpu, a new drug target in the fight against HIV.

The Vpu protein represents a novel anti-HIV-1 drug target. It plays important roles in the budding and release of newly formed viruses from infected cells, a process that is crucial for the progression of infection.



Schematic representation of the genome of HIV-1 showing Vpu, a new drug target in the fight against AIDS.

Due to the nature of the market, the seriousness of the disease and the lack of treatment options, compounds for the treatment of AIDS may be fast tracked through clinical trials to market.

It is estimated that 36.1 million people are living with AIDS, with more than 5 million contracting the disease in 2000.

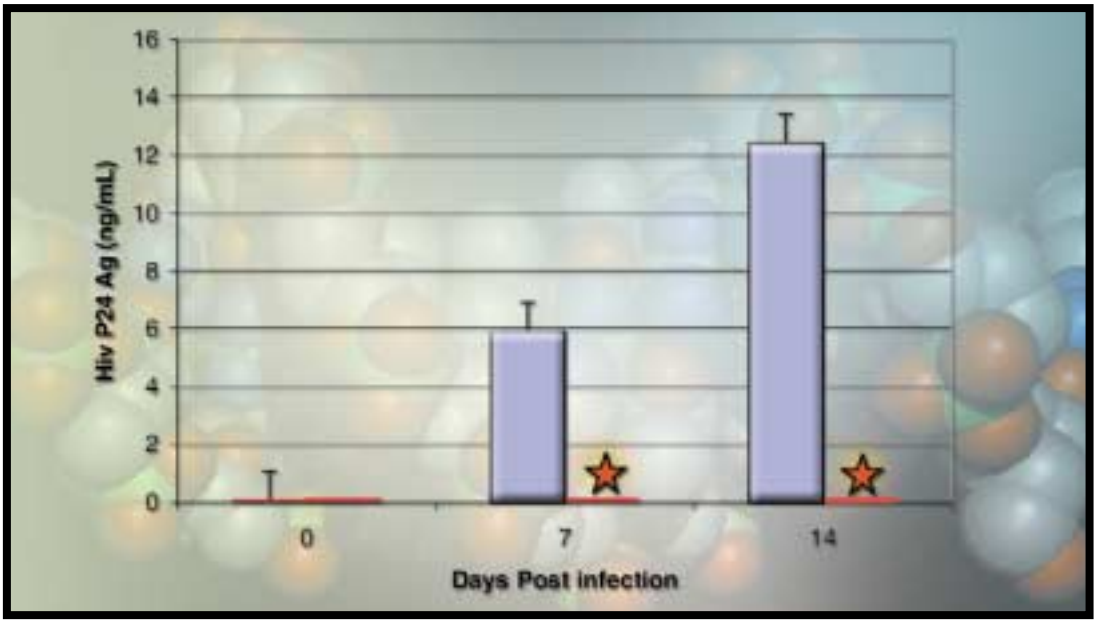
Current anti-AIDS drug therapies primarily target the HIV-1 reverse-transcriptase and protease enzymes. To counteract the ability of the HIV-1 virus to rapidly mutate and develop resistance, patients are given a cocktail of drugs as part of a Highly Active Anti-Retroviral Therapy ('HAART'). Discovery and development of new anti-HIV-1 drugs that attack different parts of the virus life cycle is essential in the continuing fight against resistance.

There is a particular need for therapeutics that target HIV in a particular type of cell known as monocyte/macrophages. Recent studies have shown that these cell types act as pools or reservoirs of virus in HIV-infected individuals. Existing regimens of HAART are ineffective at attacking HIV-1 in those cells.

BIT009

In recent months, Biotron has been able to show that its lead molecule, BIT009, is able to inhibit HIV replication in primary human monocyte/macrophage cultures. BIT009 was effective even at very low concentrations, inhibiting replication by up to 100% compared to untreated controls. Most importantly, BIT009 did not harm the cells at these effective, low concentrations as there was no evidence of toxicity. The results are highly significant, as they validate Vpu as an anti-HIV-1 drug target. This opens up the possibility of a new class of therapeutic agents that will act in combination with existing therapies.

Preliminary studies indicate that the HIV-1 virus does not easily generate resistant mutants to BIT009. This is a very important finding as drug resistance in a major problem in treatment of HIV-1 infection.



BIT009 inhibits replication of HIV-1 in infected human cells.
Blue bars are cells infected with HIV without BIT009.
Red bars are cells infected with HIV and treated with BIT009.
The red stars indicate that no HIV was detectable after treatment of the cells.

The results demonstrating anti-HIV efficacy of BIT009 demonstrate proof-of-concept of Biotron's anti-viral drug discovery platform. Biotron has evidence that a number of other viruses also contain protein that are able to form ion channels, and is currently exploring these leads.

Additional preclinical studies to further characterise BIT009 are currently underway. These studies include assaying the compound for activity against clinical isolates of HIV and determining its pharmacological and toxicological profiles. This information will be required to support applications to regulatory authorities prior to moving into Phase I clinical trials in 2003. Biotron is entering into discussions with potential partners for these clinical studies.

Screening Assays

BIT009 was identified as a potential anti-HIV drug candidate using Biotron's patented method for determining ion channel activity (US 6355413) which identifies inhibitors of the HIV-1 Vpu protein. Vpu is a protein that forms ion channels in cellular membranes, and Biotron has shown that inhibition of Vpu ion channel activity also depresses 'budding' or release of new virus. This finding was published late in 2001 in the European Biophysics Journal.

The Company has been setting up a second screening assay for agents that inhibit viral 'budding' from infected cells. This second assay is based on mammalian cell cultures, and has been supported by a grant of $96,096 from the Australian Capital Territory Government.

BIT009 was identified as a potential candidate using the Company's patented screening assay.

The Company is currently reformatting the first, bacterial cell based, assay into a high throughput ('HTS') format suitable for screening of large libraries of compounds for anti-HIV activity. Existing anti-HIV assays used by the industry are time-consuming, expensive and require specialised personnel and containment facilities, taking up to one month to perform. A HTS assay for HIV-1 will be a commercially valuable asset for Biotron, with potential utility for screening drug and natural product libraries.

TIER 2 PROJECTS

Tier 2 Projects are at an earlier stage of development than the C-test and Virion projects and few resources are committed to the projects at this stage. As these projects develop and resources become available through the commercialisation of the more advanced Tier 1 Projects, projects with maximal commercial potential will receive increased resources and become Tier 1 Projects.

REVIEW OF OPERATIONS

Research has progressed throughout the year on the Tier 2 Projects as discussed below.

Muscion

Contraction of muscle, including heart muscle, depends on release of calcium from stores inside cells through calcium channels called ryanodine receptors. The Muscion Project team is identifying compounds that selectively target ryanodine receptors in heart, skeletal and insect muscle. They have discovered that some small peptides and toxins can modulate ryanodine receptors. A number of these compounds have been found in vitro to stimulate heart muscle contraction leading to increased cardiac output. Following identification of lead compounds from this research, Biotron will develop drugs to boost the output of a damaged or failing heart muscle.

Work during the last twelve months has focused on optimising the activity and delivery of peptides that are active on cardiac ryanodine receptors. A series of peptides have been modified, resulting in increased membrane permeability. Future work is aimed at increasing the stability and specificity of the peptides and exploring a new series of non-peptide mimetics for activity on these receptors.

Hypoxion

The Hypoxion research team is developing compounds that will reduce damage in cells deprived of their blood supply (e.g. following heart attack or stroke). When blood supply is compromised, cells are starved of oxygen. The consequent build-up of calcium in cells exposed to hypoxia kills them. The research team aims to significantly reduce the patient death/disablement rate by stopping the build-up of calcium and saving cells.

The project has two approaches, both aimed at preventing the flow of sodium ions through 'persistent' sodium channels that they have found are opened by hypoxia. The first approach is to screen for compounds that can specifically block persistent sodium channels. The second line of research that is in progress aims to find a way to break the link between hypoxia and the opening of persistent sodium channels.

Rapid testing for new drug candidates is being accelerated through the development of an improved fluorescent assay where hypoxia is induced in cells with expressed sodium channels. The changes in intracellular calcium can then be measured quickly leading to a significant reduction in the time required to assess the activity of new compounds. Biotron has been contacted regarding the screening of compound libraries in our assays and the commercial possibilities are being investigated.

According to the Heart Foundation, cardiovascular disease kills more people in Australia than any other disease and the issue is expected to become more acute in the future with the growing number of elderly Australians among whom cardiovascular disease is most common. The American Heart Association has issued statistics for 1998 that show that in the United States coronary heart disease is the single leading cause of death in America with stroke the third largest cause of death and the leading cause of serious long term disability.

GeneTrans

Research as part of the GeneTrans Project has identified the mechanism by which a drug transport protein called MRP2 is directed to membranes surrounding cells. Drug transport proteins have utility in drug screening tests that will help predict the metabolism and safety of new pharmaceuticals. Screening tests are a vital part of the drug development process. If toxicity is detected in the early pre-clinical stage of testing, further testing on animals is avoided and the cost of drug development is significantly decreased. A library of toxicity results from the screening process can be compiled for future use. High throughput screening tests of this type provide a short-cut in product development and are in demand by the international pharmaceutical industry.

Biotron has generated a novel cell line expressing MRP2 and is currently optimising a drug screening assay using this technology. The technology will be suitable for out-licensing within a few months.

Gabion

The Gabion Project team is researching the effects of known compounds that act on the $GABA_A$ receptor. Research undertaken as part of the Gabion Project to determine the effects of GABA receptor associated protein on expressed receptors is providing important new information about drug effects on these receptors and has implications for the development of high throughput screens that will assist and accelerate the drug discovery process.

PATENT APPLICATION DEVELOPMENTS

The C-Test Project patent entitled 'Method of identifying cancer markers and uses therefore in the diagnosis of cancer' is at the Patent Co-operation Treaty ('PCT') stage. A second patent application relating to the nature of the biological marker for CT-1 (the detection of cancers), entitled 'A novel cancer marker and uses therefore in the diagnosis of cancer' is also now an international application. In addition, a US patent application was filed for this specification.

A US patent was issued for the Virion patent application entitled 'Method for determining ion channel activity of a substance'. This patent is currently under examination in other countries. The second Virion application entitled 'Method of modulating ion channel functional activity' is at the PCT stage.

The Muscion Project patent application entitled 'Method of modulating the activity of calcium channels in cardiac cells and reagents therefore' is at the PCT stage.

The GeneTrans patent application entitled 'Modified proteins, isolated novel peptides and uses therefore' is at the PCT stage.

CORPORATE GOVERNANCE STATEMENT

This statement outlines the main Corporate Governance practices that were in place throughout the financial year, unless otherwise stated.

Board of Directors

The board of directors is responsible for the overall Corporate Governance of the Company including its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The composition of the board has been determined on the basis of providing the Company with the benefit of a broad range of technical, administrative and financial skills, combined with an appropriate level of experience at a senior corporate level.

The composition of the board is monitored constantly to ensure that it provides the Company with the appropriate levels of both expertise and experience.

When a vacancy exists, through whatever cause, or where it is considered that the board would benefit from the services of a new director with particular skills, the board identifies a panel of candidates with appropriate expertise and experience. A selection procedure is then completed and the board appoints the most suitable candidate who must stand for election at the next general meeting of shareholders.

Each director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required, but such approval is not unreasonably withheld.

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

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.

Internal Controls

The board of directors acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities. The system of internal control adopted by the Company seeks to provide an appropriate division of responsibility and careful selection and training of personnel relative to the level of activities and size of the Company.

The full board takes responsibility for reviewing financial reporting procedures, internal controls and the performance of the financial management.

External Auditors

Board nominees review the performance of the external auditors and meet with them at the commencement of the half yearly review and annual audit to discuss any issues that have arisen with respect to accounting policies, any significant operational issues and level of proposed audit fees.

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

Audit Committee

As at the date of the Directors' Report, there was no Audit Committee. An Audit Committee is not considered to be warranted because of the involvement of the full board of directors in the activities of the Company.

Ethical Standards

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

The Role of Shareholders

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

- distribution of the annual report to all shareholders which contains relevant information about the operations of the Company during the year in addition to disclosures required by the Corporations Act 2001;
- lodgement of the half yearly report with the Australian Stock Exchange, which contains summarised and audit reviewed financial information. Copies of half yearly financial statements prepared in accordance with the Corporations Act are available to any shareholder on request;
- lodgement of quarterly reports with the Australian Stock Exchange which show summarised financial information for the quarter. Copies of these reports are available to shareholders on request;
- announcements to the Australian Stock Exchange concerning any significant development in the Company's operations, financing and administration. All announcements are immediately available to the general public; and
- disclosure of all major announcements to the Australian Stock Exchange on the Company's website.

Directors' Report

The directors present their report together with the financial report of Biotron Limited ('the Company') for the year ended 30 June 2002 and the auditors' report thereon.

Directors

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

Mr Michael J. Hoy
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 Ltd and Motoron.com Pty Ltd. 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
Managing Director

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

She was appointed as Managing Director on 21 June 2002.

Professor Peter W. Gage, MB ChB, PhD, DSc FAA
Research Director

Professor Gage is a professor of Physiology at the John Curtin School of Medical Research at the Australian National University and President of the Australian Physiological and Pharmacological Society.

He has more than 35 years experience in medical research, including training medical researchers, particularly PhD students. For the past 25 years his research focus has been on ion channels.

Professor Gage was admitted as a fellow of the Australian Academy of Science in 1977 and was the recipient of an Award of a Special Research Centre by the government in 1982 for research on nerve and muscle ion channels.

He has been a Director since 23 February 1999.

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

Dr Hirshorn has over 20 years experience in the commercialisation of Australian Technology, particularly in the medical device industry, and extensive experience in collaboration with Australian research institutes.

He played a major role in all commercial aspects of Cochlear Limited's development, was a founding director of Resmed Inc., and Chief Executive Marketing for Polartechnics Limited.

He has served on numerous government advisory committees, including the Start IT and T Committee, the Start Grants Biological Sciences Committee of the Department of Industry, Science and Resources and is currently an Investment Manager with a venture capital firm, Nanyang Ventures.

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

Mr Bruce Hundertmark, BE, BEc
Non-Executive Director

Mr Hundertmark is an independent businessman and company director with a wide range of experience in high technology based company start-up operations and promoting the formation of venture capital companies, including News Datacom Limited in Israel and PT Indo Bio Products in Indonesia.

He has been a director of News International PLC, Prudential Cornhill Insurance Limited and was Managing Director of IMFC Limited, a merchant bank.

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

Mr Peter G. Scott
Non-Executive Director

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

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

Mr Scott has been a Director since 23 February 1999.

Dr Noel J. Chambers

Dr Chambers ceased as a Director on 31 January 2002.

Directors' Meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the year are:

Director	Board Meetings Held	Attended
Michael J. Hoy	**10**	**10**
Michelle Miller	**-**	**-**
Peter W. Gage	**10**	**10**
Michael S. Hirshorn	**10**	**9**
Bruce Hundertmark	**10**	**6**
Peter G. Scott	**10**	**10**
Noel J. Chambers	**7**	**6**

Directors' Interests

At the date of this report, the interests of each director of the Company in the issued share capital and options of the Company are:

	Fully Paid Ordinary Shares	30 September 2005 $0.50 Options	14 January 2007 $0.60 Options	14 January 2007 $0.75 Options	14 January 2007 $1.00 Options
Michael J. Hoy	1,000,000	500,000	-	-	-
Michelle Miller	-	-	250,000	500,000	500,000
Peter W. Gage	9,500,000	-	-	-	-
Michael S. Hirshorn	-	200,000	-	-	-
Bruce Hundertmark	-	200,000	-	-	-
Peter G. Scott	8,550,000	-	-	-	-

Directors' and Senior Executives' Emoluments

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 emoluments disclosed below represent the cost to the Company for the services provided under these arrangements.

Details of options granted to directors and senior executives as part of their remuneration and the nature and amount of each major element of the emoluments of each director and senior executive of the Company are:

	Base Emolument $	Service Charge $	Super Contributions $	Options Issued $	Total $
Directors					
Executive					
Michelle Miller	-	-	-	24,750	24,750
Peter W. Gage	30,000	40,000	2,400	-	72,400
Noel J. Chambers	180,639	-	7,000	-	187,639
Non-Executive					
Michael J. Hoy	53,333	-	4,267	-	57,600
Michael S. Hirshorn	30,000	-	2,400	-	32,400
Bruce Hundertmark	30,000	-	2,400	-	32,400
Peter G. Scott	30,000	-	2,400	-	32,400
Executive Officer					
Peter J. Nightingale	-	65,000	-	-	65,000

Each option entitles the holder to purchase one ordinary share in the Company. A fair value of the options, totalling $48,750, has been estimated at the date of granting, using the Black-Scholes options pricing formula, of which $24,750 has been included in directors' emoluments during the financial year ended 30 June 2002.

Options

During the financial year ended 30 June 2002, the Company granted the following options, each to acquire one fully paid ordinary share, as part of director's remuneration:

	Number of Options Granted	Exercise Price	Exercise Period
Director			
Michelle Miller	250,000	$0.60	Up to 14 January 2007
Michelle Miller	500,000	$0.75	30 June 2003 to 14 January 2007
Michelle Miller	500,000	$1.00	30 June 2004 to 14 January 2007

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 date 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 or since the year ended 30 June 2002, the Company issued ordinary shares as a result of the exercise of options as follows:

Number of Shares	Amount Paid on each Share	Market Value of Shares on Date of Exercise
47,000	$0.60	$0.35 to $0.39

During the financial year ended 30 June 2002, the following options lapsed either due to expiry or the termination of employment:

Number of Options	Exercise Price	Exercise Period
5,944,250	$0.60	24 January 2001 to 30 June 2002
500,000	$0.75	30 September 2002 to 24 January 2006
500,000	$1.00	30 September 2004 to 24 January 2006
500,000	$1.50	30 September 2005 to 24 January 2006

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

Number of Options	Exercise Price	Expiry Date
900,000	$0.50	30 September 2005
250,000	$0.60	14 January 2007
500,000	$0.75	14 January 2007
500,000	$1.00	14 January 2007

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

Indemnification and Insurance of Officers

During the financial year ended 30 June 2002, the Company has indemnified its directors and secretary against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as officers of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses where the Company is legally obliged.

Since the end of the previous financial year the Company has insured its directors, the company secretary and executive officers in respect of directors' and officers' liability and legal expenses. Details of the nature of the liabilities covered or the amount of the premium paid in respect of the insurance have not been disclosed because such disclosure is prohibited under the terms of the contract.

Principal Activities

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

Financial Result and Review of Operations

The operating loss of the Company for the financial year after income tax was $1,667,894 (2001 - $1,279,663).

The operations of the Company for the year are set out in the Review of Operations.

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

There were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

Environmental Regulation

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

Directors' Report

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 2002, 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.

This report has been signed in accordance with a resolution of the directors and dated 23 September 2002:

Michael J. Hoy
Director

Michelle Miller
Director

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 $	2001 $
Other revenues from ordinary activities	2	**430,000**	266,501
Total revenue	2	**430,000**	266,501
Administration and consultants' expenses		**(398,947)**	(345,905)
Depreciation	3	**(226,343)**	(5,117)
Employee and director expenses		**(448,328)**	(329,766)
Direct research and development expenses	3	**(998,229)**	(542,241)
Other expenses from ordinary activities		**(400,383)**	(323,135)
Loss from ordinary activities before related income tax expense		**(2,042,230)**	(1,279,663)
Income tax benefit relating to ordinary activities	5	**374,336**	-
Net Loss		**(1,667,894)**	(1,279,663)
Basic loss per share	4	**2.60 cents**	2.54 cents
Diluted loss per share	4	**2.60 cents**	2.54 cents

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2002

	Note	2002 $	2001 $
CURRENT ASSETS			
Cash assets		**7,577,479**	9,713,082
Receivables	6	**412,739**	110,618
Inventories	7	**90,455**	100,341
Other	8	**29,752**	-
Total Current Assets		**8,110,425**	9,924,041
NON-CURRENT ASSETS			
Plant and equipment	9	**522,183**	268,065
Total Non-Current Assets		**522,183**	268,065
Total Assets		**8,632,608**	10,192,106
CURRENT LIABILITIES			
Payables	10	**137,494**	111,449
Provisions	11	**5,401**	-
Total Current Liabilities		**142,895**	111,449
Total Liabilities		**142,895**	111,449
Net Assets		**8,489,713**	10,080,657
EQUITY			
Contributed equity	12	**11,444,960**	11,416,760
Reserves	13	**110,850**	85,600
Accumulated losses	14	**(3,066,097)**	(1,421,703)
Total Equity		**8,489,713**	10,080,657

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2002

	Note	2002 $	2001 $
Cash flows from operating activities			
Cash receipts in the course of operations		**75,800**	-
Cash payments in the course of operations		**(1,127,222)**	(1,021,815)
Interest received		**367,260**	253,441
Payments for research and development		**(998,229)**	(542,241)
Net cash used in operating activities	15	**(1,682,391)**	(1,310,615)
Cash flows from investing activities			
Payments for plant and equipment		**(480,461)**	(273,182)
Net cash used in investing activities		**(480,461)**	(273,182)
Cash flows from financing activities			
Proceeds from issue of shares		**28,200**	11,154,060
Interest paid		**(951)**	(226)
Net cash provided by financing activities		**27,249**	11,153,834
Net increase/(decrease) in cash held		**(2,135,603)**	9,570,037
Cash at the beginning of the financial year		**9,713,082**	143,045
Cash at the end of the financial year	15	**7,577,479**	9,713,082

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The significant policies which have been adopted in the preparation of this financial report are:

Basis of preparation

This financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or fair values of non-current assets.

These accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

Revenue recognition

Interest revenue

Interest revenue is recognised as it accrues.

Research and development grants

Research and development grants received in relation to research and development costs that have been expensed are recognised as revenue.

Taxation

Income tax

The Company adopts the liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income. The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the statement of financial position as a future income tax benefit or a provision for deferred income tax.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to tax losses are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

Goods and services tax

Revenues, 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 Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item 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 statement of financial position.

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.

Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which the related benefits are expected to be realised.

Plant and equipment

Items of plant and equipment are initially recorded at cost and are depreciated over their estimated useful lives using the reducing balance method from the date of acquisition at rates between 13% and 40% per annum.

Accounts payable

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company. Trade accounts payable are normally settled within 60 days.

Incentive option plan

Where options are issued as remuneration for services rendered, the difference between the fair value of the options issued and the consideration received, if any, is expensed and the fair value of the options is recorded in the option premium reserve.

	2002 $	2001 $
2. REVENUE FROM ORDINARY ACTIVITIES		
Other revenues		
From operating activities		
Interest - other parties	**367,260**	253,441
Research and development grants	**62,740**	13,060
Total revenue from ordinary activities	**430,000**	266,501
3. LOSS FROM ORDINARY ACTIVITIES BEFORE INCOME TAX EXPENSE		
Loss from ordinary activities before income tax expense has been arrived at after charging the following items:		
Auditors' remuneration paid to KPMG		
- Audit and review of financial reports	**14,519**	8,000
- Other services	**-**	6,000
Depreciation		
- Office equipment	**24,217**	4,679
- Plant and equipment	**202,126**	438
Borrowing costs - interest paid to other parties	**951**	226
Direct research and development expenditure expensed as incurred	**998,229**	542,241
Provision for employee entitlements	**5,401**	-

	2002 $	2001 $
4. EARNINGS PER SHARE		
Basic and diluted loss per share has been calculated using:		
Net loss for the year	**1,667,894**	1,279,663
Weighted average number of ordinary shares	**64,010,179**	50,326,668
Options disclosed in the Contributed Equity note below are potential ordinary shares, but are not included in the calculation of diluted loss per share as they are not dilutive.		
5. INCOME TAX EXPENSE		
Prima facie income tax benefit on operating loss at 30% (2001 - 34%)	**612,669**	435,085
Tax effect of:		
Tax losses not brought to account	**(311,271)**	(433,934)
Research and development expenditure rebated	**75,000**	-
Permanent differences	**(2,062)**	(1,151)
Income tax benefit	**374,336**	-
The following potential income tax benefit calculated at 30% (2001 - 30%) arising from tax losses has not been recognised as an asset because recovery is not virtually certain.		
Tax losses	**716,487**	405,216

The Company has no franking credits.

The potential future income tax benefit will only be obtained if:

(a) the Company derives future assessable income of a nature and of an amount sufficient to enable the benefit to be realised;
(b) the Company continues to comply with the conditions for deductibility imposed by law; and
(c) no changes in tax legislation adversely affect the Company in realising the benefit.

6. RECEIVABLES		
Current		
Other debtors	**412,739**	110,618

	2002 $	2001 $
7. INVENTORIES		
Stores - at cost	**90,455**	100,341
8. OTHER CURRENT ASSETS		
Prepayments	**29,752**	-
9. PLANT AND EQUIPMENT		
Office equipment - at cost	**78,508**	48,783
Accumulated depreciation	**(28,896)**	(4,679)
	49,612	44,104
Plant and equipment - at cost	**675,135**	224,399
Accumulated depreciation	**(202,564)**	(438)
	472,571	223,961
Total plant and equipment - net book value	**522,183**	268,065
Reconciliations		
Reconciliations of the carrying amounts for each class of plant and equipment are set out below:		
Office equipment		
Carrying amount at beginning of year	**44,104**	-
Additions	**29,725**	48,783
Depreciation	**(24,217)**	(4,679)
Carrying amount at end of year	**49,612**	44,104
Plant and equipment		
Carrying amount at beginning of year	**223,961**	-
Additions	**450,736**	224,399
Depreciation	**(202,126)**	(438)
Carrying amount at end of year	**472,571**	223,961
10. PAYABLES		
Current		
Other creditors and accruals	**137,494**	111,449

	2002 $	2001 $
11. PROVISIONS		
Current		
Employee entitlement provisions	**5,401**	-
12. CONTRIBUTED EQUITY		
Issued and paid up capital		
64,055,750 (2001 - 64,008,750) fully paid ordinary shares	**11,444,960**	11,416,760

During the year ended 30 June 2002 the Company issued 47,000 fully paid ordinary shares for cash totalling $28,200 as the result of the exercise of 30 June 2002 options.

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.

Options

The following options were on issue at 30 June 2002, each exercisable to acquire one fully paid ordinary share:
900,000 (2001 - 900,000) at $0.50 each at any time up to 30 September 2005.
250,000 (2001 - nil) at $0.60 each at any time up to 14 January 2007.
500,000 (2001 - nil) at $0.75 each at any time from 30 June 2003 to 14 January 2007.
500,000 (2001 - nil) at $1.00 each at any time from 30 June 2004 to 14 January 2007.

13. RESERVES		
Option premium reserve		
Balance at beginning of year	**85,600**	-
Issue of options at a premium	**48,750**	85,600
Transfer to accumulated losses on lapse of options	**(23,500)**	-
Balance at end of year	**110,850**	85,600
This reserve represents the fair value, at the date of issue, of options on issue.		
14. ACCUMULATED LOSSES		
Accumulated losses at beginning of year	**1,421,703**	142,040
Net loss attributable to members of the Company	**1,667,894**	1,279,663
Transfer from option premium reserve	**(23,500)**	-
Accumulated losses at end of year	**3,066,097**	1,421,703

15. STATEMENT OF CASH FLOWS

	2002 $	2001 $
Reconciliation of operating loss after tax to net cash used in operating activities		
Operating loss after tax	**(1,667,894)**	(1,279,663)
Items classified as investing/financing activities		
Interest paid	**951**	226
Non-cash items		
Depreciation	**226,343**	5,117
Options granted as part of directors' remuneration	**24,750**	85,600
Provisions	**5,401**	-
Changes in assets and liabilities		
Prepayments	**(5,752)**	-
Receivables	**(302,121)**	(110,618)
Inventories	**9,886**	(100,341)
Payables	**26,045**	89,064
Net cash used in operating activities	**(1,682,391)**	(1,310,615)

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	**7,577,479**	9,713,082

16. DIRECTORS' REMUNERATION

	2002 Number	2001 Number
The number of directors of the Company whose income from the Company or any related party falls within the following bands:		
$20,000 - $29,999	**1**	-
$30,000 - $39,999	**3**	-
$40,000 - $49,999	**-**	2
$50,000 - $59,999	**1**	-
$60,000 - $69,999	**-**	2
$70,000 - $79,999	**1**	1
$130,000 - $139,999	**-**	1
$180,000 - $189,999	**1**	-

	2002 $	2001 $
Total income paid or payable, or otherwise made available, to all directors of the Company from the Company or any related party	**439,589**	422,633

17. EXECUTIVES' REMUNERATION

	2002 Number	2001 Number
The number of executive officers of the Company, whose remuneration from the Company or related parties falls within the following bands:		
$130,000 - $139,999	**-**	1
$180,000 - $189,999	**1**	-

	2002 $	2001 $
Total income received, or due and receivable, from the Company or related parties by executive officers of the Company whose income is $100,000 or more	**187,639**	134,200

The executive was also a director of the Company.

18. RELATED PARTY DISCLOURES

Directors

The names of each person holding the position of director of the Company during the financial year are Michael J. Hoy, Michelle Miller, Peter W. Gage, Michael S. Hirshorn, Bruce Hundertmark, Peter G. Scott and Noel J. Chambers. Details of directors' remuneration are set out above.

Details of relevant interests of directors of the Company and their director-related entities in shares and options of the Company at year end are as follows:

	2002 Number	2001 Number
Fully paid ordinary shares	**19,050,000**	19,050,000
30 September 2005 $0.50 options	**900,000**	900,000
14 January 2007 $0.60 options	**250,000**	-
30 June 2003 to 14 January 2007 $0.75 options	**500,000**	-
30 June 2004 to 14 January 2007 $1.00 options	**500,000**	-
30 September 2002 to 24 January 2006 $0.75 options	**-**	500,000
30 September 2004 to 24 January 2006 $1.00 options	**-**	500,000
30 September 2005 to 24 January 2006 $1.50 options	**-**	500,000

During the year ended 30 June 2002, directors and director-related entities neither disposed of nor acquired any fully paid ordinary shares of the Company.

During the year ended 30 June 2002, directors and director-related entities were granted 1,250,000 options pursuant to the Company's Incentive Option Plan. A fair value of the options, totalling $48,750, has been estimated at the date of granting using the Black-Scholes options pricing formula, of which $24,750 has been included in the directors' remuneration set out above.

During the year ended 30 June 2002, 1,500,000 options granted to a director pursuant to the Company's Incentive Option Plan lapsed upon termination of his employment.

During the year ended 30 June 2002, Michael J. Hoy had an interest in an entity, CityPrint Pty Limited, which provided printing services to the Company. Payments to CityPrint Pty Limited, which were in the ordinary course of business and on normal terms and conditions, amounted to $37,228 (2001 - $44,012).

19. EMPLOYEES AND INCENTIVE OPTION PLAN

At 30 June 2002, the Company had 1 employee (2001 - 1). 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.

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.

Details of options granted pursuant to the Incentive Option Plan during the year ended 30 June 2002 are set out above. No ordinary shares have been issued as a result of the exercise of any options granted pursuant to the Incentive Option Plan.

These options are not listed and accordingly have no market value at year end. The market value of the ordinary shares under option at 30 June 2002 was $0.35 (2001 - $0.30) each.

20. FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

The Company's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is as follows:

	Note	Weighted average interest rate %	Floating interest rate $	Non-interest bearing $	Total $
2002					
Financial assets					
Cash assets		4.55	7,577,479	-	7,577,479
Receivables	6	-	-	412,739	412,739
Financial liabilities					
Payables and provisions	10 and 11	-	-	142,895	142,895

	Note	Weighted average interest rate %	Floating interest rate $	Non-interest bearing $	Total $
2001					
Financial assets					
Cash assets		4.75	9,713,082	-	9,713,082
Receivables	6	-	-	110,618	110,618
Financial liabilities					
Payables	10	-	-	111,449	111,449

Credit risk exposure

The credit risk exposure on financial assets of the Company which have been recognised on the statement of financial position, is the carrying amount, net of any provision for doubtful debts.

Credit risk on cash assets is minimised by dealing with Australian regulated banks.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair values.

21. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the biotechnology industry in Australia.

DIRECTORS' DECLARATION

In the opinion of the directors of Biotron Limited:

(a) the financial statements and notes, set out on pages 17 to 28, are in accordance with the Corporations Act 2001, including:

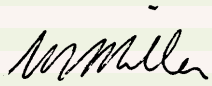
(i) giving a true and fair view of the financial position of the Company as at 30 June 2002 and of its performance, as represented by the results of its operations and its cash flows for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This report has been signed in accordance with a resolution of the directors and dated 23 September 2002:

Michael J. Hoy
Director



Michelle Miller
Director

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF BIOTRON LIMITED

Scope

We have audited the financial report of Biotron Limited for the financial year ended 30 June 2002, consisting of the statement of financial performance, statement of financial position, statement of cash flows, accompanying notes, and the directors' declaration set out on pages 17 to 29. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion, the financial report of Biotron Limited is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2002 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

KPMG

W.E. Austin
Partner

Brisbane
23 September 2002

ADDITIONAL STOCK EXCHANGE INFORMATION

Home Exchange

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

Use of Cash and Assets

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

Class of Shares and Voting Rights

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

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

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

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

Substantial Shareholders

As at the date of the Directors' Report, the Register of Substantial Shareholders showed the following:

Peter G. Scott	4,300,450 fully paid ordinary shares
Gail S. Scott	4,300,000 fully paid ordinary shares

Distribution of Equity Securityholders

As at 16 September 2002, the distribution of each class of equity was as follows:

Range	Fully Paid Ordinary Shares	30 September 2005 $0.50 Options	14 January 2007 $0.60 Options	14 January 2007 $0.75 Options	14 January 2007 $1.00 Options
1- 1,000	78	-	-	-	-
1,001 - 5,000	852	-	-	-	-
5,001 - 10,000	484	-	-	-	-
10,001 - 100,000	429	-	-	-	-
100,001 and over	35	3	1	1	1
	1,878	**3**	**1**	**1**	**1**

At 16 September 2002, 92 shareholders held less than a marketable parcel of 1,190 shares.

Twenty Largest Quoted Shareholders and Optionholders

At 16 September 2002 the twenty largest fully paid ordinary shareholders held 65.6% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%		Name	Fully Paid Ordinary Shares	%
1	Peter Gage	9,500,000	14.8	11	Commonwealth Custodial Services Ltd	1,000,000	1.6
2	Australian National University	4,500,000	7.0	12	Michael Hoy	1,000,000	1.6
3	Peter Scott	4,250,000	6.6	13	Peter Nightingale	1,000,000	1.6
4	Gail Scott	4,249,500	6.6	14	CBDF Pty Ltd	550,000	0.9
5	Angela Dulhunty	2,600,000	4.1	15	Gary Ewart	500,000	0.8
6	Chris and Bhama Parish	2,600,000	4.1	16	LPA No 2 Pty Ltd	410,844	0.6
7	Philip and Marylyn Board	2,599,950	4.1	17	S Family Pty Ltd	384,000	0.6
8	Altinova Nominees Pty Ltd	2,000,000	3.1	18	Imnau Holdings Pty Ltd	352,178	0.5
9	Carrington Services Pty Ltd	2,000,000	3.1	19	Dorvell Pty Ltd	270,817	0.4
10	Tom Mann	2,000,000	3.1	20	Wightholme Nominees Pty Ltd	250,000	0.4

There are no current on-market buy-backs.

Restricted Securities

At 16 September 2002 the Company had the following restricted securities on issue:

39,000,000 fully paid ordinary shares restricted until 24 January 2003
900,000 30 September 2005 $0.50 options restricted until 24 January 2003

CORPORATE DIRECTORY

DIRECTORS:
Mr Michael J. Hoy (Chairman)
Dr Michelle Miller (Managing Director)
Professor Peter W. Gage (Research Director)
Dr Michael S. Hirshorn
Mr Bruce Hundertmark
Mr Peter G. Scott

COMPANY SECRETARY:
Mr Peter J. Nightingale

REGISTERED OFFICE:
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Homepage: www.biotron.com.au

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

Biotron

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