

**Biotron Limited**  
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7 August 2007

Australian Stock Exchange Limited  
20 Bridge Street  
SYDNEY NSW 2000

Attention: Marta Kielich, Adviser, Issuers (Sydney)

Dear Marta,

I refer to your letter dated 3 August 2007 and respond to your questions, using your numbering, as follows:

1. Based on the Company's 2007/08 budget, the Company has sufficient cash to fund its activities for more than two quarters of operations. Factors which should be taken into account include:
  - As announced to the ASX, the Company commenced its Phase I clinical trial of its anti-HIV drug BIT225 on 22 March 2007. As further announced on 10 July 2007 and 25 July 2007, this clinical trial has met all of the Company's expectations and is very near completion. As a result, the Company's expenditures during the June 2007 quarter were higher than during a normal operation quarter.
  - The Company is eligible to receive a Commercial Ready Grant from the Federal Government on the basis of matching funding of certain of its expenditures that have been funded by the Company in its Phase I clinical trial.
  
2. As the Company is a biotechnology research company with a highly promising antiviral drug (BIT225) which has shown significant potential to treat both HIV and hepatitis C ('HCV'), the Company does expect, and has budgeted for, further operating cash outflows in the form of clinical trial and other research expenditures. As noted above, budgeted expenditures for the next two quarters are not as high as the June 2007 quarter actual expenditures.

The Company remains in close dialogue with a number of pharmaceutical companies and other potential partners who have shown interest in, and are awaiting the results of the Company's Phase I clinical trial for HIV.

Further, the Company's announcement on 7 August 2007 regarding the highly synergistic benefits that BIT225 adds to existing anti-HCV therapies is also expected to present significant partnering opportunities with pharmaceutical companies.

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3. Refer to 1 above.
4. The Company's actual revenues and expenses are not substantially different to the anticipated revenues and expenses other than the timing of incurring costs associated with the Phase I clinical trial and the consequent receipt of the Commercial Ready Grant reimbursing those expenses on a matching funds basis.
5. The Company's business objectives, as stated in its 8 December 2000 Prospectus have, subject to results from its research, been met. The results of the Company's antiviral technology have exceeded expectations and the further development of this technology, led by BIT225, is expected to significantly add to shareholders' wealth by enabling a better deal to be negotiated with the Company's target customers, the pharmaceutical companies.
6. The Company confirms that it is in compliance with the ASX Listing Rules and, in particular, ASX Listing Rule 3.1.
7. The Company is of the opinion that it remains in compliance with ASX Listing Rule 12.2. The Company is on the verge of completion of its Phase I trial of BIT225, a first in class, novel antiviral compound. Completion of this trial is a major milestone event for the Company. BIT225 has also been shown to add highly synergistic benefits to existing HCV therapies. These markets are multi billion dollar markets. The quality of the Company's antiviral technology is supported by the fact that Biotron had two abstracts, out of more than 3,100 submissions, accepted for presentation to the recent International Aids Society conference as announced on 25 July 2007.

Yours faithfully



Peter J. Nightingale  
Company Secretary

pjn3983

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**ASX**

AUSTRALIAN SECURITIES EXCHANGE

3 August 2007

Mr Peter Nightingale  
Company Secretary  
Biotron Limited  
Level 8, 261 George St  
Sydney NSW 2000

By email

Dear Peter

**Biotron Limited (the "Company")**

I refer to the Company's Quarterly Report in the form of Appendix 4C for the period ended 30 June 2007, released to ASX Limited ("ASX") via a Company Announcement on 30 July 2007 (the "Appendix 4C"). ASX notes that the Company has reported the following.

1. Receipts from customers of \$0.
2. Negative net operating cash flows for the quarter of \$1,008,000.
3. Cash at end of quarter of \$1,379,000.

In light of the information contained in the Appendix 4C, please respond to each of the following questions.

1. It is possible to conclude on the basis of the information provided that if the Company were to continue to expend cash at the rate for the quarter indicated by the Appendix 4C, the Company may only have sufficient cash to fund its activities for less than 2 quarters. Is this the case, or are there other factors that should be taken into account in assessing the Company's position?
2. Does the Company expect that in the future it will have negative operating cash flows similar to that reported in the Appendix 4C for the quarter and, if so, what steps has it taken to ensure that it has sufficient funds in order to continue its operations at that rate?
3. To what extent have the Company's actual revenues and expenses in the quarter, as reported in the Appendix 4C, matched the Company's anticipated revenues and expenses for that reporting period?
4. If the Company's actual revenues and expenses are not substantially in accordance with the Company's anticipated revenues and expenses, when did the Company become aware that its revenues and expenses would not substantially match the anticipated revenues and expenses? You may wish to outline any circumstances that may have had an effect on the Company's revenues and expenses.

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5. What steps has the Company taken, or what steps does it propose to take, to enable it to continue to meet its business objectives as set out in its Prospectus? The Company's business objectives and strategies may have changed since the date of the Prospectus. If so, this should be taken into account in your response.
6. Can the Company confirm that it is in compliance with the listing rules, and in particular, listing rule 3.1?
7. Please comment on the Company's compliance with listing rule 12.2, with reference to the matters discussed in the note to the rule.

#### **Listing rule 3.1**

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in the rule.

In responding to this letter you should consult listing rule 3.1 and the guidance note titled "Continuous disclosure: listing rule 3.1".

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

This letter and your response will be released to the market. If you have any concerns about your response being released, please contact me immediately. Your response should be sent to me on facsimile number (02) 9241 7620 or by email at [marta.kielich@asx.com.au](mailto:marta.kielich@asx.com.au). It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (ie before 9.30 a.m. E.S.T.) on Wednesday, 8 August 2007.

If you are unable to respond by the time requested you should consider a request for a trading halt in the Company's securities.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,



Marta Kielich  
**Adviser, Issuers (Sydney)**

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