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16 August 2013

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000 (3 pages by email)

Dear Madam

**SHAREHOLDER UPDATE**

In accordance with Listing Rule 3.17, I attach a copy of a document as sent to the Company's shareholders.

Yours sincerely

Peter J. Nightingale
Company Secretary

pjn7353


*August 2013*

Dear Shareholder,

Welcome to this edition of BIT News.

Biotron was pleased to recently announce that it has achieved another key milestone, with the final patient enrolled in an important Phase 2 clinical trial of BIT225 in patients co-infected with Hepatitis C virus (HCV) and HIV.

Success in this study would potentially present a substantial global market opportunity, and be a valuable addition to the Company's BIT225 portfolio and clinical program that, until now, has focused on targeting HCV or HIV separately.

It is estimated that in the US alone, up to 40% of HIV patients are also infected with HCV and this poses unique medical challenges. HCV is a more serious disease in this population and is a leading cause of non-AIDS related death in the HIV-infected population.

There are no existing therapies capable of targeting both diseases. BIT225 has demonstrated robust data in both indications in Phase 2a trials. We are encouraged by the data to date which suggest that BIT225 could be the first in a new class with dual virus targeting capability.

Twelve patients have now been recruited to the co-infected trial, which is designed to generate the first efficacy data on BIT225 in combination with current treatment, interferon and ribavirin (IFN/RBV), in this specific population. Ten patients have completed dosing with BIT225 and now continue to receive IFN/RBV. The final two patients will shortly complete the 28 day dosing phase with BIT225.

While these patients will be followed out to 48 weeks, which marks completion of on-going treatment with IFN/RBV, the key time point for efficacy data is at three months (three months after commencement of IFN/RBV and BIT225 treatment, and two months after BIT225 treatment is completed).

The trial will provide information on the efficacy of BIT225 against additional HCV genotypes, as patients with genotypes 1 and 3 were included in this trial. To date, the BIT225 HCV clinical trials have been conducted in patients infected with the most common virus strain, HCV genotype 1.

In addition to providing anti-HCV efficacy data in co-infected patients, this study will provide information on BIT225 in the presence of other anti-HIV therapies. All trial participants were on current anti-HIV treatments before, during and after treatment with BIT225. Interactions between different classes of drugs can be problematic, and this is an issue with some of the new classes of anti-HCV drugs in development.

On the basis of results from completed preclinical studies we do not expect significant interactions with BIT225 and other classes of anti-HIV drugs, with trial data expected to support these findings. The absence of adverse interactions with other classes of HIV drugs would further improve BIT225's competitive position.

The Company is on track to present interim data from this study in Q4 2013.

**Capsule Formulation**

It is expected that future trials of BIT225 will be conducted using a new patient friendly capsule formulation, following a successful Australian trial of this optimised format. Until now, BIT225 has been delivered to trial patients in a powder formulation mixed with a taste masking liquid.

A recent Phase 1 study of the new capsules, developed in collaboration with a specialist US formulation partner, demonstrated that BIT225 has superior bioavailability i.e. the amount of drug that enters the circulation system and is able to have an active effect, when delivered via capsule.

Data comparing capsule vs powder showed that the bioavailability of BIT225 in capsule form was increased 1.6 fold compared to the powder.

This means that in future trials, lower doses of BIT225 can be administered to achieve higher blood levels. This is beneficial on several levels: it potentially improves the drug's safety profile, facilitates its use in extended trials in larger patient populations and may lend itself to a more convenient dosing regimen.

These benefits are likely to improve BIT225's overall data package and make Biotron and its programs more attractive to potential global pharmaceutical partners.

**Presentation at Recent HIV Conferences**

As part of this endeavour, Biotron continues to consistently and diligently highlight its development programs, and BIT225 in particular, to the international pharmaceutical, medical and scientific communities.

Results from Biotron's Phase 2a HIV trial were recently presented at the 7th International AIDS Society Conference (IAS) in Kuala Lumpur, Malaysia – the world's largest scientific conference on HIV and AIDS.

In addition, Biotron's HIV data also featured at the satellite 'Towards an HIV Cure' symposium, which was held in the two days immediately prior to IAS.

Leading global AIDS experts heard that Biotron's Phase 2a trial of BIT225 in HIV-infected patients had achieved remarkable results, demonstrating the ability to target and reduce virus levels in monocyte lineage cells. It is in these cells where the seeds of hidden HIV pools can be found, setting up long-lived macrophage reservoir cell populations in various sites in the body.

Targeting virus reservoirs is regarded as the 'holy grail' of current HIV research. The results suggest that BIT225 has the potential to be included in future HIV elimination or cure strategies and may provide a means of halting the ongoing cycle of infection from these long-lived cells.

**Further HIV Data**

The HIV trial also demonstrated for the first time that BIT225 is able to cross the blood-brain barrier. Additional data presented at the conference included the results of an analysis of levels of BIT225 in the cerebrospinal fluid from two of the trial participants receiving BIT225.

This is important as it means BIT225 may be a potential therapeutic option for the treatment of AIDS-related dementia, which affects up to 24% of people in Western HIV populations.

**R&D Tax Incentive**

On the financial front, Biotron was pleased to note the recent receipt of an R&D Tax Incentive refund of $891,951 for the 2011/12 financial year. This scheme is an Australian Government program where companies receive cash refunds of 45% of eligible expenditure on R&D. The incentive refund results from expenditure on both HIV and HCV clinical trial programs and strengthens the Company's overall cash position.

**Next Milestones**

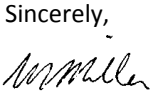
In October, subject to receipt of relevant ethics and regulatory approval, Biotron expects to launch a larger Phase 2b clinical trial of BIT225 in HCV-infected patients. This study will run at several trial sites in Thailand, with patients receiving BIT225 for 12 weeks. Building on previous studies, the trial will include HCV genotypes 1 and 3, and patients enrolled will be treated with the new capsule formulation.

Biotron has been in ongoing discussions with clinical advisors and international experts in the US, who are guiding us through this next stage of development.

The Company continues to diligently progress its clinical programs and remains confident of the well established science underpinning our product.

Thank you for your ongoing support, and don't forget to subscribe to receive emailed updates and announcements at www.biotron.com.au .

Sincerely,



**Dr Michelle Miller**
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