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27 August 2020

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

(53 pages by email)

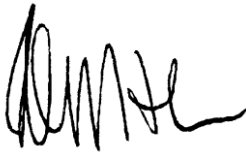
Dear Madam,

YEAR END ACCOUNTS AND PRELIMINARY FINAL REPORT

I attach the Company's Year End Accounts and Appendix 4E Preliminary Final Report for the year ended 30 June 2020.

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

Yours sincerely



Peter J. Nightingale
Company Secretary

pjn10454

Appendix 4E

Preliminary final report

Name of entity

BIOTRON LIMITED

ABN or equivalent company reference

60 086 399 144

Financial year ended ('current period')

30 JUNE 2020

Results for announcement to the market

Revenues from ordinary activities	N/A	Nil	to	Nil
Loss from ordinary activities after tax attributable to members	Up	121.86%	to	\$3,575,959
Net loss for the period attributable to members	Up	121.86%	to	\$3,575,959
Dividends (distributions)	Amount per security		Franked amount per security	
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Previous corresponding period				
Final dividend	Nil		Nil	
Interim dividend	Nil		Nil	
Record date for determining entitlements to the dividend.	N/A			
Brief explanation of any of the figures reported above and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				
Refer attached Annual Report for the year ended 30 June 2020.				
NTA backing	Current period		Previous corresponding period	
Net tangible asset backing per ordinary security	0.99 cents		0.91 cents	

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

BIOTRON LIMITED

A.B.N. 60 086 399 144

**ANNUAL REPORT
FOR THE YEAR ENDED
30 JUNE 2020**

BIOTRON LIMITED

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BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

REVIEW OF OPERATIONS

Biotron Limited ('Biotron' or 'the Company') has completed several significant milestones during the 2019-2020 financial year. These include:

- Appointment of an international Scientific Advisory Board for Biotron's HIV-1 drug development program.
- Appointment of a Chief Medical Officer to advise the Company on its HIV-1 development program.
- Presentation of new data from the BIT225-009 Phase 2 HIV-1 clinical trial at an international HIV-1 conference in March 2020.
- Acceptance in June 2020 of a late-breaker abstract for presentation of key BIT225 HIV-1 data at the 23rd International AIDS Conference in July 2020.
- Strengthening of the Company's intellectual property position with the filing of two new patent applications, expanding the use of Biotron's lead drug BIT225 and other Biotron anti-HIV-1 compounds.
- Completion of toxicology studies of BIT225 to support long-term dosing of humans in future trials.
- Expanding its antiviral screening program to include SARS-CoV-2, the causative agent of COVID-19.
- Continuation of designing, synthesising and testing new compounds under its Hepatitis B program.
- Receipt of \$753,026 under the Australian Government R&D Tax Incentive scheme.
- Raising \$5.3 million in capital from the exercise of Company options.

HIV-1 Program

During the 2019-2020 Financial Year, the Company's HIV-1 clinical program has remained at the forefront of development activities.

Since completing its successful BIT225-009 Phase 2 HIV-1 clinical trial in late 2018, Biotron has been focused on extending its understanding of the unique mechanism of action of its lead anti-HIV-1 drug BIT225. BIT225 is a first-in-class small-molecule anti-viral compound that works to inhibit the viroporin mechanism of Viral Protein U (Vpu). Vpu is a protein that HIV uses in the assembly of new virus particles and in the "budding" of new viruses from the host cell and also plays a key role in modulating the body's immune system to allow the virus to establish and maintain an infection.

The Company has previously reported that the Phase 2 trial showed that BIT225 induced statistically significant changes to key immune cell populations. These changes have not been seen in any trials using currently approved anti-HIV-1 drugs.

Ongoing post-trial analyses are providing key information on how BIT225 induces the significant immunological changes observed in the trial. In March this year, Biotron presented new data from the Phase 2 trial at an international scientific conference, further characterising the previously reported immune modulating effects of BIT225. The new data showed that BIT225 "unmasks" HIV-infected cells that remain in the body despite treatment with approved anti-HIV-1 drugs.

These infected reservoir cells are usually hidden from the immune system and are the reason why life-long drugs are necessary to keep the HIV-1 infection under control. The data indicate that the addition of BIT225 to anti-HIV-1 drugs stimulates the innate immune system so that the body's cells can "see" the HIV-infected reservoir cells and take the necessary steps to eliminate any residual virus.

While current antiretroviral treatment (ART) drugs are extremely efficient at clearing the HIV-1 virus, they do not clear cellular reservoirs. Because of this, HIV-infected people must take drugs for their lifetime to keep virus under control.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

Eradication of virus from hidden reservoirs is key to further improving health outcomes in this population and also key to any strategy to cure patients infected with HIV-1.

In mid-2020, Biotron presented additional data on BIT225 at the 23rd International AIDS Conference (AIDS 2020). The data showed how BIT225 directly modifies immune responses to HIV-1 infection and helps explain the positive immune changes that were reported in the Phase 2 clinical trial. The data help to explain how BIT225 “unmasks” HIV-infected cells and promotes immune recognition of the virus. Immune system recognition initiates the host defence processes including the clearance of virus. In combination with results from the Phase 2 clinical trial, these latest results support further clinical study of the potential anti-viral and immunological benefits of BIT225 therapy in combination with ART.

BIT225 is unique. It is the first of its kind to act as both a direct-acting antiviral drug and an immune enhancer. Taken together, the research undertaken over the last 12 months has provided a more detailed understanding of how the addition of BIT225 to anti-HIV-1 drugs stimulates the body’s immune system so that it can find HIV-infected reservoir cells and take the necessary steps to eliminate any residual virus. This effect of “unmasking” infected cells within cellular reservoirs would solve a huge problem in treating HIV-1 by allowing the body’s immune system to work together with the anti-HIV drugs to clear out inaccessible pockets of virus and annihilate the infection for good – opening up the potential for HIV-infected people to avoid lifetime drug treatment.

Since the end of the year in review, in July 2020 Biotron appointed Stephen Becker MD as Chief Medical Officer (CMO) to oversee the next stage of BIT225’s clinical development. Dr Becker has extensive experience as a product development executive, clinician and researcher with specific focus on the therapeutic areas of HIV, infectious diseases and immunology. Based in the USA, he brings solid clinical experience plus years of experience in a similar role in the industry, as well as time in a senior role with the Bill & Melinda Gates Foundation.

Dr Becker’s connections with pharmaceutical companies, USA government organisations, philanthropic organisations, as well as his knowledge of regulatory and policy issues relating to development and approvals of new drugs bring essential skills at this critical stage of the Company’s development.

Dr Becker’s appointment follows on from the establishment during the first half of the financial year of an expert Scientific Advisory Board (SAB) for its HIV-1 clinical development program. The SAB is an international group of experts with broad experience within the HIV-1 field, covering clinical development of HIV-1 therapies. The members are highly regarded by academia and industry and have experience advising pharmaceutical industry on new treatment strategies, including HIV-1 cure. The group augments the support that Biotron receives from key opinion leaders, academics and industry participants across its antiviral programs and will be central to the development of Biotron’s lead drug, BIT225.

The existing Phase 2 trial data are showing us and, importantly, potential partners how BIT225 may play a role in the eradication of HIV-1. The results are encouraging and may have profound implications for the future treatment and cure of HIV-1 infection.

The next step in the development of BIT225 is to refine how it should be used in the clinic, based on the latest data. This will likely require a Phase 2b clinical trial to convert the statistically significant immune markers changes seen in the completed Phase 2 trial into statistically significant changes in clinical outcomes. The recent completion of long-term toxicology studies of BIT225 is an important milestone as they support long-term dosing of BIT225 in the next stage of clinical development and beyond. The expertise of the Company’s CMO and the SAB, together with feedback from industry and regulatory agencies are central to mapping out this next stage of development.

The Company is focused on achieving a commercial outcome for its promising antiviral programs whilst continuing to progress its clinical HIV-1 program to prepare for more advanced clinical trials.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

Hepatitis B Virus Program

In addition to its HIV-1 clinical program, Biotron continues to progress its Hepatitis B virus (HBV) program. Like HIV-1, HBV can be treated with drugs that stop the virus replicating, but these do not eradicate the virus. Chronic infection with HBV can lead to complications such as cirrhosis and liver cancer, which cause close to one million deaths worldwide each year. Over 2 billion people worldwide have been infected with HBV. The World Health Organisation estimates that over 250 million are chronically infected.

The Company continues to design, synthesise and test new compounds with the aim of identifying a lead candidate. Biotron is working with other experienced groups to access key assays. Ongoing pre-clinical studies in cell culture models have demonstrated that Biotron compounds have significant anti-viral activity against HBV, reducing levels of cccDNA (covalently closed circular DNA), as well as other key viral markers. Biotron's compounds have a unique mechanism of action and are expected to generate significant interest from potential partners in Biotron's family of compounds.

Characterisation of the mechanism of action of the HBV compounds is continuing, and the focus is on identifying and selecting a lead drug candidate to take forward to safety studies as quickly as possible.

Coronavirus

Biotron's core expertise lies in the design and development of drugs that target virus-encoded proteins known as viroporins. Viroporins are found in a broad range of viruses and play key roles in viral pathogenesis. Viroporins are central to viruses modifying host immune responses so that they can fly under the radar and establish and maintain ongoing cycles of infection. Biotron has designed and developed a library of compounds that target viroporins from a broad range of different viruses that cause serious infections in humans and other hosts.

Within Biotron's anti-viroporin library are compounds that have shown good activity against a range of coronaviruses, based on studies that were undertaken at the time of outbreak of severe acute respiratory syndrome (SARS-1) – which was a coronavirus – back in 2002-2004. The Company's scientists were the first to identify and publish data showing that the E protein of the coronavirus is a viroporin and a good target for antiviral drugs.

In February this year, Biotron began testing a range of its compounds against SARS-CoV-2, the causative agent of COVID-19, to assess whether they can inhibit this new coronavirus. This work is progressing well in a series of different assays are to assess impact of the compounds on markers of virus replication as well as immune markers. These assays will provide the best overall understanding of the potential of Biotron's compounds to treat COVID-19.

Biotron remains focused on progressing its antiviral programs directed at viroporins through to a commercial outcome. The current pandemic highlights the importance of novel approaches such as Biotron's with its potential to target a broad range of existing and emerging viruses.

Commercialisation

Development of new drugs is a slow, measured process. The strict international regulatory and safety requirements mean that there are no shortcuts to the development of new drugs. Similarly, beneficial partnerships in the biopharmaceutical industry take time. They are dependent on good science, addressing clear unmet medical needs, and rigorous data.

Biotron's core antiviral programs have all these key elements.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

Biotron is focused on achieving a commercial outcome for its antiviral programs. The Company has been sharing information on its antiviral programs with potential partners in the pharmaceutical industry since early preclinical development. This has included regular updates on progress and discussions of the next stage of development. The Company has good relationships with the pharmaceutical companies active in this space and ongoing dialogue on these programs is ongoing and progressing.

Discussions with pharmaceutical companies are iterative in nature. Every successful series of experiments or clinical trial generates another series of questions that will guide the decision-making process on the side of commercial partners. Good, well founded science is core to success. Biotech companies, such as Biotron, also need to demonstrate how their drug(s) will fit within a changing treatment landscape, especially with new mode of action drugs such as BIT225. The Company is consulting with internationally recognised HIV-1 experts with extensive expertise in clinical development of HIV-1 treatments, as well as experience in advising the pharmaceutical industry. The aim is to map out the next stage of clinical development based on the latest data.

The positive outcomes from the body of Biotron's work to date mean that the Company is able to continue discussions with key potential partners with compelling Phase 2 data in hand. Phase 2 is generally considered the best time to license technology to a major pharmaceutical company as they have the expertise and resources necessary for late stage clinical development and regulatory approvals in major markets such as the USA. This is not a rapid process, nor is there a guarantee of a successful commercial outcome.

Sharing of data and ongoing discussions are continuing throughout the COVID-19 outbreak. We appreciate the ongoing support and patience of shareholders while we work to achieve the long-awaited commercial outcomes.

Patents

Biotron continues to progress patents related to its antiviral programs through the international patenting process. The Company recognises that the key to establishment of partnerships is the expansion and continued strengthening of Biotron's intellectual property portfolio. Strong, defensible, international patents are essential to attract partners and to ensure a competitive advantage for the Company's products in the marketplace.

During the 2019-2020 financial year the Company has expanded its portfolio with the filing of new patent applications that expand the use of Biotron's lead drug BIT225 and other Biotron anti-HIV-1 compounds.

TITLE	STATUS
WO04112687 Antiviral compounds and methods Priority – 26 June 2003	Granted in Australia, Brazil, Canada, China, India, Japan, Korea, New Zealand, Singapore, USA and South Africa Under examination elsewhere (Europe and Hong Kong)
WO06135978 Antiviral compounds and methods Priority – 24 June 2005	Granted in Austria, Australia, Belgium, Canada, Switzerland, China, Germany, Denmark, Spain, Finland, France, United Kingdom, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Monaco, The Netherlands, New Zealand, Poland, Portugal, Sweden, Singapore, Turkey, South Africa and USA Under examination elsewhere (Brazil, India)

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

TITLE	STATUS
WO2009/018609 Hepatitis C antiviral compounds and methods Priority – 3 August 2007	Granted in Austria, Australia, Belgium, Canada, Switzerland, China, Germany, Denmark, Spain, Finland, France, United Kingdom, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Monaco, The Netherlands, New Zealand, Poland, Portugal, Sweden, Singapore, Turkey and South Africa Under examination in elsewhere (Brazil, India, and USA)
WO/2018/145148 Methods of Treating Influenza Priority – 8 February 2017	Application filed in Australia, China, Europe, Guatemala, Hong Kong, Japan, Korea, Mexico, New Zealand, Russia, Singapore, El Salvador, Thailand, USA and South Africa
Provisional (New) Methods of Treating HIV-1 Infection Priority – 26 November 2019	Applications filed in USA and Australia

Corporate

During the 2019-2020 financial year, the Company raised a total of \$5,311,343 before costs from the exercise of options. This significant injection of funds places the Company in a sound financial position as it focuses on achieving commercial outcomes for its programs.

The Company also received \$753,026 under the Australian Government R&D Tax Incentive scheme.

During the next financial year, the Company will be focused on:

- Progressing the design and implementation of the next stage of clinical development of BIT225 in consultation with its SAB and relevant industry and regulatory input.
- Ongoing sharing of data and discussions on its antiviral programs including the HIV-1 Phase 2 clinical trial with potential pharmaceutical company partners regarding commercialisation opportunities for the Company's antiviral intellectual property.
- Undertaking additional *in vitro* cell-based preclinical testing of compounds for the HBV program, including screening of newly designed and synthesised compounds for potential anti-HBV activity with the aim of identifying a lead compound to progress to clinical development.
- Continued testing of Biotron compounds for activity against other key commercially relevant virus targets including SARS-CoV-2.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

We look forward to the next year with confidence.



Michael J. Hoy
Chairman



Michelle Miller
Managing Director

CORPORATE GOVERNANCE STATEMENT

The Board is committed to maintaining the highest standards of Corporate Governance. Corporate Governance is about having a set of core values and behaviours that underpin the Company's activities and ensure transparency, fair dealing and protection of the interests of stakeholders. The Company has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (3rd edition) published by the ASX Corporate Governance Council.

The 2020 Corporate Governance Statement, dated as at and approved by the Board on 27 August 2020, reflects the corporate governance practices throughout the 2020 financial year. A description of the Company's current corporate governance practices is set out in the Company's corporate governance statement which can be viewed at <http://www.biotron.com.au/corporate-governance>.

BIOTRON LIMITED

DIRECTORS' REPORT

Directors

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

Mr Michael J. Hoy
Independent and Non-Executive Chairman

Mr Hoy has more than 30 years' corporate experience in Australia, the United Kingdom, USA and Asia. He is Chairman of Lipotek Pty Limited and a former director of John Fairfax Holdings Limited and FXF Trust.

Mr Hoy has been a director since 7 February 2000 and Chairman since 16 March 2000.

Dr Michelle Miller, BSc, MSc, PhD, GCertAppFin (Finsia)
Managing Director

Dr Miller has worked for over 25 years in the bioscience industry, with extensive experience in commercial drug development. She completed her PhD in the Faculty of Medicine at Sydney University investigating molecular models of cancer development. Her experience includes several years at Johnson & Johnson developing anti-HIV gene therapeutics through preclinical research to clinical trials. She has finance industry experience from time spent as an Investment Manager with a specialist bioscience venture capital fund.

Dr Miller was appointed as Managing Director on 21 June 2002.

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

Dr Pond has a strong scientific and commercial background having held executive positions in the biotechnology and pharmaceutical industry for 12 years, most recently as chairman and managing director of Johnson & Johnson Research Pty Limited (2003 - 2009). Previous non-executive positions include chair of AusBiotech Limited and director of Australian Nuclear Science and Technology Organisation, Wound Management Innovation CRC and Australian Academy of Technological Sciences and Engineering (ATSE). Dr Pond also served as a board member of Commercialisation Australia and Innovation Australia.

Dr Pond is currently chair of the New South Wales Smart Sensing Network, director of the Trusted Autonomous Systems Defence Cooperative Research Centre, Vectus Biosystems Ltd, Cannatrek Ltd and the Australian Phenomics Network and Governor in Council of the Queensland University of Technology. She is a Fellow of the Australian Institute of Company Directors, the Academy of Technological Sciences & Engineering, the Academy of Health and Medical Sciences and the Royal Society of NSW.

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

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

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

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

He is the chairman of Starpharma Holdings Limited. He chairs Grahger Retail Securities Pty Ltd and is a director of O'Connell Street Associates Pty Limited.

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

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

BIOTRON LIMITED

DIRECTORS' REPORT

Prof Stephen Locarnini, BSc(Hons), PhD, MBBS, FRC(Path)
Independent and Non-Executive Director

Professor Locarnini is a past director of the World Health Organisation (WHO) Regional Reference Laboratory for Hepatitis B and D for the Western Pacific Region (WPRO). His current major research interests include viral hepatitis, hepatitis vaccines and antiviral chemotherapy with an emphasis on the basic virology of the various agents of hepatitis, the molecular pathogenesis of hepatitis, as well as prevention and public health control measures.

Curative treatments for hepatitis B infections with antiviral agents represent the current focus for Professor Locarnini who is also interested in intellectual property issues when applied to clinical and diagnostic virology. He is a named inventor on over 20 internationally granted patents.

He worked at the Victorian Infectious Diseases Reference Laboratory (VIDRL, originally Fairfield Hospital Virus Laboratory) from 1989, as Director of Laboratory Services from 1990 to 1998 and, in 1993, he oversaw the amalgamation of all the Fairfield Laboratories into the one service of the VIDRL. He subsequently assumed the position of Head, Research & Molecular Development of VIDRL when the laboratory relocated to Melbourne Health in 1998.

Professor Locarnini is the recipient of numerous awards including the European Association for the Study of Liver Disease (EASL) International Recognition Award in 2010, the Malaysian Liver Foundation's Medal for work on Viral Hepatitis in 2003 and the Gastroenterological Society of Australia (GESA) Distinguished Research Prize in 2013. In 2019 he received the William H. Prusoff HEP DART Lifetime Achievement Award. He is author of 289 peer-reviewed articles, 24 invited editorials and 100 book chapters and reviews and every year delivers numerous invited, plenary, and named lectures at major international meetings and conferences.

Professor Locarnini currently has an academic appointment at the University of Melbourne.

He is a member of the Scientific Advisory Board of a number of emerging as well as established pharmaceutical and biotechnology companies. In 2017, he co-founded the biotech start-up company CLEAR-B with the Morningside-Newton Investment group in Boston, USA focusing on curative strategies for chronic hepatitis B. He is also the Hepatitis Virus Editor for Antiviral Therapy.

Professor Locarnini was appointed as a Director on 23 October 2018.

Mr Peter J. Nightingale
Company Secretary

Mr Nightingale graduated with a Bachelor of Economics degree from the University of Sydney and is a member of the Chartered Accountants Australia and New Zealand. He has worked as a chartered accountant in both Australia and the USA.

As a director or company secretary Mr Nightingale has, for more than 25 years, been responsible for the financial control, administration, secretarial and in-house legal functions of a number of private and public listed companies in Australia, the USA and Europe including Argent Minerals Limited, Bolnisi Gold N.L., Cockatoo Coal Limited, Callabonna Uranium Limited, Mogul Mining N.L., Pangea Resources Limited, Perseverance Corporation Limited, Sky Metals Limited (previously Planet Gas Limited) Sumatra Copper & Gold plc, Timberline Minerals, Inc. and Valdora Minerals N.L. Mr Nightingale is currently a director of Alpha HPA Limited, Nickel Mines Limited and unlisted public company Prospech Limited.

Mr Nightingale has been Company Secretary since 23 February 1999.

BIOTRON LIMITED

DIRECTORS' REPORT

Directors' Meetings

The number of directors' meetings held and number of meetings attended by each of the directors of the Company, while they were a director, during the year are:

Director	Directors' Meetings	
	No. of Eligible Meetings to Attend	No. of Meetings Attended
Michael J. Hoy	7	7
Michelle Miller	7	7
Susan M. Pond	7	7
Robert B. Thomas	7	7
Stephen Locarnini	7	7

Remuneration Committee Meetings

The remuneration committee meets when required to review matters concerning the committee. During the year, no meetings were held.

Directors' Interests

At the date of this report, the beneficial interests of each director of the Company in the issued share capital of the Company and options, each exercisable to acquire one fully paid ordinary share of the Company are:

Directors	Fully Paid Ordinary Shares	Options	Option Terms (Exercise Price and Term)
Michael J. Hoy	9,347,793	-	
Michelle Miller	3,156,250	5,000,000 1,000,000 1,000,000	¹ \$0.25 from 26 November 2019 up to 29 November 2021 ² \$0.20 from 26 November 2020 up to 29 November 2022 ² \$0.20 from 26 November 2021 up to 29 November 2023
Susan M. Pond	654,295	-	
Robert B. Thomas	3,663,195	-	
Stephen Locarnini	800,000	-	

¹ Vesting date is subject to the completion of a commercialisation transaction.

² Vesting conditions are based on minimum service periods being achieved.

Following shareholder approval in November 2019, 5,000,000 unlisted options with an exercise price of \$0.25 and 2,000,000 unlisted options with an exercise price of \$0.20 were granted to Michelle Miller.

There were no options over unissued ordinary shares granted as compensation to directors or executives of the Company during or since the end of the financial year.

Unissued Shares Under Option

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

Number of Options	Exercise Price	Expiry Date
¹ 5,000,000	\$0.25	29 November 2021
² 1,000,000	\$0.20	29 November 2022
² 1,000,000	\$0.20	29 November 2023
² 5,000,000	\$0.20	31 January 2023

¹ Vesting date is subject to the completion of a commercialisation transaction.

² Vesting conditions are based on minimum service periods being achieved.

BIOTRON LIMITED

DIRECTORS' REPORT

All options expire on the earlier of their expiry date or termination of the employee's employment provided the exercise period has been reached. In the event that the employment of the option holder 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 two months of the date of termination of employment. Any options not exercised within this two month period will lapse. The persons entitled to exercise the options do not have, by virtue of the options, the right to participate in a share issue of the Company or any other body corporate.

Shares Issued on Exercise of Options

During or since the end of the financial year, the Company issued ordinary shares as a result of the exercise of options as follows (there are no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each share
106,226,853	\$0.05

Principal Activities

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

Financial Result and Review of Operations

The operating loss of the Company for the financial year after income tax was \$3,575,959 (2019 - \$1,611,799 loss).

A review of the Company's operations for the year is set out in the Operating and Financial Review.

Impact of Legislation and Other External Requirements

There were no changes in environmental or other legislative requirements during the year that have significantly impacted the results or operations of the Company.

Dividends

The directors recommend that no dividend be paid by the Company. No dividend has been paid or declared since the end of the previous financial year.

State of Affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Company that occurred during the year ended 30 June 2020.

Environmental Regulations

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

Events Subsequent to Balance Date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

BIOTRON LIMITED

DIRECTORS' REPORT

Likely Developments

During the year ended 30 June 2020, 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.

Indemnification of Officers and Auditors

During or since the end of the financial year, the Company has not indemnified or made a relevant agreement to indemnify an officer or auditor of the Company against a liability incurred by such an officer or auditor. In addition, the Company has not paid or agreed to pay, a premium in respect of a contract insuring against a liability incurred by an officer or auditor.

Remuneration Report - Audited

Principles of compensation - Audited

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Company. Key management personnel comprise the directors of the Company and the Company Secretary. No other employees have been deemed to be key management personnel.

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 vesting conditions of options issued under the plan are based on a minimum service periods being achieved.

In the event that the employment or office of the option holder 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 two months of the date of termination of employment. Any options not exercised within this two month period will lapse. The remuneration disclosed below represents the cost to the Company for the services provided under these arrangements.

No directors or senior executives receive performance related remuneration in the prior year.

There were no remuneration consultants used by the Company during the year ended 30 June 2020 or in the prior year.

Consequences of performance on shareholder wealth - Audited

In considering the Company's performance and benefits for shareholders wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years.

	2020	2019	2018	2017	2016
Net loss attributable to equity holders of the Company	\$3,575,959	\$1,611,799	\$1,593,645	\$3,093,405	\$3,004,303
Dividends paid	-	-	-	-	-
Change in share price	0.07 cents	0.05 cents	(0.1) cents	(4.0) cents	(7.0) cents

The overall level of key management personnel's compensation is assessed on the basis of market conditions, status of the Company's projects, and financial performance of the Company.

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

Details of remuneration for the year ended 30 June 2020 - Audited

Details of director and senior executive remuneration and the nature and amount of each major element of the remuneration of each director of the Company, and other key management personnel of the Company are set out below:

	Year	Primary Fees \$	Super-annuation \$	Share Based Payments - Options \$	Long term benefits \$	Total \$	Value of Options as a % of Remuneration
Directors							
<i>Non-executive</i>							
Michael J. Hoy	2020	74,853	7,272	-	-	82,125	-
(Chairman)	2019	70,356	6,684	-	-	77,040	-
Susan M. Pond	2020	39,922	3,878	-	-	43,800	-
	2019	37,523	3,565	-	-	41,088	-
Robert B. Thomas	2020	39,922	3,878	-	-	43,800	-
	2019	37,523	3,565	-	-	41,088	-
Stephen Locarnini ¹	2020	39,922	3,878	-	-	43,800	-
	2019	26,221	2,491	-	-	28,712	-
<i>Executive</i>							
Michelle Miller	2020	323,285	31,233	21,338	5,481	381,337	6%
(Managing Director)	2019	307,191	29,183	-	14,886	351,260	-
Executives							
Peter J. Nightingale	2020	84,000	-	-	-	84,000	-
(Company Secretary)	2019	78,000	-	-	-	78,000	-

¹ Appointed as a director on 23 October 2018.

No bonuses were paid during the financial year. Options granted to Michelle Miller include performance based vesting conditions, refer below for further details. No performance based component of remuneration existed in the prior period. The Company employed no other key management personnel.

Options granted as compensation – Audited

Details of options granted as compensation to each key management person:

Director	Grant Date	Number of Options Granted	Fair Value at Grant Date	Option Terms (Exercise Price and Term)
Michelle Miller	26 November 2019	¹ 5,000,000	\$30,625	\$0.25 from 26 November 2019 to 29 November 2021
Michelle Miller	26 November 2019	² 1,000,000	\$14,215	\$0.20 from 26 November 2020 to 29 November 2022
Michelle Miller	26 November 2019	² 1,000,000	\$19,502	\$0.20 from 26 November 2021 to 29 November 2023

¹ Vesting date is subject to the completion of a commercialisation transaction.

² Vesting conditions are based on minimum service periods being achieved.

During the year, Michelle Miller was granted 7,000,000 options as compensation and no options were granted during the 2019 financial years. The number of options that vested as at 30 June 2020 was nil (2019 was nil).

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

- The fair value of the 5,000,000 options at grant date was determined based on a Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 75.77% based on historic share price performance, a risk free rate of 0.77% based on the 2 year government bond rate and no dividends paid. The value also considered the vesting conditions in relation to the options.
- The fair value of the 1,000,000 options at grant date was determined based on a Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 75.77% based on historic share price performance, a risk free rate of 0.73% based on the 3 year government bond rate and no dividends paid.
- The fair value of the 1,000,000 options at grant date was determined based on a Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 75.77% based on historic share price performance, a risk free rate of 0.81% based on the 5 year government bond rate and no dividends paid.

During 2019 Michelle Miller exercised 5,000,000 options. No options lapsed during the 2020 and 2019 financial years.

Modification of terms of equity-settled share-based payment transactions - Audited

No terms of equity-settled share-based payment transactions (including options granted as compensation to a key management person) have been altered or modified by the Company during the 2020 financial year.

Exercise of options granted as compensation - Audited

There were no shares issued on the exercise of options previously granted as compensation during 2020 and 5 Million shares were issued on the exercise of options during 2019.

Analysis of options and rights over equity instruments granted as compensation - Audited

All options refer to options over ordinary shares of Biotron Limited, which are exercisable on a one-for-one basis.

Director	Options granted		% vested at year end	Exercised / forfeited during the year	Balance at year end	Financial year in which grant vests
	Number	Date				
Michelle Miller	5,000,000	26 November 2019	23%	-	5,000,000	¹ 30 June 2022
	1,000,000	26 November 2019	37%	-	1,000,000	² 30 June 2021
	1,000,000	26 November 2019	23%	-	1,000,000	² 30 June 2022

¹ Vesting date is subject to the completion of a commercialisation transaction.

² Vesting conditions are based on minimum service periods being achieved.

The number of options that had vested as at 30 June 2020 is nil (2019 - nil). No options were granted subsequent to year end.

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

Analysis of movements in options granted as compensation - Audited

Director	Granted in the year	Valuation of options exercised in the year	Lapsed in the year
Michelle Miller	\$64,342	-	-

The number of options that had vested as at 30 June 2020 is nil. 7,000,000 options were granted as remuneration during the year (2019: nil).

Options and rights over equity instruments - Audited

The movement during the reporting period in the number of options over ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their personally related entities, is as follows:

Option holdings 2020 - Audited

	Held at 1 July 2019	Granted/ Purchased	Exercised / Sold	Expired	Held at 30 June 2020	Vested and exercisable at 30 June 2020
Directors						
Michael J. Hoy	1,557,965	-	1,557,965	-	-	-
Michelle Miller	190,625	7,000,000	190,625	-	7,000,000	-
Susan M. Pond	109,049	-	109,049	-	-	-
Robert B. Thomas	-	-	-	-	-	-
Stephen Locarnini	-	-	-	-	-	-
Executives						
Peter J. Nightingale	-	-	-	-	-	-

Loans to key management personal and their related parties - Audited

There were no loans made to key management personnel or their related parties during the 2020 and 2019 financial years and no amounts were outstanding at 30 June 2020 (2019 - \$nil).

Other transactions with key management personnel - Audited

The following key management person holds a position in another entity that results in them having control or joint control over the financial or operating policies of that entity, and this entity transacted with the Company during the year as follows:

During the year ended 30 June 2020, Peter J. Nightingale had a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the Company. Fees paid to MIS Corporate Pty Limited during the year amounted to \$144,000 (2019 - \$144,000). There were no outstanding amounts at 30 June 2020 (2019 - \$nil).

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

Movements in shares - Audited

The movement during the reporting period in the number of ordinary shares in the Company held directly, indirectly or beneficially, by each key management person, including their personally-related entities, is as follows:

Fully paid ordinary shareholdings and transactions 2020 - Audited

	Held at 1 July 2019	Purchased	Received on exercise of options	Sales	Held at 30 June 2020
Directors					
Michael J. Hoy	7,789,828	-	1,557,965	-	9,347,793
Michelle Miller	2,965,625	-	190,625	-	3,156,250
Susan M. Pond	545,246	-	109,049	-	654,295
Robert B. Thomas	2,663,195	1,000,000	-	-	3,663,195
Stephen Locarnini	-	800,000	-	-	800,000
Executives					
Peter J. Nightingale	3,594,903	3,000,000	-	-	6,594,903

Service contracts - Audited

In accordance with best practice corporate governance, the Company provided each key management personnel with a letter detailing the terms of appointment, including their remuneration.

Michelle Miller's is employed by the Company as Managing Director and is required to provide the Company with three months' notice in order to terminate employment. The contractual salary is \$360,000 (including superannuation).

Non-executive directors - Audited

Total compensation for all non-executive directors is determined by the Board based on market conditions.

BIOTRON LIMITED

DIRECTORS' REPORT

Non-audit Services

During the year KPMG, the Company's auditor, performed no other services in addition to their statutory duties.

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is included in the Directors' Report.

Details of the amounts paid and accrued to the auditor of the Company, KPMG, and its related practices for audit and non-audit services provided during the year are set out below.

	2020 \$	2019 \$
Statutory audit		
Audit and review of financial reports - KPMG	<u>59,270</u>	<u>52,500</u>

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 17 and forms part of the Directors' Report for the year ended 30 June 2020.

This report has been signed in accordance with a resolution of the directors and is dated 27 August 2020:



Michael J. Hoy
Chairman



Michelle Miller
Managing Director



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Biotron Limited

I declare that, to the best of my knowledge and belief, in relation to the audit of Biotron Limited for the financial year ended 30 June 2020 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Stephen Board
Partner
Brisbane
27 August 2020

BIOTRON LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020 \$	2019 \$
Continuing operations			
Other income	5	803,026	1,072,832
Administration and consultants' expenses		(237,223)	(299,580)
Depreciation	11	(50,119)	(12,467)
Employee and director expenses		(875,774)	(806,272)
Direct research and development expenses	6	(2,857,383)	(1,115,879)
Rent and outgoings expenses		(11,099)	(61,236)
Travel expenses		(16,931)	(73,849)
Other expenses from ordinary activities		(394,670)	(404,488)
Operating loss before financing income		<u>(3,640,173)</u>	<u>(1,700,939)</u>
Interest income		69,332	89,140
Interest expense		(5,118)	-
Net financing income		<u>64,214</u>	<u>89,140</u>
Loss before tax		(3,575,959)	(1,611,799)
Income tax expense	9	-	-
Loss for the year		(3,575,959)	(1,611,799)
Other comprehensive income		-	-
Total comprehensive loss for the year		<u>(3,575,959)</u>	<u>(1,611,799)</u>
Basic and diluted loss per share (cents)	7	<u>(0.55) cents</u>	<u>(0.29) cents</u>

The above Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

BIOTRON LIMITED

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Notes	2020 \$	2019 \$
Current assets			
Cash and cash equivalents	8	7,660,903	5,739,788
Other assets	10	58,240	37,004
Total current assets		7,719,143	5,776,792
Non-current assets			
Plant and equipment	11	73,203	46,321
Other financial assets – bond deposit		33,855	33,855
Total non-current assets		107,058	80,176
Total assets		7,826,201	5,856,968
Current liabilities			
Trade and other payables	12	556,406	202,466
Employee entitlements	13	243,640	209,623
Lease liability	14	40,709	-
Total current liabilities		840,755	412,089
Non-current liabilities			
Employee entitlements	13	9,126	5,909
Lease liability	14	3,312	-
Total non-current liabilities		12,438	5,909
Total liabilities		853,193	417,998
Net assets		6,973,008	5,438,970
Equity			
Issued capital	15	52,843,994	47,523,320
Reserves	15	74,081	284,758
Accumulated losses		(45,945,067)	(42,369,108)
Total equity		6,973,008	5,438,970

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

BIOTRON LIMITED

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

Attributable to equity holders of the Company	Notes	Issued Capital	Option Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2018		41,439,162	599,655	(40,757,309)	1,281,508
Total comprehensive income for the year					
Loss for the year		-	-	(1,611,799)	(1,611,799)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(1,611,799)	(1,611,799)
<i>Transactions with owners, recorded directly in equity</i>					
Contribution by and distribution to owners					
Ordinary shares/options issued		6,038,728	-	-	6,038,728
Cost of shares issued		(269,467)	-	-	(269,467)
Exercise of options		314,897	(314,897)	-	-
Balance at 30 June 2019	15	47,523,320	284,758	(42,369,108)	5,438,970
Balance at 1 July 2019		47,523,320	284,758	(42,369,108)	5,438,970
Total comprehensive income for the year					
Loss for the year		-	-	(3,575,959)	(3,575,959)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(3,575,959)	(3,575,959)
<i>Transactions with owners, recorded directly in equity</i>					
Contribution by and distribution to owners					
Ordinary shares/options issued		5,311,343	-	-	5,311,343
Cost of shares issued		(275,427)	-	-	(275,427)
Exercise of options		284,758	(284,758)	-	-
Share based payment		-	74,081	-	74,081
Balance at 30 June 2020	15	52,843,994	74,081	(45,945,067)	6,973,008

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

BIOTRON LIMITED

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2020

	Notes	2020	2019
		\$	\$
Cash flows from operating activities			
Cash receipts in the course of operations		786,906	1,073,232
Cash payments in the course of operations		(1,421,280)	(1,580,305)
Payments for research and development		(2,510,694)	(1,079,958)
Interest received		68,364	89,140
Finance costs		(5,118)	-
Net cash used in operating activities	16	(3,081,822)	(1,497,891)
Cash flows from investing activities			
Rental bond		-	(11,949)
Payments for plant and equipment		-	(40,933)
Net cash used in investing activities		-	(52,882)
Cash flows from financing activities			
Proceeds from issue of shares and options		5,311,343	6,038,728
Cost of issue of shares and options		(275,427)	(291,678)
Lease Payments		(32,979)	-
Consideration received – option exercise, share not yet granted		-	500
Net cash from financing activities		5,002,937	5,747,550
Net increase/(decrease) in cash held		1,921,115	4,196,777
Cash and cash equivalents at 1 July		5,739,788	1,543,002
Effect of exchange rate adjustments on cash held		-	9
Cash and cash equivalents at 30 June	8	7,660,903	5,739,788

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1. REPORTING ENTITY

Biotron Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is at Level 2, 66 Hunter Street, Sydney, NSW 2000. The Company is a for-profit entity and is primarily engaged in the funding and management of intermediate and applied biotechnology research and development projects.

2. BASIS OF PREPARATION

(a) Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ('AASBs') adopted by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*. The financial statements of the Company also comply with International Financial Reporting Standards ('IFRSs') adopted by the International Accounting Standards Board ('IASB').

The Company adopted the newly effective accounting standard AASB 16 Leases effective from 1 July 2019. AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet.

The financial report was authorised for issue by the directors on 27 August 2020.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, unless otherwise stated.

(c) Functional and presentation currency

These financial statements are presented in Australian dollars, which is the Company's functional currency.

(d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes:

- Note 9 – Unrecognised deferred tax asset

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Changes in accounting policies

The Company has initially applied AASB 16 from 1 July 2019. A number of other new standards are also effective from 1 July 2019 but they do not have a material effect on the Company's financial statements. See Note 3(p).

Due to the transition methods chosen by the Company in applying these standards, comparative information throughout these financial statements has not been restated to reflect the requirements of the new standards.

(i) Initial adoption of AASB 16 Leases

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard — i.e. lessors continue to classify leases as finance or operating leases.

The Company has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

a. Right of use assets

Right of use assets for operating leases relate to the lease of an office premises with a term of 3 years and are presented as part of the Company's property, plant and equipment per Note 11.

The below table outlines the movement in right of use assets during the period:

	Office Premises	Total
Adjustment at 1 July on adoption of AASB 16	77,001	77,001
Depreciation charge	(35,539)	(35,539)
Balance at 30 June 2020	<u>41,462</u>	<u>41,462</u>

b. Lease liabilities

On adoption of AASB 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The incremental borrowing rate applied to the lease liabilities was 9%.

A reconciliation between operating leases disclosed as commitments to the lease liability is disclosed below:

	1 July 2019 \$
Operating lease commitment at 30 June 2019	84,216
Discounted using the incremental borrowing rate at 1 July 2019	<u>(7,215)</u>
Lease liability recognised at 1 July 2019	<u>77,001</u>

(b) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (*Cont.*)

(c) Trade and other receivables

Trade and other receivables are stated at their amortised cost less impairment losses.

(c) Property, plant and equipment

Property plant and equipment are stated at their historical cost less accumulated depreciation and accumulated impairment losses. Depreciation is recognised in profit or loss using the reducing balance method from the date of acquisition at rates between 13% and 40% per annum.

(d) Government grants

Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as other income when the grant becomes receivable and the Company complies with all attached conditions.

Research and development costs

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit and loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Otherwise, development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(e) Trade and other payables

Trade and other payables are stated at their amortised cost, are non-interest bearing and are normally settled within 60 days.

(f) Employee entitlements

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short term cash bonus or profit sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Long term employee benefits

The Company's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Re-measurements are recognised in profit or loss in the period in which they arise.

Share-based payment transactions

The grant-date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (*Cont.*)

(g) Financial instruments

Non-derivative financial assets

Recognition and initial measurement

The Company initially recognises trade receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at:

- Amortised cost;
- Fair value through other comprehensive income – equity investment; or
- Fair value through profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both the following conditions and is not designated as fair value through profit or loss:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The Company classified its financial assets into one of the following.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months; otherwise, they are classified as non-current. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which take into account any dividend income, are recognised in profit or loss.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(h) Financial instruments (Cont)

Non-derivative financial assets (Cont.)

Amortised cost

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. They are included in current assets, except for those with maturities greater than 12 months after the reporting period, which are classified as non-current assets. Loans and receivables comprise cash and cash equivalents and trade and other receivables.

Non-derivative financial liabilities

Financial liabilities are measured at amortised cost.

The Company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(i) Share Capital

Ordinary Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

(j) Tax

Income tax comprises of current tax and deferred tax and is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(j) Tax (Cont.)

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Goods and services tax

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

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

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

(k) Finance income

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

(l) Earnings per share

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

(m) Impairment

Financial instruments

The Company recognises expected credit losses ('ECLs'), where material, on:

- Financial assets measured at amortised cost;

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Other debt securities and bank balances for which credit risk (i.e the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(m) Impairment (Cont.)

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income are credit-impaired.

The gross carrying amount of a financial asset is written off when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(n) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

(o) Segment reporting

Determination and presentation of operating segments

The Company determines and presents operating segments based on the information that is provided internally to the Managing Director, who is the Company's chief operating decision maker.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components. All operating segments' operating results are regularly reviewed by the Company's Managing Director to make decisions about resources to be allocated to the segment and assess its performance.

Segment results that are reported to the Managing Director include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

(p) Standards issued but not yet effective

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2020, and have not been applied in preparing these financial statements. The following amended standards and interpretations are not expected to have a significant impact on the financial statements.

- Amendments to References to Conceptual Frameworks in IFRS standards;
- Definition of a Business (Amendments to AASB 3);
- Definition of Material (Amendments to AASB 101 and AASB 108);
- AASB 17 Insurance Contracts

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

4. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the measurement date. Fair value is determined at initial recognition and, for disclosure purposes, at each annual reporting date.

Share-based payment transactions

The fair value of employee share options is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value. Share-based payment arrangements in which the Company receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share-based payment transactions.

Non-derivative financial liabilities

Non-derivative financial liabilities are measured at fair value, at initial recognition, and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
5. OTHER INCOME		
Research and development rebate	753,026	1,072,832
Other	50,000	-
	803,026	1,072,832

6. LOSS FROM OPERATING ACTIVITIES

Note

Loss from ordinary activities has been arrived at after charging the following items:

Auditors' remuneration paid to KPMG

- Auditor's and review of financial reports	59,270	52,500
Depreciation		
- Office equipment	11 10,719	11,505
- Plant and equipment	11 3,861	962
- Right of use asset	11 35,539	-
Direct research and development expenditure expensed as incurred	2,857,383	1,115,879
Provision for employee entitlements	53,842	38,608
Superannuation expense	66,765	63,313

7. LOSS PER SHARE

The calculation of basic and diluted loss per share at 30 June 2020 was based on the loss attributable to ordinary shareholders of \$3,575,959 (2019 - \$1,611,799 loss) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2020 of 654,163,613 (2019 - 559,287,341), calculated as follows:

Net loss for the year	3,575,959	1,611,799
	2020	2019
	Number	Number
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at 1 July	595,705,860	502,417,116
Weighted average number of ordinary shares at 30 June	654,163,613	559,287,341

As the Company is loss making, none of the potentially dilutive securities are currently dilutive.

	2020	2019
	\$	\$
8. CASH AND CASH EQUIVALENTS		
Cash at bank	7,660,903	5,739,788
Cash and cash equivalents in the statement of cash flows	7,660,903	5,739,788

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
9. INCOME TAX EXPENSE		
Current tax expense		
Current year	(1,176,698)	(802,107)
Tax losses not recognised	<u>1,176,698</u>	<u>802,107</u>
	<u>-</u>	<u>-</u>
Deferred tax expense		
Current year	(6,093)	65,030
De-recognition of temporary differences	<u>6,093</u>	<u>(65,030)</u>
	<u>-</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax - continuing operations	<u>(3,575,959)</u>	<u>(1,611,799)</u>
Prima facie income tax benefit at the Australian tax rate of 27.5%	(983,388)	(443,245)
Increase in income tax expense due to:		
- Adjustments not resulting in temporary differences	276,537	385,425
- Effect of tax losses not recognised	700,759	122,850
- Unrecognised temporary differences	<u>6,092</u>	<u>(65,030)</u>
Income tax expense current and deferred	<u>-</u>	<u>-</u>
Deferred tax assets have not been recognised in respect of the following items		
Deductible temporary differences (net)	294,609	214,244
Tax losses	<u>10,170,409</u>	<u>9,469,650</u>
Net	<u>10,465,018</u>	<u>9,683,894</u>

The deductible temporary differences and tax losses do not expire under the current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Company can utilise the benefits of the deferred tax asset.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
10. OTHER ASSETS		
Current prepayments	58,240	37,004
	58,240	37,004
11. PLANT AND EQUIPMENT		
Office equipment - at cost	239,116	239,116
Accumulated depreciation	(213,437)	(202,718)
	25,679	36,398
Plant and equipment - at cost	514,442	514,442
Accumulated depreciation	(508,380)	(504,519)
	6,062	9,923
Rights of use assets	77,001	-
Accumulated depreciation	(35,539)	-
	41,462	-
Total plant and equipment - net book value	73,203	46,321

Reconciliations

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

Office equipment

Balance at 1 July	36,398	9,453
Additions	-	38,450
Depreciation	(10,719)	(11,505)
Carrying amount at the end of the financial year	25,679	36,398

Plant and equipment

Balance at 1 July	9,923	8,401
Additions	-	2,484
Depreciation	(3,861)	(962)
Carrying amount at the end of the financial year	6,062	9,923

Right of use asset

Balance at 1 July	-	-
Adoption of AASB16 (Note3(a))	77,001	-
Depreciation	(35,539)	-
Carrying amount at the end of the financial year	41,462	-
Total carrying amount at the end of the financial year	73,203	46,321

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
12. TRADE AND OTHER PAYABLES		
Current		
Creditors	309,994	158,270
Accruals	<u>246,412</u>	<u>44,196</u>
	<u>556,406</u>	<u>202,466</u>
13. EMPLOYEE ENTITLEMENTS		
Current		
Employee annual leave provision	96,176	69,024
Long service leave provision	<u>147,464</u>	<u>140,599</u>
	<u>243,640</u>	<u>209,623</u>
Non-current		
Long service leave provision	<u>9,126</u>	<u>5,909</u>
14. LEASE LIABILITY		
Current		
Lease liability	<u>40,709</u>	<u>-</u>
Non-current		
Lease liability	<u>3,312</u>	<u>-</u>

Set out below are the carrying amounts of the lease liabilities recognised and the movements during the year:

	Office Premises	Total
	\$	\$
Adjustment at 1 July on adoption of AASB 16	77,001	77,001
Additions	-	-
Interest expense	5,118	5,118
Payments	<u>(38,098)</u>	<u>(38,098)</u>
Balance at 30 June 2020	<u>44,021</u>	<u>44,021</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020 \$	2019 \$
15. CAPITAL AND RESERVES		
Issued and paid up capital		
701,932,713 (2019 – 595,705,860) fully paid ordinary shares	<u>52,843,994</u>	<u>47,523,320</u>
Fully paid ordinary shares		
Balance at the beginning of the financial year	47,523,320	41,439,162
Issue of shares	5,311,343	6,038,728
Exercise of options	284,758	314,897
Costs of issue	<u>(275,427)</u>	<u>(269,467)</u>
Balance at the end of financial year	<u>52,843,994</u>	<u>47,523,320</u>

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

- During the year ended 30 June 2020, 106,226,853 fully paid ordinary shares (30 June 2019 – 9,859,614) were issued through the exercise of 12 December 2019 \$0.05 listed options for cash totalling \$5,311,343 (30 June 2019 - \$492,981). The fair value of the options issued at the grant date was \$284,758 (30 June 2019 - \$26,424).
- During the year, the Company entered into an agreement with Gleneagle Securities (Aust) Pty Ltd to underwrite any shortfall arising from the exercise of 12 December 2019 \$0.05 options with 22,451,353 options being underwritten by Gleneagle Securities (Aust) Pty Ltd. Total issue cost of \$275,427 was recognised as a reduction in proceeds of issue of these shares.
- During the year ended 30 June 2019, 2,000,000 fully paid ordinary shares were issued to Michelle Miller through the exercise of 30 November 2018 \$0.15 unlisted options for cash totalling \$300,000. The fair value of the options when granted was \$35,806. Total issue cost of \$2,654 was recognised as a reduction in proceeds of issue of these shares.
- During the year ended 30 June 2019, 3,000,000 fully paid ordinary shares were issued to Michelle Miller through the exercise of 30 November 2018 \$0.18 unlisted options for cash totalling \$540,000. The fair value of the options issued when granted was \$48,751. Total issue cost of \$5,904 was recognised as a reduction in proceeds of issue of these shares.
- During the year ended 30 June 2019, 78,429,130 fully paid ordinary shares were issued through the exercise of 30 November 2018 \$0.06 listed options for cash totalling \$4,705,747. The fair value of the options when granted was \$203,916. During the year ended 30 June 2019, the Company entered into an agreement with CPS Capital Group Pty Ltd to underwrite any shortfall arising from the exercise of 30 November 2018 \$0.06 options with 1,336,137 options being underwritten by CPS Capital Pty Ltd. Total issue cost of \$260,909 was recognised as a reduction in proceeds of issue of these shares.

No dividends were declared or paid by the Company during the current or prior period.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15. CAPITAL AND RESERVES (Cont.)

The following unlisted options were on issue at 30 June 2020:

- 5,000,000 options with a fair value at grant date of \$0.006 cents, each exercisable at 25 cents to acquire one fully paid ordinary share at any time after the 26 November 2019 (subject to the completion of a commercialisation transaction) up to 29 November 2021. The fair value of the options at grant date was determined based on Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 77% based on historic share price performance, a risk free rate of 0.75.77% based on the 2-year government bond rate and no dividends paid.
- 1,000,000 options with a fair value at grant date of \$0.014 cents, each exercisable at 20 cents to acquire one fully paid ordinary share at any time after the 26 November 2020 up to 29 November 2022. The fair value of the options at grant date was determined based on Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 75.77% based on historic share price performance, a risk free rate of 0.73% based on the 3-year government bond rate and no dividends paid.
- 1,000,000 options with a fair value at grant date of \$0.02 cents, each exercisable at 20 cents to acquire one fully paid ordinary share at any time after the 26 November 2021 up to 29 November 2023. The fair value of the options at grant date was determined based on Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 75.77% based on historic share price performance, a risk free rate of 0.81% based on the 5-year government bond rate and no dividends paid.
- 5,000,000 options with a fair value at grant date of \$0.021 cents, each exercisable at 20 cents to acquire one fully paid ordinary share at any time after the 31 January 2021 up to 31 January 2023. The fair value of the options at grant date was determined based on Black- Scholes formula. The model inputs of the options issued, were the Company's share price of \$0.064 at the grant date, a volatility factor of 87.62% based on historic share price performance, a risk free rate of 0.73% based on the 5-year government bond rate and no dividends paid.

The following unlisted options were on issue as at 30 June 2020.

Opening Balance 1 July 2019 Number	Exercise Price \$	Granted during the year Number	Exercised/Expired during the year Number	Closing Balance 30 June 2020 Number
-	0.25	5,000,000	-	5,000,000
-	0.20	7,000,000	-	7,000,000

There were no unlisted options on issue as at 30 June 2019.

The following listed options were on issue at 30 June 2020:

Opening Balance 1 July 2019 Number	Exercise Price \$	Granted during the year Number	Exercised/Expired during the year Number	Closing Balance 30 June 2020 Number
106,226,853	0.05	-	106,226,853	-

Terms and conditions - Shares

Holders of ordinary shares are entitled to receive dividends as declared 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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

15. CAPITAL AND RESERVES (Cont.)

	2020	2019
	\$	\$
Option Reserves		
Equity based compensation reserve	74,081	-
Option premium reserve	-	284,758
	74,081	284,758
	74,081	284,758
Movements during the period		
Equity based compensation reserve		
Balance at the beginning of period	-	84,557
Share based payment expense	74,081	-
Options exercised during the period	-	(84,557)
Balance at end of period	74,081	-
	74,081	-
Option premium reserve		
Balance at the beginning of period	284,758	515,098
Issue of options	-	-
Exercise of options	(284,758)	(230,340)
Balance at end of period	-	284,758
	-	284,758

Nature and purpose of reserves

Equity based compensation reserve:

The equity based compensation reserve is used to recognise the grant date fair value of options issued but not exercised

Option premium reserve:

The option premium reserve is used to accumulate proceeds received from the issuing of options.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	2020	2019
	\$	\$
16. STATEMENT OF CASH FLOWS		
Reconciliation of cash flows from operating activities		
Loss for the period	<u>(3,575,959)</u>	<u>(1,611,799)</u>
Adjustments for:		
Other income	(17,088)	-
Depreciation of plant and equipment	50,119	12,467
Provisions for employee entitlements	37,234	38,608
Share based payments	74,081	-
Effect of exchange rate adjustments	-	(9)
Changes in assets and liabilities		
Decrease / (Increase) in prepayments	(20,270)	(556)
(Decrease) / Increase in accruals	246,412	-
(Decrease) / Increase in payables	<u>123,649</u>	<u>63,398</u>
Net cash used in operating activities	<u><u>(3,081,822)</u></u>	<u><u>(1,497,891)</u></u>

17. RELATED PARTIES

Key management personnel and director transactions

The following key management person holds a position in another entity that results in them having control or joint control over the financial or operating policies of that entity, and this entity transacted with the Company during the year as follows:

During the year ended 30 June 2020, Peter J. Nightingale had a controlling interest in an entity, MIS Corporate Pty Limited, which provided full administrative services, including rental accommodation, administrative staff, services and supplies, to the entity. Fees paid to MIS Corporate Pty Limited during the year, amounted to \$144,000 (2019 - \$144,000). There were no outstanding amounts at 30 June 2020 (2019 - \$nil).

Key management personnel compensation

During the year ended 30 June 2020, compensation of key management personnel totalled \$678,862 (2019 - \$617,188), which comprised primary salary and fees of \$601,904 (2019 - \$556,814), superannuation of \$50,139 (2019 - \$45,488), share based payments of \$21,338 (2019 - nil) and long service leave of \$5,481 (2019 - \$14,886). During the 2020 and 2019 financial years, no long term benefits or termination payments were paid.

18. SHARE BASED PAYMENTS

The Company has an Incentive Option Plan to provide eligible persons, being employees or directors, or individuals whom the Plan Committee determine to be employees for the purposes of the Plan, with the opportunity to acquire options over unissued ordinary shares in the Company. The number of options granted or offered under the Plan will not exceed 10% of the Company's issued share capital and the exercise price of options will be the greater of the market value of the Company's shares as at the date of grant of the option or such amount as the Plan Committee determines. Options have no voting or dividend rights. The vesting conditions of options issued under the plan are based on a minimum service periods being achieved. There are no other vesting conditions attached to options issued under the plan.

In the event that the employment or office of the option holder 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 two months of the date of termination of employment. Any options not exercised within this two month period will lapse.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. SHARE BASED PAYMENTS (Cont.)

During the year ended 30 June 2020, the Company 12,000,000 unlisted options 7,000,000 to key management personnel and 5,000,000 to employees of the Company and no options were issued during the year ended 30 June 2019. At 30 June 2020, 12,000,000 options were on issue (2019 - nil) as detailed in note 15.

The terms and conditions of the options held by key management personnel during the year ended 30 June 2020 are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted \$	Total granted Number	Total Exercised Number	Balance at end of the period Number
26 November 2019	29 November 2021	¹ 26 November 2019	\$0.25	30,625	5,000,000	-	5,000,000
26 November 2019	29 November 2022	² 26 November 2020	\$0.20	14,215	1,000,000	-	1,000,000
26 November 2019	29 November 2023	² 26 November 2021	\$0.20	19,502	1,000,000	-	1,000,000
				64,342	7,000,000	-	7,000,000

¹ Vesting date is subject to the completion of a commercialisation transaction.

² Vesting conditions are based on minimum service periods being achieved.

The terms and conditions of the 5,000,000 employee options granted during the year ended 30 June 2020 are as follows:

Grant date	Expiry date	Vesting date	Exercise price	Fair value of options granted \$	Total granted Number	Total Exercised Number	Balance at end of the period Number
26 November 2019	31 January 2023	¹ 31 January 2021	\$0.20	102,756	5,000,000	-	5,000,000

¹ Vesting conditions are based on minimum service periods being achieved

No options issued as share based payment were outstanding at 30 June 2019.

Movement of options in the equity based compensation reserve during the year

	Number of options 2020	Weighted average exercise price 2020	Number of options 2019	Weighted average exercise price 2019
Outstanding	7,000,000	\$0.236	-	-

The equity based compensation reserve is used to record the options issued to directors and executives of the Company as compensation. Options are valued using the Black-Scholes option pricing model.

The weighted average remaining contractual life of share options outstanding at the end of the year in the equity based compensation reserve was 2.16 years (2019 – nil).

During the year, no ordinary shares were issued as a result of the exercise of options granted pursuant to the Incentive Option Plan (2019 – 5 million).

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18. SHARE BASED PAYMENTS (Cont.)

Fair value of options

The fair value of options granted is measured at grant date and recognised as an expense over the period during which the employee becomes unconditionally entitled to the options. The fair value of the options granted is measured using an option valuation methodology, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of options that vest.

When options on issue are modified and the modification is beneficial to the other party the incremental fair value at the date of the modification is recognised over the remaining modified vesting period and the original grant-date fair value is recognised over the remaining original vesting period. When the modification is to options on issue that have fully vested the incremental fair value is recognised as an expense in the period the modification occurs. The incremental fair value is the difference between the fair value of the share based payment at the date of modification between the old and new terms.

Expenses arising from share-based payment transactions

Total expenses arising from share based payment transactions recognised during the year ended 30 June 2020 was \$74,081 (2019 - \$nil).

19. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Company's financial instruments comprise deposits with banks, receivables, trade and other payables and from time to time short term loans from related parties. The Company does not trade in derivatives or in foreign currency.

The Company manages its risk exposure of its financial instruments in accordance with the guidance of the Board of Directors. The main risks arising from the Company's financial instruments are market risk, credit risk and liquidity risks. This note presents information about the Company's exposure to each of these risks, its objectives, policies and processes for measuring and managing risk, and the Company's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the risk management framework. Informal risk management policies are established to identify and analyse the risks faced by the Company.

The primary responsibility to monitor the financial risks lies with the Managing Director and the Company Secretary under the authority of the Board.

Credit risk

Credit risk arises mainly from the risk of counterparties defaulting on the terms of their agreements.

The carrying amounts of the following assets represent the Company's maximum exposure to credit risk in relation to financial assets:

	Note	Carrying amount	
		2020 \$	2019 \$
Cash and cash equivalents	8	7,660,903	5,739,788
Security deposits		<u>33,855</u>	<u>33,855</u>
		<u>7,694,758</u>	<u>5,773,643</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. FINANCIAL INSTRUMENTS (Cont.).

Cash and cash equivalents

The Company mitigates credit risk on cash and cash equivalents by dealing with regulated banks in Australia.

Trade and other receivables

Credit risk of trade and other receivables is very low as it usually consists predominantly of amounts recoverable from a regulated bank in Australia.

All financial assets are current and are not past due or impaired and the Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The ultimate responsibility for liquidity management rests with the Board. The Company monitors rolling forecasts of liquidity on the basis of expected fund raisings, trade payables and other obligations for the ongoing operation of the Company. At balance date, the Company has available funds of \$7,660,903 for its immediate use.

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount	Contractual cash flows	Less than one year	Between one and five years
	\$	\$	\$	\$
30 June 2020				
Trade and other payables	556,406	(556,406)	(556,406)	-
Lease Liability	44,021	(46,118)	(42,806)	(3,312)
30 June 2019				
Trade and other payables	202,466	(202,466)	(202,466)	-

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Company's income statement is affected by changes in interest rates due to the impact of such changes on interest income from cash and cash equivalents and interest bearing security deposits. The average interest rate on funds held during the year was 0.94% (2019 – 2%).

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

19. FINANCIAL INSTRUMENTS (Cont.).

At balance date, the Company had the following mix of financial assets exposed to variable interest rate risk that are not designated as cash flow hedges.

	Note	2020 \$	2019 \$
Financial assets			
Cash and cash equivalents	8	7,660,903	5,739,788
Security deposits		<u>33,855</u>	<u>33,855</u>
Net exposure		<u>7,694,758</u>	<u>5,773,643</u>

The Company had the following fixed interest bearing financial liabilities in the current year.

Financial liabilities			
Lease liability	14	<u>44,021</u>	<u>-</u>
Net exposure		<u>44,021</u>	<u>-</u>

The Company does not have interest rate swap contracts. The Company always analyses its interest rate exposure when considering renewals of existing positions including alternative financing.

Sensitivity analysis

The following sensitivity analysis is based on the interest rate risk exposures at balance date.

An increase of 100 basis points in interest rates throughout the reporting period would have decreased the loss for the period by the amounts shown below, whilst a decrease would have increased the loss by the same amount. The Company's equity consists of fully paid ordinary shares. There is no effect on fully paid ordinary shares by an increase or decrease in interest rates during the period.

	2020 \$	2019 \$
	<u>73,410</u>	<u>46,348</u>

Currency risk

The Company is exposed to currency risk on cash and cash equivalents that are denominated in United States currency. The company's gross financial exposure to foreign currency risk at balance date was US\$97 (2019 - US\$97).

The Company is not exposed to price risks.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board ensures costs are not incurred in excess of available funds and will seek to raise additional funding through issues of shares for the continuation of the Company's operations. There were no changes in the Company's approach to capital management during the year.

The Company is not subject to externally imposed capital requirements.

Estimation of fair values

The carrying amounts of financial assets and liabilities approximate their net fair values, given the short time frames to maturity and or variable interest rates.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

20. FINANCIAL REPORTING BY SEGMENTS

The Company operates in one reportable operating and geographical segment, being the biotechnology industry in Australia.

21. COMMITMENTS AND CONTINGENCIES

The Company may be party to commercial disputes and litigation in the normal course of business. No material liabilities are expected to arise in respect of the commercial disputes and litigation existing at balance date.

There are no capital commitments at the date of these financial statements.

22. SUBSEQUENT EVENTS

There have been no matters arise 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.

BIOTRON LIMITED

DIRECTORS' DECLARATION

1. In the opinion of the directors of Biotron Limited:
 - a) the financial statements and notes set out on pages 18 to 42, and the Remuneration Report in the Directors' Report, set out on pages 11 to 15, are in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Company's financial position as at 30 June 2020 and of its performance for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Regulations 2001*;
 - b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
2. The directors have been given the declarations required by Section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2020.
3. The directors draw attention to note 2(a) of the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

This report has been signed in accordance with a resolution of the directors and is dated 27 August 2020:



Michael J. Hoy
Chairman



Michelle Miller
Managing Director

Independent Auditor's Report

To the shareholders of Biotron Limited

Report on the audit of the Financial Report

Opinion

We have audited the **Financial Report** of Biotron Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The **Financial Report** comprises:

- *Statement of financial position* as at 30 June 2020;
- *Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows* for the year then ended;
- Notes including a summary of significant accounting policies; and
- *Directors' Declaration*.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Company in accordance with *the Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Research and development expenditure - \$2,857,383

Refer to Note 6

The key audit matter

Research and development expenditure is a key audit matter due to the significance of the amount (being 64% of total expenses) and the audit effort associated with assessing the completeness and accuracy of the amounts recorded by the Company.

How the matter was addressed in our audit

Our procedures included:

- Assessing the Company's policy for research and development expenditure against the requirements of the accounting standards;
- Selecting a statistical sample of items recorded as research and development expenditure and checking the expenditure amount recorded for consistency to invoices from third parties or other underlying documentation;
- For the sample identified above, checking the nature of the expenditure for consistency with its classification as research and development expenditure, in accordance with the Company's accounting policy and the criteria in the accounting standards; and
- Testing the completeness of research and development expenditure recorded in the year by checking payments recorded since year end and unprocessed invoices for evidence of the timing of the transactions. We selected our sample from the Company's payments made since balance date, and unprocessed invoices at the date of our testing, and checked the timing of the transaction to the underlying documentation.

Other Information

Other Information is financial and non-financial information in Biotron Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- assessing the Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at:

https://www.auasb.gov.au/admin/file/content102/c3/ar2_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Biotron Limited for the year ended 30 June 2020, complies with *Section 300A of the Corporations Act 2001*.

KPMG

Directors' responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with *Section 300A of the Corporations Act 2001*.

Our responsibilities

We have audited the Remuneration Report included in *pages 11 to 15* of the Directors' report for the year ended 30 June 2020.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.



Stephen Board
Partner

Brisbane
27 August 2020

BIOTRON LIMITED

ADDITIONAL STOCK EXCHANGE INFORMATION

Home Exchange

The Company is listed on the ASX Limited. The home exchange is Sydney.

Use of Cash and Assets

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

Class of Shares and Voting Rights

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

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

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

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

Distribution of Equity Securityholders

As at 31 July 2020, the distribution of each class of quoted equity securityholders was as follows:

Range	Fully Paid Ordinary Share Holders	Total Number of Shares	29 November 2021 \$0.25 unlisted Options	29 November 2022 \$0.20 unlisted Options	29 November 2023 \$0.20 unlisted Options	31 December 2023 \$0.20 unlisted Options
1 - 1,000	180	44,495				
1,001 - 5,000	1,328	4,863,513				
5,001 - 10,000	1,502	12,107,915				
10,001 - 100,000	3,534	134,782,437				
100,001 and over	1,088	550,134,353	1	1	1	3
	7,632	701,932,713	1	1	1	3

At 31 July 2020, 1,540 shareholders held less than a marketable parcel of shares.

Type of securities	Number of holders	Number of securities
Ordinary shares	7,632	701,932,713
Unlisted options	4	12,000,000

BIOTRON LIMITED

Twenty Largest Quoted Shareholders

At 31 July 2020 the twenty largest fully paid ordinary shareholders held 16.55% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%
1	Jey Investment Pty Ltd	14,440,945	2.06
2	Dr Angela Fay Dulhunty	10,000,000	1.42
3	Umbiram Pty Ltd <Michael Hoy Super Fund A/C>	9,347,793	1.33
4	Armco Barriers Pty Ltd	7,800,000	1.11
5	DNS Accounting and Law Consultancy Pty Ltd	7,753,488	1.10
6	Citicorp Nominees Pty Limited	7,495,962	1.07
7	Fordholm Investments Pty Ltd <Fordholm Super Fund A/C>	7,000,000	1.00
8	Rookharp Capital Pty Limited	7,000,000	1.00
9	Pathold No 222 Pty Ltd	5,200,000	0.74
10	Scott's A V Pty Ltd <Scotts Acorn EMP S/F A/C>	4,918,000	0.70
11	Edstop Pty Limited <Superannuation Fund A/C>	4,071,588	0.58
12	Road & Construction Supplies of Australia Pty Ltd <Keller Super Fund A/C>	3,800,000	0.54
13	Mr Robert Thomas and Mrs Kyrenia Thomas <Rob Thomas Super Fund A/C>	3,663,195	0.52
14	Dr Sanjiv Pathak	3,632,313	0.52
15	Attollo Copia Pty Ltd <F A Pires Super Fund A/C>	3,600,565	0.51
16	Mr Peter James Nightingale	3,594,903	0.51
17	Mr Mark Andrew Peterson	3,300,000	0.47
18	Mr John Yan	3,266,858	0.47
19	Mr William John Dunn	3,200,000	0.46
20	Mr Charles Tollios Panos	3,099,234	0.44

There are no current on-market buy-backs.

BIOTRON LIMITED

CORPORATE DIRECTORY

Directors:

Mr Michael J. Hoy (Chairman)
Dr Michelle Miller (Managing Director)
Dr Susan M. Pond
Mr Robert B. Thomas
Prof Stephen Locarnini

Company Secretary:

Mr Peter J. Nightingale

Registered Office:

Level 2, 66 Hunter Street
SYDNEY NSW 2000
Phone: 61-2 9300 3344
Fax: 61-2 9221 6333
E-mail: enquiries@biotron.com.au
Homepage: www.biotron.com.au

Principal Administration Office:

Suite 3.3, 56 Delhi Road
NORTH RYDE NSW 2113
Phone: 61-2 9805 0488
Fax: 61-2 9805 0688

Share Registrar:

Computershare Investor Services Pty Limited
Level 4, 60 Carrington Street
SYDNEY NSW 2000
Phone: 1300 787 272 Fax: +61 3 9473 2500

Auditors:

KPMG Level 16, Riparian Plaza
71 Eagle Street
BRISBANE QLD 4000

Home Exchange:

ASX Limited 20 Bridge Street
SYDNEY NSW 2000

Solicitors:

Minter Ellison
88 Phillip Street
SYDNEY NSW 2000

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