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29 August 2019

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

(52 pages by email)

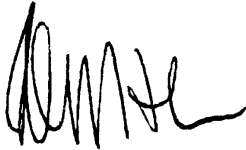
Dear Madam,

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 2019.

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

pjn10041

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 2019

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	1.14%	to	\$1,611,799
Net loss for the period attributable to members	Up	1.14%	to	\$1,611,799
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 2019.				
NTA backing	Current period	Previous corresponding period		
Net tangible asset backing per ordinary security	0.91 cents	0.25 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 2019**

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 2018-2019 financial year. These include:

- Reporting of positive results from the Company's pivotal Phase 2 BIT225 HIV-1 clinical trial.
- Presentation of data from the BIT225 HIV-1 trial at the HIV DART and Emerging Viruses 2018 conference in Miami, Florida USA, which received the Conference's 2018 Poster Award.
- Appointment of Professor Stephen Locarnini as a Non-Executive Director.
- Raising \$6.0 million in capital from the exercise of Company options.

HIV-1 Program

The major highlight during the year was the release of positive human clinical data from the BIT225-009 Phase 2 trial of its lead drug BIT225 in HIV-infected patients in combination with current antiretroviral drugs.

The data from this Phase 2 clinical trial indicates that BIT225 has induced key immune responses not seen in patients dosed with approved anti-HIV drugs.

During HIV-1 infection, the virus hides in long-lived cells known as macrophages. This cellular source of virus persists even in people taking antiretroviral drugs, although there is no detectable virus in their blood. The continued presence of virus causes serious problems including accelerated aging of the immune system and HIV-associated neurocognitive disorder (also known as AIDS-related dementia). 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 previously reported laboratory-based studies, Biotron has shown that BIT225 attacks HIV-1 growing in macrophages. An earlier Phase 1b/2a human clinical trial (BIT225-004) demonstrated that BIT225 targets replication of HIV-1 in macrophage lineage cells in infected individuals.

The data from the BIT225-009 clinical trial indicate that treatment with BIT225 triggers a range of positive changes to the immune cells which help to fight HIV-1 in these patients.

In addition to statistically significant changes in immune cells, there was a statistically significant reduction in the level of the macrophage activation marker sCD163 in the blood of the BIT225-treated cohort by the end of the treatment period compared to the placebo group in the trial.

Higher levels of sCD163 are linked with worse clinical outcomes in patients and so this reduction of sCD163 by BIT225 provides additional evidence of potential clinical benefit in these patients.

Since releasing data from the BIT225-009 trial, the Company's main efforts have been directed towards further understanding of these unique responses to BIT225. This has involved testing samples of blood collected during the trial for various markers, the levels of which allow the determination of precisely how BIT225 treatment has impacted on specific immune pathways.

These analyses are supplementary in nature and will not change the reported key positive findings from the clinical trial. These analyses are proceeding well and are important as they are providing key information on characterising the mechanism of action of BIT225 on HIV-1 behind the positive results observed in the BIT225-009 clinical trial.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

Analysis of safety data was another key aspect of the BIT225-009 Phase 2 trial. In the trial, a once daily 200 mg dose of BIT225 over a 12 week period was used for the first time and was shown to be well tolerated, with no serious adverse events or patient withdrawals. The safety data from this extended dosage period adds to the existing data from previous trials which indicates that BIT225 is a well-tolerated drug.

In November 2018, Biotron presented a poster entitled BIT225-009: Significant Immunological Outcomes after 12 weeks of BIT225 and Antiretroviral Therapy in an HIV-1 Phase 2 Clinical Trial at the HIV DART and Emerging Viruses 2018 conference in Miami, Florida. In a notable acknowledgement of the importance of these results from the BIT225-009 trial, the conference awarded Biotron's Head of Research and Development, Dr Carolyn Luscombe, the 2018 HIV DART Poster Award.

The importance of the BIT225-009 trial results cannot be overestimated. They open up a new and unique approach to dealing with significant health issues associated with the presence of long-term low level replication of HIV-1 that continues despite treatment with current antiretroviral drugs. The trial data, together with additional information from the ongoing, post-trial analyses, are showing us and, importantly, potential partners how BIT225 may play a role in the eradication of HIV-1.

The positive outcomes from the BIT225-009 trial also mean that Biotron has continued to meet with key potential partners with compelling Phase 2 data in hand. The additional data currently being generated by the Company on characterising the mechanism of action of BIT225 seen in the results of the BIT225-009 trial are valuable to furthering these discussions.

Hepatitis B Virus Program

Control and cure of Hepatitis B virus (HBV) has recently emerged as an important focus of endeavour for antiviral drug development by the pharmaceutical industry. Over 2 billion people worldwide have been infected with HBV. The World Health Organisation estimates that over 250 million are chronically infected.

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.

There is a concerted international effort to develop treatment strategies to cure HBV. Because the virus life cycle is complex, it is expected that several different approaches in combination will be required to eradicate the virus.

Biotron has designed a portfolio of small molecule drugs that effectively work against HBV in cell cultures. While early, the data are encouraging, and the Company is working with a USA-based research group to further characterise the anti-HBV activity of Biotron's compounds.

The reason for optimism is the fact that these compounds reduce the levels of several key markers of HBV infection in the cell assays, one of which is called cccDNA. It is generally accepted that a cure for HBV will require drugs that target cccDNA and, to date, the identification of such compounds has proved elusive.

The USA Food and Drug Administration (FDA) recognises the need to develop effective new treatments for HBV. In consultation with European regulatory authorities and professional societies representing the European and American liver groups (EASL and AASLD) the FDA has published a clear guidance document for preclinical and clinical development of new compounds.

The HBV therapeutic space is currently very active within the pharmaceutical and biotech industries, with significant investor interest in the search for and development of effective HBV treatments. While Biotron's work on its HBV compounds is preclinical, the data from these recent studies further validate Biotron's approach to antiviral drug development and may provide the Company with an early stage development opportunity with an appropriate partner.

BIOTRON LIMITED

OPERATING AND FINANCIAL REVIEW

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 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 in progress and ongoing.

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.

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.

TITLE	STATUS
WO0021538 Method of modulating ion channel functional activity Priority – 12 October 1998	Granted in Australia
WO04112687 Antiviral compounds and methods Priority – 26 June 2003	Granted in Australia, Brazil, Canada, China, India, Japan, Korea, New Zealand, Singapore and South Africa Under examination elsewhere (Europe, Hong Kong, and USA)

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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)
WO2009/018609 Hepatitis C antiviral compounds and methods Priority – 3 August 2007	Granted in Austria, Australia, Belgium, Switzerland, Canada, 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	Published 16 August 2018

Corporate

In October 2018, Biotron was pleased to announce the appointment of Professor Stephen Locarnini as a Non-Executive Director of the Company. Professor Locarnini, BSc(Hons), PhD, MBBS, FRC(Path), was a past Director of the World Health Organisation (WHO) Regional Reference Laboratory for Hepatitis B and D. Curative treatments for Hepatitis B infections with antiviral agents represent a major focus for Professor Locarnini who is currently the Divisional Head, Research & Molecular Development of Victorian Infectious Diseases Reference Laboratory (VIDRL). He is a member of the Scientific Advisory Board of a number of emerging as well as established pharmaceutical and biotechnology companies and is considered one of the world's leading HBV experts. His skills and networks will be of real benefit to Biotron at its current stage of development.

During the year in review the Company raised a total of \$6,038,728 from the exercise of options, including options exercised by the Company's Managing Director, Dr Michelle Miller, which had been granted as part of her remuneration package. This significant injection of funds combined with the receipt of the Australian Government's R&D Tax rebate places the Company in a sound financial position as it focuses on achieving commercial outcomes for its programs.

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

- Continuing detailed supplementary analyses of samples from the Phase 2 HIV-1 trial seeking to further characterise the clinical efficacy of BIT225.
- Ongoing sharing of data from the HIV-1 Phase 2 clinical trial and discussions 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.
- Continued testing of Biotron compounds for activity against other key commercially relevant virus targets.

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 2019 Corporate Governance Statement, dated as at and approved by the Board on 02 August 2019, reflects the corporate governance practices throughout the 2019 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 and director of the Trusted Autonomous Systems Defence Cooperative Research Centre, Vectus Biosystems Ltd and Australian Phenomics Network. 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 is a director of Aus Bio Limited and REVA Medical Limited and a former director of Virgin Australia Limited. He chairs Grahger Retail Securities Pty Ltd and is a director of O'Connell Street Associates Pty Limited.

BIOTRON LIMITED

DIRECTORS' REPORT

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.

***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	6	6
Michelle Miller	6	6
Susan M. Pond	6	6
Robert B. Thomas	6	6
Stephen Locarnini	4	4

Remuneration Committee Meetings

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

Director	Directors' Meetings	
	No. of Eligible Meetings to Attend	No. of Meetings Attended
Michael J. Hoy	1	1
Michelle Miller	0	0
Susan M. Pond	0	0
Robert B. Thomas	1	1
Stephen Locarnini	0	0

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:

	Fully Paid Ordinary Shares	Options	Option Terms (Exercise Price and Term)
Directors			
Michael J. Hoy	7,789,828	1,557,965	\$0.05 at any time up to 12 December 2019
Michelle Miller	2,965,625	190,625	\$0.05 at any time up to 12 December 2019
Susan M. Pond	545,246	109,049	\$0.05 at any time up to 12 December 2019
Robert B. Thomas	2,663,195	-	
Stephen Locarnini	-	-	-

There were no options over unissued ordinary shares granted as compensation to directors or executives of the Company during 2019 and 2018 financial years.

BIOTRON LIMITED

DIRECTORS' REPORT

Unissued Shares Under Option

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

Number of Shares	Exercise Price	Expiry Date
106,226,853	\$0.05	12 December 2019

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
78,429,130	\$0.06
9,859,614	\$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 \$1,611,799 (2018 - \$1,593,645 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 2019.

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 2019, 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 three months of the date of termination of employment. Any options not exercised within this three 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.

5 million employee options were exercised during the year.

The number of options that had vested as at 30 June 2019 is nil. No options were granted as remuneration during the year.

There were no remuneration consultants used by the Company during the year ended 30 June 2019 or in the prior year.

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

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.

	2019	2018	2017	2016	2015
Net loss attributable to equity holders of the Company	\$1,611,799	\$1,593,645	\$3,093,405	\$3,004,303	\$2,723,221
Dividends paid	-	-	-	-	-
Change in share price	0.05 cents	(0.1) cents	(4.0) cents	(7.0) cents	3.0 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.

Details of remuneration for the year ended 30 June 2019 - 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 \$	Superannuation \$	Share Based Payments - Options \$	Other \$	Total \$	Value of Options as a % of Remuneration
Directors							
<i>Non-executive</i>							
Michael J. Hoy	2019	70,356	6,684	-	-	77,040	-
(Chairman)	2018	68,807	6,537	-	-	75,344	-
Susan M. Pond	2019	37,523	3,565	-	-	41,088	-
	2018	36,697	3,486	-	-	40,183	-
Robert B. Thomas	2019	37,523	3,565	-	-	41,088	-
	2018	36,697	3,486	-	-	40,183	-
Stephen Locarnini**	2019	26,221	2,491	-	-	28,712	-
	2018	-	-	-	-	-	-
Denis N. Wade*	2019	-	-	-	-	-	-
	2018	15,290	1,453	-	-	16,743	-
<i>Executive</i>							
Michelle Miller	2019	307,191	29,183	-	14,886	351,260	-
(Managing Director)	2018	300,000	28,500	10,134	5,525	344,159	3%
Executives							
Peter J. Nightingale	2019	78,000	-	-	-	78,000	-
(Company Secretary)	2018	75,000	-	-	-	75,000	-

** appointed as a director on 23 October 2018

*resigned as a director on 20 November 2017

No bonuses were paid during the financial year and no performance based components of remuneration exist. The Company employed no other key management personnel.

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

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	25 November 2015	1,000,000	\$17,900	\$0.15 at any time to 30 November 2018
Michelle Miller	25 November 2015	1,000,000	\$17,900	\$0.15 at any time from 30 November 2016 up to 30 November 2018
Michelle Miller	25 November 2015	3,000,000	\$48,900	\$0.18 at any time from 30 November 2017 up to 30 November 2018

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 \$0.046 at the grant date, a volatility factor of 100% based on historic share price performance, a risk free rate of 2.11% based on the 10 year government bond rate and no dividends paid.

No options were granted during the 2019 and 2018 financial years. The number of options that vested as at 30 June 2019 is nil (2018 - 5,000,000).

During the year, Michelle Miller exercised the 5,000,000 options. No options lapsed during 2019 and 2018 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 2019 financial year.

Exercise of options granted as compensation - Audited

5 million shares issued on the exercise of options previously granted as compensation during the 2019 financial year (2018- nil).

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	1,000,000	25 November 2015	100%	1,000,000	-	1 July 2015
	1,000,000	25 November 2015	100%	1,000,000	-	1 July 2016
	3,000,000	25 November 2015	100%	3,000,000	-	1 July 2017

The number of options that had vested as at 30 June 2019 is nil (2018 - 5,000,000). No options were granted subsequent to year end.

BIOTRON LIMITED

DIRECTORS' REPORT

Remuneration Report - Audited (continued)

Analysis of movements in options - Audited

Director	Granted in the year	Valuation of options exercised in the year	Lapsed in the year
Michelle Miller	-	\$387,750	-

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 2019 - Audited

	Held at 1 July 2018	Granted/ Purchased	Exercised/ Sold	Expired	Held at 30 June 2019	Vested and exercisable at 30 June 2019
Directors						
Michael J. Hoy	2,804,337	-	1,246,372	-	1,557,965	1,557,965
Michelle Miller	5,703,125	-	5,512,500	-	190,625	190,625
Susan M. Pond	196,288	-	87,239	-	109,049	109,049
Robert B. Thomas	2,104,793	-	2,104,793	-	-	-
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 2019 and 2018 financial years and no amounts were outstanding at 30 June 2019 (2018 - \$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 2019, 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 (2018 - \$144,000). There were no outstanding amounts at 30 June 2019 (2018 - \$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 2019 - Audited

	Held at 1 July 2018	Purchased	Received on exercise of options	Sales	Held at 30 June 2019
Directors					
Michael J. Hoy	7,789,828	-	1,246,372	1,246,372	7,789,828
Michelle Miller	953,125	-	5,512,500	3,500,000	2,965,625
Susan M. Pond	545,246	-	87,239	87,239	545,246
Robert B. Thomas	8,000,000	-	2,004,793	7,341,598	2,663,195
Stephen Locarnini	-	-	-	-	-
Executives					
Peter J. Nightingale	5,760,416	-	-	2,165,513	3,594,903

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 \$328,500 (including superannuation). During the year ended 30 June 2019, the Remuneration Committee resolved to increase compensation to Michelle Miller to \$360,000 (including superannuation).

Non-executive directors - Audited

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

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.

	2019 \$	2018 \$
Statutory audit		
Audit and review of financial reports - KPMG	52,500	49,950

BIOTRON LIMITED

DIRECTORS' REPORT

Lead Auditor's Independence Declaration

The Lead Auditor's Independence Declaration is set out on page 16 and forms part of the Directors' Report for the year ended 30 June 2019.

This report has been signed in accordance with a resolution of the directors and is dated 29 August 2019:

A handwritten signature in blue ink, appearing to read 'Michael J. Hoy'.

Michael J. Hoy
Chairman

A handwritten signature in blue ink, appearing to read 'Michelle Miller'.

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 2019 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
29 August 2019

BIOTRON LIMITED

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2019

	Notes	2019 \$	2018 \$
Continuing operations			
Other income	5	1,072,832	1,622,584
Administration and consultants' expenses		(299,580)	(275,674)
Depreciation	11	(12,467)	(11,642)
Employee and director expenses		(806,272)	(817,458)
Direct research and development expenses	6	(1,115,879)	(1,692,656)
Rent and outgoings expenses		(61,236)	(77,604)
Travel expenses		(73,849)	(106,549)
Other expenses from ordinary activities		(404,488)	(251,230)
Operating loss before financing income		<u>(1,700,939)</u>	<u>(1,610,229)</u>
Interest income		89,140	16,584
Net financing income		<u>89,140</u>	<u>16,584</u>
Loss before tax		(1,611,799)	(1,593,645)
Income tax expense	9	-	-
Loss for the year		(1,611,799)	(1,593,645)
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(1,611,799)</u>	<u>(1,593,645)</u>
Basic and diluted loss per share (cents)	7	<u>(0.29) cents</u>	<u>(0.40) 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 2019

	Notes	2019 \$	2018 \$
Current assets			
Cash and cash equivalents	8	5,739,788	1,543,002
Other assets	10	<u>37,004</u>	<u>58,354</u>
Total current assets		<u>5,776,792</u>	<u>1,601,356</u>
Non-current assets			
Plant and equipment	11	46,321	17,854
Other financial assets – bond deposit		<u>33,855</u>	<u>-</u>
Total non-current assets		<u>80,176</u>	<u>17,854</u>
Total assets		<u>5,856,968</u>	<u>1,619,210</u>
Current liabilities			
Trade and other payables	12	202,466	160,778
Employee entitlements	13	<u>209,623</u>	<u>176,924</u>
Total current liabilities		<u>412,089</u>	<u>337,702</u>
Non-current liabilities			
Employee entitlements	13	<u>5,909</u>	<u>-</u>
Total non-current liabilities		<u>5,909</u>	<u>-</u>
Total liabilities		<u>417,998</u>	<u>337,702</u>
Net assets		<u>5,438,970</u>	<u>1,281,508</u>
Equity			
Issued capital	14	47,523,320	41,439,162
Reserves	14	284,758	599,655
Accumulated losses		<u>(42,369,108)</u>	<u>(40,757,309)</u>
Total equity		<u>5,438,970</u>	<u>1,281,508</u>

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 2019

Attributable to equity holders of the Company

	Notes	Issued Capital	Option Reserves	Accumulated Losses	Total
		\$	\$	\$	\$
Balance at 1 July 2017		40,325,345	278,419	(39,163,664)	1,440,100
Total comprehensive income for the year					
Loss for the year		-	-	(1,593,645)	(1,593,645)
Other comprehensive income		-	-	-	-
Total comprehensive loss for the year		-	-	(1,593,645)	(1,593,645)
<i>Transactions with owners, recorded directly in equity</i>					
Contribution by and distribution to owners					
Ordinary shares/options issued		1,365,967	311,182	-	1,677,149
Cost of shares issued		(252,230)	-	-	(252,230)
Share based payment		-	10,134	-	10,134
Exercise of options		80	(80)	-	-
Balance at 30 June 2018	14	41,439,162	599,655	(40,757,309)	1,281,508
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	14	47,523,320	284,758	(42,369,108)	5,438,970

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 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Cash receipts in the course of operations		1,073,232	1,622,584
Payments for research and development		(1,079,958)	(1,863,780)
Cash payments in the course of operations		(1,580,305)	(1,617,399)
Interest received		89,140	16,584
Net cash used in operating activities	15	<u>(1,497,891)</u>	<u>(1,842,011)</u>
Cash flows from investing activities			
Rental bond		(11,949)	-
Payments for plant and equipment		(40,933)	-
Net cash used in investing activities		<u>(52,882)</u>	<u>-</u>
Cash flows from financing activities			
Proceeds from issue of shares and options		6,038,728	1,653,149
Cost of issue of shares and options		(291,678)	(255,528)
Consideration received – option exercise, share not yet granted		500	-
Net cash from financing activities		<u>5,747,550</u>	<u>1,397,621</u>
Net increase/(decrease) in cash held		4,196,777	(444,389)
Cash and cash equivalents at 1 July		1,543,002	1,987,384
Effect of exchange rate adjustments on cash held		9	7
Cash and cash equivalents at 30 June	8	<u><u>5,739,788</u></u>	<u><u>1,543,002</u></u>

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 2019

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 AASB 9 Financial Instruments and AASB 15 Revenue from Contracts with Customers effective from 1 July 2018. There was no material impact on the financial statements upon adoption.

The financial report was authorised for issue by the directors on 29 August 2019.

(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

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) Cash and cash equivalents

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

(b) Trade and other receivables

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

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(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.

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. Other 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 2019

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 – Policy applicable from 1 July 2018

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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Financial instruments (Cont)

Non-derivative financial assets (Cont.)

Prior to 1 July 2018, 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.

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.

(h) 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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) 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.

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.

(j) 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.

(k) 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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(l) Impairment

Financial instruments

Policy applicable from 1 July 2018

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.

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.

Policy applicable before 1 July 2018

Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

Financial assets measured at amortised cost

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised within profit or loss. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(m) 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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(n) 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.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2019, and have not been applied in preparing these financial statements. The Company is in the process of assessing the impact of new standards. Those which may be relevant to the Company are set out below. The Company does not plan to adopt these standards early and is assessing the impact.

AASB 16 Leases

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 definition of a lease is also amended and is now the new on/off balance sheet test for lessees.

AASB is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time.

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 2019

	2019 \$	2018 \$
5. OTHER INCOME		
Research and development rebate	1,072,832	1,621,653
Other	-	931
	<u>1,072,832</u>	<u>1,622,584</u>

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	52,500	49,950
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Depreciation

- Office equipment	11	11,505	10,453
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- Plant and equipment	11	962	1,189
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Direct research and development expenditure expensed as incurred	1,115,879	1,692,656
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Provision for employee entitlements	38,608	(74,915)
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Superannuation expense	63,313	62,837
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7. LOSS PER SHARE

The calculation of basic and diluted loss per share at 30 June 2019 was based on the loss attributable to ordinary shareholders of \$1,611,799 (2018 - \$1,593,645 loss) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2019 of 559,287,341 (2018 - 397,150,054), calculated as follows:

Net loss for the year	<u>1,611,799</u>	<u>1,593,645</u>
	2019 Number	2018 Number
Weighted average number of ordinary shares (basic and diluted)		
Issued ordinary shares at 1 July	<u>502,417,116</u>	<u>392,229,816</u>
Weighted average number of ordinary shares at 30 June	<u>559,287,341</u>	<u>397,150,054</u>

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

	2019 \$	2018 \$
8. CASH AND CASH EQUIVALENTS		
Cash at bank	<u>5,739,788</u>	<u>1,543,002</u>
Cash and cash equivalents in the statement of cash flows	<u>5,739,788</u>	<u>1,543,002</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
9. INCOME TAX EXPENSE		
Current tax expense		
Current year	(802,107)	(970,021)
Tax losses not recognised	<u>802,107</u>	<u>970,021</u>
	<u>-</u>	<u>-</u>
Deferred tax expense		
Current year	65,030	89,176
De-recognition of temporary differences	<u>(65,030)</u>	<u>(89,176)</u>
	<u>-</u>	<u>-</u>
Numerical reconciliation between tax expense and pre-tax net profit		
Loss before tax - continuing operations	<u>(1,611,799)</u>	<u>(1,593,645)</u>
Prima facie income tax benefit at the Australian tax rate of 27.5%	(443,245)	(438,252)
Increase in income tax expense due to:		
- Adjustments not resulting in temporary differences	385,425	595,928
- Effect of tax losses not recognised	122,850	(68,500)
- Unrecognised temporary differences	<u>(65,030)</u>	<u>(89,176)</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)	214,244	204,140
Tax losses	<u>9,469,650</u>	<u>9,346,799</u>
Net	<u>9,683,894</u>	<u>9,550,939</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 2019

	2019 \$	2018 \$
10. OTHER ASSETS		
Current prepayments	37,004	36,448
Security deposits	-	21,906
	<u>37,004</u>	<u>58,354</u>

11. PLANT AND EQUIPMENT

Office equipment - at cost	239,116	205,851
Accumulated depreciation	<u>(202,718)</u>	<u>(195,398)</u>
	<u>36,398</u>	<u>9,453</u>
Plant and equipment - at cost	514,442	511,958
Accumulated depreciation	<u>(504,519)</u>	<u>(503,557)</u>
	<u>9,923</u>	<u>8,401</u>
Total plant and equipment - net book value	<u>46,321</u>	<u>17,854</u>

Reconciliations

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

Office equipment

Balance at 1 July	9,453	19,906
Additions	38,450	-
Depreciation	<u>(11,505)</u>	<u>(10,453)</u>
Carrying amount at the end of the financial year	<u>36,398</u>	<u>9,453</u>

Plant and equipment

Balance at 1 July	8,401	9,590
Additions	2,484	-
Depreciation	<u>(962)</u>	<u>(1,189)</u>
Carrying amount at the end of the financial year	<u>9,923</u>	<u>8,401</u>
Total carrying amount at the end of the financial year	<u>46,321</u>	<u>17,854</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

	2019 \$	2018 \$
12. TRADE AND OTHER PAYABLES		
Current		
Creditors	158,270	135,778
Accruals	44,196	25,000
	<u>202,466</u>	<u>160,778</u>
13. EMPLOYEE ENTITLEMENTS		
Current		
Employee annual leave provision	69,024	50,282
Long service leave provision	140,599	126,642
	<u>209,623</u>	<u>176,924</u>
Non-current		
Long service leave provision	5,909	-
14. CAPITAL AND RESERVES		
Issued and paid up capital		
595,705,860 (2018 – 502,417,116) fully paid ordinary shares	<u>47,523,320</u>	<u>41,439,162</u>
Fully paid ordinary shares		
Balance at the beginning of the financial year	41,439,162	40,325,345
Issue of shares	6,038,728	1,365,967
Exercise of options	314,897	80
Costs of issue	(269,467)	(252,230)
Balance at the end of financial year	<u>47,523,320</u>	<u>41,439,162</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 2019, 2,000,000 ordinary shares (2018 – nil) were issued through the exercise of 30 November 2018 \$0.15 employee options for cash totalling \$300,000 (2018 - \$nil). The fair value of the options when granted was \$35,806 (2018 - \$nil). 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 ordinary shares (2018 – nil) were issued through the exercise of 30 November 2018 \$0.18 employee options for cash totalling \$540,000 (2018 - \$nil). The fair value of the options when granted was \$48,751 (2018 - \$nil). 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 ordinary shares (2018 – 30,833) were issued through the exercise of 30 November 2018 \$0.06 listed options for cash totalling \$4,705,747 (2018 - \$1,850). The fair value of the options when granted was \$203,916 (2018 - \$80). During the year, the Company entered into an agreement with CPS Capital Group Pty Ltd to underwrite any shortfall

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

14. CAPITAL AND RESERVES (Cont.)

arising from the exercise of 30 November 2018 \$0.06 options. 1,336,137 options were underwritten by CPS capital Pty Ltd. Total Issue cost of \$260,909 was recognised as a reduction in proceeds of issue of these shares.

- During the year ended 30 June 2019, 9,859,614 ordinary shares (2018 – nil) were issued through the exercise of 12 December 2019 \$0.05 listed options for cash totalling \$492,981 (2018 - \$nil). The fair value of the options when granted was \$26,424 (2018 - \$nil).
- In June 2018, the Company offered eligible shareholders to purchase one new share and one new listed option under a pro- rata renounceable rights issue. Under this offer, the Company issued 98,078,690 ordinary shares and 98,078,690 listed options for cash totalling \$1,471,180. The listed options are each exercisable at 5 cents to acquire one fully paid ordinary share exercisable at any time up to 12 December 2019. Total issue cost of \$244,929 was recognised as a reduction in proceeds of issue of these shares. At 30 June 2018, \$22,211 was outstanding for payment.
- In June 2018, the Company issued 6,000,000 options as part consideration to the lead manager and underwriter under the same terms as offered under the Renounceable Rights Issue. The options were valued at \$24,000.
- In June 2018, the Company issued 12,007,777 ordinary shares and 12,007,777 listed options for cash totalling \$180,119 under a Share Placement Offer. Total issue cost of \$7,301 was recognised as a reduction in proceeds of issue of these shares. The listed options are each exercisable at 5 cents to acquire one fully paid ordinary share exercisable at any time up to 12 December 2019.

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

The following unlisted options were on issue at 30 June 2018:

- 1,000,000 options with a fair value at grant date of 1.8 cents, each exercisable at 15 cents to acquire one fully paid ordinary share at any time up to 30 November 2018.
- 1,000,000 options with a fair value at grant date of 1.8 cents, each exercisable at 15 cents to acquire one fully paid ordinary share at any time after 30 November 2016 up to 30 November 2018.
- 3,000,000 options with a fair value at grant date of 1.6 cents, each exercisable at 18 cents to acquire one fully paid ordinary share at any time after 30 November 2017 up to 30 November 2018.

The fair value of the options at each grant date was determined based on the Black-Scholes formula. The model inputs for those options issued during the year ended 30 June 2016 were the Company's share price of \$.046 at the grant date, a volatility factor of 100% based on historic share price performance, risk free interest rate of 2.11% based on the 10 year government bond rate and no dividends paid.

The following listed options were on issue at 30 June 2019:

Opening Balance 1 July 2018 Number	Exercise Price \$	Granted during the year Number	Exercised/Expired during the year Number	Closing Balance 30 June 2019 Number
78,429,130	0.06	-	78,429,130	-
116,086,467	0.05	-	9,859,614	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 2019

14. CAPITAL AND RESERVES (Cont.)

	2019 \$	2018 \$
Option Reserves		
Equity based compensation reserve	-	84,557
Option premium reserve	<u>284,758</u>	<u>515,098</u>
	<u>284,758</u>	<u>599,655</u>
Movements during the period		
Equity based compensation reserve		
Balance at the beginning of period	84,557	74,423
Share based payment expense	-	10,134
Options exercised during the period	<u>(84,557)</u>	<u>-</u>
Balance at end of period	<u>-</u>	<u>84,557</u>
Option premium reserve		
Balance at the beginning of period	515,098	203,996
Issue of options	-	311,182
Exercise of options	<u>(230,340)</u>	<u>(180)</u>
Balance at end of period	<u>284,758</u>	<u>515,098</u>

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 2019

	2019 \$	2018 \$
15. STATEMENT OF CASH FLOWS		
Reconciliation of cash flows from operating activities		
Loss for the period	<u>(1,611,799)</u>	<u>(1,593,645)</u>
Adjustments for:		
Depreciation of plant and equipment	12,467	11,642
Provisions for employee entitlements	38,608	(74,915)
Share based payments	-	10,134
Interest	-	(495)
Effect of exchange rate adjustments	(9)	(7)
Changes in assets and liabilities		
Decrease/(Increase) in prepayments	(556)	(15,129)
(Decrease)/Increase in payables	<u>63,398</u>	<u>(179,596)</u>
Net cash used in operating activities	<u><u>(1,497,891)</u></u>	<u><u>(1,842,011)</u></u>

16. 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 2019, 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 (2018 - \$144,000). There were no outstanding amounts at 30 June 2019 (2018 - \$nil).

Key management personnel compensation

During the year ended 30 June 2019, compensation of key management personnel totalled \$617,188 (2018 - \$591,612), which comprised primary salary and fees of \$556,814 (2018 - \$532,491), superannuation of \$45,488 (2018 - \$43,462), share based payments of \$nil (2018 - \$10,134) and long service leave of \$14,886 (2018 - \$5,525). During the 2019 and 2018 financial years, no long term benefits or termination payments were paid.

17. 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.

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. SHARE BASED PAYMENTS (Cont.).

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 three months of the date of termination of employment. Any options not exercised within this three month period will lapse.

No options were issued during the year ended 30 June 2019 and 30 June 2018. During the year ended 30 June 2019, no options were on issue (2018 - 5,000,000) as detailed in note 14.

The terms and conditions of the options held by key management personnel during the year ended 30 June 2019 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
25 November 2015	30 November 2018	25 November 2015	\$0.15	17,903	1,000,000	1,000,000	-
25 November 2015	30 November 2018	30 November 2016	\$0.15	17,903	1,000,000	1,000,000	-
25 November 2015	30 November 2018	30 November 2017	\$0.18	48,751	3,000,000	3,000,000	-
				84,557	5,000,000	5,000,000	-

Options outstanding at 30 June 2018

Grant date	Number of options	Exercise price	Fair value at grant date	Vesting date*	Expiry date
25 November 2015	1,000,000	\$0.15	\$0.018	25 November 2015	30 November 2018
25 November 2015	1,000,000	\$0.15	\$0.018	30 November 2016	30 November 2018
25 November 2015	3,000,000	\$0.18	\$0.016	30 November 2017	30 November 2018

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

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

	Number of options 2019	Weighted average exercise price 2019	Number of options 2018	Weighted average exercise price 2018
Outstanding at 1 July	-	-	5,000,000	\$0.17

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 nil years (2018 – 0.42 years).

During the year, 5 million ordinary shares were issued as a result of the exercise of options granted pursuant to the Incentive Option Plan (2018 – nil).

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

17. 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 2019 was \$nil (2018 - \$10,134).

18. 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	
		2019 \$	2018 \$
Cash and cash equivalents	8	5,739,788	1,543,002
Security deposits		33,855	21,906
		<u>5,773,643</u>	<u>1,564,908</u>

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18. 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.

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 \$5,739,788 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	Interest
	\$	\$	\$	\$	\$
30 June 2019					
Trade and other payables	202,466	(202,466)	(202,466)	-	-
30 June 2018					
Trade and other payables	160,778	(160,778)	(160,778)	-	-

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 2% (2018 – 0.98%).

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:

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18. FINANCIAL INSTRUMENTS (Cont.).

	Note	2019 \$	2018 \$
Financial assets			
Cash and cash equivalents	8	5,739,788	1,543,002
Security deposits		33,855	21,906
Net exposure		<u>5,773,643</u>	<u>1,564,908</u>

The Company did not have any interest bearing financial liabilities in the current or prior year.

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.

	2019 \$	2018 \$
	<u>46,348</u>	<u>11,819</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 (2018 - US\$150).

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.

19. FINANCIAL REPORTING BY SEGMENTS

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

BIOTRON LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

20. OPERATING LEASES

The Company leases an office in North Ryde, Sydney. The lease is for a period of 3 years starting from September 2018 with an option to renew the lease for a further term by giving a notice of such intention to the landlord or the agent at least 3 months before the expiration of the existing lease.

During the year ended 30 June 2019, \$61,236 was recognised as an expense in profit or loss in respect of the operating lease (2018 - \$77,604).

The future minimum leases payments under non-cancellable operating leases are payable as follows:

	2019	2018
	\$	\$
Less than one year	45,250	6,539
Between one and five years	52,792	-

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 17 to 39, and the Remuneration Report in the Directors' Report, set out on pages 10 to 14, 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 2019 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 2019.
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 29 August 2019:



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 2019 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 2019;
- 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* (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

The **Key Audit Matter** we identified is:

- Research and development expenditure.

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

These matters were 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 these matters.

Research and development expenditure - \$1,115,879

Refer note 6

The key audit matter	How the matter was addressed in our audit
Research and development expenditure is a key audit matter due to the significance of the amount (being 40% of total expenses) and the audit effort associated with assessing the completeness and accuracy of the amounts recorded by the Company.	<p>Our procedures included:</p> <ul style="list-style-type: none"> • 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. For this, we selected our sample from the Company's payments since balance date, and unprocessed invoices post balance date, and the underlying documentation of the transaction.

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. 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: http://www.auasb.gov.au/auditors_files/ar2.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 2019, complies with *Section 300A of the Corporations Act 2001*.

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 10 to 14 of the Directors' report for the year ended 30 June 2019.

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



KPMG



Stephen Board
Partner
Brisbane
29 August 2019

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 2019, the distribution of each class of quoted equity securityholders was as follows:

Range	Fully Paid Ordinary Share Holders	Total Number of Shares	12 December 2019 \$0.05 Listed Option Holders	Total Number of Listed Options
1 - 1,000	169	46,941	29	12,970
1,001 - 5,000	1,185	4,051,516	94	304,356
5,001 - 10,000	1,037	8,340,336	90	694,761
10,001 - 100,000	2,866	109,134,438	345	14,126,501
100,001 and over	917	474,132,629	171	91,088,265
	6,174	595,705,860	729	106,226,853

At 31 July 2019, 1,410 shareholders held less than a marketable parcel of shares. At 31 July 2019, nil 12 December 2019 5 cent listed option holders held less than a marketable parcel of options.

BIOTRON LIMITED

Twenty Largest Quoted Shareholders

At 31 July 2019 the twenty largest fully paid ordinary shareholders held 18.32% of fully paid ordinary as follows:

	Name	Fully Paid Ordinary Shares	%
1	Armco Barriers Pty Ltd	11,800,000	1.98
2	Jey Investment Pty Ltd	10,640,806	1.79
3	Dr Angela Fay Dulhunty	10,000,000	1.68
4	Umbiram Pty Ltd <Michael Hoy Super Fund A/C>	7,789,828	1.31
5	Citicorp Nominees Pty Limited	6,961,690	1.17
6	Fordholm Investments Pty Ltd <Fordholm Super Fund A/C>	5,800,000	0.97
7	DNS Accounting and Law Consultancy Pty Ltd	5,265,588	0.88
8	Spiceme Capital Pty Ltd	5,000,000	0.84
9	Scott's A V Pty Ltd <Scotts Acorn EMP S/F A/C>	4,808,000	0.81
10	Rookharp Investments Pty Limited	4,666,667	0.78
11	Pathold No 222 Pty Ltd	4,200,000	0.71
12	Mr Nick Karopoulos	4,179,000	0.70
13	Road & Construction Supplies of Australia Pty Ltd <Keller Super Fund A/C>	3,800,000	0.64
14	ABN Amro Clearing Sydney Nominees Pty Ltd <Custodian A/C>	3,662,427	0.61
15	Mr. Peter James Nightingale	3,594,903	0.60
16	Mr Andrew John Meek + MS Saskia Elle Meek < Andrew Meek SuperFund A/C>	3,564,849	0.60
17	Rigi Investments Pty Limited <The Cape A/C>	3,541,485	0.59
18	Mr Russel Wayne Halder	3,390,000	0.57
19	Mr John Yan	3,266,858	0.55
20	Attollo Copia Pty Ltd <F A Pires Super Fund A/C>	3,200,565	0.54

There are no current on-market buy-backs.

BIOTRON LIMITED

Twenty Largest 12 December 2019 5 Cent Quoted Option Holders

At 31 July 2019 the twenty largest 12 December 2019 5 cent option holders held 43.13% of listed options as follows:

	Name	Quoted Options	%
1	Rookharp Capital Pty Limited	5,751,000	5.41
2	Mr Edward O'brien + Mrs Naomi O'brien <OB-Plan SF A/C>	5,730,000	5.39
3	Rookharp Investments Pty Limited	4,666,667	4.39
4	Road & Construction Supplies of Australia Pty Ltd <Keller Super Fund A/C>	3,700,000	3.48
5	DNS Accounting and Law Consultancy Pty Ltd	3,685,868	3.47
6	Mrs Michael Carabott	2,694,344	2.54
7	Mrs Narelle Fay	2,500,050	2.35
8	Mr Andrew Fay <Andrew Fay Super A/C>	2,500,000	2.35
9	Goffacan Pty Ltd	1,779,242	1.67
10	Umbiram Pty Ltd <Michael Hoy Super Fund A/C>	1,557,965	1.47
11	IQ Global Asset Partners Pty Ltd <IQ S/F A/C>	1,911,544	1.65
12	Mr Dale Maurice Raynes	1,500,000	1.41
13	Fordholm Investments Pty Ltd < Fordholm Super Fund A/C>	1,200,000	1.13
14	Mr Dhaval Jitendrakumar Patel	1,200,000	1.13
15	Mrs ZI Juan QI <Chen Family A/C>	1,200,000	1.13
16	Mr Peter John Leigh	1,147,828	1.08
17	Bond Street Custodians Limited < WLPHLO- D09537 A/C>	1,000,000	0.94
18	Mr Andrew James Schutz + Ms Sandy Schutz <AJ & S Super Fund A/C>	1,000,000	0.94
19	Mr Russel Wayne Halder	1,000,000	0.94
20	Mrs Sharon Lewis	1,000,000	0.94

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.