Biotron Limited
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31 October 2022

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

Dear Madam

SHAREHOLDER UPDATE

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

Yours sincerely

Peter J. Nightingale
Company Secretary

pjn11427

Biotron

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BITNews

October 2022

Dear Shareholders,

As we approach the end of a very successful year, I take the opportunity to thank you for your ongoing support of the Company. Biotron is at an exciting point, having successfully completed enrolment in not one but two Phase 2 clinical trials for its HIV-1 program in recent weeks. Reaching these important milestones provides certainty on timelines for completing the trials and providing results to the market.

As announced to the market in the September Quarter Update on Activities released on 24 October 2022, the Company expects results from the two Phase 2 trials to be available in mid-2023.

Phase 2 trials provide key value inflection points. To have data from two such trials available in the near term puts the Company in a very strong position. These data, if positive, will be central to successfully negotiating and completing a commercial transaction for the Company's landmark HIV-1 clinical program.

Last week Biotron announced the initiation of a Renounceable Rights Issue to raise up to $4.2 million (before costs). This means of raising capital was used as it is fair and equitable to existing shareholders. The Rights Issue is attractively priced and the options attached to the new shares being issued provide additional medium term value to shareholders who subscribe for their entitlement.

It is vitally important that the Company is in a stable and strong financial position as it moves into 2023 and completes a series of activities to maximise the potential for a commercial outcome on the back of the data from the Phase 2 trials.

The two Phase 2 HIV-1 trials are the culmination of years of careful, step-wise, iterative, commercially focused drug development. All activities have been undertaken with the sole purpose of satisfying potential partners and future submissions to international regulatory agencies. The Company has engaged with both audiences throughout the development of the Company's lead antiviral drug, BIT225.

Development of drugs is highly regulated. There are no shortcuts. Biotron's BIT225 has passed successfully through every stage. While we await the results from the two ongoing clinical trials in mid-2023, we have a high degree of confidence due to positive data generated in previous clinical trials with the drug.

BIT225 uniquely combines antiviral activity with immune enhancement. Results from earlier studies indicate that the drug targets virus replication in long-lived reservoir cells and has positive effects on key immunologic markers of improved health outcomes. The estimated one third of the antiretroviral (ART)-treated HIV-infected population achieves only partial immune reconstitution is at increased risk of clinical progression to AIDS and other morbidities and mortality compared HIV-infected patients who have attained full immune reconstitution. BIT225 has particular potential benefit in this group.

Despite the availability of effective ART, the prevalence of HIV-1 infections continues to grow. In 2021, 38.4 million people globally were living with HIV, 1.5 million were newly infected with the virus and an estimated 650,000 people died from AIDS-related illnesses. The global HIV drug market in 2021 was estimated to be US$30 billion.

The increased prevalence of HIV-1 infections, percentage of patients on treatment due to improved disease awareness and the need for treatments to improve quality of life are expected to drive market growth to over US$50 billion by 2030.

BIT225 is a very important asset for the Company. In addition to its unique clinical activity against HIV-1 the drug has shown very good activity against SARS-CoV-2 and prevented development of disease in a COVID-19 mouse model.

The SARS-CoV-2-infected mice quickly die from respiratory disease very similar to human COVID-19, however,BIT225 very efficiently reduced levels of SARS-CoV-2 virus and stopped the life-threatening cytokine storm. BIT225-treated mice did not develop any signs of disease and remained healthy throughout the several studies that were conducted.

COVID remains a global issue. While the success of vaccination programs means that there is increased immunity to serious disease, COVID remains a significant problem in various populations. People with weakened immune systems such as those with autoimmune diseases or on chemotherapy, the aged, and people with serious underlying disorders such as diabetes or cardiovascular disease are particularly at risk.

On 14 September 2022, Biotron announced that it had added a COVID-19 sub-study to one of the Phase 2 HIV-1 clinical trials of BIT225. While the study is small, and end points are exploratory, the sub-study approach meant we could move quickly to get human data in a high-risk population.

Meanwhile, we have been working on the design and implementation of a new, standalone COVID-19 Phase 2 trial of BIT225, based on guidance received from the USA Food and Drug Administration (FDA) earlier in the year.

The legal requirements for isolation and difficulty of face-to-face medical consultations for people with SARS-CoV-2 infection have made setting up clinical trials for COVID-19 very challenging. The Company has now worked through these difficulties and has designed a trial in line with FDA guidelines.

Funds raised from the current Rights Issue will partially be used to fund this new COVID clinical trial. Subject to receipt of ethics and regulatory approvals, which are expected to be straightforward due to the current COVID sub-study, the trial is expected to commence late this year, with results available in mid-2023.

This means that the Company aims to have results from three clinical trials by mid next year. Positive data from these trials across two different disease indications will put the Company in a strong position as it moves to partner the programs in the second half of 2023.

Biotron has put considerable resources into development of BIT225. It is a first-in-class drug which creates high hurdles for development. But we believe we are now close to the finish line.

Another important piece of the package for a potential partner will be new, next-generation lead drugs for Biotron's HIV-1 and COVID-19 programs. Funds raised in the current Rights Issue will also partially be used to rapidly advance the preclinical development of promising compounds. These follow-on drugs will provide additional value and further de-risk the Company's antiviral portfolio.

During the last 12 months, Biotron has been almost exclusively focused on its clinical programs. However, Hepatitis B virus (HBV) remains a promising early-stage program for the Company. We have designed and tested a series of compounds with very promising activity against this important virus. Funds raised in the Rights Issue will partially be used to accelerate this important work. HBV is a virus with unmet medical need and commercial interest from industry.

I hope that this update demonstrates how close we are to achieving the long-awaited commercial outcome that we have all been hoping for. I urge you to carefully read the Prospectus and support the Company in the Rights Issue. All Directors will be participating, with most, including myself, taking up our full entitlements. You will have noted the upcoming AGM is scheduled for 16 November 2022 in Sydney. I urge you to vote or appoint the Chairman as your proxy. Our recommendation is to vote FOR Resolutions 1, 2 and 3, and note AGAINST Resolution 4. I hope that you can attend the AGM - it will be great to be face to face again!

Best regards,

Michelle Miller
CEO & Managing Director

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