

Level 8, 261 George Street
Sydney NSW 2000
Tel: (61-2) 9247 8212
Fax: (61-2) 9247 3932
E-mail: pnightingale@biotron.com.au
Website: www.biotron.com.au

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The Manager Companies
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

(4 pages by email)

Dear Madam

VIRION PROJECT DEVELOPMENTS

The Directors are pleased to advise that Biotron Limited ('Biotron' or 'the Company') has, through the culmination of many small progressions, made the following significant achievements:

- the identification of several Company compounds with excellent and improved anti-HIV activity characteristics from which a lead compound will be selected for clinical trials;
- development of the Company's anti-HCV program and a collaboration with the prestigious Macfarlane Burnet Institute; and
- further demonstration that the Company's anti-viral technology platform is effective against a number of virus classes.

The Company's Directors and management remain focused on developing products to maximise, for the benefit of the Company's shareholders, their value to potential partners in the international pharmaceutical industry. Biotron strives to operate within a scientific discovery framework, to meet the desires of the market but without compromising the Company's scientific and financial disclosure responsibilities.

VIRION PROJECT

HIV

The Virion project continues to make excellent progress in its ordered program to develop a new class of anti-HIV therapeutic drugs. Work over the past months has focused on selection of the best lead candidate (i.e. the one with the most favourable characteristics in terms of efficacy against HIV in vitro, toxicity in animals, bioavailability, drug half-life and ease of synthesis) to progress into the final safety tests required as the last step towards clinical trials. The Company has systematically tested, modified, built and re-tested some hundreds of compounds, the results of which have led to the identification of several lead candidates with good antiviral properties and, importantly, good druggable characteristics.

Whilst the Company's early anti-HIV compounds were demonstrated to have efficacy and toxicity levels which were acceptable to continue to develop the compounds through the clinical trial stage, researchers believed that the Company could develop compounds with a better therapeutic index (the window between an effective and a toxic dosage level) by modifying the chemical structure of the tested compounds which showed better antiviral properties and re-testing these new compounds. As a result of this work, the Company has developed its own novel compounds with significantly improved therapeutic indices, mainly as a result of significant improvements in toxicity profiles (i.e. increased dosage level before the compounds are toxic).

Due to the cost and time associated with the clinical trials, only one lead candidate will be selected as the HIV lead compound to be progressed to the next stage.

The selection of a lead compound is a very significant milestone for the Company. This lead candidate selection is now imminent.

The results of the work completed to date are exceptionally pleasing. No fatal flaws in the science have been found and we are confident of moving forward to the clinical studies with a robust, safe lead compound.

Following selection of a lead compound, it will be manufactured in sufficient quantities and to appropriate international stringent manufacturing standards for final preclinical and clinical testing.

Hepatitis C Virus

In parallel with the anti-HIV program, several of Biotron's compounds have been shown by the Company's proprietary screening assay to be active against the p7 protein of Hepatitis C virus (HCV). This anti-p7 activity potentially represents a new and effective method of treatment for HCV.

HCV represents a commercially attractive target in terms of HCV's worldwide prevalence and the lack of effective therapies. The disease remains a major burden on healthcare systems worldwide, with the World Health Organisation estimating that 3% of the world's population, or approximately 170 million people, are infected with HCV. In the USA alone, 2.7 million people are chronically infected with HCV.

Existing therapies are ineffective in up to 90% of patients, and the therapies can have severe life threatening side effects. There is a clear unmet need for a safe, effective and affordable therapy for this disease.

The Company has recently entered into an HCV collaboration with the world class Macfarlane Burnet Institute for Medical Research in Melbourne. Biotron researchers will work with Professor Eric Gowans who is recognised both nationally and internationally for his exceptional work in the field of the hepatitis C virus. The collaboration will further validate p7 as a target for HCV therapeutics by testing Biotron's antiviral compounds for activity in anti-HCV assays developed by Professor Gowans.

Developing a therapy to treat Hepatitis C is a particular challenge for the pharmaceutical industry due to the absence of good predictive in vitro assay systems. This collaboration, which is designed to overcome this difficulty, represents a major advance for Biotron's HCV program. In addition, Biotron is working in-house on development its own robust HCV assay, which will be of particular interest and value to the pharmaceutical industry.

The Company has begun establishing a drug development program to progress its anti-HCV technology through preclinical testing and into human trials. A number of the Company's compounds, including the HIV lead candidates which have been shown to have activity against HIV, have also been shown to have activity against p7 of HCV. Thus, the preclinical data generated for the HIV program may be utilised for the HCV program, leading to considerable savings in time and money, facilitating early clinical trials in humans for HCV.

Other Viruses

The Virion project has been shown to have antiviral activity against a range of other viruses, including coronaviruses and Dengue virus. Coronavirus family members include the causative agent for SARS as well as viruses responsible for a large percentage of the common cold. Globally, there are an estimated 50 to 100 million cases of dengue fever and several hundred thousand cases of dengue hemorrhagic fever (DHF) per year, with an average case fatality rate of 5% for DHF.

While the program for these other viruses is at an earlier stage than the HIV and HCV projects, good progress is being made with several of the Company's compounds demonstrating good activity against these viruses in independent, international studies.

The Company is currently participating in an antiviral drug screening program in the USA and recent results have demonstrated that several of the Company's compounds have excellent antiviral activity against other viruses, including Hepatitis B virus and Epstein-Barr virus.

These results emphasise the expanding range of target viruses that can potentially be treated by the Company's antiviral platform technology.

PATENTS

The Company is focused on building a strong defensible wall of patents around its intellectual property. A key patent was issued in late 2004 and the Company has several other international patent applications and issued patents covering a wider range of antiviral compounds, antiviral targets and antiviral assays.

The Company's portfolio of compounds and assays has laid the foundation for its world class antiviral technology, which may result in treatments for several viral diseases with huge market potential and unmet medical need. With the continuing development of its range of specific therapeutic compounds, its unique antiviral platform technology and expanding patent portfolio, Biotron is well placed to capitalise on its position targeting the treatment of several economically significant viral diseases.

SUMMARY

The selection of a lead compound for the Company's anti-HIV project is imminent, leading to that compound being subjected to clinical trials in humans.

One of the benefits of having a platform technology for Virion is that data generated for the HIV program may be utilised to advance the HCV program, resulting in significant cost savings in development of an anti-HCV therapeutic and facilitating more rapid advancement into clinical trials in humans.

The Company's compounds have been shown to apply to an expanding range of target viruses that can potentially be treated by the Company's antiviral platform technology.

The Company continues to build a strong and defensible wall of patents around its intellectual property.

The coming months are expected to be a period when the results from the culmination of research on the Company's lead projects will be demonstrated. The Company is well placed to maximise the value created in these projects to benefit shareholders.

For further information, please contact Dr. Michelle Miller, CEO, on (61-2) 61258001.

Yours sincerely

A handwritten signature in black ink, appearing to read 'PJN', with a stylized flourish at the end.

Peter J. Nightingale
Company Secretary

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