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22 March 2006

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

(26 pages by email)

Dear Madam,


PROSPECTUS

Further to the Company's New Issues Announcement dated 15 March 2006, I attach the Company's Prospectus for the underwritten, non-renounceable 2 for 7 Entitlement Issue.

I also attach a letter sent to shareholders as required by clause 3 of Appendix 7A of the ASX Listing Rules.

Any enquiries should be directed to Peter Nightingale on (61-2) 92478212.

Yours faithfully



Peter J. Nightingale
Company Secretary

pjn3442

Biotron Limited
A.B.N. 60 086 399 144

PROSPECTUS

**An Offer of 19,943,015 new fully paid ordinary shares
as a non-renounceable entitlement issue to holders of fully paid ordinary shares
on the basis of 2 new shares for every 7 existing shares held on the Record Date
at an issue price of \$0.23 per new share**

**Underwriter to the Offer
Southern Cross Equities Limited**

An investment in the Shares offered by this Prospectus should be considered speculative.

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker or other professional adviser.

CORPORATE DIRECTORY

Directors:	Contents:	Page
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There are risks associated with investing in early stage biotech companies such as Biotron Limited. Some of these risks are set out in **Section 3.7** of this Prospectus.

Shareholders' enquiries should be directed to:
The Company Secretary on +61-2 9247 8212

IMPORTANT NOTICE

This Prospectus is dated 22 March 2006.

A copy of this Prospectus was lodged with the Australian Securities and Investments Commission on 22 March 2006. ASIC takes no responsibility for the contents of this Prospectus.

No securities will be offered on the basis of this Prospectus after the Closing Date.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

Subject to the requirements of Part 6D of the *Corporations Act* and the ASX Listing Rules, the Company reserves the right at any time to change the timetable as set out in this Prospectus.

KEY DATES

The following key dates are indicative and may be subject to change without notice:

Lodgement of Prospectus with ASIC and ASX	22 March 2006
Existing Shares trade ex-entitlement to participate in the Offer	24 March 2006
Record Date to determine entitlement to participate in the Offer	30 March 2006
Despatch of Prospectus and Entitlement and Acceptance Forms	3 April 2006
Closing Date for acceptance of Applications for New Shares	19 April 2006
Allotment date and despatch of Holding Statements	20 April 2006
Date of quotation by ASX of New Shares	1 May 2006

1. TERMS AND CONDITIONS OF THE OFFER

1.1 General Information

In preparing this Prospectus, Biotron Limited ('Biotron' or 'the Company') has relied on section 713(1)(a) of the *Corporations Act* which has the effect that in certain circumstances a full or long form prospectus is not required for an offer of continuously quoted securities.. This Prospectus is a disclosure document under section 713 of the *Corporations Act* and is prepared in accordance with that section.

The Prospectus describes:

- (a) the terms and conditions of the Offer;
- (b) the effect of the Offer on the Company; and
- (c) the rights and liabilities attaching to the New Shares.

1.2 Summary of the Offer

Biotron Offers to each of its Shareholders two New Shares for every seven Shares held by each of them on the Record Date, rounded to the nearest whole number. The Offer of New Shares is for consideration of \$0.23 per New Share.

The Record Date for the purpose of the Offer is 5.00 pm (Sydney time) on 30 March 2006 and the Closing Date for shareholders to lodge Entitlement and Acceptance Forms is 5.00 pm (Sydney time) 19 April 2006.

There is no minimum subscription amount and the Directors will not accept any over subscriptions. The Offer is non-renounceable and is underwritten by Southern Cross Equities Limited. The New Shares are otherwise offered on the terms set out in this Prospectus.

1.3 Purpose of the Offer

The maximum amount the Company will raise from the acceptance of the Offer is \$4,586,893, before expenses of the Offer. The purpose of the Offer is to provide the Company with the funds to:

- Complete the pre-clinical development studies for the Company's anti-HIV lead compound. These safety studies are currently underway and due for completion mid-year.
- Undertake a Phase I/IIa clinical trial for the Company's anti-HIV lead compound later in 2006. The trial design and location are currently being finalised, and discussions are underway with regulatory authorities.
- Progress the Company's Hepatitis C antiviral program through preclinical development towards a clinical development program. This program has substantial commercial potential and can be fast tracked on the back of work being done to progress the HIV lead compound.

- Expand the Company's Virion antiviral platform program into other viruses of interest. Several Biotron compounds have been shown to have activity against other viruses including the H5N1 strain of the influenza A virus ('bird flu'), SARS and dengue. Funds will be allocated to further characterise the antiviral activity and progression of compounds towards the clinic.
- Continue screening, testing and developing the Company's library of compounds against a number of other viruses.
- Progress the Company's C-Test project towards a stage suitable for partnering.
- Meet the Company's working capital requirements, including the costs of the Issue.

1.4 Application for Listing New Shares on the ASX

The Company will apply to the ASX within seven days of the date of this Prospectus for official quotation of the New Shares offered under this Prospectus.

The ASX takes no responsibility for the contents of this Prospectus.

If quotation is denied by the ASX, or if for any other reason the Offer does not proceed, all application monies received will be refunded in full without interest and no New Shares will be issued.

1.5 Treatment of Overseas Shareholders

The Offer is only made to Shareholders with registered addresses in Australia and New Zealand on the Company's registers at the Record Date.

The Company has decided that it is unreasonable to extend the Offer to Shareholders with registered addresses outside Australia and New Zealand having regard to the number of overseas holders of those securities, the number and value of New Shares which would be offered to overseas holders of those securities and the cost of complying with the legal requirements of regulatory authorities in countries other than Australia and New Zealand.

This Prospectus does not constitute an offer or issue in any place in which, or to any person to whom, it would not be lawful to make such an offer, other than for Shareholders with registered addresses in Australia and New Zealand on the Company's register at the Record Date. The Company is not required to make offers or issues under this Prospectus to other overseas Shareholders. Where the Prospectus has been despatched to Shareholders domiciled outside Australia and where that country's securities code and legislation prohibits or restricts in any way the making of the offers or issues contemplated by this Prospectus, the Prospectus is provided for information purposes only.

Shareholders resident in Australia and New Zealand and holding fully paid ordinary shares on behalf of persons who are resident overseas are responsible for ensuring that acquiring New Shares under this Prospectus does not breach regulations in the relevant overseas jurisdictions.

1.6 Market Price of Shares

The Offer was announced to the ASX on 15 March 2006. The table below shows the lowest and highest market sale prices of the Company's fully paid ordinary shares on ASX during the three months immediately preceding this announcement and the latest sale prices of the Company fully paid ordinary shares on ASX prior to the date of the Prospectus:

	Shares
High price and date	46 cents on 24 February 2006
Low price and date	21 cents on 21 and 22 December 2005
Latest price and date	28 cents on 14 March 2006

1.7 Entitlement

The number of New Shares that you will be offered is shown on the accompanying Entitlement and Acceptance Form.

1.8 Shortfall

There is no minimum acceptance condition and any shortfall if all 19,943,015 New Shares are not subscribed for pursuant to the Offer will be subscribed for by the Underwriter.

1.9 Underwriter

All of the Shares offered pursuant to this Prospectus have been underwritten by Southern Cross Equities Limited. Details of the Underwriting Agreement, including the Underwriter's fees and the circumstances in which the Underwriter may terminate its obligations, are set out in **Section 4** of this Prospectus.

1.10 How to Accept the Offer

Applications under the Offer to Shareholders may be made by completing and returning the Entitlement and Acceptance Form attached to this Prospectus in accordance with the instructions on the Entitlement and Acceptance Form itself. Entitlement and Acceptance Forms must be accompanied by a cheque in Australian dollars drawn on an Australian branch of an Australian represented bank made payable to "Biotron Limited" and crossed "Not Negotiable". Completed Entitlement and Acceptance Forms, together with the application monies, should be delivered or posted to the Company's registered office, Level 8, 261 George Street, Sydney NSW 2000, to be received by the Company no later than 5.00 pm (Sydney time) on 19 April 2006.

If an Entitlement and Acceptance Form is not completed correctly, or if the amount of the accompanying payment is incorrect, it may still be accepted by the Company. The Company's decision as to whether to accept the application, or how to construe, amend or complete it, shall be final, but no application will be treated as having offered to purchase more New Shares than is indicated by the amount of the cheque accompanying the Entitlement and Acceptance Form.

1.11 Rights Attaching to New Shares

Each New Share offered under the Prospectus will be issued as a fully paid ordinary share. The New Shares will, from the date of their allotment, rank equally with all shares of the Company then on issue. A summary of the rights attaching to the shares is set out in **Section 3.2** of this Prospectus.

1.12 Financial Information

The Directors of Biotron believe that the Half Year Report of the Company for the half year ended 31 December 2005 (which was released to the ASX and ASIC on 14 March 2006), contains all financial information about Biotron that Shareholders and their advisers will reasonably require to make an informed assessment of the Offer, when taken in conjunction with the other information regarding the Company contained in this Prospectus.

Certain documents are available from the Company or ASIC. **Section 3.1** below details the manner in which Shareholders may obtain copies of those documents.

2. EFFECT OF THE OFFER ON THE COMPANY

2.1 Capital Structure

As at the date of this Prospectus, the following equity securities were on issue:

- 69,800,550 fully paid ordinary shares;
- 250,000 options, each exercisable to acquire one fully paid ordinary share at \$0.60 at any time up to 14 January 2007;
- 500,000 options, each exercisable to acquire one fully paid ordinary share at \$0.75 at any time up to 14 January 2007;
- 500,000 options, each exercisable to acquire one fully paid ordinary share at \$1.00 at any time up to 14 January 2007;
- 1,600,000 options, each exercisable to acquire one fully paid ordinary share at \$0.35 at any time up to 30 September 2010;
- 500,000 options, each exercisable to acquire one fully paid ordinary share at \$0.40 at any time from the vesting date of 30 September 2006 up to 30 September 2010; and
- 500,000 options, each exercisable to acquire one fully paid ordinary share at \$0.45 at any time from the vesting date of 30 September 2007 up to 30 September 2010.

The effect of this Offer on the capital structure of the Company will be to increase the number of fully paid ordinary shares on issue by 19,943,015 to 89,743,565 and 2,000,000 options, each exercisable to acquire one fully paid ordinary share at \$0.35 at any time up to 30 September 2010, will be granted to the Underwriter as part of the underwriting fee.

2.2 Use of Funds

Funds raised from the Issue of New Shares will be applied to the costs of the Offer and to provide the Company with the funds to:

- Complete the pre-clinical development studies for the Company's anti-HIV lead compound. These safety studies are currently underway and due for completion mid-year.
- Undertake a Phase I/IIa clinical trial for the Company's anti-HIV lead compound later in 2006. The trial design and location are currently being finalised, and discussions are underway with regulatory authorities.
- Progress the Company's Hepatitis C antiviral program through preclinical development towards a clinical development program. This program has substantial commercial potential and can be fast tracked on the back of work being done to progress the HIV lead compound.
- Expand the Company's Virion antiviral platform program into other viruses of interest. Several Biotron compounds have been shown to have activity against other viruses including the H5N1 strain of the influenza A virus ('bird flu'), SARS and dengue. Funds will be allocated to further characterise the antiviral activity and progression of compounds towards the clinic.

- Continue screening, testing and developing the Company's library of compounds against a number of other viruses.
- Progress the Company's C-Test project towards a stage suitable for partnering.
- Meet the Company's working capital requirements, including the costs of the Issue.

The funds raised from the Issue of New Shares will be sufficient to meet these stated objectives and last the Company not less than 18 months. The use of funds raised from the Issue of New Shares may be varied by the Board from time to time based on results of the Company's research and development programs and having regard to the Company's business priorities.

2.3 Effect of the Offer on the Company

The proforma balance sheet of the Company set out below show the effect of the Offer and the Issue of the New Shares pursuant to this prospectus based on the Company's 31 December 2006 half year financial statements.

	31 December 2005	Proforma on Issue of New Shares
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	1,368,160	5,655,053
Trade and other receivables	21,123	21,123
Inventories	37,123	37,123
Other	16,244	16,244
TOTAL CURRENT ASSETS	1,442,650	5,729,543
NON-CURRENT ASSETS		
Plant and equipment	184,684	184,684
Other	17,471	17,471
TOTAL NON-CURRENT ASSETS	202,155	202,155
TOTAL ASSETS	1,644,805	5,931,698
CURRENT LIABILITIES		
Trade and other payables	103,600	103,600
Employee entitlements	33,809	33,809
TOTAL CURRENT LIABILITIES	137,409	137,409
TOTAL LIABILITIES	137,409	137,409
NET ASSETS	1,507,396	5,794,289
SHAREHOLDERS' EQUITY		
Issued capital	12,651,368	16,938,261
Reserves	165,416	165,416
Retained losses	(11,309,388)	(11,309,388)
TOTAL EQUITY	1,507,396	5,794,289

The above balance sheets have been prepared on the following basis:

- the 31 December 2005 balance sheet is the Company's balance sheet as at 31 December 2005 which was subject to review by the Company's auditors;
- the Proforma on Issue of New Shares balance sheet is the Company's 31 December 2005 balance sheet adjusted to reflect the Issue of 19,943,015 New Shares at \$0.23 each and costs of the Issue being \$300,000.

3. ADDITIONAL INFORMATION

3.1 Transaction Specific Prospectus

Biotron is a disclosing entity and therefore subject to regular reporting and disclosure obligations. Under those obligations, Biotron is obliged to comply with all applicable continuous disclosure and reporting requirements in the ASX Listing Rules.

This Prospectus is issued in accordance with section 713 of the Corporations Act. This section enables disclosing entities to issue a prospectus in relation to shares of a class which has been quoted by ASX at all times during the 12 months before the date of the Prospectus. Apart from formal matters, this Prospectus need only contain information relating to the terms and conditions of the Offer, the effect of the Offer on the Company and the rights and liabilities attaching to the New Shares.

Copies of the documents lodged by Biotron with ASIC, not being a document referred to in section 1274(2)(a) of the Corporations Act, may be obtained from, or inspected at, an office of ASIC.

The Company will provide a copy of any of the following documents, free of charge, to any person who asks for a copy of the document before the Closing Date in relation to the Prospectus:

- the financial statements for the Company for the year ended 30 June 2005; and
- the financial statements for the Company for the half year ended 31 December 2005; and
- any continuous disclosure notices (including any announcements, documents or financial statements) lodged by the Company with ASIC or the ASX under the continuous disclosure and reporting requirements in the period from the date of lodgement of the 30 June 2005 financial statements to the date of this Prospectus.

In addition, a copy of the Company's Constitution will be available for inspection free of charge during normal business hours at the registered office of the Company for 12 months after the date of this Prospectus.

3.2 Rights and Liabilities Attaching to Shares

The rights and liabilities attaching to Shares are:

- set out in the Constitution of the Company, a copy of which is available for inspection at the place and during the period referred to in **Section 3.1**; and
- in certain circumstances, regulated by the *Corporations Act*, the ASX Listing Rules, the SCH Business Rules and the general law.

The following is a summary of the principal rights of the holders of Shares in Biotron:

Voting

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 Biotron'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 by shareholders with at least 5% of the votes that may be cast on the resolution on a poll.

Dividends

Dividends (if any) are payable out of Biotron's profits and are declared or determined to be payable by the directors. Dividends declared (whether interim or final) will be payable on the Shares at a fixed amount per Share.

Transfer of Shares

A shareholder may transfer Shares by a market transfer in accordance with any computerised or electronic system established or recognised by ASX or the *Corporations Act* for the purpose of facilitating transfers of shares, by an instrument in writing in a form approved by ASX, or in any other usual form or in any form approved by the directors.

The Directors of Biotron may refuse to register any transfer of Shares, other than a proper SCH Transfer where permitted by the Listing Rules. Biotron must not refuse or fail to register or give effect to or delay or in any way interfere with a proper SCH Transfer of Shares.

Meetings and notice

Each shareholder is entitled to receive notice of and to attend general meetings of Biotron and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution of Biotron, the *Corporations Act* or the Listing Rules.

Liquidation rights

Biotron has only one class of shares on issue, which all rank equally in the event of liquidation. Once all the liabilities of Biotron are satisfied, a liquidator may, with the authority of a special resolution of shareholders, divide among the shareholders at the time the whole or any part of the remaining assets of Biotron. The liquidator may with the sanction of a special resolution of Biotron vest the whole or any part of the assets in trust for the benefit of shareholders as the liquidator thinks fit, but no shareholder of Biotron can be compelled to accept any shares or other securities in respect of which there is any liability.

Shareholder liability

As the Shares offered under the Prospectus are fully paid shares, they are not subject to any calls for money by the directors and will therefore not become liable for forfeiture.

Alteration of Constitution

The Constitution can only be amended by a special resolution passed by at least three quarters of the shareholders who are present and voting at a general meeting. At least 28 days written notice of the special resolution must be given.

Creation and Issue of Additional Shares

The allotment and issue of any additional Shares is under the control of the Directors and, subject to any restrictions on the allotment of Shares imposed by the *Corporations Act*, the Directors may allot or otherwise dispose of those additional Shares on such terms and conditions as they see fit.

Variations of Rights

The rights attaching to any class of Shares may be altered either with the approval of a special resolution passed by the shareholders in that class at a general meeting or with the written consent of shareholders holding 75% of the issued shares in that class.

Ranking with Existing Shares

The Shares issued under pursuant to this Prospectus shall rank equally in all respects with the existing issued Shares.

3.3 CHES

The Company participates in the CHES system of securities transfer. CHES (the Clearing House Electronic Sub-register System) is operated by ASX Settlement and Transfer Corporation Pty Ltd, a wholly owned subsidiary of the ASX.

Being admitted to CHES, the Company operates an issuer sponsored sub-register. Accordingly the Company will not issue certificates to persons who are allotted New Shares issued under this Prospectus. Instead, each new Shareholder will be provided with a Holding Statement which sets out the number of New Shares to be issued to the New Shareholder under this Prospectus.

The Holding Statement will provide details of a New Shareholder's Holder Identification Number (HIN) (in the case of a holding on the CHES sub-register), or Security holder Reference Number (SRN) (in the case of a holding on the issuer sponsored sub-register).

Following distribution of the initial Holding Statements to all New Shareholders, a Holding Statement will only routinely be provided to a New Shareholder at the end of any subsequent month during which the balance of the New Shareholder's holding of Shares changes.

It is the responsibility of Shareholders to determine their holding before trading in New Shares. Applicants who sell New Shares before receiving their Holding Statements do so at their own risk.

3.4 Taxation

It is the responsibility of all persons to satisfy themselves of the particular taxation treatment which applies to them by consulting their own professional tax advisers. Taxation consequences will depend on the particular circumstances of each Shareholder. Neither the Company nor any of its officers accept any liability or responsibility in respect of the taxation consequences connected with the dealing with the New Shares.

3.5 Directors' Interests and Related Parties

No Director has, or during the last 2 years has had, any interest in the formation or promotion of the Company, or any property proposed to be acquired by the Company in connection with its formation or promotion, and no Director is, or during the last 2 years was, a partner of or has, or during the last 2 years had, any beneficial interest in a firm which has, or during the last 2 years had, any interest in the promotion of, or any property proposed to be acquired by, the Company in connection with its promotion. Further, no sums have been paid or agreed to be paid to a Director or to such a firm, in cash or shares or otherwise, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or the firm in connection with the promotion of the Company.

The following related party transactions are disclosed:

Details of the interests of the Directors in the securities of the Company immediately before lodgement of the Prospectus with the ASIC for registration, including those held directly and indirectly, are as follows:

- Michael J. Hoy: 1,023,800 Shares and 500,000 30/9/10 \$0.35 options.
- Michelle Miller 250,000 14/1/07 \$0.60 options, 500,000 14/1/07 \$0.75 options, 500,000 14/1/07 \$1.00 options, 500,000 30/9/10 \$0.35 options, 500,000 30/9/10 \$0.40 options (vesting 30/9/06) and 500,000 30/9/10 \$0.45 options (vesting 30/9/07).
- Michael S. Hirshorn 200,000 30/9/10 \$0.35 options.
- Bruce Hundertmark 200,000 30/9/10 \$0.35 options.
- Peter G. Scott 8,573,800 Shares.

Each Director who is a Shareholder will be entitled to participate in the Offer.

3.6 Expenses

The total estimated expenses of the Offer (including underwriting fees, legal fees and other consulting fees, registration fees and other expenses) will be approximately \$300,000, which is payable by the Company.

3.7 Risk Factors

This section identifies what Directors regard as the major risks associated with an investment in Biotron. This list of risk factors ought not to be taken as exhaustive of the risks faced by Biotron or an investment in Biotron. Those risk factors and others not specifically referred to below may, in the future, affect the financial performance of Biotron and the value of the Shares.

Intending subscribers should read the whole of this Prospectus in order to fully appreciate such matters and the manner in which Biotron intends to operate before any decision is made to subscribe for the Shares.

There are a number of risk factors which may impact on the future performance of Biotron, its share price and its Projects.

The nature of Biotron's business and the fact that all of Biotron's Projects are research projects increase the risks associated with an investment in Biotron. Accordingly, an investment in Biotron should be considered speculative.

Biotron makes no representation that further research and development or commercialisation will be successful or that market growth and penetration will be realised.

While the Directors believe that prudent management will minimise the risks to shareholders, investors need to consider the risks involved in an investment in Biotron before making a decision whether or not to apply for Shares offered under this Prospectus. The principal risk factors include, but are not limited to the following:

- (a) There are general risks associated with any investment in the stock market. The value of the Company's Shares listed on the ASX will be subject to varied and often unpredictable influences on the market for equities in general and biotech stocks in particular.
- (b) There is risk associated with the inherent uncertainty involved with medical research and product development, particularly where these are at the early stage of development. Projects can be delayed, suspended or unsuccessful at any stage, or the research may become unviable for a number of unexpected reasons. The Directors make no representation that further research and development will be successful or that market growth or penetration will be realised.
- (c) There are competing drug discovery and development programs in most of the disease areas being researched by Biotron. There can be no assurance that other parties will not develop, or achieve commercialisation of, products or intellectual property that compete with or supersede potential Biotron products or intellectual property.
- (d) Biotron's competitors in Australia and abroad are numerous and include, among others, major multinational companies. There can be no assurance that Biotron's competitors will not succeed in developing technologies and Products that are more effective than any which are or are being developed by Biotron.
- (e) The testing, marketing and sale of new technology based products entails an inherent risk of product liability, and there can be no assurance that Product liability claims will not be asserted against Biotron.
- (f) Some of the most pertinent risks relate to the fact that in some cases Biotron is developing therapeutic drugs (drugs for human consumption). These products must undergo vigorous testing to satisfy regulatory authorities which endeavour to ensure that they have no long term detrimental effects on humans. A product may be delayed, or prove to be unsuitable, at any time in these trials. A product may fail to gain authority approval or the cost of overcoming a problem may preclude resumption of product development. Biotron may also face liability where a product, once approved, does not achieve the expected performance or safety standards. There may be different requirements from authorities in different countries, and these may delay or even preclude the marketing of a product in certain countries.

- (g) Biotron's success will depend, in part, on its ability to obtain adequate and valid patent protection, maintain trade secret protection and operate without infringing on the proprietary rights of third parties or having third parties circumvent Biotron's rights. No guarantee can be given that such protection will be successfully and validly obtained by Biotron. If such patents are not granted, it may be possible for a third party to imitate or otherwise obtain and use Biotron's products without authorisation or to develop and use similar technology independently. While Biotron believes it has taken appropriate steps to protect its proprietary technology, the law may not adequately protect it in all places Biotron does business, or enable Biotron's rights to be enforced with any adequacy. There can be no assurance that the measures taken by Biotron have been, or will be, adequate to protect Biotron's proprietary technology.

Biotron will pursue vigorously both its existing and all future patent applications for Australian and foreign patents in relation to its products. Whilst the Directors believe that at least some of Biotron's patent applications should be successful, no guarantee can be given nor does the grant of a patent guarantee that the patent concerned is valid or that the patented technology does not infringe the rights of others.

The enforceability of a patent is dependent on a number of factors which may vary between jurisdictions. These factors include the validity of the patent and the scope of protection it provides. The validity of a patent depends upon factors such as the novelty of the invention, the requirement in many jurisdictions that the invention not be obvious in light of the prior art (including any prior use or documentary disclosure of the invention), the utility of the invention and the extent to which the patent specification clearly discloses the best method of working or carrying out the invention. The legal interpretation of these requirements often varies between jurisdictions. The scope of rights provided by a patent can also differ between jurisdictions. There can be no assurance even if Biotron succeeds in obtaining the grant of patents, that others will not seek to imitate Biotron's products, and in doing so, attempt to design their products in such a way as to circumvent Biotron's patent rights. Additionally, the ability of the legal process to provide efficient and effective procedures for dealing with actual or suspected infringements can vary considerably between jurisdictions.

- (h) Biotron may wish to expand into foreign countries in the future and the laws of many foreign countries treat the protection of proprietary rights differently from the laws in Australia. Those laws may not protect Biotron's proprietary rights to the same extent as do laws in Australia.
- (i) The Company's costs, future revenues, assets and liabilities are subject to fluctuations beyond the Company's control in the Australian dollar foreign currency exchange rates.
- (j) The success of the Company's operations depends partly on the ability of the Company to retain qualified and capable staff and consultants to perform research, development commercialisation work.
- (k) No assurance as to future profitability or dividends can be given as they are dependent on future earnings, the cost of future research and the working capital requirements of Biotron.

4. SUMMARY OF UNDERWRITING AGREEMENT

The Company and the Underwriter have entered into an agreement dated 14 March 2006 pursuant to which the Underwriter has agreed to fully underwrite the Offer.

The Underwriter is entitled to appoint sub-underwriters at any time in its absolute discretion.

4.1 Representations, Warranties and Indemnities

The Underwriting Agreement contains various warranties, representations and undertakings that are customary for agreements of this type, and imposes various obligations on the Company, including to ensure that the Prospectus complies with the disclosure requirements of the Corporations Act.

The Company has indemnified the Underwriter against all claims, losses, damages, costs and liabilities which they suffer or incur arising out of or in connection with the Prospectus or the issue of the Prospectus to the extent that such claims, losses, damages, costs and liabilities are not caused by the Underwriter.

4.2 Fees and Costs

The Company must pay to the Underwriter:

- (a) an underwriting fee of 4% plus GST of the total funds to be raised by the Offer;
- (b) a management fee of 1% of the total funds to be raised by the Offer; and
- (c) the grant of 2.0 million options, each exercisable to acquire one fully paid ordinary share at \$0.35 at any time up to 30 September 2010.

The Company will pay the costs and expenses of the Underwriter in relation to the Offer, including all legal costs that the Underwriter reasonably incurs in respect of the Offer (up to a maximum of \$5,000).

4.3 Termination

The Underwriting Agreement can be terminated on the occurrence of any of the following events:

- (a) the Prospectus is in contravention of any law, Listing Rule, or the Constitution;
- (b) the Prospectus is not lodged with ASIC by 24 March 2006 or such other date as is agreed by the parties in writing;
- (c) the Prospectus lodged with ASIC is not approved by the Underwriter prior to lodgement, such approval not to be unreasonably withheld;
- (d) the Small Ordinaries Index number is at any time for three or more consecutive trading days more than 10% below its level as at the close of business on the Business Day immediately preceding the date of this Agreement;
- (e) the All Ordinaries Index number or the ASX 200 number is at any time for three or more consecutive trading days more than 10% below its level as at the close of business on the Business Day immediately preceding the date of this Agreement;

- (f) the granting of permission by ASX for quotation of the Rights Issue Shares on ASX is not obtained within 5 Business Days after the Underwriter lodges Subscription Moneys with the Company;
- (g) any permission of ASX referred to in paragraph (f) is withdrawn, qualified or made conditional other than conditions which are reasonable in the circumstances of the Issue;
- (h) subject to the provisions (i) below:-
 - (i) the Company makes default under or is in breach of any provision of this Agreement (whether or not the same is expressed to be a condition);
 - (ii) any warranty or representation by the Company in this Agreement ceases to be true;
 - (iii) any change occurs in the financial position of a Relevant Corporation;
 - (iv) a Relevant Corporation contravenes any provision of its Constitution, the Corporations Act or any other applicable legislation, or the requirements of ASIC or ASX;
 - (v) there is an outbreak of hostilities, whether war has been declared or not, actively involving any one of Australia, New Zealand, the European Union, United Kingdom, Canada, Indonesia, the United States of America, Japan, countries of the former Soviet Union and the Peoples Republic of China.
 - (vi) an Officer of a Relevant Corporation is charged with an indictable offence relating to any financial or corporate matter;
 - (vii) any material statement in the Prospectus is found to be or becomes false or misleading or there is found to be a material omission from the Prospectus or any forecast or projection in the Prospectus becomes untrue or unlikely to be met in accordance with its terms;
 - (viii) any of the Material Agreements is terminated or substantially modified;
 - (ix) the Australian Government or the Government of any State or Territory or any responsible Minister of such government or the Reserve Bank of Australia adopts or announces:-
 - A. any changes in fiscal or monetary or taxation policy which would or would be likely to materially and adversely affect companies, generally or any Relevant Corporation in particular, or investment in shares generally in Australia, or in the Company in particular, including, without limitation, any change which would or would be likely to materially and adversely affect yields on Commonwealth of Australia public loans or semi-government, public or private loans or to restrict borrowings by corporations generally; or

- B. any law or prospective law or other measure having or likely to have the effect of prohibiting capital issues, company profits, foreign investment or affecting title to the Company's intellectual property;
- (x) the imposition of any Federal, State or Territory Government restrictions on the level of foreign participation in the Issue or in any other legislation currently in force affecting the operations of any Relevant Corporation;
 - (xi) it transpires that any of the Due Diligence Results or any part of the Verification Material was false or misleading or that there was a material omission therefrom;
 - (xii) an application is made by ASIC for an order under section 1324B of the Corporations Act in relation to the Prospectus and that application has not been dismissed or withdrawn on or before the Underwriter's Payment Date;
 - (xiii) there occurs in relation to the Prospectus an event which is in the opinion of the Underwriter a "significant change" or a "significant new matter" requiring the issue of a Supplementary Prospectus or a replacement Prospectus as provided for by section 719(1) of the Corporations Act;
 - (xiv) the Underwriter, having elected not to exercise its rights because of the occurrence of an event as referred to in paragraph (xiii) of this Clause forms the view that a supplementary or replacement Prospectus should be lodged with ASIC for any of the reasons referred to in section 719(1) of the Corporations Act and the Company fails to lodge a supplementary or replacement Prospectus in such form and content and within such time as the Underwriter may reasonably require;
 - (xv) any person gives a notice under section 733(3) of the Corporations Act in relation to the Prospectus;
 - (xvi) ASIC gives notice of intention to hold a hearing in relation to the Prospectus pursuant to the Corporations Act or makes an order under section 739(2) or section 739(1), 739(3) or 739(4) of the Corporations Act;
 - (xvii) any person who has previously consented to the inclusion of its, his or her name in the Prospectus or to be named in the Prospectus, withdraws that consent;
 - (xviii) any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Issue is or becomes false or misleading;
 - (xix) any material contravention by a Relevant Corporation or an Officer or any of them of any provision of the Corporations Act or the obligations of any Relevant Corporation under any of the Material Agreements;

- (xx) a resolution is passed or an order made by a Court of competent jurisdiction for the winding up of any Relevant Corporation, other than an order for the purpose of reconstruction or amalgamation made with the prior consent of the Underwriter;
 - (xxi) a receiver or receiver and manager is appointed to all or any part of the assets or undertaking of any Relevant Corporation;
 - (xxii) any Relevant Corporation enters into any scheme of arrangement with its creditors or any class of them or indicates its intention to do so;
 - (xxiii) any Relevant Corporation suspends payments of its debt or is unable to pay its debt;
 - (xxiv) a provisional liquidator is appointed to any Relevant Corporation;
 - (xxv) an inspector is appointed pursuant to the Corporations Act to investigate all or any part of the affairs of the Relevant Corporation; or
 - (xxvi) the Company fails to furnish a certificate that the Company is in compliance with the Underwriting Agreement or any statement in the certificate is not correct in a material respect.
- (i) The occurrence of any termination event listed in paragraph (h) above will not entitle the Underwriter to terminate this Agreement unless, in the opinion of the Underwriter reached in good faith, the event has or is likely to have a materially adverse effect on the investment attributes of the Company or is likely to give rise to a liability of the Underwriter under the Corporations Act.

5. AUTHORISATIONS AND CONSENTS

5.1 Directors' Authorisations

This Prospectus is issued by Biotron Limited ABN 60 086 399 144. Each Director consents to the lodgement of this Prospectus with ASIC.

5.2 Underwriter's Consent

Southern Cross Equities Limited has consented in writing, and has not before lodgement of the Prospectus with ASIC withdrawn its consent, to being named in this Prospectus as the Underwriter in the form and context in which it is so named. Southern Cross Equities Limited has not made any statement in this Prospectus or any statement on which a statement made in this Prospectus is based, except as stated above. To the maximum extent permitted by law Southern Cross Equities Limited takes no responsibility for any statements in or omissions from this Prospectus other than as referred to above and has it not caused the issue of this Prospectus.

Signed by Michael J. Hoy in accordance with a resolution of the Directors:



Michael J. Hoy
Director

22 March 2006

6. GLOSSARY

'ASIC' means Australian Securities and Investments Commission.

'ASX' means Australian Stock Exchange Limited.

'ASX Listing Rules' means the listing rules of ASX from time to time.

'Closing Date' means the last date that completed Entitlement and Acceptance Forms, together with application monies, will be accepted by the Company, being 19 April 2006.

'Company' or 'Biotron' means Biotron Limited ABN 60 086 399 144.

'Constitution' means the constitution of the Company.

'Corporations Act' means the Corporations Act (Cth) 2001.

'Director' means a director of the Company.

'Issue' means the issue of the New Shares under this Prospectus.

'New Share' means a Share issued by the Company pursuant to this Prospectus.

'Offer' means the offer of New Shares pursuant to this Prospectus.

'Prospectus' means this prospectus dated 22 March 2006.

'Record Date' means 5:00 pm (Sydney time) on 30 March 2006.

'SCH Business Rules' has the same meaning as in the Corporations Act.

'Shareholders' means the holders of Shares.

'Share' means a fully paid ordinary share in the Company.

'\$' means Australian dollars unless otherwise indicated.

'Underwriter' means Southern Cross Equities Ltd ABN 87 071 935 441

ENTITLEMENT & ACCEPTANCE FORM

Before completing this form you should read the prospectus to which this form relates. If you are in doubt as to how to complete this form please consult your stockbroker or other professional adviser immediately.

Non-Renounceable Entitlements Offer of 2 (two) New Shares for every 7 (seven) Shares held at a price of \$0.23 cents per New Share.

«ADDRESS_1»
«ADDRESS_2»
«ADDRESS_3»
«ADDRESS_4»
«ADDRESS_5»
«ADDRESS_6»

Entitlement Number		«Entitlement_No»
Securities Sub-Register	«ChessISP»	
Shareholder Reference No./ Holder Identification No.	«HOLDER_NO»	

Shares held as at 5:00 PM (Sydney time) on 30 March 2006	Entitlement to New Shares on a 2 for 7 basis	Amount payable at \$0.23 per New Share
«Shares_Held»	«Entitlement»	A\$«Entitlement»

IMPORTANT NOTICE: This Entitlement & Acceptance Form should not be relied on as evidence of the current entitlement of the person named in this Entitlement & Acceptance Form.

		PLEASE COMPLETE THE APPROPRIATE BOXES		
ACCEPTANCE INSTRUCTIONS (For further Instructions see back of this form)		Number of Shares Accepted	Application Money per Share	Amount Enclosed
A	1. To accept your ENTITLEMENT		\$0.23	\$

PAYMENT INSTRUCTIONS: Please complete details of cheque enclosed (made payable to “**Biotron Limited**” and crossed “**Not Negotiable**”).

Drawer	Bank	Branch	Amount

My contact numbers in case of an inquiry are:

Telephone: () _____ Facsimile: () _____

IF YOU HAVE ANY ENQUIRIES CONCERNING YOUR ENTITLEMENT, PLEASE CONTACT COMPUTERSHARE INVESTOR SERVICES ON 1 300 552 270 (WITHIN AUSTRALIA) OR 61 3 9415 4000 (OUTSIDE AUSTRALIA)
--

Entitlements not accepted in accordance with these instructions will revert to the Underwriter.

YOU CAN DEAL WITH YOUR ENTITLEMENT IN ANY OF THE FOLLOWING WAYS:

1. ACCEPT YOUR ENTITLEMENT IN FULL

To accept ALL of your Entitlement:

- (a) Complete the panel overleaf labelled A by inserting the number of New Shares you are accepting (set out beneath the heading "Entitlement to New Shares on a 2 for 7 basis") and the total amount payable in both panels.
- (b) Complete the panel overleaf labelled B by inserting the details of your cheque and contact number in the event that the registrar needs to contact you.
- (c) Attach your cheque, made payable to "**Biotron Limited**" and crossed "**Not Negotiable**" to this Entitlement & Acceptance Form and deliver or post them to the Company, Level 8, 261 George Street, Sydney NSW 2000.

YOUR FORM AND PAYMENT MUST BE RECEIVED BY THE COMPANY BEFORE 5.00 PM (SYDNEY TIME) ON 19 APRIL 2006.

2. ACCEPT PART OF YOUR ENTITLEMENT AND ALLOW THE BALANCE TO LAPSE

If you wish to accept PART ONLY of your Entitlement and allow the balance to lapse:

- (a) Complete the panel overleaf labelled A by inserting the number of New Shares you wish to accept and the total amount payable.
- (b) Complete the panel overleaf labelled B by inserting the details of your cheque.
- (c) Attach your cheque, made payable to "**Biotron Limited**" and crossed "**Not Negotiable**" to this Entitlement & Acceptance Form and deliver or post them to the Company, Level 8, 261 George Street, Sydney NSW 2000.

YOUR FORM AND PAYMENT MUST BE RECEIVED BEFORE 5.00 PM (SYDNEY TIME) ON 19 APRIL 2006.

GENERAL INFORMATION

- (a) Entitlement & Acceptance Forms do not require signing.
- (b) Entitlements will only be accepted on this Entitlement & Acceptance Form.
- (c) Entitlements not accepted at 5.00 pm (Sydney time) on 19 April 2006 will revert to the Underwriter.

Payments must be made in Australian currency by cheque drawn on an Australian branch of a financial institution and be made payable to "Biotron Limited" and crossed "Not Negotiable".

Entitlements not accepted in accordance with these instructions will revert to the Underwriter and you will receive no benefit.

ENQUIRIES ABOUT YOUR ENTITLEMENT CAN ALSO BE DIRECTED TO COMPUTERSHARE INVESTOR SERVICES ON 1 300 552 270 (WITHIN AUSTRALIA) OR 61 3 9415 4000 (OUTSIDE AUSTRALIA)

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

22 March 2006

Dear Fellow Shareholder

**UNDERWRITTEN NON-RENOUCEABLE ENTITLEMENT ISSUE
OF 2 NEW SHARES FOR EVERY 7 EXISTING SHARES HELD AT RECORD DATE
AT AN ISSUE PRICE OF 23 CENTS PER NEW SHARE**

The Company has announced the following proposed new issues:

- A non-renounceable issue of fully paid ordinary shares ('Shares') to existing shareholders with registered addresses in Australia and New Zealand, underwritten by Southern Cross Equities Limited (the 'Underwriter'), of 19,943,015 new Shares on a pro-rata basis of 2 new Shares for every 7 existing Shares held on 30 March 2006 (the 'Record Date') at an issue price of \$0.23 per new Share ('Entitlement Issue').
- Subject to completion, and as part of the underwriting fee for the Entitlement Issue, to grant the Underwriter 2.0 million options each exercisable at \$0.35 at any time up to 30 September 2010 to convert to 1 Share ('Option').
- Following the completion of the Entitlement Issue, the Company has the right, at its discretion, to place up to \$500,000 of new Shares with the Underwriter (or its nominees) at an issue price of \$0.23 per new Share ('Placement').

Shareholder approval for these proposed new issues is not required, however, a prospectus for the Entitlement Issue is required and has been lodged with the Australian Securities and Investments Commission ('ASIC') and the Australian Stock Exchange Limited ('ASX'). This prospectus is available for inspection on the ASX and Company's websites.

The Company will raise in excess of \$4.5 million from the Entitlement Issue and more than \$5.0 million if the Company exercises its right to make the Placement. The Directors are of the opinion that these proposed new issues are in the best interests of the Company and its shareholders and offer the Company's existing shareholders the opportunity to participate in the Company's future.

Introduction

Shareholder approval for the proposed new issues is not required.

The purpose of this letter is to provide shareholders with an explanation of and information in relation to the Entitlement Issue as required by the ASX Listing Rules.

Terms and Conditions of the Entitlement Issue

The principal terms and conditions of the Entitlement Issue are:

- Class of securities to be issued: Shares ranking equally with existing Shares
- Entitlement ratio and fractions: 2 new Shares for every 7 existing Shares held on 30 March 2006, rounded to the nearest whole number
- Number of shares to be issued: 19,943,015
- Issue price: \$0.23 per new Share

A timetable of key events is as follows:

- Lodgement of Prospectus with ASIC and ASX: 22 March 2006
- Existing Shares trade ex-entitlement: 24 March 2006
- Record Date to determine entitlements: 30 March 2006
- Despatch of Prospectus and Entitlement and Acceptance Forms: 3 April 2006
- Closing Date for acceptance of applications for new Shares: 19 April 2006
- Allotment date and despatch of Holding Statements: 20 April 2006
- Date of quotation by ASX of new Shares: 1 May 2006

The purpose of the Entitlement Issue is to provide the Company with the funds to:

- Complete the pre-clinical development studies for the Company's anti-HIV lead compound. These safety studies are currently underway and due for completion mid-year.
- Undertake a Phase I/IIa clinical trial for the Company's anti-HIV lead compound later in 2006. The trial design and location are currently being finalised, and discussions are underway with regulatory authorities.
- Progress the Company's Hepatitis C antiviral program through preclinical development towards a clinical development program. This program has substantial commercial potential and can be fast tracked on the back of work being done to progress the HIV lead compound.
- Expand the Company's Virion antiviral platform program into other viruses of interest. Several Biotron compounds have been shown to have activity against other viruses including the H5N1 strain of the influenza A virus ('bird flu'), SARS and dengue. Funds will be allocated to further characterise the antiviral activity and progression of compounds towards the clinic.
- Continue screening, testing and developing the Company's library of compounds against a number of other viruses.
- Progress the Company's C-Test project towards a stage suitable for partnering.
- Meet the Company's working capital requirements, including the costs of the Entitlement Issue.

The Entitlement Issue is only offered to existing shareholders on the Record Date with registered addresses in Australia and New Zealand and shareholdings on different registers (or subregisters) will not be aggregated for the purpose of calculating entitlements.

It has been decided that it is unreasonable to extend the offer to existing shareholders with registered addresses outside of Australia and New Zealand having regard to the number of overseas existing shareholders, the number and value of new Shares to be issued to overseas existing shareholders and the cost of complying with the legal requirements of regulatory authorities in countries other than Australia and New Zealand.

The Company will send each existing shareholder who will not be able to participate in the Entitlement Issue details of the issue and advice that the Company will not offer the new Shares to the holder.

Any new Shares not taken up by existing shareholders under the Entitlement Issue will be taken up by the Underwriter.

Following the completion of the Entitlement Issue and the grant of Options to the Underwriter, the Company will have the following equity securities on issue:

- 89,743,565 Shares (which are the only equity securities quoted by the ASX);
- 250,000 options, each exercisable to acquire 1 Share at \$0.60 at any time up to 14 January 2007;
- 500,000 options, each exercisable to acquire 1 Share at \$0.75 at any time up to 14 January 2007;
- 500,000 options, each exercisable to acquire 1 Share at \$1.00 at any time up to 14 January 2007;
- 3,600,000 options, each exercisable to acquire 1 Share at \$0.35 at any time up to 30 September 2010;
- 500,000 options, each exercisable to acquire 1 Share at \$0.40 at any time from the vesting date of 30 September 2006 up to 30 September 2010; and
- 500,000 options, each exercisable to acquire 1 Share at \$0.45 at any time from the vesting date of 30 September 2007 up to 30 September 2010.

The Company's dividend policy will remain unchanged.

Details of the Underwriting

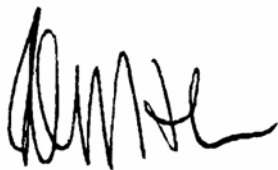
The Company entered into an agreement dated 14 March 2006 with the underwriter, Southern Cross Equities Limited, pursuant to which the Underwriter has agreed to fully underwrite the Entitlement Issue for:

- an underwriting fee of 4% plus GST of the total funds to be raised by the Entitlement Issue;
- a management fee of 1% of the total funds to be raised by the Entitlement Issue; and
- the grant of 2.0 million options, each exercisable to acquire one fully paid ordinary share at \$0.35 at any time up to 30 September 2010.

The Company will also pay the costs and expenses of the Underwriter in relation to the Entitlement Issue, including all legal costs that the Underwriter reasonably incurs in respect of the Entitlement Issue (up to a maximum of \$5,000).

Shareholder enquiries should be directed to Peter Nightingale on (61-2) 92478212 or Dr Michelle Miller on (61-2) 61258001.

Yours sincerely



Peter J. Nightingale
Company Secretary

pjn3436