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5 February 2004

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

(3 pages by email)

Dear Madam

RE: SHAREHOLDER UPDATE

In accordance with Listing Rule 3.17, I attach a copy of a document, being an update on the progress of the Company's projects, as sent to the Company's shareholders.

Yours sincerely



Peter J. Nightingale
Company Secretary

pjn2458

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4 February 2004

Dear Fellow Shareholder

This letter is to inform you about some of the recent achievements by your Company and to provide you with an update on progress of the projects in Biotron's portfolio.

Biotron continues to focus its efforts on the development of the Company's Tier 1 Projects, Virion and C-Test, which address unmet medical needs and have enormous commercial potential.

As you may have seen from recent Company announcements, Biotron has been successful in its applications for Biotechnology Innovation Fund (BIF) and Start grants from the Federal government. These grants will provide almost \$2 million to the Company over the next 2 to 3 years. Successful application for the grants required Biotron to satisfy independent review committees of the international competitiveness, innovation, and commercial potential of the projects.

The success of these grant applications is affirmation of the advances that the Company has made over the past 12 months.

Virion Project

The Virion project is the most advanced of the Company's projects and has evolved into a true platform technology.

The scope of the Virion technology has expanded from HIV alone, to include a wide range of other viral diseases. We have been able to demonstrate that the technology has potential to treat viruses such as SARS coronavirus, Hepatitis C virus, Dengue virus, and a number of viruses that cause the common cold. We are confident that the technology will have application against an even wider range of viral diseases.

Due to the amount of interest now being shown by research groups around the world in the viral ion channel area, Biotron continues to build a strong defensible wall of patents around the Company's intellectual property (IP) to maximise the value of the technology and to ensure Biotron's competitive position.

The Start grant (\$1.7 million) will expedite the development of an HIV therapeutic through preclinical testing and a Phase I/IIa trial in man which will be undertaken prior to partnering with an international pharmaceutical company for further development. The BIF grant (\$250,000) will enable us to accelerate work on the new viral targets such as SARS, Hepatitis C and Dengue.

Over the past 12 months, Biotron has designed, synthesized and screened more than 120 compounds with the potential to target viral ion channels. This has considerably added to Biotron's IP portfolio and greatly increased the value of the Virion technology. The Company is currently in the process of selecting a lead candidate for the HIV study. It is essential that the best lead is selected to maximise the chance of successfully passing through the rigorous safety testing that is required by regulatory authorities before the compound can be tested in human trials. To assist in the lead candidate selection, the Company has retained the services of expert consultants with extensive and proven experience in drug development. We are well advanced in this lead selection process and have already received encouraging results from 6 of the best lead candidates which have been subject to preliminary testing by an international preclinical testing company.

One of the benefits of having a true platform technology is that the preclinical and clinical studies undertaken for the HIV technology will facilitate development of therapeutics which can target the other viral diseases which are being researched by the Company.

C-Test Update

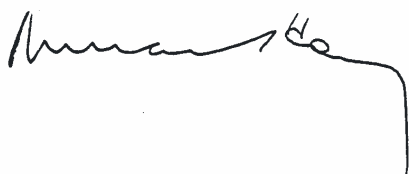
Whilst C-Test has received a lower priority recently due to the Company's focus on the Virion project, excellent progress has been made, resulting in a method of preparing blood samples for analysis that is more robust, readily adaptable for automation in a pathology laboratory, and more cost effective. Progress has also been made on the development of software for analysis of the samples into a more user-friendly interface.

Analysis of biomarkers in the blood for diagnosis of diseases such as cancer is receiving increased attention in the scientific and medical field. Biotron's technology is well placed to take advantage of this upsurge of interest internationally.

Summary

As at 31 December 2003, the Company had a cash balance of \$4.0 million. These funds, together with Start and BIF grants, are sufficient to fund the Virion HIV project through to the end of a Phase I/IIa clinical trial, as well as develop the Virion technology for other viral targets through proof-of-concept studies. Research is on-going with the other projects, albeit with a lower priority. The Directors and management continue to monitor the cash flows to ensure it has sufficient capital on hand to develop the Company's technologies to a stage suitable for partnering.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Michael J. Hoy', with a long horizontal line extending to the right and a vertical line extending downwards from the end of that line.

Michael J. Hoy
Chairman

pjn2451