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

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

2 March 2006

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

(12 pages by email)

Dear Madam,

RE: HALF YEAR REPORT

In accordance with Listing Rule 4.2A, I attach the Company's Appendix 4D for the half year ended 31 December 2005.

Yours sincerely

Peter J. Nightingale
Company Secretary

pjn3366

Appendix 4D

Half Year Report

Name of entity

BIOTRON LIMITED

ABN or equivalent company reference	Financial year ended ('current period')
60 086 399 144	**31 DECEMBER 2005**

Results for announcement to the market

Revenues from ordinary activities	Down	30%	to	$404,482
Loss from ordinary activities after tax attributable to members	Up	14%	to	$888,000
Net loss for the period attributable to members	Up	14%	to	$888,000

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:

The results reflect a continuation of the Company's research and development activities and the Company's policy of expensing research and development expenditure as set out in the Statement of Significant Accounting Policies.

NTA backing	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	2.2 cents	4.9 cents

Compliance statement

1 This report has been prepared in accordance with AASB Standards, other AASB authoritative pronouncements and Urgent Issues Group Consensus Views or other standards acceptable to ASX.

2 This report, and the accounts upon which the report is based (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed.

4 This report is based on accounts to which one of the following applies.

(Cross one)

☐	The +accounts have been audited.	☐	The +accounts have been subject to review.
X	The +accounts are in the process of being audited or subject to review.	☐	The +accounts have *not* yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications will follow immediately they are available.

6 The entity does not have a formally constituted audit committee.

Sign here: .... Date: 2 March 2006
Company Secretary
Print name: Peter J. Nightingale

CONDENSED INTERIM INCOME STATEMENT
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	Note	31 December 2005 $	31 December 2004 $
Other operating income		358,056	519,288
Administration and consultants' expenses		(156,861)	(155,623)
Depreciation		(40,921)	(69,513)
Direct research and development expenses		(645,556)	(688,745)
Employee and director expenses		(288,577)	(247,913)
Legal fees		(3,103)	(3,093)
Rent		(22,295)	(53,331)
Travel		(25,739)	(24,814)
Other expenses from ordinary activities		(109,430)	(113,338)
Operating loss before financing income		(934,426)	(837,082)
Financial income		46,426	61,362
Net financing income		46,426	61,362
Loss before tax		(888,000)	(775,720)
Income tax expense		-	-
Loss for the period	3	(888,000)	(775,720)
Basic loss per share attributable to ordinary equity holders	4	(1.27) cents	(1.21) cents
Diluted loss per share attributable to ordinary equity holders	4	(1.27) cents	(1.21) cents

The condensed interim income statement is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 7 to 11.

CONDENSED INTERIM STATEMENT OF RECOGNISED INCOME AND EXPENSE FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	31 December 2005 $	31 December 2004 $
Loss for the period	(888,000)	(775,720)
Total recognised income and expense for the period	(888,000)	(775,720)

Other movements in equity arising from transactions with owners as owners are set out in note 3.

The condensed interim statement of recognised income and expense is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 7 to 11.

CONDENSED INTERIM BALANCE SHEET
AS AT 31 DECEMBER 2005

	Notes	31 December 2005 $	30 June 2005 $
Current assets			
Cash and cash equivalents		1,368,160	2,112,796
Trade and other receivables		21,123	45,729
Inventories		37,123	38,781
Other		16,244	6,909
Total current assets		1,442,650	2,204,215
Non-current assets			
Plant and equipment		184,684	224,393
Other		17,471	-
Total non-current assets		202,155	224,393
Total assets		1,644,805	2,428,608
Current liabilities			
Trade and other payables		103,600	118,440
Employee entitlements		33,809	31,438
Total current liabilities		137,409	149,878
Total liabilities		137,409	149,878
Net assets		1,507,396	2,278,730
Equity			
Issued capital	3	12,651,368	12,651,368
Reserves	3	165,416	110,850
Retained losses	3	(11,309,388)	(10,483,488)
Total equity		1,507,396	2,278,730

The condensed interim balance sheet is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 7 to 11.

CONDENSED INTERIM STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	31 December 2005 $	31 December 2004 $
Cash flows from operating activities		
Cash receipts in the course of operations	130,494	571,217
Cash payments in the course of operations	(515,584)	(463,626)
Interest received	15,320	61,362
Payments for research and development	(373,654)	(750,732)
Net cash from operating activities	(743,424)	(581,779)
Cash flows from investing activities		
Payments for plant and equipment	(1,212)	(184)
Net cash from investing activities	(1,212)	(184)
Cash flows from financing activities		
Proceeds from issue of shares	-	1,206,408
Net cash from financing activities	-	1,206,408
Net decrease in cash held and cash equivalents	(744,636)	624,445
Cash and cash equivalents at 1 July 2005	2,112,796	2,617,629
Cash and cash equivalents at 31 December 2005	1,368,160	3,242,074

The condensed interim statement of cash flows is to be read in conjunction with the notes to the condensed interim financial statements set out on pages 7 to 11.

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

1. SIGNIFICANT ACCOUNTING POLICIES

Biotron Limited (the 'Company') is a company domiciled in Australia.

Statement of compliance
The interim financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001.

International Financial Reporting Standards ('IFRS') form the basis of Australian Accounting Standards adopted by the AASB, being Australian equivalents to IFRS ('AIFRS').

This is the Company's first AIFRS condensed interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 *First time adoption of Australian equivalents to International Financial Reporting Standards*. The Company's interim financial report does not include all of the information required for a full annual financial report.

This half year financial report is to be read in conjunction with the 30 June 2005 Annual Financial Report and any public announcements by the Company during the half year in accordance with continuous disclosure obligations arising under the Corporations Act 2001.

Basis of preparation
The financial report is presented in Australian dollars and is prepared on the historical cost basis.

The preparation of an interim financial report in conformity with AASB 134 *Interim Financial Reporting* requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

This condensed interim financial report has been prepared on the basis of AIFRS on issue that are effective or available for early adoption at the Company's first AIFRS annual reporting date, 30 June 2006. Based on these AIFRS, the Board of Directors has made assumptions about the accounting policies expected to be adopted when the first AIFRS annual financial report is prepared for the year ended 30 June 2006.

The preparation of the condensed interim financial report in accordance with AASB 134 resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under previous GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, as required by AASB 1. The impact of the transition from previous GAAP to AIFRS is explained in note 6. Where relevant, the accounting policies applied to the comparative period have been disclosed if they differ from the current period policy.

The accounting policies have been applied consistently for purposes of this interim financial report.

Going concern
The ongoing operation of the Company is dependent upon the Company obtaining additional funding from shareholders and/or external parties. In the event that the Company does not obtain this funding, it will be unable to continue its operations as a going concern and therefore the Company may not be able to realise its assets and extinguish its liabilities in the normal course of operations and at the amounts stated in the financial statements.

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

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and at call deposits.

Trade and other payables
Trade and other payables are stated at their cost.

Property, plant and equipment
Property plant and equipment are stated at their historical cost and are depreciated over their estimated useful lives using the reducing balance method from the date of acquisition at rates between 13% and 40% per annum.

Earnings per share
Basic earnings per share (EPS), is calculated by dividing the net profit for the reporting period by the weighted average number of ordinary shares of the Company.

Inventory
Stock is carried at the lower of cost allocated and net realisable value

Employee benefits
Wages, salaries, annual leave and sick leave
Liabilities for employee benefits for wage, salaries, annual leave and sick leave represent present obligations resulting from employees' services provided to reporting date, calculated at undiscounted amounts based on remuneration wages and salary rates that the company expect to pay as to reporting date including related on-cost, such as workers compensation insurance and superannuation.

Impairment
The carrying amounts of the Company's assets, other than deferred tax assets and inventories, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement.

Calculation of recoverable amount
The recoverable amount of assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Share capital
Transaction costs
Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit.

Research and development
Grants
Where a grant is received relating to research and development costs that have been expensed, the grant is recognised as revenue on a cash receipts basis.

Costs
Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible and the Company has sufficient resources to complete development.

Net financing costs
Net financing costs comprise interest payable on borrowings calculated using the effective interest method and interest income. Interest income is recognised in the income statement as it accrues, using the effective interest method.

Provisions
A provision is recognised in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

Taxation
Income tax
Income tax on the profit or loss for the six months comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probably that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

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 statement of financial position.

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.

Net fair values of financial assets and liabilities
The carrying amounts of financial assets and liabilities approximate their net fair values.

Incentive option plan
The Incentive Option Plan allows the Company's 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 shares in the Company. The fair value of options granted is measured at grant date and spread as an expense over the period during which the employees or directors become unconditionally entitled to the options. The fair value of the options granted is measured using Black-Scholes formula, 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 except where forfeiture is only due to share prices not achieving the threshold for vesting.

2. FINANCIAL REPORTING BY SEGMENTS

The Company operates in the biotechnology industry in Australia.

3. CAPITAL AND RESERVES

Reconciliation of movement in capital and reserves

	Share capital $	Equity remuneration reserve $	Retained losses $	Total $
Balance at 1 July 2005	12,651,368	110,850	(10,483,488)	2,278,730
Transfer from reserve to retained losses	-	(62,100)	62,100	-
Total recognised income and expense	-	-	(888,000)	(888,000)
Equity settled transactions net of tax	-	116,666	-	116,666
Balance at 31 December 2005	12,651,368	165,416	(11,309,388)	1,507,396

Dividends
There were no dividends paid or declared during the six months ended 31 December 2005.

Options
During the six months ended 31 December 2005:

- 900,000 options, each exercisable at 50 cents to acquire one fully paid ordinary share at any time up to 30 September 2005, lapsed unexercised.
- 2,600,000 options were granted with a fair value of $116,666 resulting in a credit of $116,666 (30 June 2005 – nil) to the equity remuneration reserve.

The fair value of the options at grant date was determined based on the Black-Scholes formula. The model inputs were the Company's share price of $0.17 at the grant date, a volatility factor of 50% based on historic share price performance and a risk free interest rate of 5.2% based on the five year government bond rate.

4. LOSS PER SHARE

	31 December 2005 $	31 December 2004 $
Basic and diluted loss per share have been calculated using:		
Net loss for the six months ended 31 December 2005	888,000	775,720
Weighted average number of ordinary shares	69,800,550	64,311,074

Options disclosed in the Capital and Reserves note above are potential ordinary shares, but are not included in the calculation of diluted loss per share as they are not dilutive.

5. RELATED PARTY INFORMATION

During the six months ended 31 December 2005, 2,600,000 options with a fair value of $116,666 were granted to directors and executives.

During the six months ended 31 December 2005, Michael J. Hoy had an interest in an entity, CityPrint Holdings Pty Limited, which provided printing services to the Company. Payments to CityPrint Holdings Pty Limited, which were in the ordinary course of business and on normal terms and conditions, amounted to $20,704 (31 December 2004 – $17,027).

6. EXPLANATION OF TRANSITION TO AIFRS

This is the Company's first AIFRS condensed interim financial report for part of the period covered by the first AIFRS annual financial report and AASB 1 First time adoption of Australian equivalents to International Financial Reporting Standards.

The accounting policies set out in Note 1 have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening AIFRS balance sheet at 1 July 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS, as required by AASB 1.

Transition from previous GAAP to AIFRS has no material impact on the Company's financial position, financial performance or cash flows, hence no adjustments have been made by the Company to amounts reported previously in financial statements prepared in accordance with previous GAAP.