

23 May 2002

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

(2 pages by facsimile 1 300 300 021)

Dear Madam,

**RE: COMPANY COMPOUND SHOWN TO INHIBIT HIV-1 REPLICATION**

The Directors are pleased to advise that Biotron Limited ('Biotron') has demonstrated that the Company's Virion Project lead compound, BIT009, inhibits HIV-1 replication in infected human cells.

The inhibition of HIV-1 replication prevents a rise in virus titre and the development of AIDS. As existing AIDS drugs do not target this 'budding' process, the results of Biotron's research provide a way to develop a new type of drug which can be used in the treatment of AIDS.

Professor Peter Gage, the Company's Research Director believes that the results represent a major step in the development of a new kind of anti-AIDS drug that prevents release of the AIDS virus from cells. He said: "The results are exciting and very satisfying and confirm the approach the Company is taking."

**Virion Project**

In HIV-1 assays, which were performed on behalf of the Company at the Westmead Millenium Institute, a leading Australian research institute, BIT009 was shown to inhibit HIV replication in primary human macrophages. Preliminary studies indicate that the HIV-1 virus does not easily generate resistant mutants to these compounds in the experiments performed. Work is on-going to further characterise the effects of the compounds on replication of HIV-1.

This result demonstrates proof-of-concept of Biotron's anti-HIV drug discovery platform. BIT009 was identified as a potential anti-HIV drug candidate using Biotron's patented method for determining ion channel activity (US 6355413) which identifies inhibitors of the HIV-1 Vpu protein. Vpu is a protein that forms ion channels in cellular membranes, and Biotron has shown that inhibition of Vpu ion channel activity also depresses 'budding' or release of new virus. This finding was recently published in the European Biophysics Journal.

Using the information obtained from this research, Biotron is now designing additional novel compounds that act on the HIV-1 Vpu protein. In addition, Biotron is expanding this platform by developing a second novel screening assay to further facilitate identification of drugs that depress viral budding. This unique HIV drug discovery platform will enable Biotron to rapidly screen externally sourced libraries of compounds in addition to those developed in-house, thereby providing a whole new therapeutic target for AIDS that has previously not been possible.

Professor Gage also said: "These results represent a major advance in the fight against AIDS and provide proof-of-concept of Biotron's HIV drug discovery platform technology. We expect that new drugs, based on the Company's technology, will now be developed to stop the HIV-1 infection from developing into AIDS."

For further information, please contact Dr. Michelle Miller on (02) 61258001 or 0412313329.

Yours sincerely

Peter J. Nightingale  
Company Secretary

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