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

(2 pages by email)

Dear Madam

BIOTRON COMPOUNDS SHOW HCV ACTIVITY

The Directors of Biotron Limited ('Biotron' or 'the Company') are pleased to advise that Biotron compounds have been shown to be active in Hepatitis C virus (HCV) surrogate models.

Due to the absence of an efficient cell culture (*in vitro*) system for the growth of HCV, drug discovery efforts for this virus rely on the use of virus surrogate virus models. These models include Bovine Virus Diarrhoea Virus (BVDV) and GB virus-B (GBV-B), which are animal viruses that are closely related to HCV and which grow readily in cell cultures. Both assays have been used by industry to identify drugs for progression into HCV clinical development programs.

Both the BVDV and GBV-B assay systems have been used to test a number of Biotron's proprietary antiviral compounds for antiviral activity. Several compounds had activity in these infectious assays, including BIT225, which is currently in development by the Company for treatment of HIV-1. These results extend previously reported studies from Biotron's proprietary screening assays, showing that the compounds target the p7 protein of HCV. The more active compounds, including BIT225, will now progress to *in vivo* animal models of HCV disease, as well as continued characterisation of activity in the BVDV and GBV-B *in vitro* models, with the aim of selection of a drug to progress into human trials.

It is estimated that in the USA alone, some 4 million people have been infected with Hepatitis C with 2.7 million suffering from chronic infection. Worldwide, 170 million people are infected. Existing drugs for HCV are ineffective and toxic, leaving an unmet need for new therapies. The worldwide market is currently almost US\$3 billion, but is estimated that this market will expand to over US\$10 billion as safe, effective therapies enter the market.

These latest results demonstrating activity of Biotron compounds in surrogate models for HCV infection move the Hepatitis C program significantly closer to commencement of human trials.

The results also further underline the strength of Biotron's antiviral drug portfolio, with Biotron's lead anti-HIV drug BIT225 in late stage preclinical development, and due to enter Phase I/IIa proof-of-concept human clinical trials early in 2007.

In addition, Biotron has an influenza drug development program progressing in parallel with its HIV and HCV programs.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Nightingale', with a stylized, cursive script.

Peter J. Nightingale
Company Secretary

pjn3629