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

Level 2, 66 Hunter Street
Sydney NSW 2000
Tel: (61-2) 9300 3344
Fax: (61-2) 9221 6333
E-mail: pnightingale@biotron.com.au
Website: www.biotron.com.au

16 March 2011

The Manager Companies
ASX Limited
20 Bridge Street
Sydney NSW 2000 (3 pages by email)

Dear Madam

SHAREHOLDER UPDATE

In accordance with Listing Rule 3.17, I attach a copy of a document as sent to the Company's shareholders.

Yours sincerely

Peter J. Nightingale
Company Secretary

pjn5898

Biotron

Biotron Limited ABN 60 086 399

BITNews

March 2011

Dear Shareholder

Welcome to this edition of Biotron's newsletter, *BITNews*. We are pleased to be able to update you on progress and outline the path ahead.

Since our last edition, we have made excellent progress with the Phase IIa Hepatitis C virus (HCV) trial, with 12 of the total 24 having been recruited and dosed.

The trial is a blinded, placebo-controlled study, and will not be unblinded until all 24 patients have been dosed and all samples analysed at the conclusion of the study. For this reason we have no interim results to release at this time.

Initially ACLIRES, the contract research organisation (CRO) running the trial, had proposed using a second trial site in addition to the current site. For this reason at the start of the trial sufficient drug was sent to complete half the subjects.

In light of the current good recruitment rates and availability of patients, it has been decided to complete the entire trial at this site. We have ethics and import permits for the remainder of the patients on hand, and do not expect any delays.

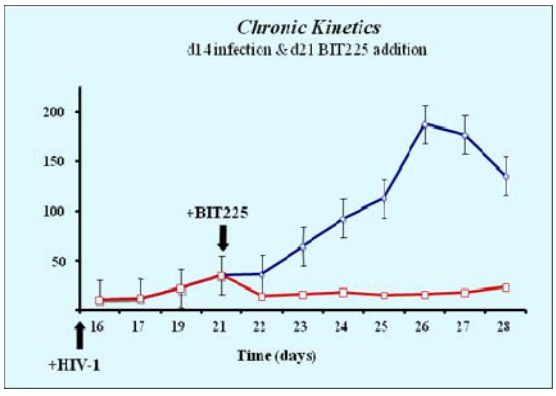
While we have no data to report, the fact that the trial is continuing, and that the principal investigators are happy to recruit a further 12 subjects at this site, can be taken as very positive endorsements of the safely aspects of the trial.

Initial recruitment was slower than expected, but the rate has improved in the last couple of months. Half of the remaining 12 subjects are scheduled to commence dosing next week, and the final 6 are expected to be recruited over the next 3 - 4 weeks.

We are very pleased with how the trial is progressing, which is on track to be completed in May, with results anticipated to be analysed and released in June.

Over the last couple of years we have been focused on progressing Biotron's HCV program, with a lower priority assigned to other programs. However, Biotron scientists have been making excellent progress with the Company's HIV program, generating exciting data and increasing our understanding of BIT225's unique mode of action.

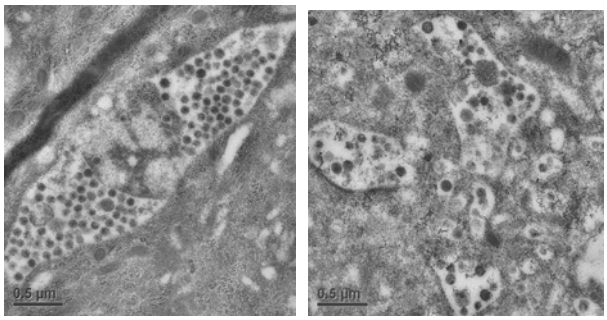
Biotron's lead antiviral drug BIT225 is different to other HIV drugs - it specifically stops the virus growing in the reservoir cells, where the virus hides from the body's immune system.



This graph shows how well BIT225 inhibits growth of HIV in cells treated with the drug on day 21 - the blue line shows growth of HIV in the absence of BIT225, while the red line shows greatly reduced HIV levels after treatment with BIT225.

We have previously shown that BIT225 can inhibit the growth of the HIV virus in reservoir cells collected from HIV-infected patients, where until now, it has been able to 'hide' from current drug treatments. It also stops the virus transferring to uninfected T Cells.

In HIV-infected patients, there is an ongoing cycle of infection of T Cells with HIV from these reservoir cells and, at present, there is no drug that can target this process. Treatment and elimination of this reservoir remains a major therapeutic challenge, and is one of the holy grails of HIV therapy.



The panel on the left shows infectious HIV within a vesicle in a reservoir cell; the panel on the right shows a cell treated with BIT225 - the HIV virus is no longer uniform shape and size, and is no longer infectious.

Even patients who have been treated with highly active anti-retroviral therapy can experience rapid virus rebound because of these virus reserves in reservoir cells.

There has been a resurgence of interest by the industry in strategies targeting the reservoir - the ultimate goal is to eliminate the virus that is "left-behind" by current treatments, which are ineffective at stopping growth of HIV in reservoir cells.

The potential of BIT225 to eliminate these reservoirs is an exciting prospect. Biotron has been preparing protocols for a Phase Ib/IIa proof-of-concept study of BIT225 in HIV-positive patients, and believes that with the increased interest in such strategies, that the Company should commence this clinical trial without delay.

It is primarily for this reason that the Company initiated its recent capital raising via a Share Purchase Plan (SPP). The Directors believe that this is the most equitable way to raise the necessary funds for the proposed HIV trial, with all Australian and New Zealand-based shareholders eligible to participate.

The Directors encourage all eligible shareholders to support the Company and take advantage of this opportunity to acquire Biotron shares without brokerage or other transaction costs and at a discount of approximately 18% to the weighted average share price for the five business days preceding the date that the SPP was announced.

These HCV and HIV trials are critical steps in the Company's development. Demonstration that BIT225 can attack these viruses in patients will be a major advance.

Following the completion of this trial, the Company will assess the alternatives for maximising returns to shareholders. These may focus on completing a commercial deal with a pharmaceutical company to continue the development of BIT225 to a marketable drug or undertaking further clinical studies in-house to add value to a subsequent commercial deal.

The Directors are keen to ensure that completion of commercial deal is not hurried or compromised by the Company's short term financial constraints.

We look forward to bringing you news of successful trial results and progressing the development of BIT225.

Thank you for your continued support. We have appreciated the phone and email messages from shareholders, and we look forward to providing further updates.

Sincerely

Michelle Miller

CEO & Managing Director

Street Address: Suite 1.9, 56 Delhi Road, North Ryde NSW 2113, Australia
Postal Address: Box 31, 3 Julius Ave, North Ryde NSW 2113, Australia
☎+ 61 (0) 2 9805 0488 | 🖷 + 61 (0) 2 9805 0688 | ✉ mmiller@biotron.com.au