

Shareholder Update

Proposal to create Biota Pharmaceuticals with NASDAQ listing

Over the last two years Biota has been exploring options to improve appreciation of the value of Biota's assets and therefore its share price. The Board and management have been assisted in this task by external advisors and updates on progress have been provided at the last two Annual General Meetings.

On 23 April 2012, Biota announced its proposal to create Biota Pharmaceuticals, listed on NASDAQ. The proposal involves the merger of Biota Holdings with U.S. company, Nabi Biopharmaceuticals (Nabi), which is already listed on NASDAQ. The merged company will consist of Biota's existing assets, an additional US\$54 million in cash, and Nabi's Phoslyra product. Biota shareholders will own 74 per cent of the new company and 26 per cent will be owned by Nabi shareholders.

Biota Holdings will be delisted from the ASX and Biota shareholders will be given shares in the new NASDAQ listed Biota Pharmaceuticals.

Directors believe the NASDAQ listing is the best way to improve the value of Biota shares

Directors believe that Biota's assets are not being fully valued. The company's main commercial asset at this time is laninamivir and the contract with the U.S. Biomedical Advanced Research and Development Authority (BARDA, a division of the U.S. Department of Health and Human Services) for its further late stage development. The contract provides for the reimbursement to Biota of approved costs for work undertaken, plus a fee. The contract is worth up to US\$231 million as Biota meets the key milestones over the next five years. It is worth noting that this amount alone far exceeds Biota's current market capitalisation.

It is the Directors' view that U.S. capital markets, more than any other jurisdiction, will recognise and more aggressively reflect the value of the contract as key milestones are delivered within the U.S, and the major potential end customer is the U.S. government. Not only are the U.S. investors, analysts and fund managers in a prime position to reflect developments in their own market, the U.S. healthcare sector is significantly larger than its Australian equivalent, with over 500 funds and more than 1,000 analysts focused on the microcap Life Science sector alone. Over time, this is expected to deliver added depth and liquidity to trading in Biota shares. Under the proposal, the benefits derived from a NASDAQ listing will flow directly to Biota's Australian shareholders.

A NASDAQ listing will increase options to deliver significantly higher value from future program development

Biota's business model has of necessity been restricted to licensing programs at a relatively early stage of development. This has been due to the inability of the company to raise sufficient funds at attractive prices and the need to balance the company's risk profile for investors. Significantly higher value is potentially available to shareholders when program development is funded through to later stages of clinical development.

A NASDAQ listing will provide Biota with visibility to the largest healthcare capital market in the world. In 2011, over US\$10 billion was raised by development stage life science companies in the U.S. compared to approximately A\$600 million in Australia. Having a direct presence and profile in the U.S. market could improve Biota's options in the future should it need to raise additional capital to fund later stage clinical development of its product pipeline and create additional value for Biota shareholders.

The U.S. is also a key location for many of Biota's major potential customers, including pharmaceutical companies and the U.S. government. A NASDAQ listing will further enhance Biota's exposure to these customers.

The merger will strengthen Biota's cash position

The merger will provide an additional cash injection of US\$54 million, bringing Biota's total estimated cash position to over US\$100 million upon completion of the transaction. The cash balance will ensure the merged company has sufficient funds for its immediate needs and is considered an appropriate and advisable balance to ensure successful post-merger trading on NASDAQ.

More information on trading NASDAQ listed shares

The Board is conscious that many existing Biota shareholders may have limited experience in trading shares listed on the NASDAQ and may be off-put by the prospect of owning shares listed in the United States. Directors recognise the inconvenience of these potential changes and acknowledge that trading costs could increase for some shareholders. The Board encourages Biota shareholders to explore how shares can be traded on NASDAQ from Australia, and have included generic information on trading U.S. listed shares with this letter. Further information will be available from your broker.

There is no requirement for Australian shareholders to take any action to sell their shares and Directors hope for the continued support of Biota's Australian shareholders. However, it is intended that special sale arrangements will be put in place for shareholders with small holdings who wish to sell their shares and for those limited number of shareholders who reside in certain overseas jurisdictions who will be ineligible to participate in the merger. It is also expected that a number of brokers may offer preferred retail brokerage pricing in anticipation of overseas interest.

Details of each of these specific arrangements will be provided in the near future.

Next Steps

Shareholders do not need to take any action now.

More information on the proposed merger will be mailed to shareholders in the form of an Explanatory Memorandum once it has been finalised. Information on applicability of U.S. withholding tax to share trading by Australian residents and trading in U.S. listed shares is provided in the attached sheet.

Shareholders should expect to receive additional shareholder updates concurrent with key events. Shareholders can access an information line on 1300 306 230, if they have further queries relating to the proposal.

MORE INFORMATION

Applicability of United States Withholding Tax to share trading by Australian residents

Australia has an income tax treaty with the United States under which Australian residents can claim a reduced rate of, or exemption from withholding tax on income received from dividends and trading of shares in the United States.

Brokers will request clients to complete a W-8BEN form to declare they are resident in Australia and not a U.S. citizen and claim exemption. The form is generally provided by the broker at the time of establishing the trading account (refer details below on setting up an account). You should read the instructions on the W-8BEN form in detail and return the completed form to your broker.

Trading in U.S. listed shares from Australia

Selecting a broker

A number of Australian brokers provide facilities that enable trading on foreign exchanges. These range from full service brokers to non-advisory brokers such as CommSec, E*Trade and Westpac Securities.

A list of brokers that can provide this service is available at www.biota.com.au, although please note that this is not an exhaustive list.

Setting up an account

Brokers will require their clients to register with their global markets trading service. The application process will vary from broker to broker, but will generally require the following:

- Complete and sign an application form, including certified photocopies of personal identification such as a driver's licence or passport. Some brokers may also require inclusion of a recent bank statement;
- Read and sign a risk disclosure statement for international securities trading;
- Read and sign the U.S. Department and Treasury IRS Form W-8BEN, Certificate of Foreign Status of Beneficial Owner for United States Tax Withholding; and
- An authority form will also need to be completed if clients wish to authorise someone else to trade and / or conduct transactions on their behalf.

These requirements will generally be integrated into one application form. The time taken to establish an account will vary but is typically around one week.

Depositing shares to your account

Brokers will provide the required forms to deposit any existing shares to be traded into the new account.

Trading

The procedure for trading shares will vary from broker to broker, but generally allow for trading over the phone and/or online.

Brokers typically establish a U.S. account for each client and may require client instructions to transfer funds between a local account and the U.S. account when U.S. shares are traded.

Fees

Fees will vary from broker to broker, but may include the following:

- Transaction brokerage;
- Custody fee for inactive accounts;
- Outgoing account transfers (either to another custodian or direct registration to client);
- Posted trade confirmation fee;
- Incoming account transfers (from transfers from another custodian);
- Miscellaneous exchange and regulatory fees;
- Foreign receive fees; and
- One-off establishment fee.

You should confirm fees directly with your broker.