

For immediate release

HRV drug successfully completes Phase Ia Clinical Trial

Melbourne, Australia—2 August 2006

Biota Holdings Limited (ASX:BTA) today announced that the Phase Ia human safety trial of its Human Rhinovirus (HRV) drug had been successfully completed and that the drug had received Independent Ethics Committee approval to continue into Phase Ib.

BTA798 is an antiviral for the treatment of HRV, the common cold virus, known to cause significant clinical complications in sufferers of Asthma and Chronic Obstructive Pulmonary Disease, the fourth leading cause of death in the US.

The Phase Ia trial was an ascending single dose, double-blind oral study, in 24 healthy volunteers. BTA798 was demonstrated to be safe and generally well tolerated in humans.

The Phase Ia trial was the first of two parts of the Phase I clinical trial that commenced in February 2006 and is being conducted in the UK with the acceptance of the Medical & Healthcare Products Regulatory Agency (MHRA) and an Independent Ethics Committee (IEC).

The IEC has approved an ascending, multiple dose, double-blinded Phase Ib study which will examine the safety and tolerability of dosing for up to 7 days, at dose levels expected to be efficacious in man.

The Phase Ib trial is scheduled to commence in August 2006.

Biota CEO, Mr Peter Cook said *"While still early in the overall clinical program, the result supports our decision to take BTA798 into the clinic. Progress through human trials should create substantial additional value for shareholders and can be adequately funded through Biota's improved financial position"*.

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About Human Rhinovirus, including in Asthma & COPD

Rhinoviruses can cause up to 50% of all adult colds, and are the predominant common cold virus in children. In the United States, there are approximately 45 million bed days annually associated with the common cold. 75% of common colds suffered by children under 5 years of age in the US are medically attended. HRV is a major cause of hospitalisation and respiratory distress in asthma and COPD sufferers.

It is estimated that Rhinovirus is associated with approximately 70% of all asthma exacerbations and more than 50% of the hospitalised cases. A recent study has estimated the economic impact of asthma in Germany to be in billions of Euros. Although the actual costs of viral exacerbations in asthma are not known, they appear to contribute significantly to the total cost of the disease as they represent some 80% of exacerbations in children and between 40% and 76% in adults.

Chronic Obstructive Pulmonary Disease (COPD) is the fourth leading cause of death in the US. An estimated 10 million adults were diagnosed with COPD in 2000, while a national health survey suggests that as many as 24 million Americans are affected. In 2000, 119,000 deaths, 726,000 hospitalisations, and 1.5 million hospital emergency department visits were caused by COPD. Studies suggest that respiratory viruses are associated with more than 35% of acute exacerbations of COPD requiring hospitalisation.

About clinical trials

There are three phases of clinical trials before a new drug can be marketed. The respective phases are:

Phase I

The new medicine is tested in a small group (20-100) of healthy volunteers - often in a hospital setting - to determine its safety profile, including the safe dose range. Pharmacokinetic studies examine how the drug is absorbed, distributed, metabolised and excreted, as well as the duration of its action. There can be a number of Phase I studies, and can take from six months to one year to fully complete.

Phase II

Placebo-controlled trials involve approximately 100 to 500 volunteer patients who have the disease being studied. The goal of this phase is to establish the new medicine effectively treats the disease. There can be a number of such studies before the full completion of Phase II.

Phase III

The new medicine is tested in placebo-controlled trials with much larger numbers of volunteer patients to generate statistically significant data, across a variety of age and ethnic groups and other population variables.

About Biota

Biota is a world-leading antiviral drug development company based in Melbourne, with key expertise in respiratory diseases, particularly influenza. Biota developed the first-in-class neuraminidase inhibitor, zanamivir, and subsequently marketed by GlaxoSmithKline (GSK) as Relenza. Relenza is currently being stockpiled by a number of national governments for defense against avian influenza. Biota receives royalties from sales of Relenza.

Recent Biota research breakthroughs have included a series of candidate drugs aimed at RSV (Respiratory Syncytial Virus, bronchiolitis), subsequently licensed to MedImmune Inc. Biota has Phase I clinical trials underway with HRV (human rhinovirus) and is also engaged in early stage research targeting hepatitis C virus infection. In addition, Biota has key partnerships with Sankyo; for the development of second generation influenza antivirals (called LANI or Long Acting Neuraminidase Inhibitors) and with Thermo Electron (Inverness Medical); Biota developed the FLU OIA[®] influenza diagnostics, currently marketed in the US.

[™]Relenza is a registered trademark of the GlaxoSmithKline group of companies.

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**Further information available at www.biota.com.au.*