

*For Immediate Release*

Melbourne, Australia — 17 February 2010

## **Biota announces half year net profit of \$33.5 million**

### **Half year highlights**

- Net profit up 364% to a record \$33.5 million for the half-year
- Laninamivir shown to be effective for the treatment of influenza in Phase III clinical trials in Asia, with NDA filed in Japan in February. Phase III trials for prevention underway in Japan
- Research pipeline strengthened with the addition of the antibacterial programs from Prolysis
- Strong cash position maintained: \$52 million at 31 December 2009 after \$20 million capital return to shareholders
- Biota added to S&P/ASX 200 Index in December 2009

Biota Holdings Limited (ASX: BTA) today announced a half year net profit after tax of \$33.5 million, (1H F09: \$7.2m). Profit before tax was \$41.4 million (1H F09: \$10.1m) benefiting significantly from an increase in Relenza royalties.

Total revenue was \$61.7 million, up 84% from \$33.5 million on the comparable period last year. Revenue included \$56.7 million of Relenza royalties (1H F09: \$3.8m), \$1.4 million (1H F09:\$6.6m) of collaboration income from licensing agreements with AstraZeneca and Boehringer Ingelheim and grant income of \$2.1 million (1H F09 \$1.1m) from the US National Institutes of Health.

Commenting on the results today, Biota CEO Peter Cook said *"This is a very strong result for Biota. Whilst growth in Relenza royalties is the major financial driver, progress with our key projects and particularly laninamivir and the expansion of our pipeline sets the scene for a very exciting future. The implementation of our strategy, to have 2 or 3 royalty generating products in the market at the same time, is well underway."*

Expenses were \$20.3 million (1H F09: \$23.4m) which included the increase in research costs from the antibacterial programs of Prolysis, the reduction in product development costs given the HRV Phase IIa trial in F09 and the conclusion of the GSK litigation in F09.

Additionally, the Company has provided for an income tax expense at \$7.9 million, assuming full year profitability and recovery of all tax losses. Any tax payment would not occur until late 2010.

### **Other Significant Events**

- Royalties have increased with improved Relenza sales as a result of the swine flu pandemic, resistance issues and side-effects with Tamiflu. In response GSK invested heavily to significantly increase its production capacity by December 2009. Governments worldwide have indicated their intention to rebalance their anti-viral stockpiles with higher proportions of Relenza;

- Biota's long acting neuraminidase inhibitor (second generation influenza antiviral) laninamivir, successfully completed Phase III clinical trials for influenza treatment with a series of multi-centred Asian studies and an NDA was filed in Japan in February 2010. Phase III prevention studies commenced in November 2009 in Japan, with results possible by August 2010;
- Additional clinical studies to those completed in Japan with laninamivir and funded by the US National Institutes of Health, were also completed in the UK during the period;
- The Hepatitis C program licensed in 2006 has transferred to Boehringer Ingelheim. Future payments under the Licence & Collaboration Agreement will occur when pre-agreed development milestones are achieved. Biota will continue to be involved in strategic development of its compounds;
- The MaxThera programs are advancing although formal completion of their acquisition remains subject to one outstanding condition which is expected to be met in the near future; and
- A capital return of \$20 million was paid to shareholders in December 2009, after shareholder approval was obtained at the Annual General Meeting.

## Outlook

Based on the first half year, F2010 will be a record year, considering:

- Relenza royalty income should remain solid with market updates provided on a quarterly basis;
- Strong cash flows from Relenza royalties to 31 December 2009 of \$62.9 million will significantly add to the \$52.0 million cash on hand;
- The development pipeline is extensive and well funded;
- The commercial interest being expressed in laninamivir and the intention to secure a licensee outside of Japan, in the near future; and
- Costs remain under tight control.

Returns to shareholders will be considered on the completion of the financial year. Key drivers of cash and profit, which could significantly affect the Company's franking account balance, including Relenza royalties and cash receipts, developments within the laninamivir program and confirmation of the forecasted expenditure rate on the new acquisitions, will have been confirmed.

## About Biota

Biota is a leading anti-infective drug development company based in Melbourne Australia, with key expertise in respiratory diseases, particularly influenza. Biota developed the first-in-class neuraminidase inhibitor, zanamivir, subsequently marketed by GlaxoSmithKline as Relenza. Biota research breakthroughs have included novel nucleoside analogues designed to treat hepatitis C virus (HCV) infections, licensed to Boehringer Ingelheim, and a series of candidate drugs aimed at treatment of respiratory syncytial virus (RSV) disease. Biota has clinical trials underway with its lead compound for human rhinovirus (HRV) infection in patients with compromised respiration or immune systems.

In addition, Biota and Daiichi Sankyo co-own a range of second generation influenza anti-virals, of which the lead product laninamivir, is in late stage clinical development.

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

\*Further information available at [www.biota.com.au](http://www.biota.com.au)

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**Biota Holdings Limited**

(ABN 28 006 479 081)

**Interim report**

**for the half year ended 31 December 2009**

**Biota Holdings Limited**  
**ABN 28 006 479 081**

**Corporate Directory**

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**Directors**

Jim Fox (Chairman)  
Paul R Bell  
Peter C Cook (CEO & Managing Director)  
Jeff Errington  
Ian D Gust AO  
Richard Hill  
Grant F Latta AM

**Company Secretary**

Damian Lismore (Chief Financial Officer)

**Registered Office**

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**Share Registry**

Link Market Services Limited  
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W: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Securities Exchange**

*Australia*

Biota Holdings Limited is a public company listed with the Australian Securities Exchange.  
ASX:BTA

*United States*

Biota's American Depositary Receipts (ADRs) trade in the United States on the pink sheets at a ratio of three shares to each ADR.  
ADR:BTAHY

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**Biota Holdings Limited**  
**ABN 28 006 479 081**

**Interim report – half year ended 31 December 2009**  
**(Previous corresponding period: half year ended 31 December 2008)**

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**Results for announcement to the market**

		<b>% change</b>		<b>A\$'000</b>
<b>Revenue</b> from ordinary activities	Up	84%	To	61,663
<b>Profit</b> from ordinary activities after tax attributable to members	Up	364%	To	33,485
<b>Net profit</b> for the period attributable to members	Up	364%	To	33,485

<b>Dividends</b>	<b>Amount per security</b>		<b>Franked amount per security</b>	
	Current period	Previous corresponding period	Current period	Previous corresponding period
Final dividend	Nil	Nil	Nil	Nil
Interim dividend	Nil	Nil	Nil	Nil

**Record date** for determining entitlements to the dividend.

Not applicable
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*Amounts in the interim report have been rounded off to the nearest thousand dollars, unless otherwise stated.*

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**Biota Holdings Limited**  
**ABN 28 006 479 081**

**Interim report – 31 December 2009**  
**Commentary on Group Results for the half year ended 31 December 2009**

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*Amounts in the commentary have been rounded off to the nearest thousand dollars, unless otherwise stated.*

**Explanation of revenue and expenses**

Total revenues from continuing operations and other income were \$61,663 (2008: \$33,561). The main elements were:

Revenues from continuing operations

Royalty income from sales of Relenza was \$56,715 (2008: \$3,819).

Collaboration income was \$1,354 (2008: \$6,657) and includes:

- Research revenue of \$800 (2008: \$4,210) represents fee for services provided as a result of the AstraZeneca and Boehringer Ingelheim collaboration agreements; and
- Partnering income of \$554 (2008: \$2,447) represents amortisation of the initial upfront payments on the collaboration agreements.

Interest income of \$1,451, (2008: \$1,945) reflects prevailing lower interest rates in the half year compared to the prior period.

Other income

Income associated with National Institute of Health (NIH) grant was \$2,141 (2008: \$1,105) while in 2008 \$20,000 was included to reflect the litigation settlement.

Total expenses for the period were \$20,313 (2008: \$23,425) comprising:

- Research and development expenses of \$10,722 (2008: \$6,339) reflect the increase in programs during the period;
- Product development expenses were \$4,767 (2008: \$6,022). In 2008 the HRV Phase IIa clinical trial was underway; and
- In 2008, litigation costs were \$7,264.

**Explanation of net profit after income tax**

Profit before income tax was \$41,350 (2008: \$10,136). An income tax expense of \$7,865 (2008: \$2,922) was provided, assuming full year profitability and the recovery of all tax losses.

**Explanation of assets, liabilities and equities**

Cash balances at \$51,986 reflect continued strong cash management and include the payment of \$20,007 to shareholders in December 2009.

Receivables include \$62,863 in respect of Relenza royalties' receivable at 31 December 2009, which are due prior to 30 June 2010.

Plant and equipment at \$6,864 principally reflects the investment in the fit-out of the laboratories and offices at 585 Blackburn Road, Notting Hill.

Deferred tax assets of \$992 represent deductible temporary differences.

Intangible assets of \$14,704 principally represents:

- \$6,031 in respect of the agreement with CSIRO and Victorian College of Pharmacy where the parties agreed to exchange variable royalty payments in relation to intellectual property, for a fixed amount less accumulated amortisation; and
- \$8,399 in respect of the unamortised cost of the antibacterial programs from Prolysis Limited.

Deferred revenue of \$3,450 represents NIH grant funds received in advance. This amount is expected to be progressively released to revenue over subsequent reporting periods.

Provisions include \$2,103 of a bonus payment under the sub-royalty pre-payment agreement.

Provision has also been made for tax payable at \$7,325 in respect of the half year. Payment is not due until late 2010.

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**Interim report – 31 December 2009**

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*This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.*

# Directors' report

31 December 2009

Your Directors present their report on the consolidated entity, consisting of Biota Holdings Limited ("the Company") and the entities it controlled at the end of, or during, the half year ended 31 December 2009.

## Directors

The following persons were Directors of Biota Holdings Limited during the reporting period and up to the date of this report: Jim Fox (Chair), Paul Bell, Peter Cook, Ian Gust, Richard Hill and Grant Latta. In addition, Jeff Errington became a Director on 1 February 2010.

## Review of operations

A review of operations of the consolidated entity during the half year is attached to this report under the title of "Commentary on Group Results for the half year ended 31 December 2009".

## Auditors' independence

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 2.

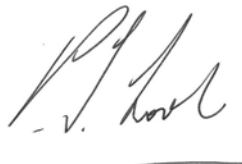
## Rounding of amounts to nearest thousand dollars

The Company is of a kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' report and financial report. Amounts in the Directors' report and financial report have been rounded off to the nearest thousand dollars in accordance with that Class Order.

This report is made in accordance with a resolution of the Directors.



Jim Fox  
Director



Peter Cook  
Director

Melbourne  
16 February 2010

# Auditor's independence declaration



PricewaterhouseCoopers  
ABN 52 780 433 757

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## Auditor's Independence Declaration

As lead auditor for the review of Biota Holdings Limited for the period ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Biota Holdings Limited and the entities it controlled during the period.

A handwritten signature in cursive script that reads "Nadia Carlin".

Nadia Carlin  
Partner  
PricewaterhouseCoopers

Melbourne  
16 February 2010

## Consolidated income statement

For the half year ended 31 December 2009

		Half year	
Notes	2009 \$'000	2008 \$'000	
Revenues from continuing operations	3	59,522	12,456
Other income	3	2,141	21,105
Expenses:			
Research and development		(10,722)	(6,339)
Product development		(4,767)	(6,022)
Business development		(558)	(442)
Sub-royalty		(2,026)	(840)
Corporate – head office		(2,208)	(2,164)
Corporate – litigation		-	(7,264)
Finance cost		(32)	(354)
<b>Profit before income tax</b>		<b>41,350</b>	<b>10,136</b>
Income tax expense		(7,865)	(2,922)
<b>Profit for the half-year</b>		<b>33,485</b>	<b>7,214</b>
Other comprehensive income/(expense)			
Exchange differences on translation of foreign operations		(42)	-
Other comprehensive income/(expense) for the half-year, net of tax		(42)	-
<b>Total comprehensive income for the half year</b>		<b>33,443</b>	<b>7,214</b>
Profit is attributable to:			
Owners of Biota Holdings Limited		33,485	7,214
Total comprehensive income for the half-year is attributable to:			
Owners of Biota Holdings Limited		33,443	7,214
<b>Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		19.0	4.1
Diluted earnings per share		19.0	4.1
<b>Earnings per share for profit attributable to the ordinary equity holders of the Company</b>			
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share		19.0	4.1
Diluted earnings per share		19.0	4.1

*The consolidated income statement should be read in conjunction with the accompanying notes.*

## Consolidated balance sheet

As at 31 December 2009

	<b>31 December 2009 \$'000</b>	<b>30 June 2009 \$'000</b>
	<b>Notes</b>	
<b>Current assets</b>		
Cash and cash equivalents	51,986	86,704
Trade and other receivables	63,966	8,067
Total current assets	<u>115,952</u>	<u>94,771</u>
<b>Non-current assets</b>		
Plant and equipment	6,864	6,924
Deferred tax assets	992	1,532
Intangible assets	14,704	8,402
Total non-current assets	<u>22,560</u>	<u>16,858</u>
<b>Total assets</b>	<u>138,512</u>	<u>111,629</u>
<b>Current liabilities</b>		
Trade and other payables	2,549	5,631
Deferred revenue	3,450	5,262
Provisions	3,451	1,561
Current tax liability	7,325	-
Total current liabilities	<u>16,775</u>	<u>12,454</u>
<b>Non-current liabilities</b>		
Provisions	86	2,143
Total non-current liabilities	<u>86</u>	<u>2,143</u>
<b>Total liabilities</b>	<u>16,861</u>	<u>14,597</u>
<b>Net assets</b>	<u>121,651</u>	<u>97,032</u>
<b>Equity</b>		
Parent entity interest		
Contributed equity	4	145,845
Reserves		154,576
Retained losses		1,401
		(59,080)
<b>Total equity</b>		<u>121,651</u>
		<u>97,032</u>

The consolidated balance sheet should be read in conjunction with the accompanying notes.

## Consolidated statement of changes in equity

For the half year ended 31 December 2009

	Contributed equity \$'000	Reserves \$,000	Retained losses \$,000	Total equity \$'000
Balance at 1 July 2008	159,124	1,437	(97,261)	63,300
Profit for the half-year			7,214	7,214
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>-</b>	<b>7,214</b>	<b>7,214</b>
<b>Transactions with owners in their capacity as owners:</b>				
Employee share options		381	-	381
Cancellation of shares	(4,945)	-	-	(4,945)
Transfer from share based payment reserve for options exercised	597	(597)	-	-
	(4,348)	(216)	-	-
<b>Balance at 31 December 2008</b>	<b>154,776</b>	<b>1,221</b>	<b>(90,047)</b>	<b>65,950</b>
Balance at 1 July 2009	154,576	1,536	(59,080)	97,032
Profit for the half-year	-	-	33,485	33,485
Exchange differences on translation of foreign operations	-	(42)	-	(42)
<b>Total comprehensive income for the half-year</b>	<b>-</b>	<b>(42)</b>	<b>33,485</b>	<b>33,443</b>
<b>Transactions with owners in their capacity as owners:</b>				
Contributions of equity, net of transaction costs	10,800	-	-	10,800
Employee share options	-	383	-	383
Transfer from share based payment reserve for options exercised	476	(476)	-	-
Capital return	(20,007)	-	-	(20,007)
	(8,731)	(93)	-	(8,824)
<b>Balance at 31 December 2009</b>	<b>145,845</b>	<b>1,401</b>	<b>(25,595)</b>	<b>121,651</b>

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

## Consolidated cash flow statement

For the half year ended 31 December 2009

	<b>Half year</b>	
	<b>2009</b>	<b>2008</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	3,130	6,766
Payments to suppliers and employees (inclusive of GST)	(18,998)	(31,954)
	(15,868)	(25,188)
Other revenue and income		
Upfront and milestone payments	-	4,209
Litigation settlement	-	20,000
Interest received	1,396	1,608
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(14,472)</b>	<b>629</b>
<b>Cash flows from investing activities</b>		
Payments for plant and equipment	(196)	(465)
Proceeds from sale of plant and equipment	-	3
<b>Net cash outflow from investing activities</b>	<b>(196)</b>	<b>(462)</b>
<b>Cash flows from financing activities</b>		
Payments for capital return	(20,007)	-
Payments for share buy-back	-	(4,945)
<b>Net cash (outflow)/inflow from financing activities</b>	<b>(20,007)</b>	<b>(4,945)</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(34,675)</b>	<b>(4,778)</b>
<b>Cash and cash equivalents at the beginning of the half year</b>	86,703	60,164
Effects of exchange rate changes on cash and cash equivalents	(42)	-
<b>Cash and cash equivalents at the end of the half year</b>	<b>51,986</b>	<b>55,386</b>

*The consolidated cash flow statement should be read in conjunction with the accompanying notes.*

# Notes to the financial statements

## 1. Summary of significant accounting policies

### Basis of preparation of half year report

This general purpose financial report for the interim half year reporting period ended 31 December 2009 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by Biota Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except as set out below.

### Changes in accounting policy

Biota Holdings Limited has acknowledged new or revised accounting standards which became operative for the annual reporting period commencing on 1 July 2009. Only one of these policy changes has impacted upon the interim report, being the changes to segment reporting set out as follows.

### Segment reporting

The Group has applied AASB 8 Operating Segments from 1 July 2009. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This would not have changed the segments reported under the previous standard. However, the Group has commenced research activities in the UK, which has given rise to an additional segment as set out in note 2.

Operating segments are now reported in a manner that is consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Executive Committee that makes strategic decisions. There has been no impact on the measurement of the Company's assets and liabilities. Comparatives for 2008 have been restated.

## 2. Segment information

### Description of segments

Management has determined the operating segments based on the reports reviewed by the Executive Committee that are used to make strategic decisions. The Executive Committee currently consists of the CEO & Managing Director, Chief Financial Officer, Vice President Research, Vice President Product Development, Vice President Business Development and Principal Director Product Development Operations.

The Committee consider the business by projects within the single operating segment of drug discovery and clinical development of anti-infectives. The Committee considers the business operates in two geographical segments, being Australia and the United Kingdom.

## Notes to the financial statements

### 2. Segment information (continued)

The segment information provided to the Executive Committee for the reportable segments for the half year ended 31 December 2009 is as follows:

	Australia \$'000	United Kingdom \$'000	Total \$'000
<b>Half year 2009</b>			
Total segment revenue	59,522	-	59,522
Inter segment revenue	-	-	-
<b>Revenue from external customers</b>	<u>59,522</u>	<u>-</u>	<u>59,522</u>
<b>Profit before income tax</b>	36,736	(3,251)	33,485
<b>Half year 2008</b>			
Total segment revenue	12,456	-	12,456
Inter segment revenue	-	-	-
<b>Revenue from external customers</b>	<u>12,456</u>	<u>-</u>	<u>12,456</u>
<b>Profit before income tax</b>	10,136	-	10,136
<b>Total segment assets</b>			
31 December 2009	141,198	(2,686)	138,512
30 June 2009	111,629	-	111,629

The Executive Committee assess the performance of the operating segments based on profit before income tax. The measurement includes the effects of all expenditure from the operating segments including the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments.

### 3. Revenues from ordinary activities and other income

	Half Year	
	2009 \$'000	2008 \$'000
<b>Revenues from continuing operations</b>		
Royalties	56,715	3,819
Collaboration income		
Research revenue	800	4,210
Partnering income	554	2,447
Interest revenue	1,451	1,945
Other revenue	2	35
<b>Total revenues from continuing operations</b>	<u>59,522</u>	<u>12,456</u>
<b>Other income</b>		
Litigation settlement	-	20,000
Grant income	2,141	1,105
<b>Total other income</b>	<u>2,141</u>	<u>21,105</u>
<b>Total revenues and other income</b>	<u><u>61,663</u></u>	<u><u>33,561</u></u>

## Notes to the financial statements

### 4. Contributed equity

	Half year		Half year	
	2009 Shares	2008 Shares	2009 \$'000	2008 \$'000
<b>Issue of ordinary shares</b>				
At start of period	174,563,999	180,817,823	154,776	159,124
Cancellation of shares	-	(6,629,509)	-	(4,945)
Capital return	-	-	(20,007)	-
Issue of shares*	3,985,240	-	10,800	-
Transfer from share based payment reserve for options exercised	400,783	375,685	476	597
<b>At end of period</b>	<u>178,950,022</u>	<u>174,563,999</u>	<u>146,045</u>	<u>154,776</u>
Treasury shares			(200)	-
			<u>145,845</u>	<u>154,776</u>

\*Shares were issued to Prolysis Limited in consideration for the acquisition of their anti-bacterial programs.

### 5. Earnings per share

	Half year	Half year
	2009	2008
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share (EPS)	19.0	4.1
Diluted earnings per share (EPS)	19.0	4.1
	<b>\$'000</b>	<b>\$'000</b>
Profit used to calculate EPS	33,485	7,214
	<b>Number</b>	<b>Number</b>
Weighted average shares used to calculate Basic EPS	175,995,536	177,846,085
Diluted EPS	176,407,319	177,846,085

Options granted by the Company to Directors and employees are considered to be potential ordinary shares.

### 6. Events occurring after balance sheet date

No other matter or circumstance has arisen since 31 December 2009 that has significantly affected, or may significantly affect:

- The Group's operations in future financial years; or
- The results of those operations in future financial years; or
- The Group's state of affairs in future financial years.

### 7. Net tangible asset backing

	31 December 2009	30 June 2009
Net tangible asset backing per ordinary share	<u>0.60 cents</u>	<u>0.51 cents</u>

## Directors' declaration

In the Directors' opinion:

- a) the financial statements and notes set out on pages 3 to 9 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half year ended on that date; and
- b) there are reasonable grounds to believe that Biota Holdings Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

For and on behalf of the Board.



Jim Fox  
Director



Peter Cook  
Director

Melbourne  
16 February 2010

# Independent auditor's review report to the members



PricewaterhouseCoopers  
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## Independent auditor's review report to the members of Biota Holdings Limited

### Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial statements of Biota Holdings Limited, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Biota Holdings Limited Group (the consolidated entity). The consolidated entity comprises both Biota Holdings Limited (the company) and the entities it controlled during that half-year.

#### *Directors' responsibility for the half-year financial report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Biota Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

**Independent auditor's review report to the members of  
Biota Holdings Limited (continued)**

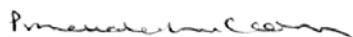
*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Biota Holdings Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



Nadia Carlin  
Partner

Melbourne  
16 February 2010