

## **Financial Report - 30 June 2007**

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This financial report covers BioTech Capital Limited.

BioTech Capital Limited is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

BioTech Capital Limited  
C/- Titan Bioventures Management  
Level 9  
1 William Street  
PERTH WA 6000

## Income Statement

For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>Revenue from operations</b>	2	<b>630</b>	<b>597</b>
Management fees	16(c)	(815)	(915)
Other expenses from operations		(380)	(353)
Realised profit (loss) on non-current investment		(260)	274
		<u>(1,455)</u>	<u>(994)</u>
<b>Profit (Loss) from operations before related income tax benefit</b>		<b>(825)</b>	<b>(397)</b>
Income tax benefit relating to operations	3	<u>66</u>	<u>30</u>
<b>Profit (Loss) from operations after related income tax benefit attributable to members of BioTech Capital Limited</b>		<b><u>(759)</u></b>	<b><u>(367)</u></b>
Basic earnings / (loss) per share		(0.86) cents	(0.41) cents
Diluted earnings / (loss) per share		(0.86) cents	(0.41) cents

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

**Balance Sheet**  
**As at 30 June 2007**

	Notes	2007 \$'000	2006 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	4	9,897	5,684
Trade and other receivables	5	18	20
Deferred tax assets	3	13	13
Held to maturity financial assets	6	-	4,327
<b>Total Current Assets</b>		<u>9,928</u>	<u>10,044</u>
<b>Non-Current Assets</b>			
Available for sale financial assets	7	<u>28,029</u>	<u>37,887</u>
<b>Total Non-Current Assets</b>		<u>28,029</u>	<u>37,887</u>
<b>Total Assets</b>		<u>37,957</u>	<u>47,931</u>
<b>Current Liabilities</b>			
Trade and other payables	8	104	154
Current tax liabilities	3	-	-
<b>Total Current Liabilities</b>		<u>104</u>	<u>154</u>
<b>Non Current Liabilities</b>			
Deferred tax liabilities	3	<u>454</u>	<u>1,688</u>
<b>Total Non Current Liabilities</b>		<u>454</u>	<u>1,688</u>
<b>Total Liabilities</b>		<u>558</u>	<u>1,842</u>
<b>Net Assets</b>		<u>37,399</u>	<u>46,089</u>
<b>Equity</b>			
Issued Capital	9	42,130	43,081
Accumulated Losses	10	(6,190)	(5,431)
Reserves	11	<u>1,459</u>	<u>8,439</u>
<b>Total Equity</b>		<u>37,399</u>	<u>46,089</u>

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

**Cash Flow Statement**

For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>Cash Flows from Operating Activities</b>			
Interest received		621	577
Other income received		9	20
Managers fees paid		(831)	(907)
Payments to suppliers		(412)	(417)
Income taxes refund		66	19
<b>Net cash (outflow) from operating activities</b>	12	<u>(547)</u>	<u>(708)</u>
<b>Cash Flows from Investing Activities</b>			
Payments for investments		(3,165)	(2,578)
Proceeds from sale of investments		4,549	628
Payments for bank bills		-	(4,327)
Proceeds from bank bills		4,327	-
<b>Net cash inflow (outflow) from investing activities</b>		<u>5,711</u>	<u>(6,277)</u>
<b>Cash Flows from Financing Activities</b>			
Share Buy-Back payment		(952)	(251)
Conversion of Options		1	-
<b>Net cash (outflow) from financing activities</b>		<u>(951)</u>	<u>(251)</u>
<b>Net increase (decrease) in Cash Held</b>		4,213	(7,236)
Cash at the beginning of the financial year		5,684	12,920
<b>Cash at the End of the Financial Year</b>	4	<u>9,897</u>	<u>5,684</u>

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

**Statement of Changes in Equity**

For the year ended 30 June 2007

	<b>Issued capital \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Other reserves \$'000</b>	<b>Total \$'000</b>
<b>At 1 July 2005</b>	<b>43,332</b>	<b>(5,064)</b>	<b>3,211</b>	<b>41,479</b>
Net unrealised gains on available for sale financial assets	-	-	6,149	6,149
Share buy-back program	(251)	-	-	(251)
Income tax on items directly transferred to equity	-	-	(921)	(921)
Total income and expense for the period recognised directly in equity	(251)	-	5,228	4,977
Profit (loss) for the period	-	(367)	-	(367)
Total income (expense) for the period	(251)	(367)	5,228	4,610
<b>At 30 June 2006</b>	<b>43,081</b>	<b>(5,431)</b>	<b>8,439</b>	<b>46,089</b>
<b>At 1 July 2006</b>	<b>43,081</b>	<b>(5,431)</b>	<b>8,439</b>	<b>46,089</b>
Net unrealised gains on available for sale financial assets	-	-	(8,214)	(8,214)
Share buy-back program	(952)	-	-	(952)
Conversion of options	1	-	-	1
Income tax on items directly transferred to equity	-	-	1,234	1,234
Total income and expense for the period recognised directly in equity	(951)	-	(6,980)	(7,931)
Profit (loss) for the period	-	(759)	-	(759)
Total income (expense) for the period	(951)	(759)	(6,980)	(8,690)
<b>At 30 June 2007</b>	<b>42,130</b>	<b>(6,190)</b>	<b>1,459</b>	<b>37,399</b>

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

## Notes to the Financial Statements

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**Note 1 Summary of Significant Accounting Policies**

**The Financial Report of Biotech Capital Limited for the year ended 30 June 2007**

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards and the Corporations Act 2001. The financial report was authorised for issue in accordance with a resolution of the directors on 7 August 2007.

It is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. BioTech Capital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian stock exchange. Both the functional currency and presentation currency of BioTech Capital Limited is Australian dollars (\$AUD).

**Statement of Compliance**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards (IFRS) form the basis of Australian Accounting Standards adopted by AASB and for the purpose of this report are called Australian Equivalents to IFRS (AIFRS). The financial report of the company also complies with the IFRS and interpretations adopted by the International Accounting Standards Board.

Certain Australian Accounting Standards and UIG interpretations have been recently been issued or amended but are not yet effective. These standards have not been adopted by the company for the year ended 30 June 2007. Amendments issued affecting the company are outlined below:

Reference	Title	Summary	Application date of standard*	Impact on company's financial report	Application date for company
AASB 101	Presentation of Financial Statements (Revised)	Removes Australian specific requirements for AASB 101, but incorporates amendments made on the introduction of AASB 7 surrounding the disclosure of the entity's objectives, policies and processes for managing capital.	1-July-07	AASB 101 is a disclosure standard, so will have no direct impact on amounts in the financial report. However amendments will result in changes in disclosures in the financial report.	1 July 2007
AASB 2005-10	Amendments to Australia Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i>	1-July-07	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Company's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Company's financial report	1 July 2007
AASB 7	<i>Financial Instruments: Disclosures</i>	New standard replacing disclosure requirements of AASB 132	1-July-07	As above.	1 July 2007

**(a) Income Tax**

Deferred income tax is provided on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for the financial reporting purposes. Deferred income tax liabilities are recognised for all taxable temporary differences except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilised.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Deferred income tax assets and liabilities are measured at the tax rates expected to apply to the year

## Notes to the Financial Statements

30 June 2007

when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

**(b) Recoverable Amounts of Assets**

At each reporting date, the Company assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Company makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

**(c) Revenue Recognition**

Revenue is recognised as the interest accrues (using the effective interest method, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

**(d) Investments and other Financial Assets**

*(i) Available-for-sale*

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment. After initial recognition, investments, which are classified as available-for-sale, are measured as fair value. Gains or losses on available-for-sale investments are recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement. For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date.

*(ii) Held-to-maturity*

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the company has the positive intention and ability to hold to maturity. Investments that are intended to be held-to-maturity, such as term deposits, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount.

**(e) Cash and cash equivalents**

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

**(f) Trade and other creditors**

These amounts represent liabilities for goods and services provided to the company prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

**(g) Earnings per share**

*(i) Basic earnings per share*

Basic earnings per share is determined by dividing net profit after income tax attributable to members of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

**Notes to the Financial Statements**

30 June 2007

*(ii) Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

**(h) Goods and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**(i) 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 & Investments Commission, relating to the "rounding off" of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

**(j) Significant accounting judgments, estimates and assumptions**

In applying the Company's accounting policies management continually evaluates judgments, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Company. All judgments, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from the judgments, estimates and assumptions. Significant judgments, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

*Recovery of deferred tax assets*

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise those temporary differences.

*Classification of and valuation of investments*

The Company has decided to classify investments in listed and unlisted securities as 'available -for-sale' investments and movements in fair value are recognised directly in equity. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are measured at cost.

*Impairment of financial assets*

The company assesses impairment of all assets at each reporting date by evaluating conditions specific to their investments and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. This involves value in use calculations, which incorporate a number of key estimates and assumptions.

**Note 2 Revenues from Ordinary Activities**

	<b>30 June 2007</b>	<b>30 June 2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Finance revenue - bank	617	577
Other	13	20
	<u>630</u>	<u>597</u>

### Note 3 Income Tax

Major components of income tax expense for the years ended 30 June 2007 and 2006 are:

	30 June 2007 \$'000	30 June 2006 \$'000
<b>Income Statement</b>		
<i>Current Income</i>		
Current income tax benefit	-	-
Adjustments in respect to current income tax of previous years	(66)	(19)
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	-	(11)
Income tax (benefit) expense reported in the income statement	<u>(66)</u>	<u>(30)</u>

#### Statement of changes in equity

##### *Deferred Income Tax*

Unrealised gain on available for sale financial assets	1,234	(921)
Income tax benefit reported in equity	<u>1,234</u>	<u>(921)</u>

A reconciliation of income tax expense (benefit) applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the company's effective income tax rate for the years ended 30 June 2007 and 2006 is as follows:

Accounting profit (loss) before tax from continuing operations	(825)	(397)
Loss before tax from discontinued operations	-	-
Accounting profit (loss) before income tax	<u>(825)</u>	<u>(397)</u>

At the statutory income tax rate of 25% (2006: 25%)	(206)	(99)
Adjustments in respect of current income tax of previous years	(66)	(19)
Expenditure not allowable for income tax purposes	-	-
Adjustments in respect of deferred income tax of previous years	-	(15)
Tax losses not brought to account as a deferred tax asset	206	103

At effective income tax rate of (8.0%) (2006: (7.8%))	<u>(66)</u>	<u>(30)</u>
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Income tax expense reported in income statement	(66)	(30)
Income tax attributable to discontinued operation	-	-
	<u>(66)</u>	<u>(30)</u>

#### Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000	2007 \$'000	2006 \$'000
Fair value adjustments of investments	-	-	454	1,688	454	1,688
Income not yet assessable for taxation purposes	-	-	-	-	-	-
Expenses not yet deductible for taxation purposes	(13)	(13)	-	-	(13)	(13)
<i>Tax (assets) liabilities</i>	<u>(13)</u>	<u>(13)</u>	<u>454</u>	<u>1,688</u>	<u>441</u>	<u>1,675</u>
Set off of tax	-	-	-	-	-	-
Net tax (assets) liabilities	<u>(13)</u>	<u>(13)</u>	<u>454</u>	<u>1,688</u>	<u>441</u>	<u>1,675</u>

BioTech Capital Limited  
**Notes to the Financial Statements**  
30 June 2007

Assets	Liabilities	Net
	30 June 2007 \$'000	30 June 2006 \$'000
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses	1,662	1,445

The tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profit will be available against which the company can utilise the benefits from.

**Movement in temporary differences during the year**

	Balance 1 July 2005 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2006 \$'000
Fair value adjustments of investments	767	-	921	1,688
Income not yet assessable for taxation purposes	-	-	-	-
Expenses not yet deductible for taxation purposes	(2)	(11)	-	(13)
	765	(11)	921	1,675
	Balance 1 July 2006 \$'000	Recognised in Income \$'000	Recognised in Equity \$'000	Balance 30 June 2007 \$'000
Fair value adjustments of investments	1,688	-	(1,234)	454
Income not yet assessable for taxation purposes	-	-	-	-
Expenses not yet deductible for taxation purposes	(13)	-	-	(13)
	1,675	-	(1,234)	441

**Note 4 Cash and cash equivalents**

	30 June 2007 \$'000	30 June 2006 \$'000
Cash at bank and on hand	952	551
Bank bills	8,945	5,133
	9,897	5,684

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates. Bank bills are made for varying periods; those bills with a maturity date less than 3 months are classified as cash equivalents and earn interest at the respective bank bill deposit rate.

**Note 5 Trade and other receivables**

	30 June 2007 \$'000	30 June 2006 \$'000
Interest receivable	-	-
GST recoverable	18	20
	18	20

Trade and other receivables are non-interest bearing and are generally on a 60 day term.

**Note 6 Held to maturity financial assets**

	<b>30 June 2007</b> <b>\$'000</b>	<b>30 June 2006</b> <b>\$'000</b>
Bank bills	-	4,327
	<u>-</u>	<u>4,327</u>

Bank bills are made for varying periods; those bills with a maturity greater than 3 months are classified as held to maturity financial assets and earn interest at the respective bank bill deposit rate.

**Note 7 Available for Sale Financial Assets**

	<b>30 June 2007</b> <b>\$'000</b>	<b>30 June 2006</b> <b>\$'000</b>
<b>Non Current</b>		
Investment in listed companies – at market value		
Alchemia Limited	1,145	3,208
Clinical Cell Culture Limited	-	2,514
Neurodiscovery Limited	787	-
Starpharma Holdings Limited	1,097	1,107
Prima Biomed Limited	-	478
Phylogica Limited	7,707	14,771
Stem Cell Sciences Limited	1,980	2,862
	<u>12,716</u>	<u>24,940</u>
Investment in unlisted Companies – at cost		
Pacific Knowledge Systems Pty Ltd	2,198	2,198
XRT Ltd	4,125	4,125
Continance Control Systems	4,000	4,000
Sensear Pty Ltd	2,000	-
Biocomm Services Pty Limited	1,001	1,001
	<u>13,324</u>	<u>11,324</u>
Investments in Convertible Notes – unlisted companies		
Biocomm Services Pty Limited	235	-
Pacific Knowledge Systems Pty Ltd	254	123
XRT Ltd	1,500	1,500
	<u>1,989</u>	<u>1,623</u>
Total Available for sale Financial Assets	<u>28,029</u>	<u>37,887</u>

Available for sale financial assets consist of investments in ordinary shares or convertible notes into ordinary shares and therefore have no fixed maturity or coupon rate.

*Listed shares*

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotations in an active market.

*Unlisted shares*

The fair value of unlisted available for sale investments cannot be reliably measured as they are not supported by observable market prices or rates. As a result, all unlisted investments are reflected at cost.

**Notes to the Financial Statements**

30 June 2007

<b>Summary of changes in investments available for sale</b>	<b>30 June 2007 \$'000</b>	<b>30 June 2006 \$'000</b>
Opening	37,887	29,513
Acquisitions	3,165	2,578
Disposals	(4,809)	(353)
Revaluations	(8,214)	6,149
Closing	<u>28,029</u>	<u>37,887</u>

Biotech Capital Limited (BTC) is not equity accounting investments it has greater than a 20% interest in because the characteristics of the investments confirm it does not exert significant influence. The investments concerned are Continnence Control Systems, Pacific Knowledge Systems Pty Ltd, XRT Ltd, Sensear Pty Ltd and Phylogica Limited. The reasons significant influence is not exerted include that BTC has no significant participation in policy making processes, the investee entities have no economic dependency on BTC, other investors hold a similar percentage interest in the entities, the Board representation in the entities by BTC is only one in each case and there is no interchange of managerial personnel between the entities and BTC.

**Note 8 Trade and other payables**

	<b>30 June 2007 \$'000</b>	<b>30 June 2006 \$'000</b>
Managers fees payable – director related entity	70	86
Director fees payable	-	49
Trade Creditors	26	11
Audit fees payable	8	8
GST payable	-	-
	<u>104</u>	<u>154</u>

Trade and other payables are non-interest bearing and are generally settled on 60 day terms.

**Note 9 Issued Capital**

	<b>2007 Shares</b>	<b>2007 \$'000</b>	<b>2006 Shares</b>	<b>2006 \$'000</b>
(a) Ordinary Shares Issued and fully paid	<u>86,309,505</u>	<u>42,130</u>	<u>88,759,805</u>	<u>43,081</u>

**(b) Movements in ordinary shares on issue:**

<b>Date</b>	<b>Details</b>	<b>2007 No. of Shares</b>	<b>2007 Issue Price</b>	<b>2007 \$'000</b>	<b>2006 No. of Shares</b>	<b>2006 Issue Price</b>	<b>2006 \$'000</b>
30/06/2006	Opening Equity	88,759,805		43,081	89,354,905		43,332
27/09/2006	Conversion of Options	3,000	\$0.55	1	-		-
January to June 2007	Share Buy- Back/Cancellation	(2,453,300)		(952)	(595,100)		(251)
		<u>(2,450,300)</u>		<u>(951)</u>	<u>(595,100)</u>		<u>(251)</u>
30/06/2007	Closing Equity	<u>86,309,505</u>		<u>42,130</u>	<u>88,759,805</u>		<u>43,081</u>

**(c) Ordinary shares**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

The company does not have authorised capital or par value in respect of its issued capital.

BioTech Capital Limited  
**Notes to the Financial Statements**  
30 June 2007

	<b>2007 Options</b>	<b>2006 Options</b>
(d) Issued Options		
Options exercisable at \$0.55 expired 10/10/06 (“Oct ‘06 options”)	-	44,677,419

(e) Movements in options:

<b>Date</b>	<b>Details</b>	<b>2007 No. of Options</b>	<b>2007 Exercise Price</b>	<b>2006 No. of Options</b>	<b>2006 Exercise Price</b>
30/06/2006	Opening Issued Options	44,677,419	\$0.55	44,677,419	\$0.55
27/09/2006	Converted to Shares	(3,000)	\$0.55	-	
10/10/2006	Expiry of Options	(44,674,419)		-	
30/06/2007	Closing Issued Options	-	-	44,677,419	\$0.55

(f) Options

The 44,674,419 issued options expired on 10 October 2006.

**Note 10 Retained Profits/(Accumulated Losses)**

	<b>30 June 2007 \$'000</b>	<b>30 June 2006 \$'000</b>
Retained profits/(Accumulated losses) at the beginning of the financial year	(5,431)	(5,064)
Net Profit (Loss)	(759)	(367)
Retained profits/(Accumulated losses) at the end of the financial year	<u>(6,190)</u>	<u>(5,431)</u>

**Note 11 Reserves**

	<b>30 June 2007 \$'000</b>	<b>30 June 2006 \$'000</b>
Net Unrealised Gains Reserve	1,459	8,439
	<u>1,459</u>	<u>8,439</u>

**Net Unrealised Gains Reserve Movements During the Year**

Opening Balance	8,439	3,211
Revaluation increment (decrement) on listed investments, net of 15% tax	(6,980)	5,228
Closing Balance	<u>1,459</u>	<u>8,439</u>

This reserve records the movement for available for sale financial assets to fair value. Unrealised gains and unrealised losses are arrived at by comparing the balance date value of each investment, as determined in accordance with the company’s declared valuation policy, with the investment’s cost price.

These calculations do not take into account incentive fees which might be payable to the Manager, or other persons, relating to gains realised on disposal of any investments.

The balance of this reserve does not represent funds available for distribution to shareholders in specie, because of the unrealised nature of the net gain involved.

**Notes to the Financial Statements**

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**Note 12 Reconciliation of Operating Profit (Loss) after Income Tax to the Net Cash Flow from Operating Activities**

	30 June 2007 \$'000	30 June 2006 \$'000
Operating profit (loss) after income tax	(759)	(367)
<i>Adjustment for:</i>		
Realised (Profit) Loss on Investment	260	(274)
<i>Changes in assets and liabilities:</i>		
(Increase) / Decrease in trade and other debtors	2	2
(Increase) / Decrease in deferred tax assets	-	(11)
(Decrease) / Increase in provision for income tax payable	-	-
(Decrease) / Increase in trade and other payables	(50)	(58)
	<u>(547)</u>	<u>(708)</u>
Net cash flow from operating activities	<u>(547)</u>	<u>(708)</u>

**Note 13 Events Occurring After Balance Date**

On 11 July 2007, the company was allotted a further 4,123,530 shares in Neurodiscovery Limited at \$0.17 per share. This brought the investment in Neurodiscovery Limited to \$1,500,000 represented by 8,823,530 shares.

Except for the above item, no other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the economic entity in future financial years.

**Note 14 Key Management Personnel**

(a) Name and position of key management personnel of the company in office at any time during the financial year:

(i) Directors

K T Greiner – Chairman (non executive)

A.Basten – non executive

A.J.Davidson – non executive

H.Karelis – Managing Director

L.McIntyre – non executive

(ii) Executives

None noted.

(b) Remuneration of each key management personnel during the year (see also notes below)

2007	Salary & Fees	Super- annuation	Post Employment Benefits	Equity Options	Other Benefits	Total \$'000
(i) Directors						
K.T.Greiner Chairman (non-executive)	20	-	-	-	-	20
A.Basten (non-executive)	15	5	-	-	-	20
A.J.Davidson (non-executive)	20	-	-	-	-	20
H.Karelis Managing Director (see note below)	-	-	-	-	-	-
L.McIntyre (non-executive)	18	2	-	-	-	20
Total Remuneration	<u>73</u>	<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80</u>

**Notes to the Financial Statements**

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2006	Salary & Fees	Super- annuation	Post Employment Benefits	Equity Options	Other Benefits	Total \$'000
(i) Directors						
W.E.B.Ireland Chairman (non-executive)	8	-	-	-	-	8
K.T.Greiner Chairman (non-executive)	14	-	-	-	-	14
A.Basten (non-executive)	18	2	-	-	-	20
A.J.Davidson (non-executive)	20	-	-	-	-	20
H.Karelis Managing Director (see note below)	-	-	-	-	-	-
L.McIntyre	20	-	-	-	-	20
Total Remuneration	80	2	-	-	-	82

Note: None of the above directors fees are performance based. WEB Ireland resigned as a director on 28 November 2005.

## (c) Remuneration Options

No key management personnel of the company has received any options (listed or unlisted) as part of their remuneration during this financial year (2006 Nil).

## (d) Remuneration Practices

With the exception of the Managing Director, Mr Karelis, the remuneration of each director has been established on the basis of a flat fee, inclusive of any superannuation benefit. Thus there is no direct link, as such, between performance and the level of remuneration.

Mr Karelis is a major shareholder and managing director of Titan Bioventures Management Pty Ltd, the company's investment manager. Mr Karelis has not been and is not being remunerated by the company, however during the year he has received and will receive benefits from his equity interest in and services provided to Titan Bioventures Management Pty Ltd ('Titan'). Details of management fees paid and payable during the year to Titan are shown in Note 16.

## (e)

**Equity instrument disclosures relating to key management personnel*****Option holdings***

The numbers of options over ordinary shares in the company held during the financial year by each key management personnel of BioTech Capital Limited, including their personally-related entities, are set out below.

BioTech Capital Limited  
**Notes to the Financial Statements**  
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Year ended 30 June 2007

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other net changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>(i) Director</b>						
K.T.Greiner	-	-	-	-	-	-
A.Basten	5,000	-	-	(5,000)	-	-
A.J.Davidson	50,000	-	-	(50,000)	-	-
H. Karelis	400,000	-	-	(400,000)	-	-
L.M.McIntyre	6,500	-	-	(6,500)	-	-

No options are vested and unexercisable at the end of the year. During the year, the options issued expired on 10 October 2006. As such these options were forfeited.

Year ended 30 June 2006

Name	Balance at the start of the year	Granted during the year as remuneration	Exercised during the year	Other net changes during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>(i) Director</b>						
W.E.B.Ireland	25,000	-	-	-	25,000	25,000
K.T.Greiner	-	-	-	-	-	-
A.Basten	5,000	-	-	-	5,000	5,000
A.J.Davidson	50,000	-	-	-	50,000	50,000
H. Karelis	400,000	-	-	-	400,000	400,000
L.M.McIntyre	6,500	-	-	-	6,500	6,500

**Share holdings**

The numbers of shares in the company held during the financial year by each director of BioTech Capital Limited, including their personally-related entities, are set out below.

Year ended 30 June 2007

Name	Balance at the start of the year	Received during the year on the exercise of options	Other net changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
<b>(i) Director</b>				
K.T.Greiner	12,700	-	-	12,700
A.Basten	10,000	-	-	10,000
A.J.Davidson	120,000	-	-	120,000
H.Karelis	800,000	-	-	800,000
L.M.McIntyre	13,000	-	-	13,000

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Year ended 30 June 2006

Name	Balance at the start of the year	Received during the year on the exercise of options	Other net changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
<b>(i) Director</b>				
W.E.B.Ireland	50,000	-	(50,000)	-
K.T.Greiner	-	-	12,700	12,700
A.Basten	10,000	-	-	10,000
A.J.Davidson	120,000	-	-	120,000
H.Karelis	800,000	-	-	800,000
L.M.McIntyre	13,000	-	-	13,000

**Note 15 Remuneration of Auditors**

	30 June 2007	30 June 2006
	\$	\$
PKF		
Remuneration for audit or review of the financial statements	<u>22,325</u>	<u>26,052</u>
Remuneration for taxation and other services	<u>3,150</u>	<u>9,590</u>

**Note 16 Related Party Disclosures**

(a) Remuneration Benefits

Information on remuneration benefits of key management personnel is disclosed in note 14.

(b) Transactions of directors and director related entities concerning shares or share options.

Aggregate number of shares and share options of Biotech Capital Limited acquired or disposed of by directors of the company or their director related entities.

	2007	2006
	Number	Number
Ordinary shares acquired/(disposed of)	-	(37,300)
Options over ordinary shares acquired/(disposed of)	(461,500)	-

Aggregate number of shares and share options of Biotech Capital Limited held directly, indirectly or beneficially by directors of the company or their director related entities at balance date.

Ordinary Shares	955,700	955,700
Options	-	461,500

(c) Transactions with directors and director related entities:

The terms and conditions of the transactions with directors and their director related entities were no favourable than those available or which might reasonably be expected to be available, on similar transactions to non-director entities on an arm's length basis.

Titan Bioventures Management Pty Ltd ('Titan'), a company in which Harry Karelis is a director and holds a financial interest, is the Manager of Biotech Capital Limited and commenced this role on 9 April 2004.

The Manager is entitled to be paid an annual management fee equal to 2.0% of the net value of the assets calculated on a quarterly basis. During the period to 30 June 2007 the management fees payable were \$814,815 (2006: \$915,419).

**Notes to the Financial Statements**

30 June 2007

**Performance Fee:**

The Manager is also entitled to receive a performance fee of 10% of the difference between the realised value of an investment and the cost of the investment. This performance fee is to be reduced by any unrealised losses that may exist in the balance of the investment portfolio, and the Company is also entitled to a rebate of 30% on any performance fee payable. No performance fee was payable during the period. The balance date contingent liability relating to the performance fee is shown in Note 21.

**Note 17 Segment Information**

The company operates in one business segment where it invests in entities operating in the life-science/biotechnology sectors. The company operates in one geographical segment being Australia.

**Note 18 Financial Risk Management Objectives and Policies**

The company's principal financial instruments comprise cash and short term bank bills. The company has other financial instruments such as trade debtors and trade creditors which arise directly from its operations. The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and credit risk. The company manages its interest cost by using a mix of fixed and variable rates and trades only with recognised, credit worthy third parties.

**Note 19 Financial Instruments****(i) On balance sheet**

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of the company approximates their carrying amounts shown below.

The company's policy relating to the valuation of investments traded on organised markets, and unlisted investments has been described in Note 1(d).

**(ii) At year-end the balances of and effective interest rates earned on financial assets were as follows**

30 June 2007

	<b>Balance \$'000</b>	<b>Interest Rate</b>	<b>Weighted Average Effective Interest Rate</b>
Financial Assets			
Cash	952	Floating	4.87%
Bank bills – cash equivalents	8,945	Floating	6.29%
Bank bills – held to maturity financial assets	-	Floating	-
Receivables	-	N/A	-
Available for sale financial assets:			
Listed investments	12,716	N/A	
Unlisted investments	15,313	N/A	
Total financial assets	<u>37,926</u>		
Financial liabilities -			
Payables	<u>104</u>	N/A	-
Total financial liabilities	104		
Net Financial Assets	<u><u>37,822</u></u>		

BioTech Capital Limited  
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**30 June 2006**

	<b>Balance \$'000</b>	<b>Interest Rate</b>	<b>Weighted Average Effective Interest Rate</b>
Financial Assets			
Cash	551	Floating	4.50%
Bank bills – cash equivalents	5,133	Floating	5.74%
Bank bills – held to maturity financial assets	4,327	Floating	5.74%
Receivables	20	N/A	-
Available for sale financial assets:			
Listed investments	24,940	N/A	
Unlisted investments	12,947	N/A	
Total financial assets	<u>47,918</u>		
Financial liabilities -			
Payables	<u>154</u>	N/A	-
Total financial liabilities	154		
Net Financial Assets	<u>47,764</u>		

**(iii) Fair Values**

There is no difference between the fair values and the carrying amounts of the company's financial instruments. The company has no unrecognised financial instruments at balance date.

**(iv) Credit Risk**

The company's maximum exposure to credit risk at balance date in relation to each class of recognised financial asset is the carrying amount of these assets.

**Note 20 Earnings/(Loss) Per Share**

	<b>30 June 2007</b>	<b>30 June 2006</b>
Basic earnings/(loss) per share, based on the after tax benefit loss of (\$759,063) (2006: (\$366,475))	(0.86) cents per share	(0.41) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	88,366,170 shares	89,201,058 shares

For the purposes of Diluted EPS there have been no diluting potential ordinary shares outstanding during the year. There have been no other transactions involving ordinary shares or potential ordinary share since the reporting date and before the completion of these financial statements.

**Note 21 Contingent Liability**

Performance Fee

It has been assessed that if all investments were realised at their balance date book values, and after taking into account the company's rebate entitlement, the performance fee payable to the Manager would be approximately \$194,000 (2006: \$788,000). The basis of the performance fee calculation has been described in Note 16. No liability has been recognised in respect to this.