

Chairman's Address:
BioTech Capital Ltd Annual General Meeting 11th November 2002

First of all, let me thank you for taking the time to attend what is the 2nd Annual General Meeting for BioTech Capital Ltd. From a macro perspective the past 12 months have proven to be very challenging times from economic, political and financial market perspectives. This has included several major events including acts of terrorism, a loss of consumer confidence, unprecedented corporate collapses and the continued effects of a burst bubble in the financial markets especially with regard to the technology sector.

This has resulted in very strong capital flows into perceived lower risk and risk-free assets at the expense of higher risk investments. The recent cut in interest rates of 50 basis points by the US Federal Reserve to a 40 year low rate of 1.25% is testament to how concerned the world's largest economy is at present with economic activity.

What this means for you as shareholders is that the technology sector remains out of favour at present. Fortunately, as an investment fund with considerable cash reserves this is a perfect environment for gaining exposure to quality companies at very attractive valuations. In the past 12 months we have reviewed in excess of 72 different opportunities. We embarked on detailed due diligence on six of these opportunities and chose to invest in just two.

A hallmark of our approach is to work closely with other investment groups to ensure that any company we gain exposure to has at least one other institution as a shareholder and that any new investments made provide the portfolio company with sufficient cash resources for 24-36 months. We have no interest in making small piecemeal investments in companies that may have an interesting technology platform in the absence of a clear path to market that is achievable within the constraints of cash resources available.

Our mindset is that being cheap does not necessarily make it a good investment.

Conversely, there are high quality companies with excellent technology and strong management that are genuinely in need of capital to execute their business plan and are struggling to attract investors in the prevailing climate. It is these opportunities we are focused on identifying.

Of the deals in which we choose to conduct detailed due diligence other issues such as the structure of the intellectual property or onerous key agreements can then result in the deal being aborted. Based on experience only around 3% of deals we see ultimately become investments.

BioTech Capital remains one of the largest life-science focused funds in Australia and in that regard we experience strong interactions with other players in the market ensuring we get to review most opportunities available. Our cash reserves of close to \$20,000,000 means we have the ability to participate in any attractive new opportunities or any follow on investments from existing portfolio companies.

The Board is of the view that your company is carving out a very strong reputation in the life-science private equity market and in that regard is well placed to be involved in most promising opportunities to emerge from Australia.

However, the share price performance has clearly been disappointing. An analysis suggests that this performance is more market and sector driven than individual

company factors coming into play. You will see later some data indicating that if anything, BioTech Capital has been out-performing its peer group.

The issue of a share buyback has been raised at Board level and by some shareholders. After careful consideration your Board is of the view that any buyback would provide only a marginal, unsustainable impact on the shareprice. Furthermore, any reduction in available investment funds would compromise our leading position in the market and constrain our ability to participate in new investments. This would clearly be to the detriment of genuine long-term shareholders.

Accordingly, the Board has deferred any decision on implementing a share buyback until we have achieved a successful exit of one of our portfolio companies. We believe that a successful realized investment will considerably narrow the discount to net tangible asset backing.

Shareholders will note that two candidates have nominated themselves to be elected as Directors of your company primarily on the same platform – that is, to implement a share buyback policy. As I have explained before, in the view of the Board this would be potentially a negative long-term outcome for shareholders and accordingly recommend that shareholders reject this approach.

The hype associated with this sector will always be prevalent. We will continue to see booms and the inevitable busts that we have seen in the past. However, the inescapable driver of long term demographics means there will be continuing growth in demand for products and services that can maintain and enhance quality of life. Australia will prove to be one of the world leaders in selected areas and should in theory lead to attractive investment opportunities. Our mission is to assemble a diversified portfolio of what we believe to be the best of these opportunities.

We believe that the economic and financial market climate over the next 6-12 months will continue to be difficult impacting on the ability of our portfolio companies to achieve public listings. Clearly, this is an issue which the Board has no control over and whilst some of our portfolio companies are ready to list, they must be patient given the prevailing negative sentiment.

We have mentioned before that our first investment Proteome Systems will likely be the first of our companies to achieve a stockmarket listing. I hope to be able to report in the next few weeks a capital raising by Proteome that will introduce an important new shareholder onto its share register and confirm growth in the value of the business and of course our shareholding. It is particularly encouraging that Proteome can raise funds in this environment and achieve an increase in company valuation.

I would also like to re-affirm that it is the policy of this Board to, where possible, offer entitlements to these floats to our shareholders as and when they occur.

In closing, I encourage all shareholders to register their e-mail address at the company's website (www.biotechcapital.com.au) to ensure they are kept informed of the latest developments as they occur.

I thank you for your continued support and look forward to a recovery in sentiment and global markets allowing the underlying value in the portfolio to begin to be realised.

Bill Ireland
Chairman