

Dear shareholders

Since our Annual General Meeting in November 2005, Biotech Capital has continued to make good progress and we are confident of maintaining this momentum to further enhance Biotech Capital's strong reputation and standing in the marketplace.

Highlights for the six months include:

- Stem Cell Sciences plc successfully listed on the London Stock Exchange AIM Market and subsequently released several positive announcements including securing rights to a breakthrough neural stem cell technology, a licencing deal with US-based Deltagen and forming a partnership with Chemicon for the distribution of Stem Cell Sciences' novel cell culture media and reagents via Chemicon's network.

Finally, Stem Cell Sciences announced a licence agreement with Lexicon Genetics as well as securing the rights to adult stem cells derived from adipose (fat) tissue.

- Continance Control Systems commenced patient recruitment for first human implants and has now implanted three patients.

- XRT secured new investors from the United Kingdom.

- Continued solid progress for most of our portfolio companies that included achieving key clinical milestones and the award of significant external grant funding.

- Ms Kathryn Greiner was appointed Chairman of the company following the resignation of Founding Chairman Bill Ireland. We believe her experience, high profile and business acumen will add significant leadership and value to the company

In our half yearly update report to shareholders we present an interview with Kathryn and also feature one of our investee companies Continance Control Systems along with our normal update on Biotech Capital's investment portfolio.

On behalf of the Board of Biotech Capital, we thank you for your ongoing support.

Harry Karelis
Managing Director



Ms Kathryn Greiner, Non-Executive Chairman



In October Ms Kathryn Greiner was appointed Non-Executive Chairman of Biotech Capital following the retirement of Mr Bill Ireland. Kathryn is well known in the Australian business and not-for-profit community most recently as Chairman of the Financial Planning Association of Australia. She is highly regarded for her understanding, compliance and leadership in corporate governance and is also a proficient and well respected radio commentator and community leader.

We interviewed her on her vision for BTC in the coming year and provide an insight into how her skills and networks will benefit shareholders.

Well known in the Australian business and not-for-profit community most recently as Chairman of the Financial Planning Association of Australia

Highly regarded for her understanding, compliance and leadership in corporate governance

A proficient and well respected radio commentator and community leader

What attracted you to BTC?

Biotechnology is an exciting area on the cusp of great growth and I truly believe that Australia punches above its weight when it comes to innovation and development of new technology. I was excited to be involved in the beginnings of an industry that will have such a huge impact on our lifestyle, well being and longevity in the future. BTC is a tremendous vehicle for people to gain exposure to this opportunity.

What skills and experience do you bring to the Chair of BTC?

I have a combination of commercial acumen as Chairperson of the Financial Planning Association of Australia and role with LEK Consulting, and an understanding of the issues and concerns of the community through my work with the Salvation Army and Sydney Peace Prize Foundation. An ability to view the impact of decisions from a company, shareholder and society perspective will ensure we continue to make decisions that will have the greatest impact for the future.

You currently sit on a number of Boards and hold other corporate roles. Will you have the time to commit to a hands on role with BTC?

Very much so, I only agreed to accept this role on the premise that I would have a hands on role. I will be an active participant and as BTC has a small management team, it will be important that I play an active role in raising awareness of the investment proposition and opportunities of BTC.



Ms Kathryn Greiner, Non-Executive Chairman

You were Chairman of the Financial Planning Association of Australia, is this is a sector BTC can benefit from? If so, how?

My role as Chairman of this Association offers an important segway for this influential group of investment advisers to consider biotechnology as an investment option for its clients. We intend to utilise this network of financial planners to raise the awareness of biotechnology as a solid investment option. I believe BTC is ideally placed to benefit from this opportunity.

My experience in media will add value through my ability to promote the BTC story

You have a very strong media and communication background as a radio presenter and adviser. How important is this to BTC shareholders?

It is important in terms of singing the Biotech Capital song – and it's a great song to sing! Seriously, I think where my experience in media will add value is the ability to promote the BTC story, and to communicate effectively with shareholders, the investment community and media.

A greater focus on communicating the investment potential of BTC

What are the biggest challenges for BTC this year and how will you and the Board respond to these?

We need to have a greater focus on communicating the investment potential of BTC and, as a fund, the attraction of reducing the risk of investing in the biotech sector. Our portfolio approach to the sector ensures that we can spread the risk of success and failures of biotechnology. I'm pleased to say our efforts to implement a comprehensive communication strategy is already underway.

I'm pleased to say our efforts to implement a comprehensive communication strategy is already underway

The second is to alert the investment community and fund managers of the success of BTC. BTC is not investing in ideas; we are investing in the commercial acumen of the people who lead it. We therefore can't compare BTC to the rest of the biotech sector. As a private equity fund we have a number of important benefits over investing in single biotech companies.

What do you believe will be the major investment drivers for BTC in 2006?

We have a number of companies in our portfolio who are expecting to hit major milestones in the next six to 12 months; we intend to take Continence Control Systems to IPO; Phylogica is expected to continue its strategy of securing valuable research and commercial partnerships with biotechnology and pharmaceutical companies; and we believe Starpharma progress development of VivaGel™ for the prevention of HIV and other sexually transmitted diseases following the award of a US\$20.3 million grant from the US National Institutes of Health.

Prima will be concluding its Phase IIa clinical trial for ovarian cancer, XRT continues to develop new applications for its cutting edge imaging technology, and Stem Cell Sciences is expected to expand operations with a US base now established and form commercial partnerships to exploit the commercial potential of its intellectual property estate. I'm confident, as is the Board, that the year ahead will be exciting for the Australian biotechnology sector in general and our portfolio of companies in particular.

Contenance Control Systems



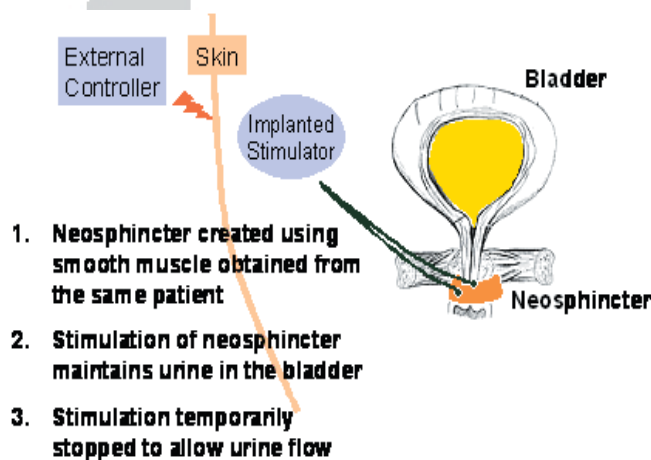
Contenance Control Systems (CCS) is an early stage company formed to commercialise a new treatment for severe urinary incontinence, defined as the involuntary loss of urine from the bladder. This treatment will address a currently unmet medical need for large numbers of people for whom other surgical treatments have failed. The potential market is estimated to be in excess of A\$1 billion per annum.

CCS has combined intellectual property and science from the University of Melbourne with customised implantable stimulation technology developed by Cochlear Ltd, the world leader in cochlear implants. The CEO of CCS was formerly a senior executive at Cochlear Ltd and is building a team with considerable experience in the implantable medical device field to commercialise the product.

Biotech Capital has invested a total of \$4,000,000 into CCS to date via two tranches. An initial \$2,000,000 was injected as part of a \$3,000,000 financing round to enable the company to complete research in large animals.

Having met the criteria of successful completion of pre-clinical studies a further \$2,000,000 was invested to progress the company through a pilot clinical study in humans. This funding was strengthened by CCS obtaining an AusIndustry R&D START grant of A\$946,000.

Currently a total of three patients have been implanted of which two subjects have had their systems activated since surgery. This is a very significant milestone and represents a transition to the next phase of commercialisation for the company.



In addition, during the period since the company was formed the Intellectual Property position of the company has been extended considerably to ensure the company continues to have a robust patent estate.

In 2006 the company will continue to expand its clinical trial in humans and accelerate the development of a next generation product suitable for more rapid commercialisation.

Portfolio Update



The following provides an overview of Biotech Capital's investment portfolio and highlights the milestones achieved in the last six months.

Alchemia (ASX: ACL)



Alchemia has core expertise in carbohydrate chemistry. Carbohydrates form a complex group of molecules that includes the well-known dietary sugars and starches. Carbohydrates are found on the surface of every cell in our body where they play a critical role in many of the biochemical processes associated with human health. Alchemia's technology makes it possible to explore, develop and exploit the potential of carbohydrates in drug discovery far more efficiently than has been previously possible.

Six month activity:

- Alchemia was offered a \$2.9 million Australian Government Commercial Ready grant to progress the development of a new treatment for eye diseases. Alchemia is developing novel anti-angiogenic compounds, which inhibit new blood vessel formation, as a potential therapeutic for debilitating eye diseases such as Age-related Macular Degeneration (AMD) and Diabetic Retinopathy (DR). The Commercial Ready grant will contribute to funding preclinical development and testing, and assist Alchemia in advancing a suitable new drug candidate to phase I human clinical trials.
- Alchemia raised \$21.6 million through an institutional and sophisticated investor share placement alongside a share purchase plan (SPP) that allowed existing shareholders to participate.
- Announced that the commercial scale up of Synthetic Heparin has now been completed at the facilities of Alchemia's manufacturing partner Dow Chemical. This represents a very significant milestone achievement for the company and we remain optimistic on its commercial outlook.

Stem Cell Sciences (AIM: STEM, SCS)



Stem Cell Sciences is a global biotechnology company established in Melbourne in 1994 to undertake research on stem cell technologies. SCS has well established R&D operations in Australia, Japan and UK, each of which is affiliated with an academic centre of excellence. All of the subsidiaries focus on and lead in specific aspects of stem cell biology.

The company's business model combines near-term revenue-generation, through the application of stem cells and related reagents in drug discovery and research, with the long-term development of a pipeline of cell-based therapies. Stem Cell Sciences listed on the London AIM exchange in July 2005.

Six month activity:

- Stem Cell Sciences named "Business Leader" in Scientific American Top 50 for contributions to stem cell field
- Stem Cell Sciences is advancing towards its first cell therapy program in Duchenne Muscular Dystrophy through a license deal with the University of Nice and acquisition of a cell processing centre in Japan
- Stem Cell Sciences completed licensing deals with Deltagen, Chemicon International and Lexicon Genetics
- Stem Cell Sciences acquired an exclusive license to neural stem cell technology
- Stem Cell Sciences participates at the 2006 World Economic Forum as an invited "Technology Pioneer"



Biocomm is one of Australia's leading technology management and commercialisation organisations providing seed funding, scientific and commercial assessment and licensing. Members and partners of the Biocomm network include prestigious research institutions in Victoria and financial partners with deep experience in life science investment.

Six month activity:

- Biocomm has now built a direct investment portfolio of three companies each of which has been progressing through milestones and receiving follow-on funding from the Biocomm investment pool. These companies are Hatchtech, CNS Bio and Cryptopharma.
- Hatchtech is developing a novel technology to control ectoparasites. The company is developing a product for better treatment of head lice in humans that will later be extended to the treatment of lice that affect livestock
- CNS Bio is targeting novel therapies targeting pain relief for cancer patients.
- Cryptopharma is a biopharmaceutical company developing anti-inflammatory compounds with potential for the treatment of asthma, pulmonary fibrosis and other chronic inflammatory diseases of the lung.



Clinical Cell Culture (C3) is a tissue engineering company with a pipeline of products to treat burns, wounds and other defects requiring skin replacement. These products have significant advantages over existing products including rapid expansion when grown in the laboratory, time to healing and ease of use resulting in improved patient outcomes.

Clinical Cell Culture (ASX: CCE)

Six month activity:

- C3 received notification requesting further information from the Australian Therapeutic Goods Association (TGA) in relation to the application of ReCell, C3's rapid cell harvesting device.
- The US FDA notified the company that additional clinical data was required as part of their approval process.
- Co-founder, Professor Fiona Wood, stepped down from the Board.
- Distributors of ReCell were appointed in China, Russia, Slovakia, Chile and Brazil.
- The first patient for CellSpray XP, intended for patients with injuries to 10-30 per cent of their body, was treated in Europe in July.
- The first patient for CellSpray, intended for patients with injuries to 10-90 per cent of their body, was treated in Europe in October.
- C3 raised \$10 million in an institutional placement to sophisticated investors.

PACIFIC KNOWLEDGE SYSTEMS

Pacific Knowledge Systems (Unlisted)

Pacific Knowledge Systems has commercialised software technology known as Ripple-Down-Rules into several product lines specifically designed for the pathology and pharmaceutical industries. In addition, several non-healthcare related applications of the company's technology are in development and being funded by third parties. The company continues to grow active client sites including overseas laboratories. In addition to exploiting opportunities in the pathology sector, the company is presently focused on the generation of value-add data for the pharmaceutical industry where it has had experienced recent success.



Phylogica Ltd (ASX:PYC)

Phylogica is a new generation drug discovery company developing novel therapies for a range of diseases. The company has already identified lead compounds to target stroke, severe burns and inflammatory diseases such as rheumatoid arthritis.

Six month activity:

- Phylogica was awarded \$2.2 million from the Australian Government Commercial Ready Grant to progress the development of Phylomer™ Drugs for Rheumatoid Arthritis
- Licensing deal with Fox Chase centre in the US to advance the Phylomer™ technology
- Signed a valuable research partnership with former Australian of the Year, Professor Fiona Wood to develop Phylomer™ drugs for burns injury. Phylogica also secured valuable research and/or commercial collaborations with world-experts at the University of Melbourne for rheumatoid arthritis, a Canadian biotechnology company to develop Phylogica's platform technology, and John Hopkins University and Massachusetts General Hospital, leaders in peptide drug discovery
- Announced positive pre-clinical results in both stroke and burns

XRT (Unlisted)

XRT was formed as a spinout company from the leading Australian research organization, CSIRO. XRT is a global pioneer in ultra-high resolution imaging based on its state-of-the-art patented phase contrast imaging techniques. The technology allows for imaging of unparalleled quality in a range of medical and industrial applications.

XRT is presently focused on collaboratively developing applications of its technology platform in a variety of industries.



PRIMABioMed LIMITED

Prima Biomed is a biotechnology company based in Melbourne, Australia and is developing technologies in the field of cancer immunotherapy originating from the Austin Research Institute.

Prima (ASX: PRR)

Six month activity:

- Completed the divestment of its subsidiary Athron to a North American company, Trillium, gaining an equity stake which has the potential to deliver significant value to investors.
- Completed deals with the Walter Reed Army Institute, AstraZeneca and Xencor for Arthron's anti-inflammatory technology
- Progressed recruitment for the Phase 2a trial in ovarian cancer
- Cancer vaccine company, Biomira exercised its rights to equity in Prima
- Strengthened its Board with several high profile appointments

Starpharma (ASX: SPL)

Starpharma Holdings Limited leads the world in the application of nanotechnology to pharmaceuticals. The Company's lead product in development is VivaGel™, a vaginal microbicide designed to prevent the transmission of sexually transmitted diseases, including HIV and genital herpes. VivaGel™ is the first example of a product to come from Starpharma's Dendrimer-based discovery pipeline, which also includes specific programs in the fields of ADME Engineering™ (using dendrimers to control where and when drugs go when introduced to the body), Polyvalency (using the fact that dendrimers can activate multiple receptors simultaneously) and Targeted Diagnostics (using dendrimers as a scaffold to which both location-signalling and targeting groups are added to allow location of specific cell type, such as cancer cells).



Six month activity:

- FDA "fast tracks" the regulatory path for VivaGel™
- Starpharma raised AU\$15 million through an institutional placement and Share Purchase Plan
- Starpharma's investee company DNT received "Technology Innovation of the Year Award" and entered a major collaboration in the USA for Dendrimer based cancer detection technology
- Development of VivaGel™ accelerated with US\$20 million funding from the NIH
- Won the Frost & Sullivan Growth Strategy Leadership award

REGISTERED OFFICE

Company Secretary, Mr Jim Harte
Suite 6, Level 5
3 Spring St
Sydney NSW 2000
Ph: +61 2 9241 2622
Fax: +61 2 9241 2687

Level 40, Chifley Tower
2 Chifley Square
Sydney NSW 2000, Australia

INVESTMENT MANAGER

Managing Director Harry Karelis
Ph: +61 8 9267 4788
Fax: +61 8 9267 4701
E-mail: hkarelis@titanbioventures.com
Web: www.titanbioventures.com

Titan BioVentures Management Pty Ltd.
Level 2, 55 St. Georges Terrace
Perth WA 6000, Australia
With additional offices in Sydney and London