

13 March 2003

Level 41, Aurora Place
88 Phillip Street
Sydney NSW 2000 Australia

GPO Box 3698
Sydney NSW 2001

T 13 35 66 General Enquiries
T 61 2 9994 7000
F 61 2 9994 7777

Dear Shareholder

The negative conditions in global financial markets continues to pervade investor sentiment and has now moved to encompass not only the technology sectors but also the more traditional industrial sectors. Conditions in the private equity/venture capital arena are faring no better and groups with cash to invest, like BioTech Capital Ltd, are well placed to ride out the bear market.

Whilst the volume of deals we assess continues to remain robust, the quality or pricing expectations of these companies is such that we have chosen to adopt a very conservative approach to new investments. Consequently, we have not finalised any new investments in the past six months despite reviewing several opportunities in very close detail.

The six companies we currently hold in the portfolio are all achieving significant technical and commercial milestones. However, like all fast growing organisations, they have ongoing requirements for capital. Our strong cash levels ensure we have the ability to continue to support our companies alongside some of Australia's other leading private equity groups.

In the past six months we have made follow-on investments in XRT Ltd and Pacific Knowledge Systems and expect to participate in a new funding round for Alchemia which is currently being finalised. Our preference is to work alongside similar groups to BioTech Capital Ltd in forming investment syndicates thereby sharing risk and opening up larger global networks.

Our view is that any improvement in conditions with respect to potential floats of our investee companies cannot reasonably be expected before the end of 2003. Naturally, global political events continue to occupy the minds of investors providing an added layer of complexity.

Investments in the life science area is by necessity a long-term investment decision and given the high risk of failure, diversification is the only sensible approach. The high risk, long term nature is offset by the prospects of achieving significant investment returns to those investors who follow a disciplined approach. Increases in the intrinsic value of our portfolio companies will be driven by the ongoing achievement of technical milestones, the formation of global collaborations with strategic partners and of course the generation of revenues through the sale of products and/or milestone payments received by partners.

Your Board adopts guidelines issued by the Australian Venture Capital Association with regard to the carrying value of investments and accordingly have a policy to re-value holdings only when an arms-length transaction has occurred setting a new valuation benchmark. The consequence of this is no change to the official carrying value despite the achievement of value-creating milestones by several of our portfolio companies.

The outlook remains optimistic for our portfolio companies and in turn BioTech Capital. As our earlier investments begin to mature they will seek further capital or move towards public listings. These events will provide Directors with a clear basis for the revaluation of these holdings and demonstrate to shareholders the value being created by taking a disciplined, long-term view on these exciting investment opportunities.

The Board has considered several options over recent months in light of the disappointing share-price performance and have concluded that the investment strategy should not be changed at this stage. Accordingly, we continue to look for exciting additions to our portfolio and remain one of the few vehicles providing investors with access to a wide range of some of Australia's leading biotechnology companies.

Formal communication with shareholders will take place semi-annually. Registering your email details at www.biotechcapital.com.au will ensure that you are kept up-to-date with the latest developments as they occur.

Should you wish to amend or confirm any of your personal/mailling details or share balance, ASX Perpetual Registry Services can be contacted on 1800 331 721.

Once again, thank you for your continued support in what are unsettled times for financial markets and we all look forward to a sustained recovery in investor sentiment.

Yours sincerely



WEB Ireland
Chairman
BioTech Capital Ltd

Personal Information

BioTech Capital Limited (The Company) and Challenger BioTech Management Limited (The Manager) will collect personal information from you in order to provide you with information relating to your holding of shares in the Company. We sometimes disclose your personal information to our agents, contractors or third party service providers to whom we outsource services such as mailing functions and registry (our **Service Providers**). If you do not provide us with your personal information we may not be able to provide information to you in accordance with your personal details.

We may also use your personal information to tell you about other products and services offered by us or other members of the Challenger International Group and in order to do that we may disclose your information to them or our Service Providers. Please contact our Client Services Team on 13 35 66 if you do not consent to us using or disclosing your personal information in these ways.

From 21 December 2001, in most cases, you can gain access to the personal information that we hold about you. We aim to ensure that the personal information we retain about you is accurate, complete and up-to-date. To assist us with this, please contact us if any of the details you have provided change. If you have concerns about the completeness or accuracy of the information we have about you, we will take steps to correct it.

Investment Portfolio as at February 2003

Investment	\$ value	% of total funds	Equivalent cents per share	% ownership of company*
Proteome Systems	\$5,375,000	13.8%	6.72	2.6%
XRT (formerly X-Ray Technologies)	\$5,000,000	12.8%	6.25	20.0%
Xenome Ltd	\$3,500,000	8.9%	4.37	27.3%
Biocomm	\$3,000,000	7.7%	3.75	24.0%
Pacific Knowledge Systems	\$2,197,574	5.6%	2.75	18.3%
Alchemia	\$2,000,000	5.1%	2.50	3.3%
Net Cash	\$17,989,336	46.1%	22.48	n.a.
Total	\$39,061,910	100.0%	48.81	n.a.

Note:

* In keeping with traditional venture capital practices, investments made by BioTech Capital Ltd in portfolio companies contain several features designed to protect the value of the investment. These mechanisms include preferred returns, anti-dilution features and conversion price adjustment mechanisms. Shareholders should note that depending on the achievement or failure of milestones the ownership figures above may increase for no additional funds invested.

Key milestones achieved since June 30 2002

Proteome Systems:

- Completes capital raising round valuing the company at \$400 million including a leading Japanese group becoming a shareholder
- Collaboration with Nestle to focus on studying sugars attached to proteins found in milk
- Forms joint-venture with Charles River Laboratories – one of the world's leading contract research organisations
- Successfully launches a range of next generation electrophoresis platforms

Pacific Knowledge Systems:

- Signs several new pathology laboratories as users of its LabWizard™ platform including Gribbles Group who in addition to domestic use intend to roll out the product into their international laboratories
- Signs heads of agreement to develop a reference site in North America as a precursor to rolling out the product in that market
- Completes internal capital raising round to facilitate expansion
- Monthly use of LabWizard grows from 14,000 to over 200,000 reports over past two years

Xenome:

- Forms drug discovery collaboration with Cambridge-based company TheraSci
- Formally progresses its lead in-house molecule Xen2174 into pre-clinical trials after very encouraging data in the treatment of pain
- Has a successful meeting with US FDA with regard to clinical trial structure
- AMRAD announces positive results from AM336 progressing this molecule into additional Phase II trials. Xenome is entitled to share 50% of any revenue received by AMRAD from this molecule.

XRT:

- Successfully completes first phase collaboration with leading North American semi-conductor manufacturer and is in negotiations to expand the second phase of this project including specific product development objectives.
- Forms global distribution partnership with EDAX for the sale and marketing of the company's technology
- Formally commenced a capital raising round targeting offshore strategic investors which is expected to be concluded by mid-2003

Biocomm:

- Successfully completes international licensing transaction on behalf of a member institute

Alchemia:

- Granted key international patents surrounding its core technology platform

BioTech Capital:

- Professor Tony Basten, one of Australia's leading immunologists, joins the Board of BioTech Capital Ltd as a non-executive Director.