

# Appendix 4E

## Biotech Capital Limited ACN 091 979 172

### Preliminary final report Financial year ended 30 June 2017

The following information is given to the ASX under listing rule 4.3A:

#### 1. Reporting Period

Biotech Capital Limited A.C.N. 091 979 172 presents the following information for the year ended 30 June 2017 together with comparative results for the year ended 30 June 2016.

All amounts shown are in Australian dollars unless otherwise stated.

#### 2. Results for announcement to the market

	2017 \$	2016 \$	Increase/(Decrease) \$	% Change
2.1 Operating Revenue	28,496	71,184	(42,688)	(60%)
2.2 Loss after Tax attributable to equity holders	(516,527)	(870,780)	354,253	41%
2.3 Net Loss attributable to equity holders	(516,527)	(870,780)	354,253	41%
2.4 Dividends	N/A	N/A	N/A	N/A

The net loss attributable to equity holders decreased by \$354,253, mainly due to the following transactions:

- There was no impairment provision during 2017 compared to 2016 where there was an impairment provision of \$700,000 on the legacy minority investment in Sensear Pty Ltd. The impairment in 2016 reduced the carrying value of Sensear to zero
- A decrease in operating revenue due to the one-off adjustment to bring in interest income on unclaimed dividends in 2016
- An increase in the director's fees by \$70,724 in the financial year due to the employment of an executive director
- An increase in share based payments to \$83,800 compared to \$5,777 in 2016
- Employment expenses in 2017 of \$74,168 compared to Nil in 2016

**3. Income Statement**

Refer to attached Financial Statements.

**4. Balance Sheet**

Refer to attached Financial Statements.

**5. Statement of Cash Flows**

Refer to attached Financial Statements.

**6. Statement of Changes in Equity**

Refer to attached Financial Statements.

**7. Dividends**

No dividends were paid in the financial year. The directors do not recommend the payment of any dividends with respect to the financial year.

**8. Dividend or Distribution Reinvestment Plan**

Not applicable.

**9. Net Tangible Assets per Security**

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
Net tangible assets per security	\$0.03	\$0.02

**10. Changes in Control Over Entities**

During the last financial year, Biotech Capital acquired 100% of the share capital in BioImpact Pty Ltd

**11. Associates and Joint Venture Entities**

Not applicable.

**12. Significant Information**

None

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**13. Accounting Standards**

The Financial Statements have been prepared in accordance with and comply with generally accepted accounting practice in Australia, International Financial Reporting Standards, and other applicable Financial Reporting Standards as appropriate for profit-oriented entities in Australia.

**14. Commentary on the Results**

Biotech Capital invested in one new investee company during the financial year being BioImpact Pty Ltd. Biotech Capital invested a total of \$36,989 in a combination of share capital and loans to BioImpact Pty Ltd. BioImpact invests in and holds intellectual property rights for pharmaceuticals and medical devices for the development and commercialisation in the Asia/Pacific region. Technologies and products are sourced from a range of global third parties.

Biotech Capital completed a private placement capital raise in February 2017 for \$1.79m at 11 cents per share, which was at a 8.33% discount to the volume weighted average price at which Biotech Capital's shares were traded in the 10 days prior to the placement. This private placement included contributions from directors and officers of Biotech Capital of \$350,782. The issue of shares to the directors and officers is subject to shareholder approval at the next Annual General Meeting.

In March 2017, Biotech Capital offered a share purchase plan to existing holders at the same price as the private placement, which raised \$594,996 before costs. Biotech Capital Limited began trading as BTC Health on 24 July 2017.

Revenue from continuing operations for the year was down 59.97% to \$28,496 on the same period last year (2016: \$71,184). Operating loss after income tax for the same period decreased 40.68% to a loss of \$516,527 (2016: \$870,780 loss). There was no impairment provision during 2017 compared to 2016 where there was an impairment provision of \$700,000 on the legacy minority investment in Sensear Pty Ltd. The impairment in 2016 reduced the carrying value of Sensear to zero.

There was a decrease in operating revenue due to the one-off adjustment to bring in interest income on unclaimed dividends in 2016. During the year there was an increase in the director's fees by \$70,724 in the financial year due to the employment of an executive director. In 2017 share based payments increased to \$83,800 compared to \$5,777 in 2016. There were employment expenses in 2017 of \$74,168 compared to Nil in 2016. The net tangible asset backing per share as at 30 June 2017 equated to 3.13 cents (2016: 2.29 cents).

**Financial Position**

During the year, the company's net assets grew to \$3,978,873 compared with \$2,489,135 in 2016.

**15. Audit Status**

This report is based upon the audited financial statements for the year ended 30 June 2017.

**BIOTECH CAPITAL LIMITED**

Trading as

**BTC HEALTH**

ANNUAL FINANCIAL STATEMENTS AND DIRECTORS REPORT

30 JUNE 2017

## Directors' Report

The directors of Biotech Capital Limited present their report on the audited financial statements of Biotech Capital Limited for the year ended 30 June 2017.

### Directors

The following persons were directors of Biotech Capital Limited ("the Company") during the whole of the financial year and up to the date of this report, unless stated otherwise:

Richard Spencer Treagus  
Peter John Jones  
Bruce Alan Hancox  
Jonathan Charles Pilcher  
Jennifer Rachel Herz

### Principal Activities

Biotech Capital is a Pooled Development Fund, registered under the Pooled Development Funds Act 1992. The Company continues to actively seek investment opportunities in entities operating in the biotechnology / life-science sectors.

### Review of Operations and Results

Biotech Capital invested in one new investee company during the financial year being BioImpact Pty Ltd. Biotech Capital invested a total of \$36,989 in a combination of share capital and loans to BioImpact Pty Ltd. BioImpact invests in and holds intellectual property rights for pharmaceuticals and medical devices for the development and commercialisation in the Asia/Pacific region. Technologies and products are sourced from a range of global third parties.

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There was a decrease in operating revenue due to the one-off adjustment to bring in interest income on unclaimed dividends in 2016. During the year there was an increase in the director's fees by \$70,724 in the financial year due to the employment of an executive director. In 2017 share based payments increased to \$83,800 compared to \$5,777 in 2016. There were employment expenses in 2017 of \$74,168 compared to Nil in 2016. The net tangible asset backing per share as at 30 June 2017 equated to 3.13 cents (2016: 2.29 cents).

### Financial Position

During the year, the company's net assets grew to \$3,978,873 compared with \$2,489,135 in 2016.

### Dividends

No dividends have been declared in respect of the financial year ended 30 June 2017. (2016: nil)

### Business Strategies and Future Prospects

Biotech Capital's investee companies Biointelect and Bio101 provide a range of professional services to high-growth biotech, medtech and pharmaceutical companies. Biotech Capital is committed to supporting their business objectives in order that they grow their respective service offerings, client base, revenues and ultimately their profitability. BioImpact will continue to source and in licence speciality pharmaceuticals and medical devices. Biotech Capital will carefully evaluate additional investment opportunities in the life sciences sector, more specifically, technologies and companies that in the Board's view will benefit from greater access to management expertise and development capital.

**Information on Directors**

Director	Experience	Special Responsibilities	Particulars of Directors' Interest at the date of this report	
			Shares	Options
R S Treagus	BScMed, MBChB, MPharmMed, MBA, MAICD. Dr Treagus is a physician and entrepreneur with over 20 years' experience in all aspects of the international pharmaceutical and biotechnology industry. Currently a Director of Neuren Pharmaceuticals Limited. Appointed 4 August 2014. Age 51.	Executive Chairman	17,313,371	-
P J Jones	Chartered Accountant. Mr Jones is a successful investor in public and private companies and has considerable investment experience in the biotechnology and life sciences sector. Currently a Director of Site International Limited. Appointed 4 August 2014. Age 65.	Non-Executive Director	13,787,496	-
B A Hancox	Mr Hancox has had a long and distinguished career in business in New Zealand and Australia. Currently a director of Neuren Pharmaceuticals Limited and Medical Australia Limited. Appointed 1 September 2015. Age 68.	Non-Executive Director	-	-
J C Pilcher	Chartered Accountant. Mr Pilcher holds a degree in biotechnology from the University of Reading in the UK. Currently the CFO and Company Secretary of Neuren Pharmaceuticals Limited. Appointed 1 September 2015. Age 51.	Non-Executive Director	-	-
J R Herz	Graduate Member of the Australian Institute of Company Directors. Mrs. Herz has over 20 years commercial and scientific affairs experience in the biopharmaceutical industry. Currently the CEO of Biointelect Pty Ltd. Appointed 4 April 2016. Age 50.	Non-Executive Director	10,100,000	1,000,000

**Company Secretary**

Mr Stuart Jones was appointed as Company Secretary on the 18 November 2015. Mr Jones has over 10 years' financial management and administration experience within the accounting profession and commerce. He is a member of Chartered Accountants Australia and New Zealand.

**Remuneration Report (Audited)**

This report outlines the remuneration arrangements in place for key management personnel of Biotech Capital Limited - (the "company").

The following persons acted as directors and were also the key management personnel of the company during the financial year:

Richard Spencer Treagus  
 Peter John Jones  
 Bruce Alan Hancox  
 Jonathan Charles Pilcher  
 Jennifer Rachel Herz

Remuneration Policy

The performance of the company depends upon the quality of its directors and executives. To prosper, the company must attract, motivate and retain highly skilled directors and executives. The Company has only one employee and fees for services provided by Directors have been determined contractually at arm's length. For these reasons, the Board has not appointed a Remuneration Committee and this function is being undertaken by the Board.

Peter Jones, Bruce Hancox and Jon Pilcher were each paid a fixed non-executive director fee of \$20,000 per annum, which is a rate determined by the board.

Dr Treagus was a non-executive director from July to September in the 2017 financial year and received a non-executive director fee of \$5,000. Dr. Treagus became an executive director on 1 October 2016 and received a monthly executive director fee of \$10,000, which totalled \$90,000 for the financial year. A service contract with PharmaConnect Pty Ltd (an entity associated with Richard Treagus) may be terminated with one day's written notice.

No Directors are entitled to long service leave or annual leave.

Company Performance and Link to Company Performance

Non-executive directors receive fixed rate remuneration, with no link to company performance.

The following table shows the revenue, the operating result and net assets of the company for the last 5 years as well as the share price and earnings per share at the end of the respective financial years.

	2013	2014	2015	2016	2017
Revenue	37,712	15,596	11,350	71,184	28,496
Net Profit/ (Loss) after tax	(501,748)	(1,888,973)	(507,019)	(870,780)	(516,527)
Other Comprehensive Income (Loss)	(188,890)	-	-	-	-
Dividend Paid	(745,540)	-	-	-	-
Share Placement	-	-	277,143	2,318,124	1,973,346
Net Assets	3,154,864	1,265,891	1,036,015	2,489,135	3,978,873
Share price at Year end (in cents)	0.02	0.025	0.10	0.11	0.16
Basic earnings per Share (in cents)	(0.67)	(2.53)	(0.60)	(0.88)	(0.45)

Remuneration of Directors:

2017	Short Term Employee Benefits \$	Post-Employment Benefits \$	Share Based Payments \$	Other Long-Term Benefits \$	Total \$
	Salary and Fees	Superannuation			
R S Treagus (Chairman)	95,000	-	-	-	95,000
P J Jones (non-executive)	20,000	-	-	-	20,000
B A Hancox (non-executive)	20,000	-	-	-	20,000
J C Pilcher (non-executive)	16,819	3,181	-	-	20,000
J R Herz (non-executive)	-	-	26,831	-	26,831
Total Remuneration	151,819	3,181	26,831	-	181,831

2016	Short Term Employee Benefits \$	Post-Employment Benefits \$	Share Based Payments \$	Other Long-Term Benefits \$	Total \$
	Salary and Fees	Superannuation			
A J Davidson (non-executive) resigned 1 September 2015	3,333	-	-	-	3,333
E W Taylor (non-executive) resigned 17 November 2015	7,609	-	-	-	7,609
R S Treagus (Chairman)	20,000	-	-	-	20,000
P J Jones (non-executive)	20,000	-	-	-	20,000
B A Hancox (non- executive) appointed 1 September 2015	16,667	-	-	-	16,667
J C Pilcher (non- executive) appointed 1 September 2015	16,667	-	-	-	16,667
J R Herz (non-executive) appointed 4 April 2016	-	-	5,777	-	5,777
<b>Total Remuneration</b>	<b>84,276</b>	<b>-</b>	<b>5,777</b>	<b>-</b>	<b>90,053</b>

#### Share based payments

Jennifer Herz received share based payments in the form of unlisted options. The options are a part of her employment contract with Biointelect Pty Ltd.

Jennifer's options are as per below

Option Series	Options granted	Grant Date	Grant date fair value \$	Exercise Price \$	Expiry Date	Vesting Date
Tranche 1	330,000	4 April 2016	0.030	0.159	4 April 2020	4 April 2018
Tranche 2	330,000	4 April 2016	0.035	0.159	4 April 2021	4 April 2019
Tranche 3	340,000	4 April 2016	0.039	0.159	4 April 2022	4 April 2020

The above options will only vest if Jennifer is employed by Biointelect on the date of vesting.

No other director of the Company received any share based payments as part of their remuneration during the financial year ended 30 June 2016 or 2017.

#### Remuneration Practices

No director appointed during the period received a payment as part of his or her consideration for agreeing to hold the position. 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 between performance and the level of remuneration.

**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 2017**

Name	Balance at the start of the year	Additions	Other net changes during the year	Balance at the end of the year
<b>Ordinary shares</b>				
R S Treagus	17,000,000	313,371	-	17,313,371
P J Jones	13,651,133	136,363	-	13,787,496
B A Hancox	-	-	-	-
J C Pilcher	-	-	-	-
J R Herz	10,000,000	100,000	-	10,100,000
<b>Unlisted Options</b>				
J R Herz	1,000,000	-	-	1,000,000

**Year ended 30 June 2016**

Name	Balance at the start of the year	Additions	Other net changes during the year*	Balance at the end of the year
<b>Ordinary shares</b>				
A J Davidson	120,000	-	(120,000)	-
E W Taylor	554,471	-	(554,471)	-
R S Treagus	17,000,000	-	-	17,000,000
P J Jones	13,515,810	135,323	-	13,651,133
B A Hancox	-	-	-	-
J C Pilcher	-	-	-	-
J R Herz	-	10,000,000	-	10,000,000
<b>Unlisted Options</b>				
J R Herz	-	1,000,000	-	1,000,000

\*Net change relates to the shares held at the date of resignation of key management personnel.

Transactions with directors and director related entities

Jennifer Herz has outstanding loans owing to Biointelect Pty Ltd (100% owned investee) at 30 June 2017 of \$12,559 and Bioelect Pty Ltd (a related entity to Jennifer Herz) has a loan outstanding to Biointelect Pty Ltd of \$3,120. These loans do not currently accrue any interest and have remained unchanged since Biointelect was acquired by Biotech Capital in April 2016. These loans remain due and payable on demand to Biointelect Pty Ltd.

Aside for the pre-mentioned transactions the terms and conditions of the transactions with directors and their director related entities were no more 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.

**End of Remuneration Report**

**Directors Meetings**

The number of meetings of the company's board of directors (including committees of directors) held for the year ended 30 June 2017, and the number of meetings attended by each director were:

	<b>Number of Director Meetings whilst person a Director</b>	<b>Number of Director Meetings Attended</b>	<b>Number of Audit Committee Meetings</b>	<b>Number of meetings eligible to attend</b>	<b>Number of meetings Attended</b>
R S Treagus	9	9	-	-	-
P J Jones	9	7	2	2	2
B A Hancox	9	8	2	2	2
J C Pilcher	9	9	2	2	2
J R Herz	9	8	-	-	-

#### **Auditor Independence Declaration to the Directors**

The directors have received the auditors' independence declaration which is included on page 30 of this report.

#### **Insurance of Directors and Officers**

During the financial year, the company paid a premium of \$9,795 (2016: \$9,680) including GST to insure the directors and officers of the company. The liabilities insured are costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the company or a related body corporate.

#### **Share Options**

At the date of this report, Biotech Capital Limited has 3,000,000 unissued ordinary shares under option.

#### **Significant Events after the Balance Date**

There are no other matters or circumstances that 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 company in future financial years.

#### **Likely Developments and Expected Results of Operations**

Biotech Capital is committed to supporting the business objectives of its wholly owned investee companies in order that they grow their revenues and ultimately their profitability. Biotech Capital also continues to seek and carefully evaluate additional investment opportunities in the life sciences sector, more specifically, technologies and companies that in the Board's view will benefit from greater access to management expertise and development capital.

#### **Environmental Regulation**

The company is not subject to any significant environmental regulation in respect of its activities.

#### **Proceedings on Behalf of the Board**

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

#### **Auditor & Non-Audit Services**

Other than audit fees, Deloitte Touché Tohmatsu were not paid a fee for other services during the year (2016: \$Nil).

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.



**R S Treagus**  
**Chairman**  
**Melbourne**  
**29 August 2017**

## Financial Report - 30 June 2017

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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  
Suite 201  
697 Burke Road,  
Camberwell VIC 3124

**Statement of Profit or Loss and Other Comprehensive Income**  
**For the year ended 30 June 2017**

	Notes	2017 \$	2016 \$
<b>Revenue from continuing operations</b>	2	<b>28,496</b>	<b>71,184</b>
Accounting and Company Secretarial expenses		(50,600)	(54,207)
Executive Directors fees		(90,000)	-
Non-Executive Directors fees		(65,000)	(84,276)
Employment expenses		(74,168)	-
Impairment provision on unlisted investments	6	-	(700,000)
Listing and Chess Fees		(29,068)	(25,641)
Share based payments	9	(83,800)	(5,777)
Other expenses from operations		(152,387)	(72,063)
<b>Loss before income tax</b>		<b>(516,527)</b>	<b>(870,780)</b>
<b>Income tax benefit</b>	3	-	-
<b>Loss after income tax attributable to members of Biotech Capital Limited</b>		<b>(516,527)</b>	<b>(870,780)</b>
<b>Total comprehensive loss for the year</b>		<b>(516,527)</b>	<b>(870,780)</b>
<b>Loss per share</b>			
Basic and diluted loss per share	18	(0.45) cents	(0.88) cents

*The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position**  
**As at 30 June 2017**

	Notes	2017 \$	2016 \$
<b>Current Assets</b>			
Cash and cash equivalents	4	3,086,213	1,185,208
Other Assets	5	22,193	-
<b>Total Current Assets</b>		<u>3,108,406</u>	<u>1,185,208</u>
<b>Non-Current Assets</b>			
Financial assets	6	1,522,015	1,521,915
Loans to investee companies		36,889	-
<b>Total Non-Current Assets</b>		<u>1,558,904</u>	<u>1,521,915</u>
<b>Total Assets</b>		<u><b>4,667,310</b></u>	<u><b>2,707,123</b></u>
<b>Current Liabilities</b>			
Trade and other payables	7	435,521	18,185
Unclaimed monies		252,916	199,803
<b>Total Current Liabilities</b>		<u>688,437</u>	<u>217,988</u>
<b>Total Liabilities</b>		<u><b>688,437</b></u>	<u><b>217,988</b></u>
<b>Net Assets</b>		<u><b>3,978,873</b></u>	<u><b>2,489,135</b></u>
<b>Equity</b>			
Issued Capital	8	43,907,429	41,934,083
Other reserves	9	89,577	5,777
Accumulated Losses	10	<u>(40,018,133)</u>	<u>(39,450,725)</u>
<b>Total Equity</b>		<u><b>3,978,873</b></u>	<u><b>2,489,135</b></u>

*The above statement of financial position should be read in conjunction with the accompanying notes.*

## Statement of Cash Flows

For the year ended 30 June 2017

	Notes	2017 \$	2016 \$
<b>Cash Flows from Operating Activities</b>			
Interest received		17,408	15,889
Other Income		11,080	55,294
Payments to suppliers and directors		(416,854)	(233,883)
<b>Net cash used in operating activities</b>	11	<u><b>(388,366)</b></u>	<u><b>(162,700)</b></u>
<b>Cash Flows from Investing Activities</b>			
Transfer from Unclaimed monies account		2,232	199,803
Payments for Investments		(100)	(221,915)
<b>Net cash used in investing activities</b>		<u><b>2,132</b></u>	<u><b>(22,112)</b></u>
<b>Cash Flows from Financing Activities</b>			
Share placement (net of capital raising costs)		1,973,346	1,018,124
Capital Raising subscription funds from directors and officers		350,782	-
Loans to investee companies		(36,889)	-
<b>Net cash provided by financing activities</b>		<u><b>2,287,239</b></u>	<u><b>1,018,124</b></u>
<b>Net increase in cash and cash equivalents held</b>		<b>1,901,005</b>	<b>833,312</b>
Cash and cash equivalents at the beginning of the financial year		<u>1,185,208</u>	<u>351,896</u>
<b>Cash and cash equivalents at the end of the Financial Year</b>	4	<u><b>3,086,213</b></u>	<u><b>1,185,208</b></u>

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

**Statement of Changes in Equity**  
For the year ended 30 June 2017

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
<b>At 1 July 2015</b>	<b>39,615,960</b>	<b>(38,579,945)</b>	-	<b>1,036,015</b>
Loss for the year	-	(870,780)	-	(870,780)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	(870,780)	-	(870,780)
Transaction with owners in their capacity as owners:				
Share placement (net of capital raising costs)	2,318,123	-	-	2,318,123
Share based payments	-	-	5,777	5,777
<b>At 30 June 2016</b>	<b>41,934,083</b>	<b>(39,450,725)</b>	<b>5,777</b>	<b>2,489,135</b>
<b>At 1 July 2016</b>	<b>41,934,083</b>	<b>(39,450,725)</b>	<b>5,777</b>	<b>2,489,135</b>
Loss for the year	-	(516,527)	-	(516,527)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	(516,527)	-	(516,527)
Transaction with owners in their capacity as owners:				
Share placement (net of capital raising costs)	1,973,346	-	-	1,973,346
Share based payments	-	-	83,800	83,800
Prior period unclaimed monies	-	(50,881)	-	(50,881)
<b>At 30 June 2017</b>	<b>43,907,429</b>	<b>(40,018,133)</b>	<b>89,577</b>	<b>3,978,873</b>

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

## **Note 1 Summary of Significant Accounting Policies**

### **The Financial Report of Biotech Capital Limited for the year ended 30 June 2017**

This general purpose financial report has been prepared in accordance with the requirements of Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001. The financial report was authorised for issue in accordance with a resolution of the directors on 29 August 2017

Biotech Capital Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

### **Basis of Preparation**

The financial statements are prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Both the functional currency and presentation currency of Biotech Capital Limited is Australian dollars (\$AUD).

For the purpose of preparing the financial statements, the Company is a for-profit entity.

### **Statement of Compliance**

Compliance with Australian Accounting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards ('IFRS').

### **Adoption of New and Revised Accounting Standards**

In the current year, the Company has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operation and effective for the current annual reporting period. The adoption of these new and revised Standards and Interpretations did not have any material impact on the amounts recognised in the financial statements of the Company for the current and prior periods.

#### **AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle**

#### **AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101**

#### **AASB 2015-5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception**

## **Standards and Interpretations in issue but not yet adopted**

At the date of authorisation of the financial statements, there are Standards and Interpretations that were issued but not yet effective. The company is currently performing an assessment of the impact resulting from the application of following Standards:

**AASB 9 Financial Instruments** is effective for annual reporting periods beginning on or after 1 January 2018 and is mandatory for reporting in the 30 June 2019 financial year.

**AASB 15 Revenue from Contracts with Customers** is effective for annual reporting periods beginning on or after 1 January 2019 and is mandatory for reporting in the 30 June 2020 financial year.

**AASB 16 Leases** is effective for annual reporting periods beginning on or after 1 January 2019 and is mandatory for reporting in the 30 June 2020 financial year.

**AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107** is effective for annual reporting periods beginning on or after 1 January 2017 and is mandatory for reporting in the 30 June 2018 financial year.

**AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016 Cycle** is effective for annual reporting periods beginning on or after 1 January 2017 and is mandatory for reporting in the 30 June 2018 financial year.

## **Significant Accounting Policies**

The following significant accounting policies have been adopted in the preparation and presentation of the financial report.

### **(a) Income Tax**

Current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred income tax is provided on all temporary differences at the statement of financial position date between the tax bases of assets and liabilities and their carrying amounts for 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 credits 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 credits 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 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 statement of financial position date.

### **(b) Impairment of Financial Assets**

Financial assets, other than those financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For equity instruments, including listed or unlisted shares, objective evidence of impairment includes information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in the equity instrument may not be recovered. A significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment for unlisted shares classified as available-for-sale.

When financial assets are considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

**(c) Revenue Recognition**

Interest 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.

Other revenue is recognised as and when the rewards and benefits associated with the service provided is transferred to the receiving party.

**(d) Investment Entity**

The company meets the definition of investment entities which are exempt from consolidation under AASB10 Consolidated Financial Statements. Instead of consolidating controlled investments the company measures its investments at fair value in the Statement of Financial Position and recognises changes in the fair value through the Statement of Profit or Loss and other comprehensive income

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

All financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

*(i) Available-for-sale*

All investments are initially recognised at fair value, being the fair value of the consideration given and including transaction costs that are directly attributable to the acquisition or issue of the investment. After initial recognition, investments, which are classified as available-for-sale, are measured at 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 profit or loss.

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.

For investments in unlisted shares that are not traded in an active market, also classified as available-for-sale financial assets and stated at fair value (because the directors consider that the fair value can be reliably measured), fair value is determined in a manner described in note 6.

*(ii) Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(iii) *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 initially recognised at fair value and 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.

(f) **Cash and cash equivalents**

Cash and short-term deposits in the statement of financial position comprises of 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 Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(g) **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.

(h) **Earnings / (Loss) per share**

(i) *Basic earnings / (loss) 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.

(ii) *Diluted earnings / (loss) 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.

(i) **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 statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flows on a net basis.

(j) **Critical 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:

### *Valuation of investments*

The fair values of unlisted securities not traded in an active market are determined in a manner described in note 6. The fair value for the investee companies continues to be held in line with the cost base of the assets due to most recent directors' valuations determining no material variance to this figure.

The directors have used assumptions, such as estimated cash flows, project business growth plans and other market data available in determining their valuation of the unlisted investments. Should these assumptions change in subsequent periods the fair value may be impacted and accounted for through the profit or loss. The directors have used a number of different valuation tools together to determine the fair value of the investee companies, including projected discounted cash flows and multiples of projected revenues and profits.

## **Note 2 Revenues from Ordinary Activities**

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
Finance revenue	17,408	15,889
Other revenue	11,088	55,295
	<u>28,496</u>	<u>71,184</u>

## **Note 3 Income Tax**

Major components of income tax expense for the years ended 30 June 2017 and 2016 are:

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
<b>Statement of Profit or Loss and other Comprehensive Income</b>		
<i>Current Income</i>		
Current income tax benefit	-	-
Adjustments in respect to current income tax of previous years	-	-
<i>Deferred Income Tax</i>		
Relating to origination and reversal of temporary differences	-	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	<u>-</u>	<u>-</u>

A reconciliation of income tax expense / (benefit) applicable to accounting profit / (loss) 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 2017 and 2016 is as follows:

Accounting profit / (loss) before tax from continuing operations	(516,527)	(870,780)
Loss before tax from discontinued operations	-	-
Accounting profit / (loss) before income tax	<u>(516,527)</u>	<u>(870,780)</u>
At the statutory income tax rate of 25% (2016: 25%)	(129,132)	(217,695)
Adjustments in respect of current income tax of previous years	-	-
Investment provisions not deductible	-	175,000
Temporary differences and tax losses not brought to account as a deferred tax asset	129,132	42,695
Temporary differences and tax losses not brought to account as a deferred tax asset to retained earnings	12,720	-
At effective income tax rate of (0%) (2016: (0%))	<u>-</u>	<u>-</u>
Income tax expense reported in statement of profit or loss	<u>-</u>	<u>-</u>

The Company is a Pooled Development Fund (PDF) and is taxed at 15% on income and gains from investments in small to medium enterprises and taxed at 25% on all other income.

	30 June 2017	30 June 2016
	\$	\$
<b>Unrecognised deferred tax assets</b>		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses - Revenue	6,258,231	6,122,393
Other	10,264	4,250
Tax Losses - Capital	44,546	44,546
	<u>6,313,041</u>	<u>6,171,189</u>

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 in the immediate future against which the company can utilise the benefits from.

#### Note 4 Cash and cash equivalents

	30 June 2017	30 June 2016
	\$	\$
Cash at bank and on hand	<u>3,086,213</u>	<u>1,185,208</u>
	<u>3,086,213</u>	<u>1,185,208</u>

Cash at bank and on hand earns interest at floating rates based on daily bank deposit rates.

#### Note 5 Other Assets

	30 June 2017	30 June 2016
	\$	\$
Office Bond	<u>22,193</u>	<u>-</u>
	<u>22,193</u>	<u>-</u>

#### Note 6 Financial Assets

	30 June 2017	30 June 2016
	\$	\$
<b>Non - Current</b>		
<b>Financial assets carried at fair value through profit or loss</b>		
Biointelect Pty Ltd	1,421,815	1,421,815
Bio101group Pty Ltd	100,100	100,100
BioImpact Pty Ltd	100	-
Total Financial assets carried at fair value through profit or loss	<u>1,522,015</u>	<u>1,521,915</u>
Total Non-Current Financial Assets	<u>1,522,015</u>	<u>1,521,915</u>

Biotech Capital Limited, as an investment entity, has applied the exception to consolidation and instead accounts for its investment in a subsidiary at fair value through profit or loss in accordance with AASB 10.

Biointelect Pty Ltd, Bio101Group Pty Ltd and BioImpact Pty Ltd are all currently held at fair value in the accounts of Biotech Capital Limited. The valuation of these entities is reviewed regularly by the directors of Biotech Capital Limited.

Biointelect is 100% owned by Biotech Capital Limited and provides consulting services for entities in the biopharmaceutical industry seeking to commercialise new technologies. Biointelect has expertise in evaluating clinical, regulatory, and economic evidence to support a highly targeted and effective market entry strategy.

Bio101group is 100% owned by Biotech Capital Limited. Bio101 provides a range of finance and administration services to private, public and listed companies in the Australian life sciences sector. These services include accounting, company secretarial, taxation, grant applications, payroll administration, business development, royalty and partner management.

BioImpact Pty Ltd is 100% owned by Biotech Capital Limited. BioImpact invests in and holds intellectual property rights for pharmaceuticals and medical devices for the development and commercialisation in the Asia/Pacific region. Technologies and products are sourced from a range of global third parties.

Biointellect is based at 13/117 Old Pittwater Rd, Brookvale NSW 2100. Bio101group and BioImpact's principal place of business is 201/ 697 Burke Road, Camberwell VIC 3124.

#### *Unlisted shares*

The fair value of each unlisted investment is determined by directors' valuation, which is based on their experience in the industry. The directors have used assumptions, such as estimated cash flows, project plans and other market data available in determining their valuation of the unlisted investments. Should these assumptions change in subsequent periods the fair value may be impacted and accounted for through the profit or loss. The directors have used a number of different valuation tools to determine the fair value of the investee companies, including discounted cash flows and multiples of revenues and profits.

#### *Impairment Loss on Unlisted Investment*

An allowance for impairment loss is recognised when there is objective evidence that the unlisted investment is impaired. No provision for an impairment loss was recognised in 2017 (2016: \$700,000) in the statement of profit or loss and other comprehensive income.

<b>Summary of changes in investments in financial assets</b>	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
Opening	1,521,915	700,000
Provision of impairment loss in unlisted investments	-	(700,000)
Additions	100	1,521,915
Closing	<u>1,522,015</u>	<u>1,521,915</u>

#### **Note 7 Trade and other payables**

	<b>30 June 2017</b>	<b>30 June 2016</b>
	\$	\$
<b>Current</b>		
Trade creditors	56,362	1,185
Accruals	24,000	17,000
Provision for Annual Leave	4,377	-
Directors & Officers Capital Raising Subscription funds	350,782	-
	<u>435,521</u>	<u>18,185</u>

Trade and other payables are non-interest bearing and are generally settled on 30-day terms.

**Note 8 Issued Capital**

	2017 Shares	2017 \$	2016 Shares	2016 \$
(a) Ordinary Shares				
Issued and fully paid – Opening Balance	108,597,807	41,934,083	85,737,224	39,615,949
Share Placement 1 September 2015			12,860,583	1,028,858
Capital raising costs	-	-	-	(4,989)
Share Placement 4 April 2016 - consideration for the acquisition of Biointellect Pty Ltd	-	-	10,000,000*	1,300,000
Capital raising costs	-	-	-	(5,735)
Share Placement 22 February 2017	13,100,742	1,441,081	-	-
Capital raising costs	-	(48,570)	-	-
Share Placement 8 March 2017	5,409,055	594,996	-	-
Capital raising costs	-	(14,161)	-	-
Closing Balance	<u>127,107,604</u>	<u>43,907,429</u>	<u>108,597,807</u>	<u>41,934,083</u>

\* This placement included 10,000,000 shares issued to a related party of Jennifer Herz.

An additional issuance of 3,188,928 shares at 11 cents per share require shareholder approval at the next Annual General Meeting. This proposed issuance is to Directors and Officers on the same terms as the share placement on the 22 February 2017.

**(b) 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.

**Note 9 Share options Reserve**

	30 June 2017 \$	30 June 2016 \$
Opening balance	5,777	-
Amortisation of unlisted share options	<u>83,800</u>	<u>5,777</u>
Closing balance	<u><u>89,577</u></u>	<u><u>5,777</u></u>

Unlisted options are valued using the Black-Scholes valuation model and are amortised over the vesting period of the options. At the date of the report, there are 3,000,000 unlisted ordinary shares under option (2016: 2,000,000). 500,000 of the 3,000,000 options granted have vested this financial year.

The following share-based payment arrangements in the form of share options were in existence during the current reporting period:

**2016 Financial Year Grant**

<b>Options Granted</b>	<b>Grant Date</b>	<b>Grant date fair value \$</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>	<b>Vesting Date</b>
660,000	4 April 2016	0.030	0.159	4 April 2020	4 April 2018
660,000	4 April 2016	0.035	0.159	4 April 2021	4 April 2019
680,000	4 April 2016	0.039	0.159	4 April 2022	4 April 2020

The above options will only vest if the eligible recipient is employed by Biointelect on the date of vesting. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

**Fair value of share options granted in the year**

The weighted average fair value of the share options granted during the 2016 financial year is \$0.035. Options were priced using a Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions, including the probability of meeting market and service conditions attached to the option. Expected volatility was based on the historical share price volatility in the period from September 2015 to the grant date.

**Inputs into the model**

	<b>Options Tranche</b>		
	<b>2016 Tranche 1</b>	<b>2016 Tranche 2</b>	<b>2016 Tranche 3</b>
Grant date share price	0.13	0.13	0.13
Exercise price	0.159	0.159	0.159
Attribution Period	2	3	4
Options Granted	660,000	660,000	680,000
Volatility	34.84%	34.84%	34.84%
Dividend Yield	0.00%	0.00%	0.00%
Risk free rate	2.00%	2.00%	2.00%

**2017 Financial Year Grant**

<b>Options Granted</b>	<b>Grant Date</b>	<b>Grant date fair value \$</b>	<b>Exercise Price \$</b>	<b>Expiry Date</b>	<b>Vesting Date</b>
500,000	20 April 2017	0.043	0.169	5 May 2019	5 May 2017
500,000	20 April 2017	0.073	0.169	20 April 2022 or 2 years after vesting	Uncertain*

\*Options vest on marketing approval in Australia of the first licensed drug or device and expire on the earlier of 2 years after vesting, or 20 April 2022

The above options will only vest if the eligible recipient is employed or contracted by the Biotech Capital Group of companies on the date of vesting.

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

### Fair value of share options granted in the year

The weighted average fair value of the share options granted during the financial year is \$0.058 (2016: \$0.035). Options were priced using a Black Scholes option pricing model. Where relevant, the expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability and exercise restrictions, including the probability of meeting market and service conditions attached to the option. Expected volatility was based on the historical share price volatility in the period from April 2016 to the grant date.

### Inputs into the model

	Options Tranche	
	2017 Tranche 1	2017 Tranche 2
Grant date share price	0.135	0.135
Exercise price	0.169	0.169
Attribution Period	0	5
Options Granted	500,000	500,000
Volatility	69.74%	69.74%
Dividend Yield	0.00%	0.00%
Risk free rate	2.00%	2.00%

### Note 10 Accumulated Losses

	30 June 2017	30 June 2016
	\$	\$
Accumulated losses at the beginning of the year	(39,450,725)	(38,579,945)
Prior period correction for unclaimed monies	(50,881)	-
Net Loss for the year	<u>(516,527)</u>	<u>(870,780)</u>
Accumulated losses at the end of the year	<u>(40,018,133)</u>	<u>(39,450,725)</u>

### Note 11 Reconciliation of Operating Loss after Income Tax to the Net Cash Flow from Operating Activities

	30 June 2017	30 June 2016
	\$	\$
Operating loss after income tax	(516,527)	(870,780)
<i>Adjustment for:</i>		
Provision for Impairment Loss on Unlisted Investments	-	700,000
Unclaimed monies	-	(199,803)
Share Options fair value amortisation	83,800	5,777
Increase / (Decrease) in trade and other payables	66,554	202,106
(Increase) / Decrease in other assets	<u>(22,193)</u>	<u>-</u>
Net cash outflow from operating activities	<u>(388,366)</u>	<u>(162,700)</u>

### Note 12 Subsequent Events

No 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 company in future financial years.

### Note 13 Key Management Personnel

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

(i) Directors

R Treagus – Executive Chairman

P Jones – Non-executive

B Hancox – Non-executive

J Pilcher – Non-executive

J Herz – Non-executive

(ii) Executives

R Treagus – Executive Chairman

#### Remuneration of key management personnel

Information on remuneration of key management personnel is set out in the Remuneration Report in the Directors Report.

	30 June 2017	30 June 2016
	\$	\$
Short term benefits	155,000	84,276
Share based payments	26,831	5,777
	<u>181,831</u>	<u>90,053</u>

### Note 14 Remuneration of Auditors

	30 June 2017	30 June 2016
	\$	\$
Deloitte Touché Tohmatsu		
Remuneration for audit or review of the financial statements	36,500	27,616
Remuneration for non-audit - taxation and other services	-	-
	<u>36,500</u>	<u>27,616</u>

### Note 15 Related Party Disclosures

Mr. Karl Herz, an employee of Biointelect Pty Ltd (a wholly owned investment of Biotech Capital), is a related party of Mrs. Jennifer Herz (non-executive director) as Karl is her spouse. Karl's remuneration was determined by and he reports to Dr. Richard Treagus (Chairman). Remuneration received (salary and superannuation) in Biointelect in 2017 was \$150,000. (2016 from acquisition of Biointelect: \$37,619) In 2016 Karl was issued 1,000,000 unlisted options in Biotech Capital as a part of his Biointelect Pty Ltd employment agreement for no cash consideration. (refer to note 9 for further details of options).

Biointelect Pty Ltd as at 30 June 2017 has outstanding loans to Bioelect Pty Ltd (a related party to Jennifer Herz) of \$3,120 and a loan to Jennifer Herz of \$12,559. These loans currently do not accrue interest and have remained unchanged since Biointelect was acquired in April 2016. These loans remain due and payable on demand to Biointelect Pty Ltd

Mr. Stuart Jones (Company Secretary) is a related party of Mr Peter Jones (non-executive director) as he is his son. Stuart is paid by the hour for his services to Biotech Capital, Stuart reports to and has all invoices approved by Dr. Richard Treagus (Chairman). Remuneration received in 2017 was \$50,600 (2016: \$30,487).

Mr. Cameron Jones an employee of Bio101group Pty Ltd (a wholly owned subsidiary of Biotech Capital) is also a related party of Mr. Peter Jones (non-executive director) as he his son. Cameron's remuneration was determined by, and he reports to, Dr. Richard Treagus (Chairman). Remuneration received in 2017 was \$89,600 (2016: \$3,939 from June 2016).

## Note 16 Operating Segments

Operating segments have been identified on the basis of internal reports of the Company that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performance. The chief operating decision maker has been identified as the Executive Chairman. Biotech Capital has a single operating segment, being the making and managing of investments in biotechnology and pharmaceutical ventures.

## Note 17 Financial Risk Management Objectives and Policies

### Financial Risk Management

#### Overview

The company has exposure to the following risks from their use of financial instruments – interest rate risk, credit risk, liquidity risk and market price risk. This note presents information about the Company's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework. The board reviews regularly the adequacy of the risk management framework in relation to the risks faced by the company. The company's principal financial instruments comprise cash and short-term deposits and financial assets. The company has other financial instruments such as trade debtors and trade creditors that arise directly from its operations. The company's policy in relation to the valuation of investments traded on organised markets, and unlisted investments has been described in Note 1(e).

#### Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument or cash flows associated with the instrument will fluctuate due to changes in market interest rates. Interest rate risk arises from fluctuations in interest bearing financial assets and liabilities that the company uses. The company's financial assets which are affected by interest rate risk are the company's cash and cash equivalents and term deposits held. The company manages its interest cost by using a mix of fixed and variable rates and trades only with recognised credit worthy third parties.

The following table sets out the carrying amount, by maturity, of the financial instruments that are exposed to interest rate risk:

#### 30 June 2017

	Balance \$	Interest Rate	Weighted Average Effective Interest Rate
Financial Assets			
Cash	<u>3,086,213</u>	Floating	0.98%
Total financial assets	<u>3,086,213</u>		
Financial liabilities -			
Trade and other payables	<u>435,521</u>	N/A	-
Total financial liabilities	<u>435,521</u>		
Net Financial Assets	<u><u>2,650,692</u></u>		

**30 June 2016**

	Balance \$	Interest Rate	Weighted Average Effective Interest Rate
Financial Assets			
Cash	1,185,208	Floating	1.25%
Total financial assets	<u>1,185,208</u>		
Financial liabilities -			
Payables	18,185	N/A	-
Total financial liabilities	<u>18,185</u>		
Net Financial Assets	<u><u>1,167,023</u></u>		

**Fair value sensitivity analysis for fixed rate instruments**

The company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

**Cash flow sensitivity analysis for variable rate instruments**

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's:

- Loss for the year ended 30 June 2017 would decrease/increase by \$8,925 (2016: decrease/increase by \$6,356). This is mainly attributable to the Group's exposure to interest rates on its variable rate savings.

**Credit Risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's financial assets. 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.

**Liquidity Risk**

Liquidity risk is the risk that the company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The following are the contractual maturities of financial liabilities:

	Carrying amount	Contractual cash flows	6 months or less	Greater than 6 months, less than 1 year	Greater than 1 year
	\$	\$	\$	\$	\$
<b>30 June 2017</b>					
Trade and other payables	(435,521)	(435,521)	(435,521)	-	-
Unclaimed monies	(252,916)	(252,916)	(252,916)	-	-
	<u>(688,437)</u>	<u>(688,437)</u>	<u>(688,437)</u>	-	-
<b>30 June 2016</b>					
Trade and other payables	(18,185)	(18,185)	(18,185)	-	-
Unclaimed monies	(199,803)	(199,803)	(199,803)	-	-
	<u>(217,988)</u>	<u>(217,988)</u>	<u>(217,988)</u>	-	-

**Fair Value of Financial Assets and Liabilities**

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.

### Market Price Risk

Equity price risk arises from available-for-sale equity securities and financial asset held at fair value through profit or loss held as a part of the company's operations. Investments within the portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors. The primary goal of the Company's investment strategy is to maximise investment returns on sale of investments. Unlisted investments are designated as a financial asset held at fair value through profit or loss their performances are actively monitored and they are managed on a fair value basis.

### Sensitivity analysis on changes in market equity prices

A change of 20% (based on the Board's assessment of similar movements in the life sciences industry) in equity prices at the reporting date would have increased (decreased) equity and profit or loss by the amounts shown below. The analysis is performed on the same basis for 2016.

	Carrying Value	Profit or loss		Equity	
		20% increase	20% decrease	20% increase	20% decrease
<b>30 June 2017</b>	\$	\$	\$	\$	\$
Financial assets carried at fair value through profit or loss:					
Unlisted investments	1,522,015	304,403	(304,403)	304,403	(304,403)
		304,403	(304,403)	304,403	(304,403)
<b>30 June 2016</b>					
Financial assets carried at fair value through profit or loss:					
Unlisted investments	1,521,915	304,383	(304,383)	304,383	(304,383)
		304,383	(304,383)	304,383	(304,383)

### Fair value of financial instruments: Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices (includes listed redeemable notes, bills of exchange, debentures and perpetual notes).
- The fair values of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance by directors' valuations, which are based on their experience in the industry. Directors have used assumptions, such as estimated cash flows, project plans and other market data available in determining their valuation of unlisted investments. Directors have reviewed discounted cash flows and multiple of revenue and profit calculations to determine the fair value holding costs of the investments.

Name of Investment	Core Activity	Basis of Valuation
<b>Biointelect Pty Ltd</b>	Consulting to life science companies to assist with commercialisation	<ul style="list-style-type: none"><li>Investment valuation on acquisition</li><li>Actual results for the year ended 30 June 2017</li><li>Forecast sales growth</li></ul>
<b>Bio101group Pty Ltd</b>	Finance and administration for life science clients	<ul style="list-style-type: none"><li>Investment valuation on acquisition</li><li>Actual results for the year ended 30 June 2017</li><li>Forecast sales growth</li></ul>
<b>BioImpact Pty Ltd</b>	In licence speciality pharmaceuticals and medical devices	<ul style="list-style-type: none"><li>Investment valuation on acquisition</li></ul>

*Fair value measurements recognised in the statement of financial position:*

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- a) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- c) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	\$	\$	\$	\$
<b>30 June 2017</b>				
Financial assets				
Unlisted investments– Financial assets carried at fair value through profit or loss	-	-	1,522,015	1,522,015
	-	-	1,522,015	1,522,015
<b>30 June 2016</b>				
Financial assets				
Unlisted investments– Financial assets carried at fair value through profit or loss	-	-	1,521,915	1,521,915
	-	-	1,521,915	1,521,915

There were no transfers between levels during the year.

*Reconciliation of Level 3 fair value measurements of financial assets*

	<b>2017</b>	<b>2016</b>
	<b>Total</b>	<b>Total</b>
	\$	\$
<b>Opening balance</b>	1,521,915	700,000
Total gains or losses:		
- acquisitions	100	1,500,100
- transaction costs	-	21,815
- in profit or loss	-	(700,000)
<b>Closing balance</b>	1,522,015	1,521,915

*Significant assumptions used in determining fair value of financial assets and liabilities*

The fair value of unlisted available for sale investments are determined by directors' valuations and assumptions, such as impacts on estimated cash flows, project plans and market data available.

**Capital risk management**

The Company objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. The management of the Company's capital is performed by the Board. The company is not subject to externally imposed capital requirements. The Company's overall strategy remains unchanged from 2016.

The capital structure of the Company consists of cash and cash equivalents and equity attributable to equity holders, comprising issued capital, reserves and retained earnings. Operating cash flows are used to maintain and expand operations, as well as to make routine expenditures such as tax and general administrative outgoings.

	<b>30 June 2017</b>	<b>30 June 2016</b>
	<b>\$</b>	<b>\$</b>
<b>Categories of financial instruments</b>		
<b>Financial assets</b>		
Cash and cash equivalents	3,086,213	1,185,208
Other Assets	22,192	-
Loans to investee companies	36,889	-
Financial assets carried at fair value through profit or loss	1,522,015	1,521,915
<b>Financial liabilities</b>		
Trade and other payables	435,521	18,186

**Note 18    Loss Per Share**

	<b>30 June 2017</b>	<b>30 June 2016</b>
Basic and diluted loss per share, based on the after tax loss of \$516,527 (2016: (\$870,780)) *	(0.45) cents per share	(0.88) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	114,567,560 shares	98,761,149 shares

\*The options issued are not included in the diluted EPS as they are anti-dilutive.

**Note 19    Contingent Liabilities**

There were no contingencies of which the company is aware as at the date of this report.

## **Directors' Declaration**

The directors declare that,

- a) in the directors opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and
- b) in the directors opinion, the attached financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.
- c) in the directors opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the entity, and
- d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the board of directors pursuant to section 295(5) of the Corporations Act 2001.



**R S Treagus**  
**Chairman**  
**Melbourne**  
**29 August 2017**

29 August 2017

The Board of Directors  
Biotech Capital Limited  
Suite 201/697 Burke Road  
Camberwell VIC 3124

Dear Board Members

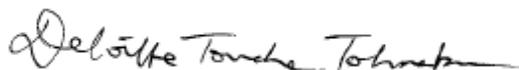
### **Biotech Capital Limited**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Biotech Capital Limited.

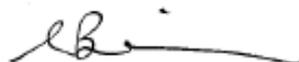
As lead audit partner for the audit of the financial statements of Biotech Capital Limited for the financial year ended 30 June 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants

## **Independent Auditor's Report to the Members of Biotech Capital Limited**

### **Report on the Audit of the Financial Report**

#### *Opinion*

We have audited the financial report of Biotech Capital Limited ("the Company"), which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion the accompanying financial report of the Company, is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><i>Unlisted shares held at fair value</i></p> <p>The company invests in a portfolio of life science organisations.</p> <p>As at 30 June 2017, the company's investment portfolio consisted of three unlisted companies carried at a fair value of \$1.5 million as disclosed in note 6.</p> <p>We focused on this area due to the significance of the balance and the level of management estimate required to determine the fair value of these investments.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of the processes undertaken by management to determine the fair value of investments in the unlisted companies within their portfolio ;</li> <li>• Assessing and challenging management's valuation methodology and assumptions applied, in conjunction with our valuation specialists;</li> <li>• Evaluating the actual financial performance of each of the investments by:               <ul style="list-style-type: none"> <li>○ Comparing the forecast financial information for the year and the plans included in the investment business case, to the actual financial and operational results;</li> <li>○ Agreeing key account balances to supporting reconciliations;</li> <li>○ Obtaining an understanding of key customers contracts in place;</li> <li>○ Performing analytical procedures to identify unusual trends or movements in account balances; and</li> <li>○ Discussing business performance and future business plans and forecasts, including the adequacy of existing funding, with management of the investment company to assess whether those forecasts are appropriate and are consistent with the investment business case.</li> </ul> </li> </ul> <p>We also assessed the appropriateness of the disclosures in note 6 to the financial statements.</p>

## *Other Information*

The directors are responsible for the other information. The other information comprises the Directors' Report, which we obtained prior to the date of this auditor's report, and also includes the following information which will be included in the Company's annual report (but does not include the financial report and our auditor's report thereon): Corporate Governance Statement and Shareholder Information, which is expected to be made available to us after that date.

Our opinion on the financial report does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Corporate Governance Statement and Shareholder Information, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action.

## *Responsibility of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

## *Auditor's Responsibilities for the Audit of the Financial Report*

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **Report on the Remuneration Report**

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 3 to 6 of the Directors' Report for the year ended 30 June 2017.

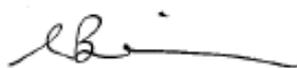
In our opinion the Remuneration Report of Biotech Capital Limited, for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

## *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



DELOITTE TOUCHE TOHMATSU



Chris Biermann  
Partner  
Chartered Accountants  
Melbourne, 29 August 2017