

Appendix 4E

BTC health Limited ACN 091 979 172

Preliminary final report Financial year ended 30 June 2018

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

1. Reporting Period

BTC health Limited A.C.N. 091 979 172 presents the following information for the year ended 30 June 2018 together with comparative results for the year ended 30 June 2017.

All amounts shown are in Australian dollars unless otherwise stated.

2. Results for announcement to the market

	2018 \$	2017 \$	Increase/(Decrease) \$	% Change
2.1 Operating Revenue	62,937	28,496	34,441	121%
2.2 Loss after Tax attributable to equity holders	(1,467,834)	(516,527)	(951,307)	(184%)
2.3 Net Loss attributable to equity holders	(1,467,834)	(516,527)	(951,307)	(184%)
2.4 Dividends	N/A	N/A	N/A	N/A

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

	30 June 2018 \$	30 June 2017 \$
Net tangible assets per security	\$0.02	\$0.03

10. Changes in Control Over Entities

During the last financial year, BTC health acquired 100% of the share capital in BTC Speciality Health Pty Ltd and disposed of 100% of the share capital in Biointelect Pty Ltd.

11. Associates and Joint Venture Entities

Not applicable.

12. Significant Information

None

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

BTC health invested in one new investee company during the financial year being BTC Speciality Health Pty Ltd. BTC health invested a total of \$175,100 in a combination of share capital and loans to BTC Speciality Health Pty Ltd. BTC Speciality Health commercialises and distributes the BTC health group's in-licensed pharmaceuticals and medical devices in the Asia/Pacific region. BTC health Limited changed its company name from Biotech Capital Limited in November 2017.

BTC health Limited disposed of its fully owned investment in Biointelect Pty Ltd for \$700,000 in April 2018 to a related party of Jennifer Herz. The transaction was deemed to be fair and reasonable by an independent expert and was approved at an extraordinary meeting of shareholders. The sale of Biointelect Pty Ltd for \$700,000 resulted in an impairment loss of \$721,815 and a loan write-off of \$280,000.

Revenue from continuing operations for the year increased to \$62,937 (2017: \$28,496). Operating loss after income tax increased to \$1,467,834 (2017: \$516,527), mainly due to the loss on sale of Biointelect, partially offset by an increase of \$144,900 in the fair value recorded for 100% owned investment Bio101group Pty Ltd.

Net cash used in operating activities was \$555,524 (2017: 388,366). Net cash generated by investing activities was \$118,940 with the proceeds from sale of Biointelect partly offset by increases in loans to investee companies. Net cash generated by financing activities was nil, compared with \$2,324,128 in the prior year due to the capital raise in February 2017. At the annual general meeting of shareholders in November 2017, shareholders approved the issue to Directors, Officers and related parties the shares that were taken up as a part of the February 2017 capital raise.

Financial Position

At 30 June 2018, the company's net assets were \$2,973,002 compared with \$3,978,873 at 30 June 2017. Net assets fell in the year mainly due to the loss on sale of Biointelect. Cash reserves as at 30 June 2018 were \$2,649,629, compared with \$3,086,213 at 30 June 2017. The net tangible asset backing per share as at 30 June 2018 equated to 2.27 cents (2017: 3.13 cents).

15. Audit Status

This report is based upon the audited financial statements for the year ended 30 June 2018.

Financial Report - 30 June 2018

	Page
Contents	
Financial Report	
Statement of Profit or Loss and Other Comprehensive Income	15
Statement of Financial Position	16
Statement of Cash Flows	17
Statement of Changes in Equity	18
Notes to the Financial Statements	19

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

BTC health Limited
Suite 201
697 Burke Road,
Camberwell VIC 3124

Statement of Profit or Loss and Other Comprehensive Income
For the year ended 30 June 2018

	Notes	2018 \$	2017 \$
Revenue from continuing operations	2	62,937	28,496
Investment fair value adjustment	6	144,900	-
Loss on disposal of unlisted investments	6	(721,815)	-
Loan write-off	7	(280,000)	-
Accounting and Company Secretarial expenses		(61,875)	(50,600)
Executive Directors fees		(120,000)	(90,000)
Non-Executive Directors fees		(78,333)	(65,000)
Employment expenses		(82,686)	(74,168)
Listing and Chess Fees		(30,855)	(29,068)
Share based payments	10	(114,335)	(83,800)
Other expenses from operations		(185,772)	(152,387)
Loss before income tax		(1,467,834)	(516,527)
Income tax benefit	3	-	-
Loss after income tax attributable to members of BTC health Limited		(1,467,834)	(516,527)
Total comprehensive loss for the year		(1,467,834)	(516,527)
Loss per share			
Basic and diluted loss per share	19	(1.14) cents	(0.45) 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 2018

	Notes	2018 \$	2017 \$
Current Assets			
Cash and cash equivalents	4	2,649,629	3,086,213
Other Assets	5	83,719	22,193
Total Current Assets		<u>2,733,348</u>	<u>3,108,406</u>
Non-Current Assets			
Financial assets	6	245,200	1,522,015
Loans to investee companies	7	336,885	36,889
Total Non-Current Assets		<u>582,085</u>	<u>1,558,904</u>
Total Assets		<u>3,315,433</u>	<u>4,667,310</u>
Current Liabilities			
Trade and other payables	8	90,479	435,521
Unclaimed monies		251,952	252,916
Total Current Liabilities		<u>342,431</u>	<u>688,437</u>
Total Liabilities		<u>342,431</u>	<u>688,437</u>
Net Assets		<u>2,973,002</u>	<u>3,978,873</u>
Equity			
Issued capital	9	44,255,057	43,907,429
Other reserves	10	158,455	89,577
Accumulated losses	11	(41,440,510)	(40,018,133)
Total Equity		<u>2,973,002</u>	<u>3,978,873</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 2018

	Notes	2018 \$	2017 \$
Cash Flows from Operating Activities			
Interest received		22,937	17,408
Other income		-	11,080
Payments to suppliers and directors		(578,461)	(416,854)
Net cash used in operating activities	12	<u>(555,524)</u>	<u>(388,366)</u>
Cash Flows from Investing Activities			
Transfer (from)/ to unclaimed monies account		(964)	2,232
Payments for investments		(100)	(100)
Proceeds from the sale of investments		700,000	-
Loans to investee companies		(579,996)	(36,889)
Net cash generated by/ (used in) investing activities		<u>118,940</u>	<u>(34,757)</u>
Cash Flows from Financing Activities			
Share placement (net of capital raising costs)		-	1,973,346
Capital raising subscription funds from directors and officers		-	350,782
Net cash generated by financing activities		<u>-</u>	<u>2,324,128</u>
Net increase/ (decrease) in cash and cash equivalents held		(436,584)	1,901,005
Cash and cash equivalents at the beginning of the financial year		3,086,213	1,185,208
Cash and cash equivalents at the end of the Financial Year	4	<u>2,649,629</u>	<u>3,086,213</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 2018

	Issued capital \$	Accumulated losses \$	Other reserves \$	Total \$
At 1 July 2016	41,934,083	(39,450,725)	5,777	2,489,135
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)
At 30 June 2017	43,907,429	(40,018,133)	89,577	3,978,873
At 1 July 2017	43,907,429	(40,018,133)	89,577	3,978,873
Loss for the year	-	(1,467,834)	-	(1,467,834)
Other comprehensive income	-	-	-	-
Total comprehensive (loss) for the year	-	(1,467,834)	-	(1,467,834)
Transaction with owners in their capacity as owners:				
Share placement (net of capital raising costs)	347,628	-	-	347,628
Share based payments	-	-	114,335	114,335
Forfeiture of share options	-	45,457	(45,457)	-
At 30 June 2018	44,255,057	(41,440,510)	158,455	2,973,002

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 BTC health Limited for the year ended 30 June 2018

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 21 August 2018

BTC health 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 BTC health 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

Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current reporting period

The Company has adopted the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current year:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107

The adoption of new and revised Standards and Interpretations did not have any material impact on the Company's financial statements.

New and revised Australian Accounting Standards in issue but not yet effective

At the date of authorisation of the financial statements, the Company has not applied the following new and revised Australian Accounting Standards that have been issued but are not yet effective:

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

This standard principally addresses the classification, measurement and recognition approaches for financial assets and liabilities.

The directors do not expect this standard to have a material impact on the recognition and measurement of its financial instruments.

AASB 15 Revenue from Contracts with Customers is effective for annual reporting periods beginning on or after 1 January 2018 and for reporting by the Company in the 30 June 2019 financial year.

The standard addresses revenue recognition and establishes principles for reporting information about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

The Company only generates revenue from interest income and related party management fees for which no significant changes in timing or measurement have been identified under the principles of the AASB 15. Accordingly, the directors do not anticipate that the application of the new standard will have a material impact on the Company's financial statements.

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

The standard will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases has been removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short term and low-value leases. The accounting for lessors will not significantly change.

The directors do not anticipate that the application of the new standard will have a material impact on the Company's financial statements as the Company does not presently have any long-term lease commitments.

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.

(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.

Management fee revenue is recognised in the accounting period in which the services are rendered and measured in accordance with the underlying agreement.

(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 profit or loss.

(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

Available for sale financial assets 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 financial assets. After initial recognition, financial assets, which are classified as available-for-sale, are measured at fair value. Gains or losses on available-for-sale financial assets are recognised as a separate component of equity until the financial asset is sold, collected or otherwise disposed of, or until the financial assets is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the profit or loss.

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

Financial assets are classified at fair value through profit or 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 or 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. Trade and other creditors are initially measured at fair value and are subsequently measured at amortised cost.

(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 accordance with the directors' valuations which are based on their experience in the industry.

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

	30 June 2018	30 June 2017
	\$	\$
Interest income	22,937	17,408
Other revenue	-	11,088
Management Fee	40,000	-
	<u>62,937</u>	<u>28,496</u>

Note 3 Income Tax

Major components of income tax expense for the years ended 30 June 2018 and 2017 are:

	30 June 2018	30 June 2017
	\$	\$
Statement of Profit or Loss and other Comprehensive Income		
<i>Current Income</i>		
Current income tax benefit	-	-
<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 2018 and 2017 is as follows:

Accounting profit / (loss) before tax from continuing operations	<u>(1,467,834)</u>	<u>(516,527)</u>
At the statutory income tax rate of 25% (2016: 25%)	(366,959)	(129,132)
Temporary differences and tax losses not brought to account as a deferred tax asset	222,730	129,132
Permanent differences	144,229	-
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%) (2017: (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 2018	30 June 2017
	\$	\$
Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax Losses - Revenue	6,434,138	6,226,733
Temporary differences	23,688	12,442
Tax Losses - Capital	225,000	44,546
	<u>6,682,826</u>	<u>6,283,721</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 2018	30 June 2017
	\$	\$
Cash at bank and on hand	<u>2,649,629</u>	<u>3,086,213</u>
	<u>2,649,629</u>	<u>3,086,213</u>

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

Note 5 Other assets

	30 June 2018	30 June 2017
	\$	\$
Office bond	14,795	22,193
Prepayments	23,742	-
Trade debtors	45,182	-
	<u>83,719</u>	<u>22,193</u>

Trade debtors includes \$44,000 as a related party receivable from Bio101group Pty Ltd

Note 6 Financial assets

	30 June 2018	30 June 2017
	\$	\$
Non - Current		
Financial assets carried at fair value through profit or loss		
Biointelect Pty Ltd	-	1,421,815
Bio101group Pty Ltd	245,000	100,100
BioImpact Pty Ltd	100	100
BTC Speciality Health Pty Ltd	100	-
Total Financial assets carried at fair value through profit or loss	<u>245,200</u>	<u>1,522,015</u>
Total Non-Current Financial Assets	<u>245,200</u>	<u>1,522,015</u>

BTC health Limited, as an investment entity, has applied the exception to consolidation and instead accounts for its investments in its subsidiaries at fair value through profit or loss in accordance with AASB 10.

Bio101group Pty Ltd is 100% owned by BTC health 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 BTC health 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.

BTC Speciality Health Pty Ltd is 100% owned by BTC health Limited. BTC Speciality Health commercialises and distributes the BTC health group's in-licenced pharmaceuticals and medical devices in the Asia/Pacific region.

Bio101group, BioImpact and BTC Speciality Health'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 several different valuation tools to determine the fair value of the investee companies, including discounted cash flows and multiples of revenues and profits.

	30 June 2018	30 June 2017
	\$	\$
Summary of changes in investments in financial assets		
Opening	1,522,015	1,521,915
Loss on disposal of unlisted investment	(721,815)	-
Disposal of unlisted investment	(700,000)	-
Revaluation of unlisted investment	144,900	-
Additions	100	100
Closing	<u>245,200</u>	<u>1,522,015</u>

BTC health sold all interest in its wholly-owned consulting business Biointelect Pty Ltd during the year. Under the terms of a Sale Agreement between BTC health and the Herz Family Trust, a related party of Jennifer Herz, Biointelect was sold for cash consideration of \$700,000. The sale of Biointelect Pty Ltd for \$700,000 resulted in an impairment loss of \$721,815.

Bio101group Pty Ltd.'s valuation was increased in the period by \$144,900 to \$245,000.

Note 7 Loans to investee companies

	30 June 2018	30 June 2017
	\$	\$
Non- Current		
Loans to investee companies		
BioImpact Pty Ltd	161,885	36,889
BTC Speciality Health Pty Ltd	<u>175,000</u>	<u>-</u>
	<u>336,885</u>	<u>36,889</u>

A loan advanced to Biointelect Pty Ltd of \$280,000 during the year was subsequently written off as a part of the investment sale agreement to the Herz Family Trust.

The loans issued to BioImpact Pty Ltd and BTC Speciality Health Pty Ltd are non-interest bearing and have no fixed terms of repayment.

Note 8 Trade and other payables

	30 June 2018	30 June 2017
	\$	\$
Current		
Trade creditors	76,479	56,362
Accruals	14,000	24,000
Provision for annual leave	-	4,377
Directors & Officers Capital Raising Subscription funds	-	350,782
	<u>90,479</u>	<u>435,521</u>

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

Note 9 Issued Capital

	2018	2018	2017	2017
	Shares	\$	Shares	\$
(a) Ordinary Shares				
Issued and fully paid – Opening Balance	127,107,604	43,907,429	108,597,807	41,934,083
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)
Share Placement 28 November 2017	3,188,928	350,783	-	-
Capital raising costs	-	(3,155)	-	-
Closing Balance	<u>130,926,532</u>	<u>44,255,057</u>	<u>127,107,604</u>	<u>43,907,429</u>

(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 10 Share options Reserve

	30 June 2018	30 June 2017
	\$	\$
Opening balance	89,577	5,777
Amortisation of unlisted share options	114,335	83,800
Forfeiture of options	(45,457)	-
Closing balance	<u>158,455</u>	<u>89,577</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 (2017: 3,000,000). 2,000,000 of the 3,000,000 options granted have vested.

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

2016 Financial Year Grant

Options Granted	Grant Date	Grant date fair value \$	Exercise Price \$	Expiry Date	Vesting Date	Status
660,000	4 April 2016	0.069	0.159	4 April 2020	4 April 2018	Options Forfeited
660,000	4 April 2016	0.077	0.159	4 April 2021	4 April 2019	Options Forfeited
680,000	4 April 2016	0.083	0.159	4 April 2022	4 April 2020	Options Forfeited

All the above options were forfeited upon the sale of Biointelect Pty Ltd from BTC health to the related party of Jennifer Herz.

2017 Financial Year Grant

Options Granted	Grant Date	Grant date fair value \$	Exercise Price \$	Expiry Date	Vesting Date
500,000	20 April 2017	0.046	0.169	5 May 2019	5 May 2017
500,000	20 April 2017	0.076	0.169	20 April 2022 or 2 years after vesting	25 February 2018*

*The options vested on receipt of marketing approval in Australia of the first licensed drug or device resulting in an accelerated vesting charge in the year of \$36,390.

2018 Financial Year Grant

Options Granted	Grant Date	Grant date fair value \$	Exercise Price \$	Expiry Date	Vesting Date
1,000,000	28 November 2017	0.061	0.24375	28 November 2019	28 November 2017
500,000	28 November 2017	0.079	0.24375	28 November 2020	28 November 2018
500,000	28 November 2017	0.093	0.24375	28 November 2021	28 November 2019

The above options will only vest if the eligible recipients are employed or contracted by the BTC health 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 2018 financial year is \$0.073 (2017: \$0.058). 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

	Options Tranche		
	2018 Tranche 1	2018 Tranche 2	2018 Tranche 3
Grant date share price	0.195	0.195	0.195
Exercise price	0.24375	0.24375	0.24375
Attribution Period	0	1	2
Options Granted	1,000,000	500,000	500,000
Volatility	68.38%	69.85%	69.85%
Dividend Yield	0.00%	0.00%	0.00%
Risk free rate	1.76%	1.88%	1.99%

Note 11 Accumulated Losses

	30 June 2018	30 June 2017
	\$	\$
Accumulated losses at the beginning of the year	(40,018,133)	(39,450,725)
Prior period correction for unclaimed monies	-	(50,881)
Forfeiture of share options	45,457	-
Total comprehensive loss for the year	<u>(1,467,834)</u>	<u>(516,527)</u>
Accumulated losses at the end of the year	<u>(41,440,510)</u>	<u>(40,018,133)</u>

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

	30 June 2018	30 June 2017
	\$	\$
Loss after income tax	(1,467,834)	(516,527)
<i>Adjustment for:</i>		
Increase in valuation of unlisted investment	(144,900)	-
Loan write-off	280,000	-
Loss on disposal of unlisted investment	721,815	-
Capital raising costs	(3,155)	-
Share based payments	114,335	83,800
Increase / (Decrease) in trade and other payables	5,741	66,554
(Increase) / Decrease in other assets	(61,526)	(22,193)
	<u>(555,524)</u>	<u>(388,366)</u>
Net cash used in operating activities		

Note 13 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 14 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 (resigned 31 May 2018)

J Pilcher – Non-executive

J Herz – Non-executive (resigned 20 April 2018)

(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 2018	30 June 2017
	\$	\$
Short term benefits	194,863	151,819
Post-employment benefits	3,470	3,181
Share based payments	(10,498)	26,831
	<u>187,835</u>	<u>181,831</u>

Note 15 Remuneration of Auditors

	30 June 2018	30 June 2017
	\$	\$
Deloitte Touché Tohmatsu		
Remuneration for audit or review of the financial statements	36,500	36,500
Remuneration for non-audit - taxation and other services	-	-
	<u>36,500</u>	<u>36,500</u>

Note 16 Related Party Disclosures

Mr. Karl Herz, an employee of Biointelect Pty Ltd (which up to 20 April 2018 was a wholly owned investment of BTC health), is a related party of Mrs. Jennifer Herz (non-executive director) as Karl is her spouse. Karl's remuneration was determined by Dr. Richard Treagus (Chairman) to whom he reported. Remuneration received (salary and superannuation) in Biointelect in 2018 up to sale of the investment in April 2018 by BTC health was \$92,922 (2017: \$150,000) The 1,000,000 unlisted options issued to Karl in 2016 were forfeited upon the sale of Biointelect in the current year.

Mrs. Jennifer Herz, is an employee of Biointelect Pty Ltd (which up to 20 April 2018 was a wholly owned investment of BTC health), Jennifer was a Director of BTC health up to 20 April 2018. Jennifer's remuneration as an employee of Biointelect was determined by Dr. Richard Treagus (Chairman) to whom she reported. Remuneration received (salary and superannuation) in Biointelect in 2018 up to sale of the investment in April 2018 by BTC health was \$138,750. (2017: \$200,000) The 1,000,000 unlisted options issued to Jennifer in 2016 were forfeited upon the sale of Biointelect in the current year.

Biointelect Pty Ltd was sold to a related party of Jennifer Herz during the year. The agreed selling price of Biointelect was \$700,000 which was received in cash and resulted in a loss of \$721,815 being recognised on disposal of the investment. As a part of the sale the outstanding loan of \$280,000 to Biointelect was also written off. This transaction was deemed fair and reasonable by an independent expert.

BTC health received management fee income from consulting services to Bio101group Pty Ltd during the year of \$40,000. (2017: Nil).

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 BTC health, Stuart reports to and has all invoices approved by Dr. Richard Treagus (Chairman). Remuneration received in 2018 was \$65,750 of which \$3,875 was on-charged to Bio101group at cost for service rendered resulting in a net expense to BTC health of \$61,875 (2017: \$50,600). During the year Stuart Jones received 1,000,000 unlisted share options in BTC health. The options were issued at a 125% premium to the 5-day weighted average price prior to issuance. The total value of the share-based award for the options issued were \$73,391 of which \$48,812 has been expensed in 2018.

Mr. Cameron Jones the Managing Director of Bio101group Pty Ltd (a wholly owned subsidiary of BTC health), is also a related party of Mr. Peter Jones (non-executive director) as he is his son. Cameron's remuneration was determined by, and he reports to, Dr. Richard Treagus (Chairman). Remuneration received from Bio101group Pty Ltd in 2018 was \$109,600 (2017: \$89,600). During the year Cameron Jones received 1,000,000 unlisted share options in BTC health. The options were issued at a 125% premium to the 5-day weighted average price prior to issuance. The total value of the share-based award the options issued were \$73,391 of which \$48,812 has been expensed in 2018.

Note 17 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. BTC health has a single operating segment, being the making and managing of investments in biotechnology and pharmaceutical ventures.

Note 18 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 risk 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 2018

	Balance \$	Interest Rate	Weighted Average Effective Interest Rate
Financial Assets			
Cash	2,649,629	Floating	0.98%
Total financial assets	2,649,629		
Financial liabilities -			
Trade and other payables	90,479	N/A	-
Total financial liabilities	90,479		
Net Financial Assets	2,559,150		

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>		

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 company's:

- Loss for the year ended 30 June 2018 would decrease/increase by \$11,646 (2017: decrease/increase by \$8,925). This is mainly attributable to the company'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 cash and cash equivalents, other assets and loans to investee companies. 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
	\$	\$	\$	\$	\$
30 June 2018					
Trade and other payables	(90,479)	(90,479)	(90,479)	-	-
Unclaimed monies	(251,952)	(251,952)	(251,952)	-	-
	<u>(342,431)</u>	<u>(342,431)</u>	<u>(342,431)</u>	-	-
30 June 2017					
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>	-	-

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 financial assets 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 2017.

	Carrying Value	Profit or loss		Equity	
		20% increase	20% decrease	20% increase	20% decrease
30 June 2018	\$	\$	\$	\$	\$
Financial assets carried at fair value through profit or loss:					
Unlisted investments	245,200	49,040	(49,040)	49,040	(49,040)
		49,040	(49,040)	49,040	(49,040)
30 June 2017					
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)

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

The fair values of unlisted investments 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
Bio101group Pty Ltd	Finance and administration for life science clients	• Multiple of revenue based on actual results for the year ended 30 June 2018
BioImpact Pty Ltd	In licence speciality pharmaceuticals and medical devices	• Investment valuation on cost incurred basis
BTC Speciality Health Pty Ltd	Commercialisation and distribution of pharmaceuticals and medical devices	• Investment valuation on cost incurred basis

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.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- 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).
- 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).

	Level 1	Level 2	Level 3	Total
30 June 2018	\$	\$	\$	\$
Financial assets				
Unlisted investments– Financial assets carried at fair value through profit or loss	-	-	245,200	245,200
	-	-	245,200	245,200
30 June 2017				
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

There were no transfers between levels during the year.

Reconciliation of Level 3 fair value measurements of financial assets

	2018 Total	2017 Total
	\$	\$
Opening balance	1,522,015	1,521,915
Total gains or losses:		
- acquisitions	100	100
- disposals	(700,000)	-
- investment fair value adjustment	144,900	-
- loss on disposal of unlisted investments	(721,815)	-
Closing balance	245,200	1,522,015

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

The fair value of unlisted 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 2017.

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.

	30 June 2018	30 June 2017
	\$	\$
Categories of financial instruments		
Financial assets		
Cash and cash equivalents	2,649,629	3,086,213
Other assets	83,719	22,193
Loans to investee companies	336,885	36,889
Financial assets carried at fair value through profit or loss	245,200	1,522,015
Financial liabilities		
Trade and other payables	90,479	435,521

Note 18 Loss Per Share

	30 June 2018	30 June 2017
Basic and diluted loss per share, based on the after tax loss of \$1,467,834 (2017: (\$516,527)) *	(1.14) cents per share	(0.45) cents per share
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	128,977,277 shares	114,567,560 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.