



10 April 2013

Kimberley Brown
Senior Adviser, Listings Compliance
Australian Stock Exchange
20 Bridge Street
Sydney NSW 2000

By email

Dear Kimberley

We refer to your letter of 9 April received by email and respond as follows to questions 1 to 3 as outlined in your letter:

1. The Company (BTC) believes the directors' assessment of the fair value of the investment in unlisted companies is appropriate on the basis that it reflects the value of its shareholding in Sensear Pty Ltd (being the only investment remaining in BTC). The assessment is based on the latest available share issue price for Sensear Pty Ltd shares, and discounted for benefits associated with the new shares being issued which are not available to existing shareholders, such as anti-dilution rights.
2. The factors considered in determining the average realisable value of the unlisted investment were that Sensear Pty Ltd had a rights issue in January 2013 which BTC did not participate in. These shares were issued at 50 cents per share. Given BTC did not participate in this rights issue, the directors decided to reflect the BTC shareholding at 41 cents per share, based on a deduction of the value of the additional rights attaching to those new shares. BTC owns 6,677,967 shares in Sensear Pty Ltd at a fair value of \$2,737,966 which equates to 41 cents per share. The cost base for these shares is \$3,116,761.
3. BTC is in discussion with its auditors as to the appropriate steps to take to provide the auditors with sufficient audit evidence of the fair value of this asset for the 30 June 2013 financial report, to obtain an unqualified audit opinion. The directors believe that the value used in the accounts best reflects the realisable value given the most recent share transactions between arms length parties. The directors have no reason to believe an independent valuation would differ from the value reflected in the accounts.

Yours sincerely

Baden M Bowen
Company Secretary



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9 April 2013

Baden M Bowen
Company Secretary
Biotech Capital Limited
1 Edmondson Crescent
Karrinyup WA 6018

By email

Dear Baden,

Biotech Capital Limited

ASX refers to the following:

1. The Company's Half year Financial Report for the period ended 31 December 2012, lodged with ASX on 20 February 2013 (the "Half Year Report").
2. The Independent Auditor's Review Report to the Half Year Report ("Review Report") which contains a Qualified Conclusion (the "Qualified Conclusion") which states the following:

Basis for Qualified Conclusion

"As disclosed in Note 3 to the half year financial report, the company has within current available for sale financial assets, investments in unlisted companies at directors' valuation of \$2,737,966 as at 31 December 2012 (30 June 2012: \$4,051,046) ("the assets"). Further, included in the statement of profit or loss and other comprehensive income are impairment losses of \$379,053 (31 December 2011: \$1,669,491) relating to the assets. As set out in Note 3, the directors have valued the assets based on their experience in the industry and the average realisable value in the short term based on their change in investment strategy. Australian Accounting Standard AASB 139 "Financial Instruments: Recognition and Measurement" requires financial assets classified as available for sale financial assets to be recognised and measured at their fair values, with subsequent changes in fair values to be recognised in other comprehensive income, except for impairment losses. We have been unable to obtain sufficient appropriate evidence of the fair values of the assets and, accordingly, we have been unable to determine whether the fair values at those dates and changes in fair values and impairment losses have been appropriately recognised."

Relevant Listing Rules and Guidance

4. Listing Rule 12.2 – *An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.*
5. Listing Rule 19.11A(b) – *If a listing rule requires an entity to give ASX accounts, the following rules apply:*
 - (b) *The accounts must be prepared to Australian accounting standards. If the entity is a foreign*

entity the accounts may be prepared to other standards agreed by ASX.

6. Listing Rule 19.2 – *An entity must comply with the listing rules as interpreted:*
- * *in accordance with their spirit, intention and purpose;*
 - * *by looking beyond form to substance; and*
 - * *in a way that best promotes the principles on which the listing rules are based.*

Questions for Response

In light of the Review Report, the information contained in the Half Year Report and the application of the listing rules stated above, can the Company please respond to the following:

1. On what basis does the Company believe that the directors' assessment of the fair value of the investments in unlisted companies is appropriate?
2. Please provide details of the factors considered in determining the average realisable value of the unlisted investments.
3. Given the Qualified Conclusion relates to an inability of the auditor to obtain sufficient appropriate audit evidence to provide a basis for a review opinion, what steps does the Company intend to take to obtain unqualified audit and review reports in future financial periods?

Please note the ASX reserves its right under listing rule 18.7 to release this letter and the Company's response to the market. Accordingly, the Company's response should address each question separately and be in a format suitable for release to the market.

If you wish to provide submissions, unless the information is required to be released to the market immediately under listing rule 3.1, a response is requested as soon as possible and, in any event by **no later than 9.30 am AEDT on Friday, 12 April 2013.**

Yours sincerely,

[Sent electronically via signature]

Kimberley Brown
Senior Adviser, Listings Compliance (Sydney)