

BIOTECH CAPITAL LIMITED

ABN 45 091 979 172

NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

Time: 11.00am

Date: Monday, 18 October 2010

Place: The offices of DibbsBarker, Level 8, 123 Pitt Street, Sydney NSW 2000

This Notice of Meeting and Explanatory Memorandum should be read in its entirety. If shareholders are in doubt as to how they should vote, they should seek advice from their professional advisors prior to voting.

Should you wish to discuss the matters in this Notice of Meeting and Explanatory Memorandum, please do not hesitate to contact the Company Secretary, Baden M Bowen on (+61 8) 9446 5293.

IMPORTANT INFORMATION

What is this document?

This Explanatory Memorandum provides shareholders with details of the proposal to internalise the management arrangements of Biotech Capital Limited. The Proposal involves, the company acquiring 100% of the units in the Titan Bioventures Management Unit Trust (**TBVM Unit Trust**), which currently manages the Company, and 100% of the shares in Titan Bioventures Management Pty Ltd (**TBVM**), which is the Trustee of the TBVM Unit Trust.

This is not investment advice

This Explanatory Memorandum is not investment advice and does not take into account your financial position, needs and objectives. When deciding how to vote on the Proposal you should consider your particular financial position, needs and objectives. You should consult a licensed financial adviser or other professional adviser if you are in any doubt as to how to proceed.

Defined terms

Some words and expressions used in this Explanatory Memorandum are capitalised as they have defined meanings. Capitalised terms are defined in the "Definitions" section 10 or elsewhere in this Explanatory Memorandum.

Currency

Unless otherwise specified, a reference to '\$' or 'dollar' is to Australian currency.

Responsibility for this document

Except as provided below, the information in this Explanatory Memorandum has been prepared by the Company, based on information available as at 13 September 2010, except as otherwise indicated. The purpose of this Explanatory Memorandum is to assist shareholders to make their own assessment of the Proposal.

The information contained in this Explanatory Memorandum is given in good faith and has been derived from information believed to be reliable as at the date of this Explanatory Memorandum.

Regulatory information

A copy of this document has been provided to the ASX and ASIC. Neither the ASX or the ASIC or any of their officers takes any responsibility for the contents of this document.

Forecasts and statements of expectation and intent

This Explanatory Memorandum includes forecasts and statements based on current expectations. The prospective information is subject to risks, uncertainties and assumptions that could cause actual results to differ materially from the forecasts and statements included in this Explanatory Memorandum.

Forecasts and statements of expectation or intent should not be taken to be a prediction that those events will occur. Actual events or results may differ materially from the events or results expressed or implied in any forecast or statement. None of the Company, TBVM or their respective officers or any person involved in the preparation of this Explanatory Memorandum makes any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forecast or statement of expectation or intent, or any events or results expected or implied in any such forecast or statement. You are cautioned not to place undue reliance on those forecasts or statements.

The statements of expectation and intent in this Explanatory Memorandum reflect views held by the Company at the date of this Explanatory Memorandum.

Taxation matters

The Company is not making any statement or recommendation to any person in relation to the taxation implications of the restructure of the management pursuant to the Resolution. Each shareholder should obtain its own advice in relation to these matters.

Date

This Explanatory Memorandum is dated 13 September 2010.

CHAIRMAN'S LETTER

Dear Shareholder,

I am writing to you to introduce the notice of meeting of shareholders to be held on Monday, 18 October 2010, with the accompanying documentation.

The purpose of the meeting is to consider and approve a resolution relating to the proposed restructuring and internalisation of the investment management of the Company.

The Company is a Listed Investment Company with approximately \$15.3 million of investments as at 31 August 2010. Titan Bioventures Management Pty Ltd (**TBVM**) (an entity associated with Harry Karelis, who is a director of the Company) was appointed the investment manager of BTC in 2004 under a management contract approved by shareholders.

At the time of the appointment of TBVM as investment manager, the Company was managed along the lines of a traditional private equity fund.

A major difference between private equity funds and the Company is that such funds typically have a ten year life – although the Company was in effect an “evergreen” fund in the sense that there was no formal wind-up date.

The other major difference is that the Company is listed on a public stock market whereas traditional private equity funds remain unlisted and very illiquid during the term of their investment horizon. As the ten year anniversary approaches for the Company it is clear that running private-equity style mandates in a publicly traded entity has several drawbacks. In particular, the inability to properly communicate the diverse range of holdings and in particular the private investments, results in the share-price trading consistently at a large discount to the underlying asset value.

As announced to the market on 12 August 2010, the Board has carefully considered a range of options for the future investment strategy of the Company and believe that the current portfolio should be realised in an orderly manner over the next 24 months with proceeds being returned to shareholders through a combination of dividends and other capital management strategies. It is the current intention of the Board, once this process has been completed, to seek the eventual wind-up and deregistration of the Company. However, the Board will consider all proposals that it receives, which may result in the Company taking a different direction in the future. The Board will keep shareholders informed of any possible changes to the realisation strategy previously announced.

In connection with the change in investment strategy, the Company has agreed a proposal with TBVM that will effectively result in the termination of this management contract several years early. Accordingly, at the meeting on 18 October 2010 shareholders are being asked to support a proposal whereby the Company acquires TBVM (via an acquisition of all of the shares in TBVM and all of the units in the TBVM Unit Trust) and effectively internalises the investment management function. The independent directors believe that these changes are appropriate and better position the Company to generate the best possible returns for shareholders in a reasonable time-frame.

I urge you to read this Explanatory Memorandum carefully and look forward to welcoming as many of you as possible at our meeting on 18 October 2010.

Kind regards,

A handwritten signature in cursive script that reads "Kathryn Greiner". The letters are fluid and connected, with a prominent loop at the end of the word "Greiner".

Kathryn Greiner AO
Chairman
13 September 2010

BIOTECH CAPITAL LIMITED
ABN 45 091 979 172

NOTICE OF MEETING

A meeting of the members of the Company will be held at the offices of DibbsBarker, Level 8, 123 Pitt Street, Sydney NSW 2000 on Monday, 18 October 2010 commencing at 11.00am.

BUSINESS

The business of the Meeting is to consider, and if thought fit, pass the following Resolution:

RESOLUTION

Resolution 1: Purchase of TBVM / termination of Management Agreement – As an ordinary resolution

“That the acquisition by the Company of all of the shares in TBVM and all of the units in the TBVM Unit Trust for the consideration and on the terms set out in the Explanatory Memorandum accompanying the Notice is hereby approved for all purposes.”

OTHER INFORMATION

Attached to this notice is an Explanatory Memorandum which contains important explanatory and other information for shareholders in relation to the Resolutions. Shareholders should read and consider that information carefully in conjunction with this notice.

VOTING EXCLUSION

The Company will disregard any votes cast on Resolution 1 by Mr H Karelis and his Associates.

However, the Company will not disregard a vote if it is cast by:

- (a) a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING ENTITLEMENT

In accordance with section 1074E(2)(g)(i) of the *Corporations Act* and regulation 7.11.37 of the *Corporations Regulations*, the Company has determined that for the purposes of the meeting all shares in the Company will be taken to be held by the persons who held them as registered shareholders at 11.00am on 16 October 2010 (**Entitlement Time**). Subject to the voting exclusion noted above, all holders of shares in the Company as at the Entitlement Time will be entitled to vote at the meeting.

APPOINTING A PROXY

1. In accordance with section 249L(d) of the *Corporations Act*, a shareholder of the Company who is entitled to attend and vote at the meeting may appoint a person as the shareholder's proxy to attend and vote for the shareholder at the meeting.
2. The appointment may specify the proportion or number of votes that the proxy may exercise.
3. If the shareholder is entitled to cast 2 or more votes at the meeting, the shareholder may appoint 2 proxies. If the shareholder appoints 2 proxies and the appointment does not specify the proportion or number of the shareholder's votes each proxy may exercise, each proxy may exercise half of the votes. If the shareholder appoints 2 proxies, neither proxy may vote on show of hands.
4. A proxy need not be a shareholder of the Company.
5. The shareholder or the shareholder's attorney must sign the proxy form. A proxy given by a corporation must be signed either under seal or by duly authorised officers or by attorney.

To be valid, proxies (and any accompanying powers of attorney where necessary) must be received no later than 11.00am (Sydney time) on 16 October 2010 at:

By mail: Advanced Share Registry Services
150 Stirling Highway
Nedlands, WA 6009

in the enclosed reply paid envelope

By fax: (08) 9389 7871

Proxies or powers of attorney received after this time will be invalid.



Baden Bowen
Company Secretary
By order of the Board

13 September 2010

BIOTECH CAPITAL LIMITED
ABN 45 091 979 172

EXPLANATORY MEMORANDUM

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KEY DATES

All times are times in Sydney, Australia

| | |
|--|-----------------------------|
| Date and time for determining eligibility to vote (which is the date you must own shares) | 11.00am on 16 October 2010* |
| Deadline for lodgement of proxy forms | 11.00am on 16 October 2010* |
| Meeting of shareholders | 11.00am on 18 October 2010* |
| If Proposal approved, anticipated date for completion of Proposal | 25 October 2010* |

* These dates are indicative only and are subject to change.

1. SUMMARY OF THE PROPOSAL

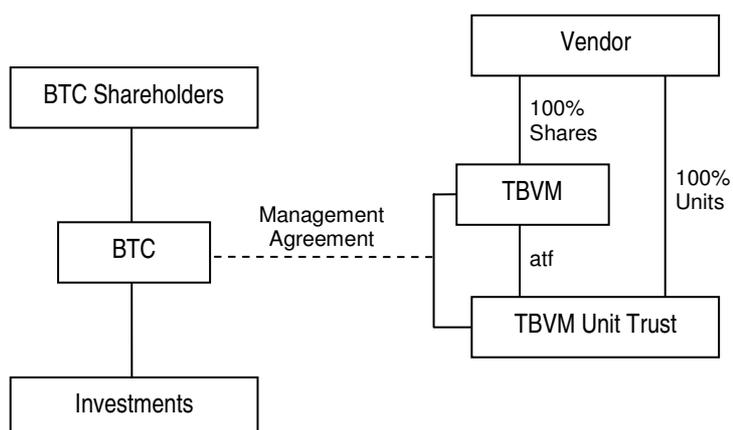
This Explanatory Memorandum sets out information to assist shareholders to consider the resolutions necessary to effect the Proposal – being the effective internalisation of the management of the Company by the Company acquiring 100% of the units in the TBVM Unit Trust, which currently manages the Company, and 100% of the shares in TBVM, which is the trustee of the TBVM Unit Trust.

1.1 Acquisition of the shares in TBVM and the units in the TBVM Unit Trust

Resolution 1 seeks the approval of the shareholders of the Company for the Proposal. The acquisition will be for the consideration and on the terms set out in this Explanatory Memorandum.

1.2 Current structure and management of the Company

The Company is a Listed Pooled Development Fund. TBVM (an entity associated with Harry Karelis who is a director of the Company) was appointed the investment manager of BTC in 2004 under a management contract approved by shareholders. The following diagram represents the current structure of the management of the Company:



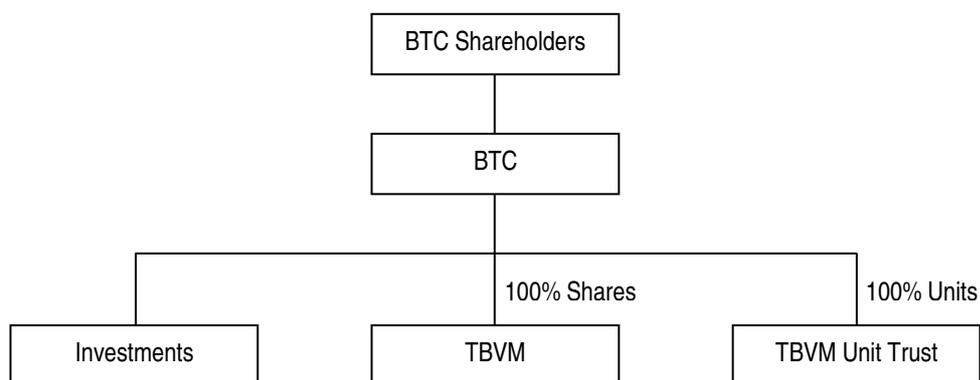
A more detailed description of the terms of the current Management Agreement, including the current fee structure, is set out in section 3 below.

1.3 Proposed structure and management of the Company

If the Proposal is approved by shareholders and implemented, TBVM will become a fully owned subsidiary of the Company and the Company will hold all of the units in the TBVM Unit Trust.

After completion of the Proposal the Management Agreement will be terminated and Harry Karelis will become an employee of the Company. The proposed terms of Harry Karelis' employment agreement with the Company are set out in section 5.5 below.

The following diagram represents the proposed structure of the Company after implementation of the Proposal:



1.4 Independent directors

The board of the Company currently comprises Kathryn Greiner (chairman), Alastair Davidson and Harry Karelis. As announced to the market on 12 August 2010, Tony Basten resigned as a director on 12 August 2010.

Kathryn Greiner and Alastair Davidson do not have a material personal interest in the Proposal and are independent directors for the purposes of the Proposal.

1.5 Recommendation of the Independent Directors

Kathryn Greiner and Alastair Davidson recommend that shareholders vote in favour of Resolution 1.

Due to his material personal interest in the Proposal, Harry Karelis makes no recommendation in relation to Resolution 1.

2. SHAREHOLDER APPROVAL

2.1 Shareholder approval

Shareholder approval for Resolution 1 is sought for all purposes including the following specific purposes:

- (a) Chapter 2E of the *Corporations Act* restricts the Company from providing financial benefits to itself and its related parties unless the benefit is provided at arm's length terms or the provision of the benefit is approved by shareholders.

For the purposes of Chapter 2E, Harry Karelis and the Vendor are each a related party of the Company. The Company is proposing to provide a financial benefit to the Vendor as the consideration for the acquisition of the units in the TBVM Unit Trust and the shares in TBVM.

Shareholder approval is therefore being sought to permit the Company to acquire the shares in TBV and units in the TBVM Unit Trust.

- (b) Section 200C of Chapter 2D of the *Corporations Act* provides that a person including a director or an associate of a director must not, without shareholder approval, receive a benefit in connection with the transfer of the whole or part of the undertaking or property of the company.

For the purposes of section 200C, the Vendor is an associate of Harry Karelis.

Part of the consideration which may be paid to the Vendor pursuant to the proposal is calculated by reference to the net cash proceeds received by the Company from the disposal of Investments (see section 4.1 below). Accordingly, the Proposal may involve provision of a benefit, being that proportion of the consideration calculated by reference to the net cash proceeds, to the Vendor in connection with the transfer of part of the property of the Company, being the sale of Investments.

Shareholder approval is therefore being sought to permit the Company to provide a benefit to the Vendor in connection with the transfer of the whole or part of the undertaking or property of the company.

2.2 Information required under section 219 of the *Corporations Act*

The following information is provided to shareholders for the purposes of section 219 of Chapter 2E of the *Corporations Act*:

- (a) **(Identity of the related party)** The related party to whom a financial benefit is to be given is the Vendor.
- (b) **(Nature of the financial benefit)** The nature of the financial benefit to be given to the Vendor is the consideration payable to the Vendor as described in section 4 below.
- (c) **(Interests of directors)** Harry Karelis is the only director of the Company who has an interest in the outcome of the proposed Resolution 1. Harry Karelis' interest is that he is the sole shareholder and controller of the Vendor.
- (d) **(Directors' recommendation)** The directors of the Company (other than Harry Karelis) recommend that shareholders not associated with the Vendor vote in favour of Resolution 1. The reasons for the directors' recommendation are set out in section 8 below.

Further the independent directors consider the financial benefits to be given to the Vendor are being given on reasonable arms length terms and therefore no shareholder approval under Chapter 2E is necessary. Nonetheless, in the interests of transparency the independent directors have resolved to seek shareholder approval under Chapter 2E.

- (e) **(Other information)** This Explanatory Memorandum sets out all other information that is reasonably required by shareholders to decide whether or not it is in the Company's interests to pass the proposed resolution and that is known to the Company or any of its directors.

2.3 Information required under section 200E of the *Corporations Act*

The following information is provided to shareholders for the purposes of section 219 of Chapter 2E of the *Corporations Act*.

The amount of the payment or the manner in which that amount is likely to be calculated and the matters, events and circumstances likely to affect the calculation of that amount are set out in section 4.1 below.

3. CURRENT MANAGEMENT AGREEMENT

The Management Agreement was entered into on 9 April 2004 after approval by the shareholders of the Company on 8 April 2004. The terms of the Management Agreement are summarised as follows.

3.1 Term

The term of the Management Agreement is 10 years from the date of entering into the Management Agreement – i.e. from 9 April 2004 until 8 April 2014.

3.2 Fees

The Management Deed provides for management fees as follows:

- (a) an annual management equal to 2% of the net value of the portfolio of Investments calculated on the last business day of each month and payable monthly in arrears;
- (b) for the purposes of the above, the net value of the portfolio is calculated as the sum of the value of each investment less any liability directly or indirectly attributable to the acquisition, maintenance or disposal of any Investment or the management and administration of the portfolio incurred or accrued before the date on which the value is calculated (including but not limited to any unpaid purchase consideration, accrued legal or other expenses, brokerage, stamp duty, borrowings or other liabilities);
- (c) TBVM is further entitled to a performance fee, in each instance of the Company realising a net gain on realisation of an Investment of 10% of the amount calculated as:

$$A - B + C$$

where:

A = the net gain on realisation for cash or cash equivalent of each Investment after deduction of all costs of acquisition and holding of that Investment but before taxation on the realisation of that Investment;

B = any realised or unrealised losses incurred, or expected to be incurred, upon the disposal of any other Investment but only to the extent to which those losses have not previously been deducted from any performance fees calculated in accordance with this formula; and

C = the amounts by which any unrealised loss previously deducted from any performance fee calculated in accordance with this formula has been recouped or reduced, but only to the extent which those amounts have not previously been added to any performance fee calculated in accordance with this formula,

- (d) such performance fee to be paid only after realisation of the Investment and such fee to be calculated without reference to any unrealised gains in respect of other investments.

By way of an example of how the fee structure works under the Management Agreement, there is a minimum threshold for fees of \$1,100,000 per annum, with the gross management fee for a year being \$1,571,429. TBVM receives the first \$1,100,000 of the management fees, and the Company receives the next \$471,429.

If the gross management fee reaches \$2,000,000, then TBVM receives \$1,100,000, and the Company receives the next \$471,429. The balance of the remaining funds are divided between TBVM and the Company in a ratio of 70:30.

The performance fees received by the manager are divided between TBVM and the Company on a ratio of 70:30, without any minimum threshold.

The fees payable to TBVM under the Management Agreement for the last four years are as follows (excluding GST):

| Year Ended | 30 June 2010 | 30 June 2009 | 30 June 2008 | 30 June 2007 |
|-------------------|---------------------|---------------------|---------------------|---------------------|
| Fees | \$515,409 | \$548,170 | \$664,862 | \$814,815 |

The Company estimates that fees totalling **\$973,132** will be payable to TBVM pursuant to the Management Agreement over the remainder of its term to 8 April 2014.

3.3 Obligations of TBVM

The obligations of TBVM under the Management Agreement are as follows:

- (a) manage the portfolio of the Company's Investments, and manage and supervise all Investments for the Company;
- (b) provide information to the Company regarding the Investments which will enable the Company to calculate the value of the portfolio of Investments; and
- (c) locate, on behalf of the Company, potential investment opportunities.

In addition, Harry Karelis is obliged to attend each Board meeting to provide briefings to the Board in relation to the status of potential investments and current investments, and when Harry Karelis is unavailable, TBVM will use its best endeavours to send a representative from TBVM to attend the Board meeting to provide the briefing.

3.4 Termination

The Company may immediately remove TBVM and terminate the Management Agreement if:

- (a) TBVM goes into liquidation (except for the purpose of amalgamation or reconstruction or some similar purpose);
- (b) a receiver, receiver and manager or controller is appointed to the undertaking of TBVM or any part thereof and such appointment is not disputed in legal proceedings by TBVM within 14 Business Days;
- (c) TBVM neglects after 14 business days' notice from the Company to carry out or satisfy any duty imposed on TBVM by the Management Agreement; or
- (d) TBVM is in default or breach of its obligations under the Management Agreement and has not rectified the breach or default within 14 business days of being notified by the Company.

Once the initial term of 10 years has elapsed, the Company may remove the TBVM as manager terminate the Management Agreement at any time by giving to TBVM three months' written notice provided that shareholders of the Company (excluding TBVM and its Associates) resolve to do so.

3.5 Participation in fees by the Company

If TBVM receives any management or performance fees received from the management of life-science focused investment funds under management (other than those of the Company) in any quarter of any Financial Year, TBVM must pay a fee to the Company (**Revenue Share**) within 30 days of the end of the relevant quarter. The Revenue Share is calculated at 30% of the revenue received by TBVM each quarter of a year. The payment of Revenue Share ceases upon termination of this deed for any reason other than the:

- (a) termination or repudiation of this deed by TBVM; and
- (b) termination of this deed by the Company as a result of default by TBVM,

in which case the Revenue Share continues until the date that termination would have occurred but for the circumstances described in (i) and (ii) above (including extension beyond the initial 10 year term if an extension was agreed to, by the parties).

To date the Company has not received any fees from TBVM pursuant to the Revenue Share.

4. AMOUNTS PAYABLE UNDER THE PROPOSAL

4.1 Amounts payable under the Proposal

Under the Proposal the Company will pay consideration to the Vendor as follows:

- (a) a fixed amount of \$416,000 payable as follows:

| Date for payment | Amount |
|-------------------------|------------------|
| 30 November 2010 | \$138,667 |
| 31 October 2011 | \$138,667 |
| 31 October 2012 | \$138,666 |
| TOTAL | \$416,000 |

- (b) a contingent amount based on a sliding percentage of the net cash proceeds received by the Company from the disposal of unlisted Investments either:
 - (i) received before 30 September 2012 (such proceeds being payable 50% on realisation of the relevant Investment and 50% on the earlier of 30 September 2012 or the day all Investments have been disposed); or
 - (ii) received by the Company after 30 September 2012 but in relation to an Investment that was listed on a stock exchange but subject to an escrow or restriction agreement as at 30 September 2012 (such proceeds being payable at the time of disposal of the relevant Investment).

The sliding percentage applied to the net cash proceeds is as follows:

| | |
|---|----|
| First \$7 million of proceeds | 3% |
| Next \$7 million - \$15 million of proceeds | 5% |
| All proceeds above \$15 million | 7% |

If Harry Karelis terminates or materially breaches his employment agreement (as set out in section 5.5 below) any amount of the consideration not paid as at that time will be forfeited and will no longer be payable under the Proposal.

Based on current valuations of the Investments the Company estimates that the total amounts payable to the Vendor under the Proposal will be **\$766,000**. When the amounts to be paid to Harry Karelis pursuant to his employment agreement are included the total amount is **\$850,000**.

4.2 Other financial terms

In addition to the amounts payable as set out above, under the Proposal the following other financial terms have been agreed:

- (a) TBVM has agreed to waive its entitlement (as the current manager) to any unpaid management fees under the Management Agreement for the period from 30 September 2010 until completion of the Proposal, provided that completion occurs on or before 31 October 2010 or such other date as the parties agree;
- (b) Harry Karelis is obliged to provide certain assistance to the Company in relation to managing the tax and regulatory affairs of TBVM and the TBVM Unit Trust after completion of the Proposal – he is entitled to reimbursement of his third party costs in providing this assistance; and
- (c) immediately following the completion of the Proposal, TBVM will sell back to Harry Karelis (or his nominee) certain assets of TBVM (predominantly computer equipment and office furniture) – the assets will be sold for market value.

5. OTHER TERMS RELATING TO THE PROPOSAL

5.1 Conditions Precedent

The Proposal is subject to the following conditions precedent:

- (a) the obtaining of shareholder approval to the Proposal (i.e. the passing of Resolution 1);
- (b) there being no material adverse change to the financial position of TBVM or the TBVM Unit Trust before completion;
- (c) there being no breach of the warranties given by the Vendor in the Sale Agreement;
- (d) the Company being satisfied with the results of its due diligence into TBVM and the TBVM Unit Trust; and
- (e) the receipt of any required approvals for completion of the Proposal.

5.2 Acquisition of shares and units

The Company is acquiring all of the shares in TBVM and all of the units in the TBVM Unit Trust.

TBVM and the TBVM Unit Trust will be acquired by the Company with minimal net tangible assets and with no actual or contingent liabilities.

5.3 Warranties and indemnities

The Vendor has provided warranties in respect of various matters relating to TBVM and the TBVM Unit Trust, including relating to its Australian Financial Services Licence, its balance sheet at Completion and the absence of litigation against it.

The Vendor has also provided an indemnity against any tax TBVM and the TBVM Unit Trust is liable to pay in respect of events before Completion. Warranty and indemnity claims are subject to a number of restrictions, including time limits for notice of claims (30 September 2012 for the warranties and 7 years from completion for the tax indemnity).

5.4 Termination

Either party may terminate the Sale Agreement if the conditions precedent described above are not satisfied (or waived) by 31 October 2010.

5.5 Employment of Harry Karelis

If the Proposal is approved, following completion Harry Karelis will become an employee of the Company. The proposed terms of his employment are as follows:

- (a) **Role:** Executive Director.
- (b) **Contract Term:** Until 30 September 2012.
- (c) **Annual Salary:** \$42,000 (including superannuation).
- (d) **Short term incentives:** None.
- (e) **Long term incentives:** None.
- (f) **Termination:** Harry Karelis can be terminated without cause on 12 months notice or the Company can elect to pay 12 months salary in lieu of notice. Harry Karelis can terminate his employment on 3 months notice.
- (g) **Termination Benefits:** On termination for cause, only accrued employee entitlements are payable. On termination by the Company without cause, in addition to accrued employee entitlements, payments in lieu of notice may be payable, if applicable.

6. ESTIMATED SAVINGS AS A RESULT OF THE PROPOSAL

It is estimated that the net cost savings of the Proposal for the company will be approximately **\$123,132**, plus any potential future performance fee savings.

7. MANAGEMENT ARRANGEMENTS FOLLOWING THE PROPOSAL

If the Proposal is approved, the management of the Company's Investments will be effectively internalised. It is the intention of the Company to terminate the

Management Agreement and, in due course, to wind up the TBVM Unit Trust and deregister TBVM.

From completion of the Proposal, the Company will effectively manage its own Investments. It will not need an Australian Financial Services Licence to do this and does not intend to obtain one.

As previously announced to the market on 12 August 2010, current Investments will be realised in an orderly manner over the next 24 months with proceeds being returned to shareholders through a combination of dividends and other capital management strategies. It is the current intention of the Board, once this process has been completed, to seek the eventual wind-up and deregistration of the Company. However, the Board will consider all proposals that it receives, which may result in the Company taking a different direction in the future. The Board will keep shareholders informed of any possible changes to the realisation strategy previously announced.

8. KEY ADVANTAGES AND DISADVANTAGES

8.1 Advantages

The key advantages of the Proposal for shareholders include:

- (a) the Company will no longer pay base and performance fees to an external manager and the costs of managing the Investments plus the amounts to be paid to the Vendor pursuant to the Proposal are likely to be less than those fees, resulting in a net saving for the Company (see section 6 above);
- (b) the Proposal aligns with the future investment strategy of Company determined by the Board – i.e. that the current portfolio should be liquidated in an orderly manner over the period to 30 September 2012 – with proceeds being returned to shareholders through a combination of dividends and other capital management strategies; and
- (c) the Board believes this liquidation strategy and commitment to returning proceeds to shareholders should result in a share price for the Company more closely aligned with the underlying asset value;
- (d) the proposal will result in minimal disruption to the day-to-day management of the Investments and the Company will retain the benefits of Mr Karelis' skills and corporate knowledge through an employment agreement with a term aligned to the investment strategy of Company.

8.2 Disadvantages

Potential disadvantages of the Proposal for shareholders include:

- (a) costs associated with the Proposal, including the consideration payable (as set out in section 3 above) if the Proposal is approved; and
- (b) the possible loss of expertise after the end of the term of Harry Karelis' employment agreement (set out in section 5.5 above) if all of the Investments are not disposed of by the Company by 30 September 2012 and an extension of Harry Karelis' employment cannot be agreed; and
- (c) potential loss of fees from TBVM under the Revenue Share provisions of the Management Agreement (as described in section 3.5 above) – although it is noted that such fees have never been received by the Company over

the life of the Management Agreement and it is not anticipated that any such fees would be received over the remainder of the term..

9. INTENTIONS IF PROPOSAL IS NOT APPROVED

If the Proposal is not approved, the Company and TBVM will continue to operate as they currently do. That is, TBVM will remain as the investment manager and will continue to provide investment management services to the Company under the Management Agreement and receive fees under the Management Agreement as they become payable. The Company intends to pursue the strategy of liquidating the portfolio in an orderly manner.

For a description of the current terms of the Management Agreement including the current fee structure, refer to section 3 above.

10. DEFINITIONS

ASIC means the Australian Securities and Investments Commission.

Associate has the meaning given in sections 10 to 17 of the *Corporations Act*.

ASX means the Australian Securities Exchange.

Board means the board of directors of the Company.

Company means Biotech Capital Limited.

Explanatory Memorandum means this document commencing at the page entitled "Explanatory Memorandum" containing information on the resolution set out in the notice of meeting.

Investment means an investment by the Company.

Management Agreement means the agreement dated 9 April 2004 between the Company and TBVM pursuant to which the Company has appointed TBVM to manage the Investments of the Company.

Proposal means the effective internalisation of the management of the Company by the Company acquiring 100% of the units in the TBVM Unit Trust, which currently manages the Investments of the Company, and 100% of the shares in TBVM, which is the Trustee of the TBVM Unit Trust.

Sale Agreement means the agreement dated 10 September 2010 between the Company, the Vendor and Harry Karelis pursuant to which the Company proposes to acquire 100% of the units in the TBVM Unit Trust and 100% of the shares in TBVM.

TBVM means Titan Bioventures Management Pty Ltd.

TBVM Unit Trust means the Titan Bioventures Management Unit Trust.

Vendor means Gemelli Nominees Pty Ltd.

CORPORATE DIRECTORY

Registered Office

BioTech Capital Limited
c/- Titan Bioventures Management
Level 9
1 William Street
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