

ECHO TECHNOLOGIES LIMITED
ACN 094 006 023

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the Shareholders' General Meeting to be held on
Friday 12 November 2004 10:00am Western Standard Time
at Suite 2, 33 Broadway, Nedlands
Western Australia**

*This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult with your professional advisers.*

If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

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TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

This General Meeting of the shareholders of Echo Technologies Limited will be held at:

Suite 2
33 Broadway Terrace
NEDLANDS WA 6009

**Commencing
at 10:00am (WST)
on Friday 12 November 2004**

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person you need to attend the meeting on the date and at the place set out above. The meeting will commence at 10:00am WST.

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- return the proxy form (by post or delivery) to the Company's share registry: c/-

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building,
45 St Georges Terrace
Perth WA 6000

or

Echo Technologies Ltd
PO Box 661
Nedlands WA 6909.

- send the proxy by facsimile to facsimile number (08) 9284 8899,

so that it is received not later than 10:00am (WST) on 10 November 2004.

Your proxy form is enclosed.

ECHO TECHNOLOGIES LIMITED
ACN 094 006 023

SECTION 1

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of ECHO TECHNOLOGIES LIMITED will be held at Suite 2, 33 Broadway, Nedlands Western Australia on 12 November 2004 at 10:00am for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

BUSINESS

Resolution 1 – Change of Activities

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 2, 3, 4 and 7, for the purposes of Listing Rule 11.1 of the Listing Rules of Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to make a significant change in the nature of its activities from a travel technology software company to a pharmaceutical and biotechnology manufacturing and services company and a significant change in the scale of those activities as described in the Explanatory Statement accompanying this Notice."

Short Explanation: The ASX Listing Rules require the Company to seek shareholder approval where it proposes to make a significant change to the nature or scale of its activities. Please refer to the Explanatory Statement for details of the proposed change.

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 2 – Change of Name

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to the passing of Resolutions 1, 3, 4 and 7, for the purposes of Section 157(1) of the Corporations Act and for all other purposes, the name of the Company be changed to "PharmAust Limited"."

Short Explanation: The Company proposes to change its name to more accurately reflect the proposed future activities of the Company.

Resolution 3 – Consolidation of Capital

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, subject to the Company raising the minimum subscription under the Capital Raising and the passing of Resolutions 1, 2, 4 and 7, in accordance with Section 254H of the Corporations and the Company's Constitution and for the purposes of Listing Rule 7.20 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the issued capital of the Company be consolidated on the date of this resolution, on the basis that:

- (a) every five (5) fully paid ordinary shares in the capital of the Company be consolidated into one (1) fully paid ordinary share in the capital of the Company;*
- (b) every five (5) options to acquire fully paid ordinary shares in the capital of the Company exercisable at \$0.075 per share on or before 30 June 2008 be consolidated into one (1) option to acquire a share exercisable at \$0.375 per share on or before 30 June 2008;*
- (c) every five (5) options to acquire fully paid ordinary shares in the capital of the Company exercisable at \$0.35 per share on or before 30 June 2005 be consolidated into one (1) option to acquire a share exercisable at \$1.75 per share on or before 30 June 2005;*

and where this consolidation results in a fraction of a share or option being held by a shareholder or optionholder (as the case may be), the directors of the Company be authorised to round that fraction up to the nearest whole share or option."

Short Explanation: Under the Corporations Act, a company may convert all or any of its securities into a smaller amount by resolution passed at a general meeting. In that case, the Company is required to consolidate its options in accordance with the ASX Listing Rules. The consolidation is proposed in order to provide the Company with a more appropriate capital structure for the proposed issue of securities under Resolution 4. The consolidation will not take effect unless the Company raises the minimum subscription of \$5,500,000 under the Capital Raising. Please refer to the Explanatory Statement for details.

Resolution 4 – Allotment and Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the passing of Resolutions 1, 2, 3 and 7, for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue, after the consolidation of the Company's capital under Resolution 3, up to 27,500,000 fully paid ordinary shares in the capital of the Company at an issue price of not less than \$0.20 per share to the public pursuant to a prospectus on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under ASX Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month period without shareholder approval. By obtaining the prior approval of shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold. Please refer to Explanatory Statement for details.

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 5 – Participation in Capital Raising by Directors and Proposed Directors

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 10.11 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue, after the consolidation of the Company's capital under Resolution 3, a total of up to 5,000,000 fully paid ordinary shares to the current and proposed directors of the Company (or their nominees) of the shares to be approved for allotment and issue under Resolution 4 on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the ASX Listing Rules an issue of securities to a director requires prior shareholder approval. The current directors and potentially any proposed director of the Company may wish to participate in the Capital Raising referred to in Resolution 4. For the

purposes of ASX Listing Rule 10.11, shareholder approval is being sought to allow these directors to be issued securities in the Company.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of the resolution, including the current and proposed directors of the Company, (an "allottee") and any of its associates of such an allottee. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 6 – Ratification of Previous Share Issue

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rules 7.1 and 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves and ratifies the allotment and issue of 24,000,000 ordinary fully paid shares in the capital of the Company on or about 19 July 2004 to investors within the meaning of section 708 of the Corporations Act 2001."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue up to 15% of its ordinary share capital in any 12 month rolling period without shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 to the issue of shares on or about 19 July 2004, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold.

The Company will disregard any votes cast on this Resolution by an allottee of the issue the subject of the Resolution (an "allottee") and any of its associates of such an allottee. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 7 – Issue of Shares to Acquire Interest in Epichem Pty Ltd

To consider and, if though fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the Company raising the minimum subscription under the Capital Raising and the passing of Resolutions 1 to 4 (inclusive), for the purposes of Listing Rules 7.1 and 10.11 of the Listing Rules of the Australian Stock Exchange and for all other purposes, approval is given for the Company to acquire the remaining 20% of the issued capital of its subsidiary, Epichem Pty Ltd by the allotment and issue of 2,625,000 ordinary fully paid shares in the capital of the Company to the Epichem Staff Shareholders after the consolidation of the Company's capital under Resolution 3 on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under ASX Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month period without shareholder approval. By obtaining the prior approval of shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold. Please refer to Explanatory Statement for details. Mr Wayne Best is an Epichem Staff Shareholder and a proposed director of the Company and as such is a related party of the Company. ASX Listing Rule 10.11 requires shareholder approval prior to the issue of securities to a related party of the Company.

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

Resolution 8 – Issue of Adviser Options

To consider and, if though fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, subject to the Company raising the minimum subscription under the Capital Raising, for the purposes of Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue, after the consolidation of the Company's capital under Resolution 3, up to 4,500,000 options to acquire fully paid ordinary shares in the capital of the Company (Adviser Options), to be issued on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under ASX Listing Rule 7.1, the Company may issue up to 15% of its ordinary share capital in any 12 month period without shareholder approval. By obtaining the prior approval of shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold. Please refer to Explanatory Statement for details.

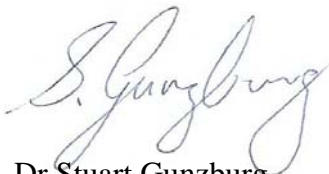
The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder, if this Resolution is passed, and any associate of those persons. However, the Company will not disregard a vote cast on this Resolution:

- a) if it is cast by a person as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- b) it is cast by a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by 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.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 10:00am (WST) on 12 November 2004.
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board



Dr Stuart Gunzburg
Company Secretary
Dated: 05 October 2004

ECHO TECHNOLOGIES LIMITED
ACN 094 006 023

SECTION 2

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. GENERAL INFORMATION

1.1 Overview

The Company was listed on the ASX in October 2001 to promote and sell travel technology software. In July 2003 the then Board undertook a review of all operations.

In October 2003 following consolidation of existing assets, the Board identified an opportunity to establish a company operating in the fast growing drug discovery sector. The Board acquired an 80% interest in Epichem which provides specialised medicinal and synthetic chemistry services to clients on a contract basis in addition to developing drug discovery intellectual property. February 2004 saw Epichem's state-of-the-art facilities completed at Murdoch University.

On 6 August 2004 the Company announced it and PharmAust Manufacturing (a wholly owned subsidiary) had entered into the Ramprie Acquisition Agreements by which it agreed to acquire all the assets of Ramprie Laboratories, a long established Pharmaceutical manufacturer. Completion of the Ramprie Acquisition Agreements are subject to a number of conditions including the approval of the Company's Shareholders to the transactions and completion of the Capital Raising to raise \$5,500,000 under the Prospectus. The Ramprie Acquisition Agreements are summarised in more detail below.

In September 2004 the Company entered into the Epichem Sale Agreement with the Epichem Staff Shareholders by which the Company agreed to acquire the remaining 20% of the shares in Epichem in order that Epichem will be a wholly owned subsidiary of the Company. The Epichem Sale Agreement is subject to necessary regulatory approvals including the approval of the Company's Shareholders. The Epichem Sale Agreement is summarised in more detail below.

Following the completion of the Ramprie Acquisition Agreements and the Epichem Sale Agreement, the Company will have 100% ownership of 2 unique subsidiary companies. PharmAust Manufacturing will, subject to the reinstatement of the TGA (Therapeutic Goods Administration) Licence and validation by registration of existing products on the ARTG (Australian Register of Therapeutic Goods), recommence operations with a range of ARTG products similar to those previously conducted by Ramprie Laboratories.

Epichem utilises its high skilled workforce to firstly generate drug discovery intellectual property and secondly provide highly specialised medicinal and synthetic chemistry services on a contract basis to clients in Australia as well as global drug companies.

The acquisitions of the Company are consistent with its strategy to be a vertically integrated developer, manufacturer and supplier of high-value patent expired PBS (Pharmaceutical Benefits Scheme) medicines (including generics), over the counter medicines and specialised hospital lines with a view to development and expansion of drug discovery and drug manufacturing businesses in Australia and South East Asia.

In order to further complement the Company's strategy, PharmAust Manufacturing in September 2004 entered into the Xepa-Soul Pattinson Channel and Distribution Agreement whereby Xepa-Soul Pattinson appointed PharmAust Manufacturing as its exclusive distributor and promoter for agreed high-value pharmaceutical products in Australia for an initial 3 year term. Xepa-Soul Pattinson is a wholly owned subsidiary of Apex Healthcare Berhard a Kuala Lumpur listed company with extensive pharmaceutical and health product interests in Malaysia.

The Board believes the acquisitions by the Ramprie Acquisition Agreements and the Epichem Sale Agreement represent a significant opportunity for the Company and recommend all Resolutions to Shareholders save for Resolution 5 from which they abstain due to a material personal interest.

In the event that any of the interdependent Resolutions (Resolutions 1, 2, 3, 4 and 7) are not passed, the Company will seek to continue to develop its Epichem business. The Company in such an event will request the ASX to reinstate the Company's securities to quotation, but there is no guarantee of reinstatement.

1.2 **Proposed Timetable of Events**

Prospectus lodged with ASIC	30 September 2004
Opening Date of Prospectus Offer	14 October 2004
General Meeting of Shareholders	12 November 2004
Estimated Closing Date of Prospectus Offer	15 November 2004
Allotment of Shares	19 November 2004
Expected Despatch of Holding Statements	23 November 2004
Expected Date for re-listing on ASX	29 November 2004

The above dates are indicative only and may change without notice. The Company reserves the right to extend the closing date of the Prospectus or close the offer early.

1.3 **Ramprrie Acquisition**

The transaction documents by which the Company is to acquire the assets of Ramprrie Laboratories and the land and buildings and improvements on which the business is conducted consists of the Ramprrie Sale of Business Assets Agreement and the Ramprrie Land Sale Agreement. Each of these agreements are interdependent on one another so that completion under each of the agreements will take place simultaneously.

Ramprrie Sale of Business Assets Agreement

The Ramprrie Sale of Business Assets Agreement (Agreement) is constituted by a sale of business assets deed dated 6 August 2004 between the Company, PharmAust Manufacturing, Narwhal Pty Ltd, Charon Investments Pty Ltd (Charon) and Leslie Ramsay.

By the Agreement the Company has agreed to acquire the business assets of Ramprrie Laboratories for \$800,000 (subject to a stock valuation) plus GST. The business assets to be sold under the Agreement include all stock, plant and equipment, existing contracts and business licences (including the TGA Licence) as well as any applicable technology, intellectual property rights or other licences and business names used in the business.

The Company has paid a non-refundable deposit of \$50,000 upon execution of the Agreement. The deposit is deductible from the purchase price for the business assets.

By the Agreement, the Company acknowledges that a fire in September 2003 to the premises of Ramprrie Laboratories led to significant damage to buildings and laboratories and a voluntary suspension of the TGA Licence that allowed Ramprrie Laboratories to manufacture TGA approved products.

Completion of the acquisition of the business assets is conditional upon:

- (a) the approval of the Company's Shareholders to the transaction in accordance with the ASX Listing Rules and other applicable laws and regulatory requirements;
- (b) subject to the Company's election, the rebuilding by Charon (one of the Ramprrie parties) at its cost of all damaged buildings and the construction of other improvements on the land in accordance with plans and specifications agreed between the Company and the Ramprrie parties;
- (c) completion of the Capital Raising by the Company in terms of this Prospectus to fund the transaction;
- (d) the Company complying with the admission requirements in Chapters 1 and 2 of the ASX Listing Rules or any other requirement of the ASX for approval of the Company's Shares to be quoted on the ASX; and
- (e) the business remaining operational until completion.

If any of the conditions precedent referred to above are not satisfied or waived by 31 December 2004 or such later date as the Company and the Ramprrie parties may agree in

writing, the Agreement will terminate. The Company may waive conditions precedent (b) and (e) above.

There are a number of warranties in the Agreement to facilitate the handover of the business assets. These include a warranty by Narwhal Pty Ltd and Les Ramsay (being Ramprie parties) to use their reasonable endeavours to reinstate the currently suspended TGA Licence and to validate TGA approved products that upon validation are allowed to be manufactured.

The Ramprie parties have the carriage of rebuilding damaged buildings and constructing improvements (including a cleanroom) upon the premises. This rebuilding will be undertaken at the cost of Ramprie parties in accordance with agreed plans and specifications.

Although the rebuilding process by Charon is a condition precedent to completion, the parties have agreed that the Company has an election to waive full compliance with this process to enable completion to occur. In such a case, the Company will take an assignment of any unfulfilled building contracts to complete relevant building works and will be funded by Charon to complete all aspects of the building process post-completion. Upon completion of the capital raising and satisfaction or waiver (where possible) of all other conditions, the Company intends to exercise this alternative so it will take an assignment of the unfulfilled building contracts and will itself ensure completion. In such an event Narwhal Pty Ltd as the holder of the TGA Licence and Leslie Ramsay undertake to transfer the TGA Licence in favour of the Company and/or PharmaAust Manufacturing upon the reinstatement of the TGA Licence and to further transfer TGA approved products upon their validation.

The Ramprie parties have provided a number of warranties and representations as to the business assets including as to their title and good standing.

Mr Leslie Ramsay, one of the Ramprie parties and a key person of the Ramprie business, will be restrained from carrying on any business similar to the Ramprie business for a period of one year from completion of the transaction under the Agreement.

Ramprie Land Sale Agreement

The Ramprie Land Sale Agreement is constituted by a land sale agreement dated 6 August 2004 between Charon Investments Pty Ltd (Charon) and the Company.

By the Ramprie Land Sale Agreement Charon as the owner agrees to sell to the Company on an unencumbered basis the land situated at 71 Division Road, Welshpool from which the Ramprie business is conducted and all buildings and chattels on or in respect of the land for the sum of \$2,300,000 plus GST.

At settlement the Company will be provided with vacant possession of the property. Settlement will occur on the same date and simultaneously with completion under the Ramprie Sale of Business Assets Agreement.

The Company will pay all stamp duty in respect of the Ramprie Land Sale Agreement and the Ramprie Sale of Business Assets Agreement except where stamp duty is assessed

upon each of those agreements upon a sum exceeding \$2,000,000, in which case the Company and Charon will pay stamp duty in equal portions upon such value in excess of \$2,000,000.

1.4 **Epichem Sale Agreement**

In September 2004 the Company and the Epichem Staff Shareholders entered into the Epichem Sale Agreement.

The Company currently holds 80% of the shares in Epichem. By the Epichem Sale Agreement the Company agrees to acquire the remaining 20% of the shares in Epichem from the Epichem Staff Shareholders in order that Epichem will be a wholly owned subsidiary of the Company.

The Company will acquire the remaining 20% of the shares in Epichem free of encumbrances in consideration of the issue of a total of 2,625,000 Shares in the Company on a post-consolidation basis to the Epichem Staff Shareholders. This represents a consideration of \$525,000 at a deemed value of 20 cents per Share. The Shares to be issued to the Epichem Staff Shareholders will be the subject of a voluntary escrow or holding lock (in addition to any ASX imposed escrow) of 12 months from issue for 50% of the Shares and 24 months from issue for the remaining 50% of the Shares.

It is a condition precedent to the Epichem Sale Agreement that the Company obtain all necessary regulatory approval to the transaction.

Settlement of the transaction will occur within 7 days of the consolidation of the Shares of the Company.

1.5 **Objectives and Strategy**

General Objectives

The Company's strategy is to be a vertically integrated developer, manufacturer and supplier of a range of high value patent-expired PBS medicines (including generics), over-the-counter medicines and specialised hospital lines with a view to development and expansion of drug discovery and drug manufacturing businesses in Australia and South East Asia.

The Company will seek to exploit niche markets in the pharmaceutical industry value chain from high end chemistry through to drug production.

Epichem currently operates in the drug discovery industry. It has two aspects to its operations being firstly the utilisation of its highly skilled workforce to generate drug discovery intellectual property and secondly the provision of highly specialised medicinal and synthetic chemistry services, including the development of pre-clinical drug compounds, on a contract basis to clients in Australia as well as global drug companies. Epichem's labour costs are significantly lower than in the United States of America and parts of Europe therefore making it well placed to capture a share of these markets.

Epichem intends to:

- expand its laboratory facilities and capacity;
- continue to focus on operations in the drug discovery and pharmaceutical sectors especially its core expertise of medicinal and synthetic chemistry services;
- develop new compounds and generate new intellectual property to capitalise on commercialisation rights and integrate with the activities of PharmAust Manufacturing.

To complement the operations of Epichem, the Company and PharmAust Manufacturing intend to complete the acquisition of the assets of Ramprie Laboratories (a generic pharmaceutical manufacturer), apply for the reinstatement of the TGA Licence to manufacture therapeutic goods (which is currently suspended pending rebuilding of laboratories) and register pharmaceutical products on the ARTG. Upon completion of this process, PharmAust Manufacturing will recommence manufacture of some of the Ramprie products.

PharmAust Manufacturing intends to register high value pharmaceutical products and then manufacture, market and supply these products to markets in Australia and overseas including South East Asia. PharmAust Manufacturing will look to enter into marketing and distribution agreements with established pharmaceutical distributors to complement the existing Xepa-Soul Pattinson Channel and Distribution Agreement.

Once the operations of PharmAust Manufacturing are established the Company will combine the unique capabilities of Epichem, PharmAust Manufacturing and their staff to encourage ongoing intellectual property generation through integration and rationalisation of equipment, services and expertise. Successful commercialisation of intellectual property could realise substantial downstream revenues for the Company.

Regulatory Reinstatement and Initial Focus for PharmAust Manufacturing

The initial focus of PharmAust Manufacturing will be to complete the acquisition of the business assets of Ramprie Laboratories under the Ramprie Acquisition Agreements.

A fire in September 2003 resulted in significant damage to the facilities of Ramprie Laboratories at 71 Division Street, Welshpool. Ramprie Laboratories therefore voluntarily requested that the TGA Licence to manufacture therapeutic goods be suspended. Ramprie Laboratories subsequently ceased therapeutic manufacturing operations at this location. The TGA Licence remains suspended whilst the facility is being rebuilt.

In order to have the voluntary suspension of the TGA Licence lifted by the TGA and given the new facility will be treated essentially as a new site, the owner of the site will need to undertake validation of all products it chooses to manufacture at the new facility by registration of such products on the ARTG. Supporting documentation will need to be provided and calibration upgraded for the new facility and equipment.

Following reinstatement of the TGA Licence and validation by registration of existing products on the ARTG, PharmAust Manufacturing will commence producing therapeutic goods from the range of 95 products owned by Ramprie on the ARTG. These product groups on the ARTG include hospital grade disinfectants, cough mixtures, sunscreens and dermatologicals. The initial focus of PharmAust Manufacturing will be to manufacture from the range of over 35 sunscreens including those formulations based on the broad spectrum UV blocking zinc oxide nano-technology. The size of the market for UV absorbers for cosmetics and toiletries is significant and expanding.

PharmAust Manufacturing and the Company intend to complete the acquisition of the business assets of Ramprie Laboratories after the close of the Prospectus offer and prior to the relisting of the Shares of the Company on the ASX. Thereafter PharmAust and the Company will, if necessary and at the cost of Ramprie Laboratories, complete the necessary buildings to allow for the capability of the reinstatement of the TGA Licence and proceed to complete the process of the reinstatement of the TGA Licence and the registration of products on the ARTG.

The buildings that will be completed to allow for the reinstatement of the TGA Licence include a specialised clean room with pressure regulation, climate control, particle control surfaces and workflow.

The process of registration of products on the ARTG can be expected to take approximately 6 months. And the Company estimates the public release and sale of ARTG registered products by approximately May/June 2005.

Additionally, PharmAust Manufacturing aims to be in a position to have met all regulatory registrations to be able to market and distribute the products the subject of the Xepa-Soul Pattinson Channel and Distribution Agreement by approximately July 2005. These initial products are Covastin (Simvastatin) and Melicron (Gliclazide).

1.6 Use of Proceeds of Prospectus Offer

It is intended to apply funds raised from the Prospectus offer of \$5,500,000 as follows:

Completion under Ramprie Acquisition Agreements	\$3,050,000
Registration and Supply/Distribution of pharmaceuticals and funding of PharmAust Manufacturing	\$1,400,000
General Working Capital	\$660,000
Cost of Fund Raising (including an assumption of placement fees of \$270,000)	\$390,000
Funds raised under Prospectus offer	\$5,500,000

1.7 Industry Overview

The Company by its two subsidiaries – PharmAust Manufacturing (subject to regulatory approvals) and Epichem will operate in two significant, complimentary and rapidly growing industries. The two industries are the generic pharmaceutical industry and the drug discovery outsourcing industry.

The Company describes these industries below in order that an investor can gain an appreciation of the industries and their size. The Company aims to penetrate niche aspects of these significant industries. However, this Section does not represent any forecast or projection as to future revenue or profitability of the Company.

GENERIC PHARMACEUTICAL INDUSTRY

The use of generic drugs has been steadily increasing internationally as a result of economic pressure on drug budgets. Generic drugs provide the opportunity for major savings in healthcare expenditure since they may be substantially lower in price than the innovator brands. Prescribing drugs by their generic name and requesting pharmacists to dispense generic drugs are frequently suggested means for lowering the costs of health care. The practice of generic substitution is strongly supported by health authorities in many countries including Australia.

Global generics market

The global generics market opportunity is approximately US\$30 billion for the 2003-2004 period. However, given that patents for 47 of the world's biggest originator blockbuster drugs (greater than US\$1 billion in sales per annum) are set to expire within the next 5 years, the market for generic drugs is expected to grow until 2010 by approximately 20% per annum.

Australian generics market

Australia's National Medicines Policy (2000) aims to 'meet medication and related needs, so that both optimal health outcomes and economic objectives are achieved for Australians'. In response to the rising cost of the Pharmaceutical Benefits Scheme (PBS), the Australian Government has introduced policies to encourage the use of generic drugs. Probably the most significant of these to date have been the Brand Premium Policy 1990 and the Brand Substitution Policy 1994. Under the Brand Premium Policy, pharmaceutical manufacturers were allowed to set their own prices for the different brands of the same medicine. The PBS subsidy was determined by the lowest priced brand, the so-called 'benchmark brand'. Patients must pay the difference between the price of the dispensed drug and the benchmark brand. The Brand Substitution Policy allows pharmacists to substitute bioequivalent generic medicines without seeking advice from prescribers, unless otherwise indicated on the prescription.

Generic pharmaceuticals are marketed under a different brand to the originator product and are typically introduced once the patent life of the originator pharmaceutical has expired, up to 15 years after the originator's first entry to the market. In Australia all brands must meet the same quality, safety and efficacy of the originator product and be

tested for bioequivalence to the originator product through human trials before they can be approved by the Therapeutic Goods Administration (TGA) and listed as a generic brand on the PBS.

Sale of generics in Australia have been growing at 40% per annum. Future growth is forecast at 12% per annum.

DRUG DISCOVERY OUTSOURCING INDUSTRY

A number of large pharmaceutical companies have not met market expectations of growth with one of the reasons being a difficulty in discovering new drugs, and in particular, the so called blockbuster drugs (greater than US\$1 billion in sales per annum).

With a combination of ever increasing regulatory requirements and a more competitive marketplace, it takes a greater number of high quality candidate compounds entering development to produce the same number of successful drugs. Pharmaceutical companies, have realised that they cannot generate the large number of necessary candidate compounds in-house and this has led to an increasing trend for these companies to outsource large amounts of their drug discovery research.

Outsourcing is estimated to be worth US\$3.6 billion in 2004 and is expected to grow at 16% per annum until 2007. Recent improvements in biology have now made chemistry a major bottleneck. It has been estimated that an additional 30,000 chemists will be required globally by 2010 and that the scarcest of skills are currently medicinal and process chemists. Indeed, some big pharmaceutical companies are using outsourcing as a means of securing access to these scarce synthetic chemists.

The Global Market

The Global outsourcing market for the chemistry and lead optimisation components is predicted to be US\$2.2bn for 2004 and increase at 15% per annum until 2007. Most of this is located in the USA, Western Europe and Japan. It is a very sophisticated market consisting of large multinational pharmaceutical companies, small pharmaceutical companies, generic manufacturers, and thousands of drug discovery companies.

Global Customers

The most attractive Global customers are the big pharmaceutical companies. They are highly visible and have the capacity to offer very large contracts. Many have centralised outsourcing departments that match the specific needs of a particular project to contractors with specific expertise in that area. They are very experienced at outsourcing and have the resources to overcome barriers such as distance, due diligence inspections, and technology transfer issues which may deter some smaller companies from outsourcing to overseas contractors.

The Australian Market

The Australian component of the global drug discovery outsourcing industry is estimated to account for approximately 1% of the global market, which is estimated currently to be

worth approximately \$30 million. The Australian market consists largely of drug discovery companies and does not include any large pharmaceutical research sites.

1.8 Existing Travel Technology Software

The Company currently has four projects relating to travel and travel technology software being Tardis Travel Pty Ltd, the StarPort Project, Ground Services Ltd and ACE.

Tardis Travel Pty Ltd is a wholly owned subsidiary providing travel services to corporate businesses.

The StarPort Project involved the development of technology to integrate computer systems of travel agents for a more efficient and cost effective solution for the management of company data.

GroundServices Ltd was a former joint venture with Parkside Insurance Brokers. The Company's subsidiary GroundServices Ltd was an authorised representative for the processing of travel insurance business and explored the possibility of adapting software to provide an interface for retail travel agents to book travel insurance products and support transactions involving travel technology software.

ACE is a research and development software project to travel agents. The ACE back office accounting solution is suited to smaller through to mid-sized travel agencies, providing more efficient and versatile back-office accounting whilst interfacing with software systems on which travel agents book flights and land content.

The Company's strategy is to maximise value to its Shareholders by seeking to sell in part or in full or to joint venture the Company's interest in the above projects. The near term revenue that may be generated from the projects are insufficient for the Company to justify any further significant funding. The Company's focus will be upon developing its PharmAust Manufacturing and Epicchem businesses.

1.9 Pro Forma Statement of Financial Position

Set out in Appendix 1 is an audited statement of financial position of the Company at 30 June 2004 together with the pro-forma statement of financial position at the same date following, amongst other things, the Ramprie Laboratories acquisitions, the issue of Shares to the Epicchem Staff Shareholders and the completion of the Capital Raising.

1.10 Pro Forma Capital Structure

After the close of the Prospectus offer, the issue of Shares to the Epicchem Staff Shareholders and assuming the consolidation of the current Shares and options on a 1 for 5 basis (1 Share for every 5 Shares currently held and 1 option for every 5 options currently held) and no options are exercised prior to the close of the Prospectus offer, the capital structure of the Company will be:

<u>Shares</u>	<u>Number</u>
Existing Shareholders	38,041,369
Shares to Epicchem Staff Shareholders	2,625,000

Shares offered under the Prospectus	<u>27,500,000</u>
TOTAL	<u>68,166,369</u>

<u>*Options</u>	<u>Number</u>
2005 Options (exercise price \$1.75)	6,480,000
2008 Options (exercise price 37.5 cents)	<u>1,840,000</u>
TOTAL	<u>8,320,000</u>

*up to 4,500,000 Adviser Options (exercise price 30 cents) may be issued to licensed securities dealers as a fee for placing Shares under the Prospectus.

1.11 **Independent Valuer's Report on the Land**

Set out in Appendix 2 is a summary of Burgess Rawson's Independent Valuation Report detailing a current pre-transaction value and a post-Ramprie acquisition value.

A full copy of the report will be provided to Shareholders upon request.

1.12 **Risks**

Shareholders should be aware that if the transactions to acquire the assets of Ramprie Laboratories and the remaining 20% interest in Epichem are approved, the Company and/or PharmAust Manufacturing and Epichem will be subject to various risk factors. Based on the information available, the non-exhaustive risk factors are as follows:

(a) **General Economic Risks and Business Climate**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

(b) **Additional Requirements for Capital**

Should the Company require additional funding, there can be no assurance that it will be available or that it will be on terms satisfactory to the Company. Any additional equity financing will dilute shareholdings and any additional debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may need to reduce the scope of its operations.

(c) **Government and Regulatory Issues**

The Company's operations and its products (both chemical and pharmaceutical) may be subject to numerous laws, regulatory restrictions, approvals and controls and certain government policy, directives, recommendations and guidelines, both in Australia and throughout the world, relating to, amongst other things, the manufacture of pharmaceutical and biotechnology products, occupational safety, laboratory practice, use and handling of hazardous materials, prevention of illness

and injury and environmental protection. This would include, for example, the Free Trade Agreement recently executed between Australia and the United States of America and which is still the subject of enabling legislation in Australia. It is possible that the application of the Free Trade Agreement could lead to delay or difficulty in generic pharmaceutical drugs being brought to the market.

The requirements referred to above may affect both the timing and the cost of bringing the Company's products or services to the market. Delays or failures in complying with these requirements or obtaining approvals may also have an adverse effect on the value of the Company and a consequent impact on its financial performance.

(d) TGA and PBS and Other Registrations

The ability of the Company to offer its pharmaceutical products for sale depends on relevant licences and registrations being obtained by the Company and it receiving favourable audit reports from the regulatory authority of the country in which products are offered for sale. An unfavourable audit can impose unbudgeted costs, which may have a material adverse effect on the Company's ability to conduct its business. In extreme cases, the Company may have its licence revoked, which would prevent it from offering any products for sale.

The Company regards its ability to obtain relevant pharmaceutical registrations under the TGA or in relation to PBS as a valuable and unique benefit to the business. The TGA Licence is currently suspended and pharmaceutical products that can be manufactured under the TGA Licence once reinstated will need to be validated by registration on the ARTG. Although the Company is aware of the requirements for reinstatement of the TGA Licence and registration of products on the ARTG and considers it has the capabilities to achieve these matters, the Company cannot give an assurance that the TGA Licence will be reinstated and products registered on the ARTG.

Delays or failure to obtain registration, approval or validation of licences of products may have a material adverse effect on the financial performance of the Company.

(e) Intellectual Property Rights

Securing rights to intellectual property, and in particular to patents, is an integral part of securing potential product value arising out of pharmaceutical, biotechnical and chemical research and development. The Company's success by the Epicem business depends, in part, on its ability to obtain patents, protect trade secrets and operate without infringing third parties' proprietary rights.

The granting of a patent does not guarantee that the rights of other parties are not infringed or that competitors will not develop competing intellectual property that circumvents the patents. In addition, there can be no assurance that any patents that the Company may own or control or licence now or in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application.

Competition in obtaining, retaining and maintaining protection of intellectual property and the complex nature of intellectual property rights can also lead to expensive and lengthy disputes for which there can be no guaranteed outcome.

(f) **Competition and Competing Products**

The pharmaceutical manufacturing industry and the biotechnology and chemical industry are each highly competitive and subject to rapid, significant technological change. There are currently several generic pharmaceutical companies competing in the Australian market and the Company's current and future potential competitors include companies with substantially greater resources than it. Other international companies may enter the market and increase competition, despite significant financial and regulatory barriers to entry. In an increasingly competitive market, the Company's prices and margins could be difficult to maintain and its market share hard to maintain or increase. Price-cutting by competitors could lead to reduced margins on the Company's products. Competition within distribution networks could intensify and lead to the erosion of distribution margins affecting the end market.

(g) **Reliance on Key Personnel and Qualified Staff**

The Company's success will depend, to some extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Directors and/or senior management may adversely affect the Company's performance and ability to compete effectively in the pharmaceutical or biotechnical industry. Similarly, the Company's future success would also depend on its employees and other personnel.

Because of the specialised nature of the Company's business, its ability to successfully commercialise its products and service its clients in both the pharmaceutical and biotechnology and chemical industries will depend in part upon its ability to attract and retain suitably qualified management and employees.

There can be no assurance that the Company will be able to retain its Directors or key senior management, attract and retain sufficiently qualified management or personnel on a timely basis.

(h) **General Contract Risks and Reliance on Third Party Suppliers/Distributors**

The Company and its subsidiaries will operate through a series of contractual relationships with third parties through various contracts. All contracts carry risks associated with the performance by the parties of their obligations such as time commitments, achieving targets and quality of work performed.

Contracts will need to be negotiated with a number of third parties including for the sales, marketing and distribution of pharmaceutical products. The Company may become reliant on suppliers and distributors, the loss of whose services may materially adversely affect the Company and impede the achievement of its objectives.

(i) **Risk of Product Liability and Uninsured Risks**

The Company's pharmaceutical and biotechnology/chemistry businesses expose it to potential product liability risks inherent in development, manufacturing, marketing, quality and use of its products, as well as other related risks. It will be necessary for the Company to secure sufficient levels of insurance to cover these risks in the course of operating its businesses.

However, there can be no assurance that adequate or necessary insurance coverage will be available at an acceptable cost or in sufficient amounts, that any adverse event will necessarily be covered by the insurance or that any product liability or other claims will not materially and adversely affect the business or financial condition of the Company even if they are covered by insurances.

(j) **Foreign Exchange Risks**

Revenue and expenditure in overseas jurisdictions are subject to fluctuations in international currency exchange markets and changes in foreign exchange laws or regulations. Foreign taxes, inflation, interest rates, limitation on the repatriation of earnings, compliance with foreign accounting and business laws and cultural differences also carry a certain amount of risk and may also have an impact on the performance of the Company.

(k) **Uncertainty of Future Profitability**

The Company's ability to operate both its pharmaceutical business and biotechnology/chemistry business profitably in the future and the extent to which it will do so will depend on its ability to commercialise its products or activities. This will depend on the ultimate demand for its products or activities by clients and/or consumers, which cannot be guaranteed.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of any profitability cannot be predicted.

1.13 **Director's Recommendation**

The Directors do not have any material personal interest in the outcome of the Resolutions (other than the interest that each of them may have in Resolution 5), save for their interest solely in their capacity as shareholders of the Company.

Each of the Directors intends to vote their Shares in favour of all of the Resolutions save for their abstention from Resolution 5.

Based on the information available, including that contained in this Explanatory Statement and the risks outlined in Section 1.12, all of the Directors consider that the proposed transactions are in the best interests of the Company and recommend that

Shareholders vote in favour of the Resolutions. The Directors have approved the proposal to put the Resolutions to Shareholders and, separately, the information contained in this Explanatory Statement.

The Directors recommend the Resolutions set out in the Notice as this will enable the Company to change its activities and further develop towards achievement of its strategy, which the Directors believe is in the best interests of the Company and its Shareholders. The Directors have focused on their responsibility to Shareholders and rely on the opinion of the Independent Property Valuer.

1.14 Plans for the Company if the Acquisitions and Resolutions are Not Approved

If any of the interdependent Resolutions (Resolutions 1, 2, 3, 4 and 7) are not passed, the Company will seek to continue to develop its Epichem business. The Company in such an event will request the ASX to reinstate the Company's securities to quotation but there is no guarantee of reinstatement.

2. CONDITIONALITY OF RESOLUTIONS

Resolutions 1, 2, 3, 4 and 7 set out in the Notice of Meeting are conditional upon the passing of each other, so that each will not have effect unless and until the other is passed. Resolutions 5, 6 and 8 not conditional upon the passing of any of the other Resolutions, so that each can have effect regardless of whether each of the other Resolutions set out in the Notice are passed.

3. RESOLUTIONS AND REGULATORY REQUIREMENTS

Set out below is information relating to the Resolutions included in the Notice. This information should be read in conjunction with the actual wording of the Resolutions in the Notice and the information provided above.

3.1 Resolution 1 – Change Of Activities

The proposed acquisition of business assets and land of Ramprie Laboratories together with the existing Epichem business, described in detail in this Explanatory Statement, will constitute a change in the Company's activities both in terms of the nature of the Company's business and its scale to a pharmaceutical and biotechnology manufacturing and services company.

For this reason the Company is seeking Shareholder approval under ASX Listing Rule 11.1.

Under Chapter 11 of the Listing Rules, ASX will suspend the Company's securities from quotation at the close of trading on the business day preceding the Meeting of Shareholders.

If Shareholders approve the proposed change of activities under Resolution 1, the Company's securities will remain suspended until the Company re-complies with the admission requirements of ASX set out in Chapters 1 and 2 of the ASX Listing Rules.

Those requirements include the Company issuing the Prospectus and successfully completing the Capital Raising.

3.2 **Resolution 2 – Change of Name**

The Directors of the Company have determined, upon the acquisition of the assets and land of Ramprie Laboratories, and the change in the Company's activities, to change the name of the Company to "PharmAust Limited" to reflect the change in focus and activities.

Corporations Act

Section 157 of the Corporations Act requires the Company to obtain the approval of its Shareholders, by special resolution, to the change of the Company's name. A special resolution must be passed by at least 75% of the votes cast by Shareholders who are entitled to vote at the general meeting.

3.3 **Resolution 3 – Consolidation of Capital**

The Directors are seeking Shareholder approval to consolidate the number of Shares on issue on a one (1) for five (5) basis.

Section 254H of the Corporations Act provides that a company may, by resolution passed in general meeting, convert all or any of its shares into a larger or smaller number of shares. The ASX Listing Rules also require that the number of options on issue be consolidated in the same ratio as the ordinary capital and the exercise price amended in inverse proportion to that ratio.

If Resolution 3 is passed, the number of Shares on issue will be reduced from 190,206,845 to 38,041,369. Similarly, in accordance with the ASX Listing Rules, the number of listed options on issue will be reduced from 32,400,000 to 6,480,000 and the number of unlisted options on issue will be reduced from 9,200,000 to 1,840,000 and the exercise price of each of those options will be increased by a multiple of 5.

The exercise price of the options will increase as follows:

Number	Current Options on Issue	Exercise Price
9,200,000	Unlisted options 30 June 2008	\$0.075
<u>32,400,000</u>	Listed options 30 June 2005	\$0.35
41,600,000		
Number	Reconstructed Options	Exercise Price
1,840,000	Unlisted options 30 June 2008	\$0.375
<u>6,480,000</u>	Listed options 30 June 2005	\$1.75
8,320,000		

As from the effective date of Resolution 3 (being the date of the General Meeting), all holding statements for Shares and Options will cease to have any effect, except as evidence of entitlement to a certain number of post-consolidation Shares and options. After the consolidation becomes effective, the Company will arrange for new holding

statements to be issued to Shareholders and optionholders. It is the responsibility of each Shareholder and optionholder to check the number of Shares or options held prior to a disposal.

The current capital structure of the Company is as follows:

Shares	Current Share Capital	
190,206,845	Shares on issue	
Options	Current Options on Issues	Exercise Price
9,200,000	Unlisted options 30 June 2008	\$0.075
32,400,000	Listed options 30 June 2005	\$0.35

Following completion of the consolidation of share capital on one (1) for five (5) basis and the proposed issue of Shares set out in this Explanatory Statement, the capital structure of the Company will be as follows:

Number	Share Capital	
38,041,369	Existing Shares on issue (post consolidation)	
27,500,000	*Proposed new issue of Shares under Prospectus	
2,625,000	*Epichem Staff Shares	
<u>68,166,369</u>	Total	
Number	**Options on Issue	Exercise Price
1,840,000	Unlisted options expiring 30 June 2008	\$0.375
<u>6,480,000</u>	Listed options expiring 30 June 2005	\$1.75
8,320,000	Total	

*assuming minimum subscription under the Capital Raising.

**up to 4,500,000 Adviser Options (exercise price 30 cents) may be issued to licensed securities dealers as a fee for placing Shares under the Prospectus.

Not all Shareholders and option holders will hold that number of Shares and options which can be evenly divided by five (5). Where a fractional entitlement occurs, the Directors will round that fraction up to the nearest whole Share or option.

It is not considered that any taxation consequences will exist for Shareholders or option holders arising from the consolidation. However, Shareholders and option holders are advised to seek their own tax advice on the effect of the consolidation and neither the Company, nor the Directors (or the Company's advisers) accept any responsibility for the individual taxation consequences arising from the consolidation.

3.4 **Resolution 4 – Allotment and Issue of Shares**

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting.

The Company is seeking approval under ASX Listing Rule 7.1 for the offer of up to 27,500,000 Shares under the Capital Raising to allow this number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued under the Capital Raising is 27,500,000 Shares;
- (b) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Shares will be issued on a post-consolidation basis at a price of \$0.20 (20 cents) per Share;
- (d) the Shares will be offered to the general public pursuant to the Prospectus;
- (e) the Shares issued will rank equally with the Company's current issued Shares;
- (f) the Company intends to use the funds raised from the issue of the Shares for the following purposes:
 - (i) to fund the acquisition of the Ramprie Laboratories assets including land;
 - (ii) to register and supply pharmaceuticals and fund PharmAust Manufacturing;
 - (iii) general working capital; and
 - (iv) pay the costs of the Capital Raising.
- (g) it is intended that the Shares will be allotted on one date.

3.5 **Resolution 5 – Participation in Capital Raising by Directors and Proposed Directors**

Certain Directors wish to participate in the Capital Raising contemplated by Resolution 4. ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company (which includes a director).

If Resolution 5 is passed, the current and proposed directors of the Company may be issued Shares under the Capital Raising. Accordingly, approval for the issue of securities to the current and proposed directors of the Company is required pursuant to ASX Listing Rule 10.11.

Separate approval pursuant to ASX Listing Rule 7.1 is not required in order to issue Shares to the current and proposed directors of the Company as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to the current and proposed directors of the Company will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided:

- (a) the persons to whom Shares may be allotted are Mr Paul D'Sylva, Mr Bryant McLarty, Mr Stuart Gunzburg, Mr Thomas Picton Warlow and Mr Wayne Best;
- (b) the maximum number of Shares to be issued by the Company in aggregate to the persons referred to in paragraph (a) above is 5,000,000 Shares as well as any director appointed between the date of this Notice and the date of the Meeting (or their nominees);
- (c) the Shares will be issued no later than one month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) all the persons referred to in paragraph (a) above are Directors except for Mr Wayne Best who is a proposed director of the Company;
- (e) the Shares will be issued at a price of \$0.20 (20 cents) each (the price after consolidation) and the Shares issued will rank equally with the Company's current issued Shares; and
- (f) the Company intends to use any funds raised from the issue of Shares under this Resolution to assist with the following purposes:
 - (i) to fund the acquisition of the Ramprie Laboratories assets including land;
 - (ii) to register and supply pharmaceuticals and fund PharmAust Manufacturing;
 - (iii) general working capital; and

- (iv) pay the costs of the Capital Raising.

3.6 **Resolution 6 – Ratification of Previous Share Issue**

ASX Listing Rule 7.1 provides that a Company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One exception is an issue of securities which has the approval of shareholders in general meeting. ASX Listing Rule 7.4 provides that an issue made within the 15% limit will be treated as having been made with prior shareholder approval for the purpose of ASX Listing Rule 7.1 if it is subsequently approved by shareholders in general meeting.

The Company wishes to seek approval for the purposes of ASX Listing Rules 7.1 and 7.4 by ratification in order to renew the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period. The Company is requesting Shareholders to ratify the allotment and issue 24,000,000 Shares on or about 19 July 2004 to investors within the meaning of section 708 of the *Corporations Act*.

For the purposes of ASX Listing Rule 7.5, the following information is provided to Shareholders:

- (a) the number of Shares allotted was 24,000,000;
- (b) the Shares were issued at a price of 2.5 cents per Share;
- (c) the Shares rank equally with the Company's existing issued Shares;
- (d) the allottees of the Shares were investors entitled to accept offers of securities under section 708 of the Corporations Act being clients of Patersons Securities Ltd. None of the allottees are related parties of the Company; and
- (e) the funds raised from the issue of the Shares are being used to progress the purchase of Ramprie Laboratories to the stage of the proposed Capital Raising and general working capital, including the growth of the Company's 80% owned subsidiary Epichem Pty Ltd.

3.7 **Resolution 7 – Issue of Shares to Acquire Interest in Epichem Pty Ltd**

2,625,000 Shares are to be issued to the Epichem Staff Shareholders under the Epichem Sale Agreement. Of the 2,625,000 Shares to be issued, 1,312,510 are to be issued to Mr Wayne Best, a proposed director and related party of the Company. Shareholder approval needs to be obtained under ASX Listing Rule 10.11 to the issue of Shares to Mr Wayne Best by reason of him being a related party. The remaining Shares to be issued to the other Epichem Staff Shareholders need Shareholder approval under ASX Listing Rule 7.1.

ASX Listing Rule 7.1

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting.

The Company is seeking approval under ASX Listing Rule 7.1 for the proposed allotment and issue of 1,312,490 Shares to the Epicchem Staff Shareholders other than Mr Wayne Best on a post-consolidation basis so as to allow this number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

- (a) the maximum number of securities to be issued is 1,312,490 Shares to the Epicchem Staff Shareholders other than Mr Wayne Best;
- (b) the Shares will be issued within 7 days of the consolidation of the Shares of the Company under Resolution 3 and in any event, no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Shares will be issued in consideration of acquiring the shares in Epicchem and have a deemed value of \$0.20 (20 cents) per Share;
- (d) the allottees are the Epicchem Staff Shareholders other than Mr Wayne Best and they will be allotted the following Shares:

Collette Sims	-	787,500 Shares
Yolanta Gruchlik	-	393,750 Shares
Marck Norret	-	65,620 Shares
Jy Chartres	-	65,620 Shares;
- (e) the Shares issued will rank equally with the Company's current issued Shares;
- (f) no funds will be raised from the issue of the Shares as they are being issued in consideration for the acquisition of shares in Epicchem; and
- (g) it is intended the Shares will be allotted on one date being within 7 days of the consolidation of the Shares of the Company under Resolution 3.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires a listed company to obtain shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company (which includes a director or proposed director).

Mr Wayne Best is a proposed director of the Company and is one of the Epicchem Staff Shareholders. Accordingly, approval for the issue of securities to Mr Wayne Best is required pursuant to ASX Listing Rule 10.11.

Separate approval pursuant to ASX Listing Rule 7.1 is not required in order to issue Shares to Mr Wayne Best as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the issue of securities to Mr Wayne Best will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

The Shares to be issued to Mr Wayne Best are likely to be the subject of an ASX escrow restriction.

ASX Listing Rule 10.13 sets out a number of matters which must be included in a notice of meeting proposing an approval under ASX Listing Rule 10.11. For the purposes of ASX Listing Rule 10.13, the following information is provided:

- (a) the persons to whom Shares may be allotted is Mr Wayne Best;
- (b) the number of Shares to be issued are 1,312,510 to Mr Wayne Best;
- (c) it is intended the Shares will be issued within 7 days of the consolidation of the Shares of the Company under Resolution 3 and in any event, no later than one month after the date of this Meeting (or such later date as permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) approval is required under ASX Listing Rule 10.11 as Mr Wayne Best is a proposed director of the Company;
- (e) the Shares will be issued in consideration of acquiring Epicchem shares and have a deemed value of \$0.20 (20 cents) per Share and the Shares issued will rank equally with the Company's current issued Shares; and
- (f) no funds will be raised from the issue of the Shares as they are being issued in consideration of the acquisition of shares in Epicchem.

3.8 Resolution 8 – Issue of Adviser Options

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions, issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

One circumstance where an issue is not taken into account in the calculation of this 15% threshold is where the issue has the prior approval of shareholders in a general meeting.

The Company is seeking approval under ASX Listing Rule 7.1 for the issue of up to 4,500,000 Adviser Options under the Capital Raising to allow this number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

The Adviser Options may be issued to licensed securities dealers in respect of their commitment to place Shares under the Prospectus. The Adviser Options are likely to be the subject of an ASX escrow restriction.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

- (a) the maximum number of Adviser Options to be issued is 4,500,000;
- (b) the Adviser Options will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (c) the Adviser Options will be granted for nil consideration;
- (d) the allottees are yet to be determined, however the basis of selection of allottees will be licensed securities dealers that have committed to place Shares under the Prospectus. The allottees will be not be related parties of the Company;
- (e) the terms and conditions of the Adviser Options are set out in Appendix 3;
- (f) there will be no funds raised from the issue of the Adviser Options; and
- (g) it is intended that the Adviser Options will be allotted on one date.

Black and Scholes Methodology Valuation

The Company's advisers, Stanton Partners Corporate Pty Ltd, have valued the Adviser Options as at 1 October 2004 by reference to the Black and Scholes methodology, based on the following assumptions:

- (a) The valuation date is as at 1 October 2004. The assumption is of a value of the Company's shares at 20 cents (post 5 for 1 consolidation of capital).
- (b) A risk free rate of 5.62% (3 year bond rate as at 30 September 2004).
- (c) The volatility factors used are between 25% and 75% with a mid range preferred volatility of 50%. During the 12 months to 31 August 2004 the Shares have traded in a range of 2.4 cents to 5.4 cents. Whilst since the 21 June 2004 Ramprie transaction announcement the Shares have traded in a range of 2.5 cents to 4.8 cents (equivalent to 12.5 cents to 24 cents on a post 5 for 1 consolidation of capital).

- (d) An exercise price of 30 cents.
- (e) An expiry date of 30 November 2007.

Based on the above assumptions, the ranges of value of the Adviser Options as at 1 October 2004 are as follows:

Cents Per Adviser Option

25% Volatility	50% Volatility	75% Volatility
1.775 cents	5.191 cents	8.467 cents

Based on the assumptions set out in the valuation, the value of the Adviser Options is:

Total Value of 4,500,000 Adviser Options

25% Volatility	50% Volatility	75% Volatility
\$79,875	\$233,595	\$381,015

ECHO TECHNOLOGIES LIMITED
ACN 094 006 023

SECTION 3

GLOSSARY

In this Explanatory Statement the following expressions have the following meanings:

"**Adviser Options**" means options to subscribe for Shares at an exercise price of 30 cents with an expiry date of 30 November 2007.

"**ARTG**" means the Australian Register of Therapeutic Goods.

"**ASX**" means the Australian Stock Exchange Limited.

"**ASX Listing Rules** "or "**Listing Rules**" means the Listing Rules of the ASX

"**Board**" means the board of directors of the Company.

"**Capital Raising**" means the proposed capital raising of up to \$5,500,000 under the Prospectus.

"**Company**" or "**Echo**" or "**PharmAust**" means Echo Technologies Limited (ACN 094 006 023) to be renamed PharmAust Limited.

"**Constitution**" means the Constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Current Directors**" means Mr Bryant McLarty, Dr Paul D'Sylva, Dr Stuart Gunzburg and Mr Tom Picton-Warlow.

"**Directors**" means the directors of the Company from time to time.

"**Epichem**" means Epichem Pty Ltd a subsidiary of the Company.

"**Epichem Sale Agreement**" means the sale agreement between the Epichem Staff Shareholders and the Company of September 2004 by which the Epichem Staff Shareholders agree to sell their collective 20% interest in Epichem to the Company.

"**Epichem Staff Shareholders**" means Wayne Best, Collette Sims, Yolanta Gruchlik, Marck Norret and Jy Chatres.

"**Explanatory Statement**" means the statement set out in section 2 of this Memorandum.

"**Meeting**" means the meeting convened by this Notice.

"**Memorandum**" means this information memorandum.

"**Notice**" means the notice of meeting set out in section 1 of this Memorandum.

"**PBS**" means the Australian Federal Government's Pharmaceutical Benefits Scheme.

"**PharmAust Manufacturing**" means PharmAust Manufacturing Pty Ltd (ACN 110 375 294) a wholly owned subsidiary of the Company.

"**Prospectus**" means the prospectus to be issued by the Company for the purposes of the Capital Raising.

"**Ramprie Acquisition Agreements**" means together the Ramprie Sale of Business Assets Agreement and the Ramprie Land Sale Agreement.

"**Ramprie Land Sale Agreement**" means the land sale agreement for the land and buildings and improvements at 71 Division Street, Welshpool dated 6 August 2004 between the Company and Charon Investments Pty Ltd.

"**Ramprie Sale of Business Assets Agreement**" means the Ramprie Laboratories sale of business assets deed dated 6 August 2004 between the Company, PharmAust Manufacturing, Narwhal Pty Ltd, Charon Investments Pty Ltd and Leslie Ramsay.

"**Resolution**" means a resolution contained in this Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company and "**Shares**" has a corresponding meaning.

"**Shareholder**" means a holder of Shares.

"**TGA**" means the Australian Therapeutic Goods Administration.

"**TGA Licence**" means the TGA manufacturing licence granted to the owner of Ramprie Laboratories, which is currently suspended.

"**WST**" means Western Standard Time, Perth, Western Australia.

"**Xepa-Soul Pattinson**" means Xepa-Soul Pattinson (Malaysia) Sdn Bhd (Company No. 8504-M), a company established under the laws of Malaysia.

"**Xepa-Soul Pattinson Channel and Distribution Agreement**" means the channel and distribution agreement dated 14 September 2004 between Xepa-Soul Pattinson and PharmAust Manufacturing.

"**2005 Option**" means a listed option to subscribe for a Share at any time on or before 30 June 2005.

"**2008 Option**" means an unlisted option to subscribe for a Share at any time on or before 30 June 2008.

SECTION 4
ECHO TECHNOLOGIES LIMITED
PROXY FORM

TO:

GENERAL MEETING

I/We (name and address)

being a Member of Echo Technologies Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Shareholders Meeting to be held at Suite 2, 33 Broadway, Nedlands, Western Australia on 12 November 2004 at 10:00am (WST) and at any adjournment thereof. **If no directions are given on how to vote, the Chairman will vote in favour of all of the Resolutions.**

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Change of Activities	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Change of Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Consolidation of Capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Allotment and Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Participation in Capital Raising by Directors and Proposed Directors	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Ratification of Previous Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Issue of Shares to acquire interest in Epicchem Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Issue of Adviser Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the Resolutions if no directions are given.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Please return this Proxy Form to the Company Secretary, Echo Technologies Limited Suite 2, 33 Broadway, Nedlands, Western Australia or fax to (08) 9284 8899 by 10:00am (WST) on 11 November 2004.

Signed this _____ day of _____ 2004

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

ECHO TECHNOLOGIES LIMITED
ACN 094 006 023

Instructions for Completing Proxy Form

1. A member of the Company who is entitled to attend and cast [two or more] votes at a general meeting of shareholders is entitled to appoint [two] proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of Section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in Section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with Section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of Section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid proxy form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

APPENDIX 1

PRO-FORMA STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2004

	Audited as at 30 June 2004 \$	Unaudited Proforma as at 30 June 2004 \$
Current assets		
Cash assets	182,288	2,310,902
Receivables	165,978	475,978
Inventories	-	480,000
Total current assets	348,266	3,266,880
Non current assets		
Other financial assets	8,500	8,500
Property, plant and equipment	429,119	3,184,505
Intangibles	119,000	561,856
Total non current assets	556,619	3,754,861
Total assets	904,885	7,021,741
Current liabilities		
Payables	125,960	125,960
Interest bearing liabilities	17,321	17,321
Total current liabilities	143,281	143,281
Non current liabilities		
Interest bearing liabilities	20,582	20,582
Total non current liabilities	20,582	20,582
Total liabilities	163,863	163,863
Net assets	741,022	6,857,878
Equity		
Contributed equity	11,080,254	17,279,254
Accumulated losses	(10,421,376)	(10,421,376)
Parent entity interest	658,878	6,857,878
Outside equity interest	82,144	
Total equity	741,022	6,857,878

The Pro-Forma Statement of Financial Position set out above have been prepared using the audited financial statements at 30 June 2004 and taking into account pro-forma adjustments. The following assumptions have been made in making the pro-forma adjustments as if they had occurred at 30 June 2004:

1. Issue of 24,000,000 fully paid ordinary shares of 2.5 cents each under a share placement on or about 19 July 2004 raising \$600,000.
2. Costs of \$36,000 associated with the share placement in 1 above.
3. Consolidation of the issued capital of the Company on a 1 for 5 basis;
4. Issue of 2,625,000 fully paid ordinary shares at 20 cents each to Epichem Staff Shareholders to acquire the remaining 20% shareholding of Epichem not already held by the Company.
5. Issue of 27,500,000 fully paid ordinary shares at 20 cents each pursuant to the Prospectus raising \$5,500,000.
6. Estimated costs of \$390,000 associated with the Prospectus capital raising set off against the share capital raised.
7. Acquisition of the land and buildings constituting the Ramprie Land Sale Agreement for \$2,300,000 plus GST of \$230,000 and stamp duty allocated in accordance with the terms of the Ramprie Land Sale Agreement of \$122,790.
8. Acquisition of the business assets of the Ramprie Laboratories for \$800,000 plus GST of \$80,000 and stamp duty allocated in accordance with the terms of the Sale of Business Assets Deed Ramprie Laboratories of \$12,596.

APPENDIX 2

SUMMARY OF BURGESS RAWSON'S INDEPENDENT PROPERTY VALUATION REPORT

Summary of Valuation

Date of Inspection

17th August 2004

Date of Valuation

17th August 2004

Valuations

Current Value – "in use basis" \$1,100,000

Current Value – "in use basis" and "as if completed" \$2,250,000

Valuer Responsible for this Report

Kingsley Lewis
Fellow of Australian Property Institute
Certified Practicing Valuer
Licensed Valuer No. 178 in WA
Director of Burgess Rawson

Instruction

Instructions from Echo Technology Limited to be renamed PharmAust Limited (the "Company") to undertake a valuation of 71 Division Street, Welshpool, to determine the value of the property on a continuing use basis.

The basis of valuation adopted is in accordance with Australian Property Institute guidelines, and we have inspected the property and considered all relevant information available to enable us to report as follows.

Purpose of Valuation

To assess the market value of the subject property on a continuing use basis as part of a prospectus for the raising of capital funds. We confirm in this valuation:-

- a) This valuation is an opinion on matters other than financial products and does not include advice on a financial product; and

- b) The Valuer completing this valuation is a person not operating under an AFS licence when giving this valuation advice; and
- c) The Valuer discloses in this valuation report details on remuneration, benefits, interests, association or relationships that might reasonably influence the report; and
- d) Our valuation is merely an opinion of worth of the property and is not intended to comment upon any matter in the prospectus and does not include advice on financial products

Description of Property

The property comprises a manufacturing laboratory that was substantially razed in September 2003 by fire and at the time of inspection some of the buildings were the subject of a re-building programme.

At present the improvements comprise a front two level administration office section and to this is attached a warehouse. To the rear of this warehouse the area is clear and will shortly contain a second warehouse. The existing warehouse will contain a "clean room" facility.

Title Details

The land is described as being an estate in fee simple in portion of Canning Location 2, and being Lot 217 on Plan 9795, and being the whole of the land described by Certificate of Title Volume 1364 Folio 382.

Zoning and Town Planning

We are advised the land is zoned "General Industry" by the City of Canning under Town Planning Scheme No. 4, gazetted 18th February 1994.

Tenancy

At present, the property is the subject of a Lease between the current registered proprietor (Charon Investments Pty Ltd) and Lesram Holdings Pty Ltd. We understand Lesram has the same shareholders as Charon and if the current sale settles the lease will be surrendered.

It is proposed to create a new lease between the Company as the purchaser of the property and PharmAust Manufacturing Pty Ltd, their wholly owned subsidiary..

We understand the lease will provide for:-

- (1) The lease performance of PharmAust Manufacturing Pty Ltd to be guaranteed entirely and unconditionally by the Company.
- (2) The lease term is ten years
- (3) The lessee will pay all outgoings including GST and including the servicing and maintenance of all air conditioning plant and equipment plus any other plant and equipment
- (4) A rent will be paid monthly in advance and this rent will be subject to reviews to market level each 2 years, the minimum increase is CPI.

Licence

As a result of the fire in September 2003, the Therapeutic Goods Administration licence (No. 6) was voluntarily suspended pending the rebuilding programme.

This licence attaches to the property and currently is held by an occupier in respect of the premises attracting the licence.

In some respects it is similar to the implications of a liquor licence – the Licence is held by an occupier in respect of premises (licensed premises) and the licence cannot be moved elsewhere simply because the occupier relocates.

We confirm the suspended licence is:

- Known as Licence No. 6 issued and respect of Narwhal Pty Ltd trading as Ramprie Laboratories of 71 Division Street, Welshpool.
- The licence only authorises the manufacture of
 - (a) drugs in liquid and semi solid form
 - (b) drugs in capsule form – Asthastop only
 - (c) packaging, quality control and release of powders and herbal teas

The licence does not authorise the manufacture of preparations containing:-

- (i) penicillins, cephalosporins, hormones, steroids or antineoplastic drugs
- (ii) any goods that contain any ingredients which are listed in Schedules 2, 3, 4 and 8 of the Standard for the Uniform Scheduling of Drugs and Poisons.

The person nominated as being control is Les Ramsay. This licence was originally issued 13 May 1994.

The site for which the licence applies is 71 Division Street, Welshpool and the manufacturer is authorised to manufacture non-sterile therapeutic goods for human use.

The value of a licence of this nature is not only a reflection of revenue potential but also capital cost in respect of the laboratories and storage facilities. A clean room is only part of the licence and it needs to be designed on almost a custom basis, installed and commissioned to high standards. The facility then continues to operate subject to high standards of ongoing maintenance, servicing and audit.

The infrastructure that supports the clean room includes pressure regulation, climate control, particle controlled surfaces and workflow.

From a discussion with the Department of Health and Ageing (Canberra) we confirm the following issues relevant to a licence of this nature.

- A manufacturing licence is not readily available; in Western Australia there are less than six of this style of licence
- The administering authority is interested in the applicant's laboratory construction and standard, documentation procedures, quality systems, risk minimisation and staff control; as part of an application for a manufacturing licence
- The costs of achieving a licence are directly proportional to the style of product to be manufactured.
- The only inspectors / auditors are based in Melbourne or Sydney
- There are less than two hundred pharmaceutical manufacturing licenses Australia wide
- If premises are built to licence standard, a time delay of at least six months for the issue of a licence is not uncommon
- For the subject licence, it was voluntarily suspended and following application, further inspections and audit procedures will be implemented before a licence can be issued. It is envisaged a similar licence will be reinstated.
- In the Eastern States, there are less than 12 transfers per annum of this style of licence. Normally a licence transfers by corporate takeover, a lesser number are new applications for a greenfields property. This is due to set up costs including time delays.
- Normally licensed premises are subject to inspection approximately every 18 months, there is an annual licence fee to cover administration including on site audit.

The fee for the licence would be in the range of \$8,000 per annum.

Swot Analysis

1.1 Strengths

- ◆ Well located industrial laboratory facility
- ◆ When licence is achieved goodwill value is created
- ◆ Buildings can be converted to other uses if licence is suspended.

1.2 Weaknesses

- ◆ Full value of the improvements is related to the TGA licence
- ◆ Office building is not high quality construction

1.3 Opportunities

- ◆ The “clean room” to be installed is able to be utilised for various pharmaceutical functions provided licence is amended.

1.4 Threats

- ◆ Loss of licence will affect added value of some improvements.

APPENDIX 3

TERMS AND CONDITIONS OF ADVISER OPTIONS

Otherwise the material terms and conditions of the issue of each of the Options are:

- (a) The Options will be issued for no consideration.
- (b) Each Option entitles the holder to one Share.
- (c) The Options may be exercised at any time on or before the expiry date of 30 November 2007 ("**Expiry Date**").
- (d) The exercise price of the Options is 30 cents ("**Exercise Price**").
- (e) The Options are not transferable except with the approval of the Board.
- (f) The Company will provide to each option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Options may be exercised by the option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the Expiry Date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the propose allottee. The Notice of Exercise by an option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the Exercise Price per Share.
- (g) All Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares.
- (h) There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure, for the purposes of determining entitlements to any issue, that option holders will be notified of a proposed issue after the issue is announced. This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
- (i) In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.
- (j) The Options will not give any right to participate in dividends, bonus issues or new issues until Shares are allotted pursuant to the exercise of the relevant Options. There is no right to change the exercise price of Options if the Company completes a bonus or new issue.