

**PHARMAUST LIMITED**  
**ABN 35 094 006 023**

**NOTICE OF ANNUAL GENERAL MEETING  
AND  
EXPLANATORY STATEMENT**

**For the Annual General Meeting to be held on  
Monday 14 November 2005 at 11.30am Western Standard Time  
at 71 Division Street,  
Welshpool, Western Australia**

*This is an important document. Please read it carefully and in its entirety.  
If you do not understand it please consult 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 ANNUAL GENERAL MEETING AND HOW TO VOTE**

This Annual General Meeting of the Shareholders of PharmAust Limited will be held at:

**71 Division Street  
Welshpool, Western Australia, 6106**

**Commencing  
at 11.30am (Western Standard Time)  
on Monday 14 November 2005**

### **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 11.30am (Western Standard Time).

### **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 office at 71 Division Street, Welshpool, Western Australia, or
- send the proxy by facsimile to facsimile number (08) 9311 0788

so that it is received not later than 11.30 am (Western Standard Time) on 12 November 2005.

Your proxy form is enclosed.

**PHARMAUST LIMITED**  
**ABN 35 094 006 023**

**NOTICE OF ANNUAL GENERAL MEETING**

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Notice is hereby given that the Annual General Meeting of the Shareholders of PharmAust Limited will be held at 71 Division Street, Welshpool, Western Australia on 14 November 2005 at 11.30am (Western Standard Time) for the purpose of transacting the following business.

The Explanatory Statement is to be read in conjunction with this Notice.

**AGENDA**

**GENERAL BUSINESS**

**Accounts and Reports**

To receive and consider the financial reports of the Company and the consolidated entity for the financial year ended 30 June 2005 and the reports of the Directors and Auditors thereon.

**Resolution 1 – Adoption of Remuneration Report**

To consider and, if thought fit, to pass with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

*"That the Remuneration Report in the 2005 Annual Report of the Company be adopted."*

**Short Explanation:** The Remuneration Report is in the Directors Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

**Resolution 2 - Re-Election of Director – Dr Paul D'Sylva**

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

*"That Dr Paul D'Sylva, who retires by rotation in accordance with clause 11.3 of the Constitution of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a Director of the Company."*

**Short Explanation:** Dr Paul D'Sylva has been a Director of the Company since 8 November 2003 and was last re-elected on 29 November 2004. Dr D'Sylva is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

### **Resolution 3 – Election of Director - Mr John Thompson**

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

*"That, Mr John Thompson who was appointed during the year and retires in accordance with clause 11.12 of the Constitution of the Company, and being eligible offers himself for election, is hereby elected as a director of the Company."*

**Short Explanation:** Mr John Thompson was appointed a director of the Company during the year and is presented for election in accordance with the casual vacancy provisions of the Company's Constitution.

### **Resolution 4 – Election of Director – Dr Wayne Best**

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

*"That, Dr Wayne Best who was appointed during the year and retires in accordance with clause 11.12 of the Constitution of the Company, and being eligible offers himself for election, is hereby elected as a director of the Company."*

**Short Explanation:** Dr Wayne Best was appointed a director of the Company during the year and is presented for election in accordance with the casual vacancy provisions of the Company's Constitution.

## **SPECIAL BUSINESS**

### **Resolution 5 – Selective Capital Reduction**

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

*"That, for the purposes of section 256C(2) of the Corporations Act and for all other purposes the share capital of the Company be reduced by cancelling 800,000 fully paid ordinary shares in the Company held by Amadeus Global Travel Distribution SA in consideration of the termination of the Distributor Agreement and on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."*

**Short Explanation:** Shareholder approval is required where a company is to reduce its share capital in a way that is not otherwise authorised by law. A capital reduction will be a selective reduction where it does not apply to each holder of ordinary shares in proportion to the number of ordinary shares they hold. A selective capital reduction involving a cancellation of shares must be approved by a special resolution passed both at a general meeting of all shareholders and a meeting of shareholders whose shares are to be cancelled.

The Company will disregard any votes cast on this resolution by *Amadeus Global Travel Distribution SA* and any associates or any person who may obtain a benefit if this resolution is passed other than in their capacity as a Shareholder. However, the Company need not disregard a vote cast on this resolution if:

- a) 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 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.

### **Resolution 6 – Grant of Options to Mr Bryant McLarty**

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

*"That, for the purposes of Chapter 2E of the Corporations Act and 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 grant Mr Bryant McLarty or his nominee up to 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr McLarty is a related party of the Company.

The Company will disregard any votes cast on this resolution by Mr Bryant McLarty or any of his associates or any person who may obtain a benefit if this resolution is passed other than in their capacity as a Shareholder. However, the Company need not disregard a vote cast on this resolution if:

- a) 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 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.

## **Resolution 7 – Grant of Options to Dr Paul D'Sylva**

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

*"That, for the purposes of Chapter 2E of the Corporations Act and 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 grant Dr Paul D'Sylva or his nominee up to 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Dr Paul D'Sylva is a related party of the Company.

The Company will disregard any votes cast on this resolution by Dr Paul D'Sylva or any of his associates or any person who may obtain a benefit if this resolution is passed other than in their capacity as a Shareholder. However, the Company need not disregard a vote cast on this resolution if:

- a) 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 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.

## **Resolution 8 – Grant of Options to Dr Wayne Best**

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

*"That, for the purposes of Chapter 2E of the Corporations Act and 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 grant Dr Wayne Best or his nominee up to 3,000,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Dr Wayne Best is a related party of the Company.

The Company will disregard any votes cast on this resolution by Dr Wayne Best or any of his associates or any person who may obtain a benefit if this resolution is passed other than in their capacity as a Shareholder. However, the Company need not disregard a vote cast on this resolution if:

- a) 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 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.

### **Resolution 9 – Grant of Options to Dr John Moursounidis**

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

*"That, 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 grant Dr John Moursounidis or his nominee up to 2,250,000 options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms set out in the Explanatory Statement accompanying this Notice."*

**Short Explanation:** Under 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.

The Company will disregard any votes cast on this resolution by Dr John Moursounidis or any of his associates or any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder. However, the Company will not disregard a vote cast on this resolution if:

- a) 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 10 – Grant of Options to Mr Winton Willesee**

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

*"That, 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 grant Mr Winton Willesee or his nominee up to 2,250,000 options to acquire fully paid ordinary shares in the capital of the Company, 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.

The Company will disregard any votes cast on this resolution by Mr Winton Willesee or any of his associates or any person who may obtain a benefit, except a benefit solely in the capacity of a Shareholder. However, the Company will not disregard a vote cast on this resolution if:

- a) 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 11 – Adoption of Employee Share Scheme**

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

*"That for the purposes of Exception 9 of Listing Rule 7.2 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approve the issue of securities under, the employee share scheme for eligible employees and directors known as the "PharmAust Limited Employee Share Plan," a copy of which is annexed as Annexure 2 to the Explanatory Statement, as an exception to Listing Rule 7.1 of the Listing Rules of the Australian Stock Exchange Limited, for a period of 3 years commencing on the date of this meeting."*

**Short explanation:** For the purpose of Exception 9 of Listing Rule 7.2, Shareholders must give their approval to the issue of securities under an employee share scheme as an exception to the requirements of Listing Rule 7.1.

The Company will disregard any votes cast on this resolution by a Director of the Company (except one who is ineligible to participate in the PharmAust Limited Employee Share Plan) and any associate of those persons. However, the Company will not disregard a vote if:

- a) 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 12– Adoption of New Constitution**

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

*"That, the Constitution, in the form of the proposed Constitution marked "A" and initialled by the Chairman and which has been made available for inspection at the registered office of the Company, be approved and adopted, in accordance with section 136(2) of the Corporations Act and for all other purposes, as the Company's Constitution in substitution for and to the exclusion of the existing Constitution of the Company."*

**Short Explanation:** Approval is sought under section 136(2) of the Corporations Act to adopt a new Constitution. Please refer to the Explanatory Statement for details.

## 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 12 November 2005 at 5.00pm (Western Standard Time).
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



Mr Winton Willesee  
Company Secretary  
Dated: 3 October 2005

**PHARMAUST LIMITED**  
**ABN 35 094 006 023**

**EXPLANATORY STATEMENT**

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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. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT**

The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2005.

The Directors recommend that Shareholders vote in favour of Resolution 1. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

**2. RESOLUTIONS 2, 3 AND 4 – RE-ELECTION OF DR PAUL D'SYLVA, MR JOHN THOMPSON AND DR WAYNE BEST AS DIRECTORS**

By clause 11.3 of the Company's Constitution, one third of the current Directors (not including Directors appointed as casual vacancies and excluding the managing director) must retire from office by rotation at each Annual General Meeting.

In accordance with clause 11.3, Dr D'Sylva is presented for re-election by Resolution 2. Dr D'Sylva has been a Director since 8 November 2003 and was last re-elected on 29 November 2004.

Each of Mr John Thompson and Dr Wayne Best were appointed as Directors of the Company during the year under clause 11.11 of the Constitution of the Company to fill casual vacancies on the Board.

By clause 11.12 of the Company's Constitution a Director appointed as a casual vacancy holds office until the next Annual General Meeting and is then eligible for re-election.

Each of Mr John Thompson and Dr Wayne Best offer themselves for election by Resolutions 3 and 4 respectively.

Details of the qualifications and experience of each of Dr D'Sylva, Mr Thompson and Dr Best are set out in the 2005 Annual Report for the Company.

### **3. RESOLUTION 5 – SELECTIVE CAPITAL REDUCTION OF 800,000 SHARES**

#### **Background**

The Corporations Act by section 256B allows a Company to reduce its share capital if the reduction:

- (a) is fair and reasonable to the Company's shareholders as a whole;
- (b) does not materially prejudice the Company's ability to pay its creditors; and
- (c) is approved by the shareholders under section 256C.

As the proposed Capital Reduction does not apply to each Shareholder in the proportion to the number of shares they hold, the Corporations Act deems the proposed Capital Reduction a selective capital reduction.

The Company can only implement the selective capital reduction if Resolution 5 is approved by a special resolution of the shareholders at a general meeting of the Company and approved by a special resolution at a meeting of the Capital Reduction Shareholder whose shares will be cancelled.

A special resolution is a resolution that has been passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution, either in person or by proxy.

If the Capital Reduction is approved, the PharmAust Parties and the Amadeus Parties will terminate the Distributor Agreement and discharge, release, waive and forever hold each other harmless from all rights, claims, causes of action and liability arising from or relating to the Distributor Agreement.

The Company is focused upon developing a vertically integrated pharmaceutical company with expertise in high value drug discovery and drug production. The Company does not intend to pursue or expend funds upon the distribution of ACE travel software products the subject of the Distributor Agreement. This travel technology software was formerly one of the focuses of the Company when it was known as Echo Technologies Limited.

By reason of the above the Directors consider the termination of the Distributor Agreement (which will occur on the passing of Resolution 4) will have no material adverse impact on the Company whilst the cancellation of the 800,000 Shares the subject of Resolution 4 will reduce the Company's share capital in the interests of Shareholders. For further assessment of the selective capital reduction proposal, Shareholders are referred to the Independent Experts Report on the Selective Capital Reduction annexed to the Notice as Annexure 3.

### **Effect of Capital Reduction on the Company**

The Capital Reduction involves the reduction of the Company's share capital from 68,166,707 Shares to 67,366,707 Shares. This will be effected by the cancellation of 800,000 Shares held by the Capital Reduction Shareholder in consideration of the termination of the Distributor Agreement. The Shares to be cancelled are 800,000 Shares held by the Capital Reduction Shareholder (Amadeus Global Travel Distribution SA) which will reduce the existing share capital of the Company by 1.17%.

### **Financial Impact on Creditors**

If the Capital Reduction is approved and implemented 800,000 Shares in total held by the Capital Reduction Shareholder will be cancelled in consideration of the termination of the Distributor Agreement.

The Company's ability to pay its creditors will be unaffected by the Capital Reduction.

### **Independent Expert's Conclusion**

Attached with the Notice as Annexure 3 is an Independent Expert's Report on the Capital Reduction. Shareholders should read the Independent Expert's Report in its entirety. The Independent Expert, RSM Bird Cameron Corporate Pty Ltd, has considered the proposed capital reduction and concluded that the proposed capital reduction is fair and reasonable to the Shareholders.

The Independent Expert as noted in section 4.1 of its Report states " In our opinion and for reasons set out in Section 10 of this report, the proposed Transaction contained in Resolution 5 is fair and reasonable to the Continuing Shareholders and the Expropriated Shareholders." The Independent Expert's Report should be read in its entirety.

The Independent Expert has consented to the inclusion of its Independent Expert's Report in the Notice in the form and context in which it is included and the Independent Expert has not withdrawn that consent at the date of this Notice. It has not caused or authorised

the issue of the Notice and takes no responsibility for any part of it other than the Independent Expert's Report and references to its name.

## **Directors Recommendations**

### **Directors**

The directors of the Company are:

- Mr John Thompson (Non-Executive Director)
- Mr Bryant McLarty (Executive Director)
- Dr Paul D'Sylva (Executive Director)
- Dr Wayne Best (Executive Director)

### **Directors Holdings**

The Capital Reduction will not result in any change of Directors.

Details of the relevant interest of Directors of the Company (or their associates) in the share capital of the Company are as follows:

<b>Director</b>	<b>Shares</b>
John Thompson	Nil
Bryant McLarty	2,510,299
Paul D'Sylva	725,698
Wayne Best	1,370,510

Messrs Thompson, McLarty, D'Sylva and Best and their associates intend to vote their Shares in favour of this Resolution 5.

### **No Agreement or Arrangement**

There is no agreement or arrangement made between any Director of the Company and any other person in connection with or conditional upon the outcome of the Capital Reduction.

### **Recommendation by Directors**

Each of Messrs Thompson, McLarty, D'Sylva and Best have considered the Capital Reduction and the information contained in this Explanatory Statement and have formed the view that the Capital Reduction is in the best interests of Shareholders and recommend that you vote in favour of this Resolution 5.

## **Separate Meeting of Capital Reduction Shareholder**

In accordance with section 256C of the Corporations Act a separate meeting of the Capital Reduction Shareholder will be held at which a special resolution must be passed in favour of the Capital Reduction. The Company will hold this Capital Reduction Shareholder meeting immediately prior to the Meeting the subject of this Notice. The Capital Reduction Shareholder has already provided its written consent to the Capital Reduction.

## **Lodgement With ASIC**

The Company has lodged with ASIC a copy of this Notice and Explanatory Statement in accordance with section 256C(5) of the Corporations Act. If Resolution 5 is approved at the Meeting and the meeting of the Capital Reduction Shareholder, the Company by section 256C(3) of the Corporations Act must lodge with ASIC a copy of both resolutions within 14 days after approval and the Company must not make the Capital Reduction until 14 days after lodgement with ASIC.

## **Other Material Information**

Other than as contained in this document, there is no information material to the making of a decision (being information that is within the knowledge of any Director of the Company) that has not previously been disclosed to Shareholders.

## **4. RESOLUTIONS 6, 7 and 8 – GRANT OF OPTIONS TO MR BRYANT MCLARTY, DR PAUL D'SYLVA AND DR WAYNE BEST**

### **Background**

Resolutions 6, 7 and 8 seek Shareholder approval for the grant of up to 3,000,000 Options to Mr Bryant McLarty (or his nominee), 3,000,000 Options to Dr Paul D'Sylva (or his nominee) and 3,000,000 Options to Dr Wayne Best (or his nominee). Each of Messrs McLarty, D'Sylva and Best are executive directors of the Company or its subsidiaries.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (Section 208) and ASX Listing Rule 10.11 because each of Mr McLarty, Dr D'Sylva and Dr Best as a Director is a related party of the Company.

### **Chapter 2E of the Corporations Act**

#### **Related Party Transaction**

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or

- (b) prior shareholder approval is obtained to the giving of the financial benefit to the related party.

For the purposes of Chapter 2E, Messrs McLarty, D'Sylva and Best as Directors, are related parties of the Company.

Resolutions 6, 7 and 8 provide for the grant of Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided:

(a) **The Related Party to Whom the Proposed Resolution would Permit the Financial Benefit to be Given**

The related party is Mr McLarty or his nominee (by Resolution 6), Dr D'Sylva (by Resolution 7) and Dr Best (by Resolution 8).

(b) **The Nature of the Financial Benefit**

The proposed financial benefit to be given is the grant of 3,000,000 Options for no cash consideration to Mr McLarty or his nominee, 3,000,000 Options for no cash consideration to Dr D'Sylva or his nominee and 3,000,000 Options for no cash consideration to Dr Best or his nominee. As executive directors the financial benefit will constitute part of Messrs McLarty, D'Sylva and Best's remuneration packages.

The Options to be granted in total to each of Mr McLarty, Dr D'Sylva and Dr Best or their nominees and details of the exercise price, expiry date and vesting criteria and are set out in the table below:

<b>Option Series</b>	<b>Total Number of Options</b>	<b>Vesting Criteria</b>	<b>Exercise Price of Options</b>	<b>Expiry Date</b>
Series 1	3,000,000  (1,000,000 each to Messrs McLarty, D'Sylva and Best)	The Company must achieve:  (1) a Return of Equity of 12% in a financial year; or  (2) a Market Capitalisation of \$18,000,000 for 10 consecutive trading days on ASX.	20 cents	31 December 2008

<b>Option Series</b>	<b>Total Number of Options</b>	<b>Vesting Criteria</b>	<b>Exercise Price of Options</b>	<b>Expiry Date</b>
Series 2	6,000,000  (2,000,000 each to Messrs McLarty, D'Sylva and Best)	The Company must achieve:  (1) a Return of Equity of 15% in a financial year; or  (2) a Market Capitalisation of \$22,000,000 for 10 consecutive trading days on ASX.	22 cents	31 December 2008

Each of Messrs McLarty, D'Sylva and Best are proposed to be issued with 1,000,000 Series 1 Options and 2,000,000 Series 2 Options.

The Options will be granted within one month of the date of the Meeting. It is not the current intention of the Company for the Options to be quoted on ASX.

Otherwise, the general terms and conditions of all the Options are set out in Annexure 1.

(c) **Directors Recommendation and Basis of Financial Benefit**

The Board consists of Mr John Thompson (Chairman), Mr Bryant McLarty, Dr Paul D'Sylva and Dr Wayne Best.

By Resolutions 6, 7 and 8 Options are proposed to be granted to the executive Directors. In each case the number of Options to be granted to the respective executive Director and the terms of the Options was negotiated by the Directors independent of that particular Director (being all the other Directors).

The purpose of the Options is to give each of Messrs McLarty, D'Sylva and Best an incentive to provide dedicated and ongoing commitment and effort to the Company. The independent Directors in each case consider the particular number and terms of Options to be granted respectively to each of Messrs McLarty, D'Sylva and Best constitute an appropriate number to adequately incentivise each of them in light of their skill, experience and reputation when considered together with their salary and other remuneration (as detailed below). The independent Directors in each case thereby recommend that Shareholders vote in favour of the Resolutions.

Mr McLarty abstains from making a recommendation to Shareholders as to Resolution 6 as he has a material personal interest in the outcome of the resolution being the recipient of the Options.

Dr D'Sylva abstains from making a recommendation to Shareholders as to Resolution 7 as he has a material personal interest in the outcome of the Resolution being the recipient of the Options.

Dr Best abstains from making a recommendation to Shareholders as to Resolution 8 as he has a material personal interest in the outcome of the Resolution being the recipient of the Options.

(d) **Dilution**

The passing of Resolutions 6, 7 and 8 would have the effect of granting Messrs McLarty, D'Sylva and Best (or their nominees) Options on the terms and conditions as set out in the table above and in Annexure 1.

If any Options granted as proposed above are exercised the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not optionholders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If the 3,000,000 Options to be granted under Resolution 6 to Mr McLarty or his nominee were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 4.26% on an undiluted basis and being based on the number of Shares on issue after the cancellation of 800,000 Shares by the Selective Capital Reduction (under Resolution 5).

If the 3,000,000 Options to be granted under Resolution 7 to Dr D'Sylva or his nominee were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 4.26% on an undiluted basis and being based on the number of Shares on issue after the cancellation of 800,000 Shares by the Selective Capital Reduction (under Resolution 5).

If the 3,000,000 Options to be granted under Resolution 8 to Dr Best or his nominee were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 4.26% on an undiluted basis and being based on the number of Shares on issue after the cancellation of 800,000 Shares by the Selective Capital Reduction (under Resolution 5).

(e) **Total Remuneration Packages of Messrs McLarty, D'Sylva and Best**

The cash remuneration payable to Mr McLarty and related entities (including a service company) is \$215,750 per annum including statutory superannuation. Mr McLarty is entitled to some fringe benefits and received \$8,702 in fringe benefits in 2004/2005.

Current Options held by Mr McLarty are referred to below.

The cash remuneration payable to Dr D'Sylva and related entities (including a service company) is \$188,500 per annum including statutory superannuation.

Current Options held by Dr D'Sylva are referred to below.

The cash remuneration payable to Dr Best is \$141,700 per annum including statutory superannuation.

Current Options held by Dr Best are referred to below.

(f) **Existing Relevant Interests of Messrs McLarty, D'Sylva and Best in the Company**

Mr Bryant McLarty and his associates currently have a relevant interest in 2,510,299 Shares in the Company. Additionally, Mr McLarty and his associates have a relevant interest in 2,705,427 Options (ASX:PAAOA) expiring on 30 November 2007 with an exercise price of 30c.

Dr Paul D'Sylva and his associates currently have a relevant interest in 725,698 Shares in the Company. Additionally, Dr D'Sylva and his associates have a relevant interest in 372,820 Options (ASX:PAAOA) expiring on 30 November 2007 with an exercise price of 30c.

Dr Wayne Best and his associates currently have a relevant interest in 1,370,510 Shares in the Company. Additionally, Dr Best and his associates have a relevant interest in 960,339 Options of which 907,005 are (ASX:PAAOA) expiring on 30 November 2007 with an exercise price of 30c, and 53,334 are unlisted and expire 30 June 2008 with an exercise price of 37.5c

(g) **Trading History**

The following table gives details of the highest, lowest and the latest trading price of the Company's Shares trading on the ASX over the last 12 months.

	<b>Date</b>	<b>Trading Price</b>
Highest Price	29 February 2005	29c
Lowest Price	3 May 2005	15c
Latest Price	3 October 2005	19.5c

(h) **Valuation of Options**

The Company's independent advisers, RSM Bird Cameron Corporate Pty Ltd, have valued the Options by reference to the Black and Scholes option pricing model. A copy of the RSM Bird Cameron Corporate Pty Ltd Report on Valuation of Directors' Options is attached as Annexure 4 to this Explanatory Statement.

The material assumptions for the valuation of the Options are detailed in section 2.1.2 of the RSM Bird Cameron Corporate Pty Ltd Report on Valuation of Options.

Based on the assumptions in the RSM Bird Cameron Corporate Pty Ltd Report on Valuation of Options, the value of the Options to be issued is as follows:

<b>Series</b>	<b>Total Number of Options</b>	<b>Value of Option</b>
Series 1	3,000,000	8.6 cents
Series 2	6,000,000	8.1 cents

Further, RSM Bird Cameron Corporate Pty Ltd in its report, measures the transaction value of the Option issue to Directors by applying a discount factor to the performance hurdles or vesting criteria concerning the Options. In sections 2.2.4 and 2.2.5 of its report RSM Bird Cameron Corporate Pty Ltd state:

"2.2.4 To take into account the performance hurdles attached to the options, a discount factor based on the probability estimate that the options will vest is then applied to arrive at an estimate of the number of options expected to vest. This is the best estimate available to PharmAust of awarding the options.

2.2.5 By way of example only, the above has been applied as a probable outcome in respect to the two separate option series granted, and the resultant transaction value calculated:

<b>Series</b>	<b>Discount Factor</b>	<b>No. of Options</b>	<b>Transaction Value</b>
	<b>%</b>	<b>Expected to Vest</b>	<b>\$</b>
1	60%	1,200,000	103,200
2	80%	1,200,000	97,200"

The measurement of transaction value above is not a measurement of fair value which fair value has been determined at 8.6 cents per Option for Series 1 Options and 8.1 cents for Series 2 Options.

(i) **Other Information**

The performance hurdles included in the Options packages are in accordance with the Company's remuneration policy and are designed to facilitate corresponding goals between executives, the Company and Shareholders.

The Market Capitalisation hurdles are set as approximately 50% and 80% increases in the Market Capitalisation of the Company from the date of the Board resolution to put the grant of Options to Shareholders. Market Capitalisation at 26 August 2005 was approximately \$11.9 million.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

**ASX Listing Rule 10.11**

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of securities (including an option) to a related party of the Company.

For the purposes of ASX Listing Rule 10.11, Messrs McLarty, D'Sylva and Best are related parties of the Company because they are each a Director of the Company.

Accordingly, in order to grant the Options to Messrs McLarty, D'Sylva and Best (or their nominees), the Company must obtain Shareholder approval for Resolutions 6, 7 and 8 pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Messrs McLarty, D'Sylva and Best as approval is being obtained under ASX Listing Rule 10.11. Shareholders should therefore note that the grant of the Options to Messrs McLarty, D'Sylva and Best 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 the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolutions 6, 7 and 8. This information is as follows:

- (i) the Options will be granted to Messrs McLarty, D'Sylva and Best or their nominees;
- (ii) the number of Options the Company will grant is 3,000,000 Options to Mr McLarty or his nominee, 3,000,000 Options to Dr D'Sylva or his nominee and 3,000,000 Options to Dr Best or his nominee;
- (iii) the Options will be issued no later than one (1) month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (iv) the Options will be granted for nil cash consideration and the terms and conditions of the Options are set out in the table in this section 4 and Annexure 1 of this Explanatory Statement; and
- (v) there will be no funds raised from the issue of the Options to Messrs McLarty, D'Sylva and Best (or their nominees).

**5. RESOLUTIONS 9 AND 10 – GRANT OF OPTIONS TO DR JOHN MOURSOUNDIS AND MR WINTON WILLESEE**

**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.

Dr John Moursoundis is the subject of Resolution 9. He is the Chief Executive Officer of the Company and the grant of the Options is a means of providing an incentive for his future dedicated and ongoing commitment and service to the Company.

Mr Winton Willesee is the subject of Resolution 10. He is the Company Secretary and the grant of the Options is recognition for dedicated service to date as well as providing an incentive for future dedicated and ongoing commitment and service to the Company.

The Company is seeking approval under ASX Listing Rule 7.1 for the grant of up to 2,250,000 Options (750,000 Series 1 Options and 1,500,000 Series 2 Options) to Dr John Moursoundis and the grant of up to 2,250,000 Options to Mr Winton Willesee (750,000 Series 1 Options and 1,500,000 Series 2 Options) to allow these securities to not 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 Options to be issued is 2,250,000 to Dr John Moursounidis (Resolution 9) and 2,250,000 to Mr Winton Willesee (Resolution 10);
- (b) all the 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 Options will be granted for nil consideration;
- (d) the allottees are Dr John Moursounidis (Resolution 9) and Mr Winton Willesee (Resolution 10) and they are not related parties of the Company;
- (e) details of the exercise price, expiry date and vesting criteria are set out in the table below otherwise, the general terms and conditions of the Options are set out in Annexure 1:

<b>Series of Options</b>	<b>Total Number of Options</b>	<b>Vesting Criteria</b>	<b>Exercise Price of the Options</b>	<b>Expiry Date</b>
1	1,500,000  (750,000 each to Messrs Moursounidis and Willesee)	The Company must achieve:  (1) a Return of Equity of 12% in a financial year; or  (2) a Market Capitalisation of \$18,000,000 for 10 consecutive trading days on the ASX.	20 cents	31 December 2008
2	3,000,000  (1,500,000 each to Messrs Moursounidis and Willesee)	The Company must achieve:  (1) a Return of Equity of 15% in a financial year; or  (2) a Market Capitalisation of \$22,000,000 for 10 consecutive trading days on the ASX.	22 cents	31 December 2008

- (f) there will be no funds raised from the issue of the Options; and

(g) it is intended that the Options will be allotted on one date.

## **6. RESOLUTION 11- ADOPTION OF EMPLOYEE SHARE SCHEME**

The Directors considered that it was desirable to establish a share scheme under which eligible employees may be offered the opportunity to subscribe for securities in the Company in order to increase the range of potential incentives available to them and to strengthen links between the Company and its employees and accordingly adopted the PharmAust Limited Employee Share Plan ("**Plan**") on 26 August 2005. The Company and its subsidiaries employ approximately 52 people and the Directors consider it important that they have the ability to incentivise them by reference to equity in the Company.

The Plan allows the Company to issue up to a maximum of 5% of its issued capital as free Shares to eligible employees, which includes employees and Directors of the Company. A copy of the Rules of the Plan is attached to this Explanatory Statement as Annexure 2.

The proposed Resolution 11 would have the effect of giving power to the Directors to grant 5% of the issued share capital of the Company from time to time pursuant to the Plan without utilising any of its 15% capacity allowed by Listing Rule 7.1. As at the date of this Notice the Company has 68,166,707 Shares and 47,286,430 Options on issue. On this basis the approval of Resolution 11 will enable the Directors to issue up to 3,408,335 Shares under the Plan without requiring shareholder approval under Listing Rule 7.1.

If Shares are granted pursuant to the Plan the effect would be to dilute the shareholding of existing Shareholders.

The Plan is designed to provide incentives to existing employees of the Company and to recognise their contribution to the Company's success. Under the Company's current circumstances the Directors consider that the incentives to employees are a cost effective and efficient incentive for the Company as opposed to alternative forms of incentives such as cash bonuses or increased remuneration. To enable the Company to secure and retain employees and Directors who can assist the Company in achieving its objectives, it is necessary to provide remuneration and incentives to such personnel. The Plan is designed to achieve this objective, by encouraging continued improvement in performance over time and by encouraging personnel to acquire and retain significant shareholdings in the Company.

It is intended that Shares issued under the Plan will be issued to employees having met continuous service requirements and will be subject to a shareholding lock for a period of 12 months following issue and allotment.

The Directors do not consider that there are any opportunity costs to the Company or benefits foregone by the Company in granting the Shares under the Plan.

Shareholder approval is sought for the purposes of Listing Rule 7.2 Exception 9(b) which provides that Listing Rule 7.1 does not apply to an issue of securities under an employee

incentive scheme that has been approved by the holders of ordinary securities within 3 years of the date of issue.

Prior shareholder approval will be required before any Director or related party of the Company can participate in the Plan.

In accordance with the requirements of Listing Rule 7.2 Exception 9(b), the following information is provided:

- (a) a copy of the terms of the Plan is attached as Annexure 2 to this Explanatory Statement;
- (b) no Shares have previously been issued under the Plan; and
- (c) a voting exclusion statement has been included for the purposes of Resolution 11 in the form required by the Listing Rules.

## **7. RESOLUTION 12 – ADOPTION OF NEW CONSTITUTION**

The Company is seeking approval from Shareholders to update its Constitution. The current Constitution of the Company was adopted in 2000. Amongst other things, the current Constitution of the Company does not have provision for the Company to rationalise unmarketable parcels of Shares in accordance with the Listing Rules. There are approximately 400 unmarketable parcels of Shares in the Company at the date of this Notice. The Company intends in the future to consider rationalising unmarketable parcels of Shares.

### **Corporations Act**

Section 136 of the Corporations Act requires the Company to obtain the approval of its Shareholders, by special resolution, to adopt a new Constitution. A special resolution must be obtained by at least 75% of the votes cast by Shareholders who are entitled to vote at the Annual General Meeting.

A copy of the proposed Constitution will be made available to members upon request by contacting the Company's office on (08) 9311 0777. A copy will also be available for inspection at the Annual General Meeting of the Company.

**PHARMAUST LIMITED**

**ABN 35 094 006 023**

**GLOSSARY**

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

"**Amadeus Parties**" means the Capital Reduction Shareholder, ICSAT NV and their affiliates, successors and assigns;

"**ASIC**" means the Australian and Securities Investment Commission;

"**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 Reduction**" means the cancellation of 800,000 Shares held by the Capital Reduction Shareholder in consideration of the PharmAust Parties and the Amadeus Parties terminating the Distributor Agreement and releasing, waiving and forever discharging each other from all rights, obligations and liabilities under the Distributor Agreement;

"**Capital Reduction Shareholder**" means Amadeus Global Travel Distribution SA;

"**Chairman**" means the chairman of the Company;

"**Company**" or "**PharmAust**" means PharmAust Limited (ABN 35 094 006 023 );

"**Consolidated Entity**" means the Company and all its subsidiaries;

"**Constitution**" means the Constitution of the Company;

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

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

"**Distributor Agreement**" means the distributor agreement between the Amadeus Parties and the PharmAust Parties by which certain of the PharmAust Parties were appointed as the exclusive distributor of ACE travel software products in a number of countries in the Asia Pacific region, dated 7 June 2000 and includes any amendments or superseding agreements or understandings between the Amadeus Parties and the PharmAust Parties;

"**Explanatory Statement**" means this explanatory statement;

"**Independent Expert**" means RSM Bird Cameron Corporate Pty Ltd;

"**Market Capitalisation**" means the number of Shares in the capital of the Company on issue multiplied by the price at which the Shares are quoted on ASX;

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

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement;

"**Option**" means an option to subscribe for a Share;

"**PharmAust Parties**" means PharmAust, Gulliver International Pty Ltd (a wholly owned subsidiary of PharmAust) and their affiliates, successors and assigns;

"**Remaining Shareholders**" means all Shareholders other than the Capital Reduction Shareholder;

"**Resolution**" means a resolution contained in the Notice;

"**Return on Equity**" means the percentage the annual audited profit of the Consolidated Entity bears to the total equity interests of the Company in accordance with annual audited accounts;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means a registered holder of Shares in the Company; and

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

**ANNEXURE 1**

**GENERAL TERMS AND CONDITIONS OF OPTIONS**

The general 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) Subject to the vesting criteria the Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option.
- (d) The Options are freely transferable, but no application will presently be made to the ASX for the Options to be admitted to quotation.
- (e) 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 proposed 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.
- (f) All Shares issued upon the exercise of the Options will rank pari passu in all respects with the Company's then issued Shares. The Company must apply within 7 business days after the date of issue to ASX for all Shares issued pursuant to the exercise of Options to be admitted to quotation.
- (g) 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.
- (h) 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 Listing Rules.
- (i) 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.

**ANNEXURE 2**

**PHARMAUST LIMITED EMPLOYEE SHARE PLAN**

**PHARMAUST LIMITED  
(ACN 094 006 023)**

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**EMPLOYEE SHARE PLAN RULES  
(adopted by the board on 26 August 2005)**

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**FAIRWEATHER & LEMONIS**  
BARRISTERS & SOLICITORS  
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PHONE: (08) 9420 5000  
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REF: AWF:AHB:PAA246

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## 1. DEFINITIONS AND INTERPRETATION

### 1.1 Definitions

In this Plan:

"**Applicant**" has the meaning given in rule 5.4(a);

"**Application**" means an application in the form set out in Annexure 1 or in such other form as the Board may from time to time prescribe, accepting an invitation from the Board to apply for Plan Shares under these Rules;

"**Associated Body Corporate**" means any Related Body Corporate of or other entity controlled by the Company;

"**ASTC**" means ASX Settlement and Transfer Corporation Pty Ltd (ACN 008 504 532);

"**ASTC Settlement Rules**" mean the rules of ASTC;

"**ASX**" means the Australian Stock Exchange Limited (ACN 008 624 691);

"**Board**" means the Board of Directors of the Company or a committee of them;

"**Bonus Issue**" means an allotment by the Company to its shareholders of ordinary shares credited as fully paid up for no consideration;

"**Company**" means PharmAust Limited (ACN 094 006 023);

"**Corporations Act**" means the Corporations Act 2001;

"**Eligible Employee**" means a person who is, at the time of the Offer under this Plan, a full or part-time employee or a director of a Group Company for a period of at least 1 year (or such shorter period as the Board in its discretion determines);

"**Group Company**" means the Company and each Associated Body Corporate;

"**Holding Lock**" has the meaning given in section 2 of the ASTC Settlement Rules;

"**Listing Rules**" means the ASX Listing Rules, as amended from time to time;

"**Market Value**" means the weighted average closing sale price of the Shares recorded on the ASX over the last 5 trading days on which sales of the Shares were recorded preceding the day on which the invitation is issued.

"**Participant**" means an Eligible Employee who applies and is allotted and issued with Plan Shares in accordance with the Plan;

"**Plan**" has the meaning given in rule 0;

"**Plan Shares**" means Shares issued to an Eligible Employee under the terms of this Plan;

"**Related Body Corporate**" has the meaning given in section 50 of the Corporations Act;

"**Restriction Period**" has the meaning given in rule 8.1;

"**Rights Issue**" means an offer or invitation by the Company during the currency of the Plan made to holders of Shares in the capital of the Company (on a pro rata basis) to subscribe for Securities of the Company or of any other corporation (whether by renounceable or non-renounceable rights or otherwise);

"**Rules**" means these rules of the Plan, as amended from time to time.

"**Securities**" includes shares, debentures, notes and any options to subscribe for the same; and

"**Shares**" means ordinary fully paid shares in the capital of the Company.

## 1.2 Interpretation

In this Plan unless the context otherwise requires:

- (a) the singular includes the plural and vice versa;
- (b) a reference to a recital, paragraph or schedule is to a recital, paragraph or schedule of or to this Plan;
- (c) a reference to any agreement or document is to that agreement or document (and, where applicable, any of its provisions) as amended, novated, restated or replaced from time to time;
- (d) a reference to a statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances or by-laws amending, consolidating or replace it, and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (e) a reference to a body, (including, without limitation, an institute, association or authority), whether statutory or not:
  - (i) which ceases to exist; or
  - (ii) whose powers or functions are transferred to another body,is a reference to the body which replaces it or which substantially succeeds to its powers or functions;
- (f) where an expression is defined, another part of speech or grammatical form of that expression has a corresponding meaning;

- (g) all references to currency are references to Australian dollars; and
- (h) "including" and similar expressions are not and must not be treated as words of limitation.

### 1.3 **Headings**

In this Plan, headings are for convenience of reference only and do not affect interpretation.

## 2. **NAME OF THE PLAN**

This plan will be known as the PharmAust Limited Employee Share Plan (the "**Plan**").

## 3. **ESTABLISHMENT AND TERMINATION OF THE PLAN**

- 3.1 The Board may establish and administer the Plan in accordance with these Rules.
- 3.2 The Board may terminate the Plan at any time that it considers appropriate in its absolute discretion.
- 3.3 Where the Board terminates the Plan, the Board cannot grant any further Plan Shares under the Plan.

## 4. **ENTITLEMENT TO PARTICIPATE**

- 4.1 The Board may from time to time and in its sole discretion determine that an Eligible Employee may participate in the Plan and the extent of the Eligible Employee's participation. In making that determination, the Board may consider:
  - (a) the seniority of the Eligible Employee and the position the Eligible Employee occupies with the relevant Group Company;
  - (b) the length of service of the Eligible Employee with the Group Company;
  - (c) the record of employment of the Eligible Employee with the Group Company;
  - (d) the potential contribution of the Eligible Employee to the growth and profitability of the Group Company;
  - (e) the extent (if any) of the existing participation of the Eligible Employee in the Plan; and
  - (f) any other matters which the Board considers relevant.
- 4.2 The Board may exercise its powers in relation to the participation of any Eligible Employee on any number of occasions.

4.3 The Company must obtain shareholder approval under the Listing Rules and/or Corporations Act before the participation under the Plan of any Eligible Employee who is a director of or otherwise a related party of the Company.

## **5. ISSUE OF PLAN SHARES**

### **5.1 Offer to acquire**

Subject to rule 5.2, invitations to acquire Plan Shares under the Plan may be issued to Eligible Employees at the discretion of the Board.

### **5.2 Number of shares offered to Eligible Employees**

The number of Plan Shares the subject of an invitation or offer under this Plan, when aggregated with:

- (a) the number of Shares which would be issued if each outstanding offer made with respect to Securities (including options) under any other employee share scheme were accepted or exercised (as the case may be); and
- (b) the number of Shares issued during the previous 5 years under the Plan or any other employee share scheme,
- (c) but disregarding any offer made, or option acquired or Share issued, by way of or as a result of:
- (d) an offer to a person situated outside of Australia at the time of receipt of the offer; or
- (e) an offer that did not require disclosure to investors because of section 708 of the Corporations Act; or
- (f) an offer made under a disclosure document (within the meaning of the Corporations Act),
- (g) must not exceed 5% of the total number of Shares as at the time of the invitation or offer.

### **5.3 Issue Price**

On acceptance of an Application, each Plan Share will be issued for nil consideration.

### **5.4 Applications**

- (a) Following receipt of an invitation, an Eligible Employee ("**Applicant**") may apply for the full number of Plan Shares or part of them specified in the invitation (but only in multiples of 500) by sending to the Company an Application.

- (b) The Application must be received by the Company within the acceptance period specified in the invitation.
- (c) The Board is entitled to receive from the Applicant any information that the Board considers necessary concerning the Applicant and the Applicant's entitlement to lodge an Application.
- (d) The Board may accept or refuse an Application in its sole discretion.
- (e) By completing and returning an Application to the Company, each Applicant who is issued with Plan Shares, agrees to be bound by the Plan and the Rules, including the imposition of a Holding Lock during the Restriction Period.

## **6. RIGHTS OF PLAN SHARES**

- 6.1 Each Plan Share issued under the Plan will rank equally with all other Shares issued in the capital of the Company.
- 6.2 Each holder of a Plan Share issued under the Plan will be entitled to all:
  - (a) voting rights;
  - (b) rights to dividends; and
  - (c) rights to participate in any Bonus Issues and Rights Issues made by the Company, on the same basis as other shareholders of the Company.
- 6.3 Subject to the Rules and the Plan, the rights of Plan Shares outlined in rule 6 will accrue to the Participant from the date of allotment.

## **7. ASX QUOTATION**

Upon issue of Plan Shares, the Company will apply to the ASX for their official quotation.

## **8. RESTRICTION ON TRANSFER**

- 8.1 A Participant, must not sell, transfer, assign, mortgage, charge or otherwise agree to encumber the Plan Shares until, 12 months from the date of issue of any Plan Shares (the "Restriction Period").
- 8.2 During the Restriction Period, the Company will instruct its share registry to effect a Holding Lock in respect of the Plan Shares issued to Participants under the Plan and the Participants consent to that Holding Lock being imposed.
- 8.3 If a Participant ceases to be an Eligible Employee of the Company whilst the Participant's Plan Shares are under Restriction, the Board in its absolute discretion may:

(a) **alteration of Restriction**

in the case of death, serious or permanent incapacity, hardship or otherwise in relation to the Participant, allow the Participant to retain the Plan Shares either subject to or free from the Restriction; and

(b) **buy-back**

subject to the requirements of the Corporations Act, as soon as reasonably practicable after the date of cessation of employment or engagement (as the case may be) with the Company, buy-back the Plan Shares at a price equal to the lesser of:

- (i) \$0.01 each; or
- (ii) the Market Value,

provided that, where the Company elects to buy-back Shares under rule 8.3(b), the Participant irrevocably appoints the Company as its attorney for the purposes of signing all necessary documents and signing all necessary approvals in order to give effect to the buy-back.

**9. POWERS OF THE BOARD**

The Plan will be administered by the Board who will have the power to:

- (a) determine appropriate procedures for administration of the Plan consistent with its terms;
- (b) resolve conclusively all questions of fact or interpretation in connection with the Plan;
- (c) delegate any of its powers or discretions arising under the Plan to any one or more persons for such period and on such conditions as the Board determines in its sole discretion;
- (d) amend, add to or waive the Rules or the Plan, other than in respect of the total number of Plan Shares which may be issued under the Plan under rule 5.2; and
- (e) suspend or terminate the Plan.

**ANNEXURE 1**

**PHARMAUST LIMITED  
ACN 094 006 023**

PharmAust Limited  
Employee Share Plan

**Application for Shares**

I \_\_\_\_\_

of \_\_\_\_\_

\_\_\_\_\_

hereby apply for \_\_\_\_\_ Shares in the capital of the Company and I agree that upon issue of those Shares I shall hold those Shares and deal with them only in accordance with the terms and conditions of the said Employee Share Plan of the Company (a copy of which is attached hereto) and subject to and in accordance with the Constitution of the Company.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 200(\*).

Signed: \_\_\_\_\_

Name: \_\_\_\_\_

**ANNEXURE 3**  
**RSM BIRD CAMERON CORPORATE PTY LTD REPORT**  
**ON SELECTIVE CAPITAL REDUCTION**

# RSM Bird Cameron Corporate Pty Ltd

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14 September 2005

The Board of Directors  
PharmAust Limited  
P O Box 661  
NEDLANDS WA 6909

Dear Sirs

## **Independent Experts Report and Financial Services Guide Selective Capital Reduction and Share Cancellation**

### **1. Introduction**

- 1.1. This report has been prepared to accompany the Notice of Annual General Meeting and Explanatory Statement for the Annual General Meeting of ordinary shareholders of PharmAust Limited (“PharmAust” or “the Company”) to be held on 14 November 2005 at which shareholder’s approval will be sought for a number of Resolutions including Resolution 5 for the following transaction (“proposed Transaction”).

*“That, for the purposes of Section 256C(2) of the Corporations Act and for all other purposes the share capital of the Company be reduced by cancelling 800,000 fully paid ordinary shares in the Company held by Amadeus Global Travel Distribution SA in consideration of the termination of the Distribution Agreement and on terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

- 1.2. The Directors have requested RSM Bird Cameron Corporate Pty Ltd, being independent and qualified for the purpose to express an opinion as to whether the proposed Transaction is fair and reasonable to the shareholders of PharmAust - both the Continuing Shareholders and the shareholders participating in the selective capital reduction – the Expropriated Shareholders.

‘Liability is limited by the Accountants’ Scheme pursuant to the NSW Professional Standards Act 1994’

RSM Bird Cameron Corporate Pty Ltd  
ABN 82 050 508 024  
Licensed Investment Adviser  
No 255847

Major Offices in:  
Perth, Sydney,  
Melbourne, Adelaide  
and Canberra

RSM Bird Cameron Corporate Pty Ltd is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

## **2. Details of the Proposed Transaction**

- 2.1. Resolution 5, if approved, will result in 800,000 ordinary shares in PharmAust held by Amadeus Global Travel Distribution SA (“Amadeus”) being cancelled as consideration for the termination of the Distribution Agreement with Amadeus.
- 2.2. If approved, Resolution 5, will result in the issued share capital reducing from 68,166,707 to 67,366,707, a reduction of approximately 1.17%. The proposed Transaction will have no impact on the financial position of PharmAust.

## **3. Purpose of this Report**

### **The Law**

- 3.1. The selective capital reduction is to be implemented pursuant to Section 256B of the Corporations Act (“the Act”). This allows a company to reduce its shares in a way that is not otherwise authorised by law, as long as the reduction:
  - is fair and reasonable to the company’s shareholders as a whole;
  - does not materially prejudice the company’s ability to pay its creditors; and
  - is approved by shareholders under Section 256C of the Corporations Act.
- 3.2. Section 256C(4) of the Act states that the company must include with the Notice of Meeting a statement setting out all information known to the company that is material to the decision on how to vote on the resolution.
- 3.3. There is no requirement under the Act or the Australian Stock Exchange (“ASX”) Listing Rules for PharmAust to engage an independent expert in relation to the proposed Transaction. However, ASIC Practice Note 29 “Selective Capital Reductions” states that “An independent expert’s report should usually accompany the explanatory memorandum to satisfy the information requirements of financiers ...”
- 3.4. Accordingly, the directors of PharmAust have engaged RSM Bird Cameron Corporate Pty Ltd to prepare this Report for provision to all Shareholders to assist them in deciding whether to accept or reject the proposed Transaction.

### **Regulatory Guidelines**

- 3.5. In assessing the proposed Transaction we have considered ASIC Practice Note 29. Under Practice Note 29 an independent expert’s report should state whether, in the opinion of the expert, the proposal is fair and reasonable to the Expropriated Shareholders and to the Continuing Shareholders, in that it strikes a fair balance between the interests of the persons whose shares are to be cancelled and those who will remain in the company.
- 3.6. Practice Note 29 does not further define “fair and reasonable” other than to imply it is similar to the definition provided by ASIC Policy Statement 74 “Independent Expert Report to Shareholders”. Policy Statement 74 states that what is fair and reasonable should be judged in all circumstances of the Proposal.

- 3.7. Such consideration includes a comparison of the likely advantages and disadvantages for Continuing and Expropriated Shareholders if the Proposal is accepted, with the advantages and disadvantages to Continuing Shareholders and Expropriated Shareholders if it is rejected. Policy Statement 74 states that the comparison of the value of consideration paid to the value of the asset being acquired or sold is only one element of this assessment.

#### **4. Summary and Conclusions**

- 4.1. In our opinion and for reasons set out in Section 10 of this report, the proposed Transaction contained in Resolution 5 is fair and reasonable to the Continuing Shareholders and the Expropriated Shareholders.
- 4.2. This opinion is based on our view that the advantages of the proposed Transaction outweigh the disadvantages and consequently, both the Continuing Shareholders and Expropriated Shareholders will be better off if the proposed Transaction proceeds than if it does not.
- 4.3. The principal factors affecting our opinion are summarised below and are discussed in more detail in Section 10, together with the factors we have considered:-

##### *Continuing Shareholders*

- 4.3.1. The Continuing Shareholders will increase their shareholding percentage in the Company by a factor of approximately 1.17%;
- 4.3.2. The proposed Transaction is consistent with the strategic focus of the Company;

##### *Expropriated Shareholders*

- 4.3.3. By terminating the Distribution Agreement early, the Amadeus Group has the ability to take advantage of existing opportunities to market and distribute its ACE software product throughout Australia, New Zealand and South East Asia.
- 4.4. This opinion should be considered in conjunction with and not independently of the information set out in the remainder of this report.

#### **5. Report Structure**

- 5.1. The balance of our report is set out in the following sections:-

##### **Section**

- 6 Sources of Information
- 7 Background Information
- 8 Evaluation of the Proposal
- 9 Valuation of PharmAust

- 10 Factors taken into consideration in forming our opinion
- 11 Declarations and Disclaimers
- 12 Financial Services Guide

## **6. Sources of Information**

- 6.1. In preparing this report, we have relied upon the following principal sources of information:-
  - 6.1.1. the draft Notice of Meeting and Explanatory Memorandum;
  - 6.1.2. the Annual Reports for PharmAust for the years ended 30 June 2003, 30 June 2004 and 30 June 2005;
  - 6.1.3. Distributor Agreement between ICSA TNV and Gulliver International Pty Ltd;
  - 6.1.4. Settlement, Release and Waiver between Amadeus Global Travel Distribution, SA and PharmAust;
  - 6.1.5. Minutes of the Board Meetings of PharmAust; and
  - 6.1.6. discussions with Mr Winton Willesee, Company Secretary of PharmAust.

## **7. Background Information**

### **History**

- 7.1. The Company was incorporated on 3 August 2000 as Echo Technologies Limited (“Echo”), an unlisted public company to promote and sell travel technology software. The Company listed on the Australian Stock Exchange (“ASX”) in October 2001. The Company acquired a 100% interest in a company called Gulliver International Pty Ltd (“Gulliver”).
- 7.2. On 7 June 2000 Gulliver entered into an exclusive distribution agreement with Belgian-based technology company, ICSA T NV trading as International Computer Services and Advice for Travel (“ICSA T”). The agreement enabled the Echo economic entity (Echo and its controlled entities) to market and distribute ICSA T’s ACE software product throughout Australia, New Zealand and South East Asia on an exclusive basis.
- 7.3. The distribution agreement was subsequently amended on 11 October 2000 and 19 March 2001 and fully revised on 23 May 2001 and is valid for 5 and a half years from 1 September 2000 to 28 February 2006, with an option to extend for a further 5 years.
- 7.4. The consideration paid by Gulliver for the distribution agreement comprised the following:

A first instalment cash payment to ISCA T of US\$300,000 on 13 November 2000	540,000
A final instalment cash payment to ISCA T of US\$600,000 on 4 April 2001	1,264,755
The issue to ISCA T of 4,000,000 fully paid ordinary shares in the Company on 23 April 2001	<u>240,000</u>
	<u>\$2,044,755</u>

**Table 1 : Consideration paid for Distribution Agreement**

- 7.5. The distribution agreement requires that Gulliver pay an annual royalty to ICOSA T; such royalty being calculated as 5% of its gross income from full licence and application service provider sales, less costs directly related to these sales, excepting payroll costs.
- 7.6. In November 2002 ICOSA T was acquired by Amadeus Global Travel Distribution, SA and subsequently the agreement was assigned from ICOSA T to another entity in the Amadeus Group.
- 7.7. Since entering the agreement the Echo economic entity has not generated any revenue under the distribution agreement and accordingly, has not paid any royalty to ICOSA T or the Amadeus Group.
- 7.8. In July 2003 the Board of the time undertook a review of all operations.
- 7.9. In October 2003 following consolidation of existing assets, the Board identified an opportunity to establish a company operating in the drug discovery sector. Epichem was established with the Company taking an 80% shareholding interest.
- 7.10. At a shareholder's meeting on 8 November 2004 shareholders approved:-
- A change in the nature and scale of the Company's activities to a Company with activities in the pharmaceutical sector;
  - A change of the Company's name to PharmAust Limited;
  - A consolidation of the Company's issued capital on a one (1) for five (5) basis;
  - The allotment and issue of shares pursuant to a Prospectus dated on or about 29 September 2004 relating to the issue of 27,500,000 fully paid ordinary shares in PharmAust at an issue price of \$0.20 per share to raise \$5,500,000; and
  - The issue of shares to Epichem staff shareholders to acquire the final 20% of the shares in Epichem.
- 7.11. A major part of the funds raised from the share issue were utilised to acquire Rampric Laboratories for a consideration of \$3.1 million.

7.12. In March 2005, PharmAust expanded its activities in the pharmaceutical industry with the acquisition of the Australian discovery chemistry company, Minotopes Pty Ltd.

7.13. In July 2005 PharmAust reached agreement with Amadeus to cancel the distribution agreement. The terms of the agreement are set out in a Settlement, Release and Waiver document which provides, inter alia, that subject to shareholder approval the distribution agreement will be cancelled and terminated and the 800,000 ordinary shares (post the share consolidation referred to above) held by the Amadeus Group will be cancelled.

### Financial Information

7.14. The financial information set out below is based on the audited financial statements for the three years ended 30 June 2005.

### Financial Performance

7.15. Detailed below in Table 2 is a summary of the operating results of PharmAust and its controlled entities (“the PharmAust Group”) for the three years ended 30 June 2005 extracted from the audited financial statements.

	Audited Year ended 30 June 2005 \$000	Audited Year ended 30 June 2004 \$000	Audited Year ended 30 June 2003 \$000
Revenue from ordinary activities	<u>3,283</u>	<u>512</u>	<u>1,023</u>
Expenses			
Cost of sales	(1,318)	(139)	(35)
Amortisation	-	(154)	(735)
Depreciation	(99)	(54)	(89)
Loss on disposal of assets	(128)	(133)	-
Write down in value of non current assets	(1,311)	(1,327)	-
Borrowing costs	(29)	(47)	(121)
Other expenses from ordinary activity	<u>(3,762)</u>	<u>(1,243)</u>	<u>(2,152)</u>
(Loss) from ordinary activities before and after income tax	<u>(3,364)</u>	<u>(2,585)</u>	<u>(2,109)</u>

**Table 2 : Summary of the Operating Results of the PharmAust Group for the three years ended 30 June 2005**

7.16. We note the following in regard to the PharmAust Group’s operating performance:-

7.16.1. Approximately \$2.14 million of the operating loss incurred in 2003 and 2004 related to the amortisation and writing off of intangible assets relating to the travel technology software activities.

### Financial Position

7.17. The table below sets out the audited financial position of the PharmAust Group as at 30 June 2005 and the comparable position at 30 June 2004.

	Audited As at 30 June 2005 \$000	Audited As at 30 June 2004 \$000
<b>Current assets</b>		
Cash	785	182
Receivables	784	-
Inventory	304	-
Other assets	<u>67</u>	<u>166</u>
<b>Total current assets</b>	<u>1,940</u>	<u>348</u>
<b>Non current assets</b>		
Other financial assets	78	9
Property, plant and equipment	3,100	429
Intangibles	<u>157</u>	<u>119</u>
<b>Total non current assets</b>	<u>3,335</u>	<u>557</u>
<b>Total assets</b>	<u>5,275</u>	<u>905</u>
<b>Current liabilities</b>		
Payables	1,038	126
Interest bearing liabilities	232	17
Provisions	<u>79</u>	<u>-</u>
<b>Total current liabilities</b>	<u>1,349</u>	<u>143</u>
<b>Non current liabilities</b>		
Interest bearing liabilities	<u>57</u>	<u>21</u>
<b>Total non current liabilities</b>	<u>57</u>	<u>21</u>
<b>Total liabilities</b>	<u>1,406</u>	<u>164</u>
<b>Net assets</b>	3,868	741
Outside equity interests	<u>-</u>	<u>82</u>
<b>Net assets attributable to PharmAust shareholders</b>	<u>3,868</u>	<u>661</u>
Ordinary issued shares (000's)	<u>68,167</u>	<u>166,207</u>
<b>Net assets per share</b>	<u>5.7 cents</u>	<u>0.4 cents</u>

**Table 3 : Financial Position of the PharmAust Group as at 30 June 2005**

- 7.18. The improvement in the PharmAust Group's net asset position between 30 June 2004 and 30 June 2005 reflects the capital raising activities of PharmAust in the period during which approximately \$6.57 million was raised (net of capital raising costs) less the loss from ordinary activities incurred for the year ended 30 June 2005.
- 7.19. The improvement in the net asset backing per share from 0.4 cents per share at 30 June 2004 to 5.7 cents per share at 30 June 2005 is a result of both the capital raising activities of PharmAust and the consolidation of the Company's issued capital on a one (1) for five (5) basis.

### **Share Capital and Ownership**

- 7.20. PharmAust currently has 68,166,707 ordinary shares on issue. Details of PharmAust's top ten shareholders as at 29 August 2005 are set out in the table below:

	Number of shares held	% of issued capital
Bryant McLarty	1,956,624	2.87
Dixson Trust Pty Limited	1,875,000	2.75
Dr Wayne Morris Best	1,312,510	1.93
Anthony Peter Watson	1,220,000	1.79
Peter Howells	1,122,334	1.65
Betty Ann Stevens	925,000	1.36
Rathborne Trustees	840,172	1.23
Citicorp Nominees Pty Ltd	830,693	1.22
Dr Collette Gloria Sims	807,500	1.18
ICSATNV	<u>800,000</u>	<u>1.17</u>
	11,689,833	17.15
Other shareholders	<u>56,476,874</u>	<u>82.85</u>
Total number and % of issued shares	<u>68,166,707</u>	<u>100.0</u>

**Table 4 : Top Ten Shareholders of PharmAust**

### Share Performance

7.21. An analysis of the Company's share price and volume over the twelve months ended 31 August 2005 is set out below:

Month	Share Price High \$	Share Price Low \$	Volume 000's
September 2004	0.04	0.04	9,961
October 2004	0.04	0.04	10,574
November 2004	0.04	0.04	11,485
December 2004	0.28	0.24	33,088
January 2005	0.28	0.25	8,126
February 2005	0.29	0.25	5,759
March 2005	0.28	0.17	4,913
April 2005	0.22	0.17	2,892
May 2005	0.21	0.15	3,673
June 2005	0.22	0.16	4,208
July 2005	0.22	0.17	3,246
August 2005	0.20	0.18	4,627

**Table 5 : Share Price and Volume for the 12 months ended 31 August 2005**

### Industry Outlook

7.22. We consider below the industry outlook for both the travel industry and the pharmaceutical industry.

## **Travel Industry**

- 7.23. According to IBISWorld recent trends indicate that the travel agency services sector is in decline. Reasons for the decline are primarily the expansion in the availability of computerised reservation systems to businesses and households and CD-Rom and on-line travel products. In addition, airlines and others are reducing commission levels paid to agents.
- 7.24. IBISWorld consider that the overall outlook for the retail travel agency industry to be poor. Significant restructures of operators will continue to occur as the industry in Australia has consolidated into four or five key travel agency groups.
- 7.25. Australia continues to have an over supply of travel agents, particularly with the emerging computer-based internet and related technologies. Technological changes and especially the general availability of Centralised Reservation Systems (via the Internet and/or the optical fibre network to both businesses and households) and travel products on CD-Rom or on line are expected to lead to an increase in own itinerary preparation and an increase in the number of direct bookings with operators by individuals and companies, which will bypass the agency function altogether.

## **Pharmaceutical Industry**

- 7.26. IBISWorld considers the pharmaceutical industry to be in a growth phase. Factors contributing to this growth phase are:-
- 7.26.1. Various lifestyle trends are driving the growth of products such as those designed to deal with modern day psychological stress, an ageing population which is boosting demand for drugs to combat degenerative diseases and (the development of) new viruses;
- 7.26.2. New players entering the industry focussing on complementary medicines and natural and homeopathic alternatives; and
- 7.26.3. The trend of strategic alliances allowing pharmaceutical manufacturers to draw upon each others research expertise is expected to accelerate.
- 7.27. In recent years the Australian pharmaceutical industry has grown at a faster rate than GDP facilitated by a generally favourable domestic investment and regulatory environment. Favourable demographics, including an ageing population and improving community attitudes to healthcare, have also contributed to this growth in Australia.

## **8. Evaluation of the Proposal**

- 8.1. We consider that a report and analysis undertaken under the concepts of fair and reasonable as expressed in Policy Statement 74 is consistent with determining whether the proposed Transaction is fair and reasonable to all shareholders.
- 8.2. Policy Statement 74 provides in paragraph 74.21 "... what is fair and reasonable for non-associated shareholders should be judged in all the circumstances of the proposal. The report must compare the likely advantages and disadvantages for the non-associated shareholders if the proposal is agreed to, with the advantages and disadvantages to those

shareholders if it is not. Comparing the value of the shares to be acquired under the proposal and the value of the consideration to be paid is only one element of this assessment”.

8.3. In assessing the fairness and reasonableness to all shareholders we have considered whether:

- The value of the shares cancelled and the consideration for the cancellation being the termination of the Distribution Agreement; and
- The likely advantages and disadvantages of accepting or rejecting the Proposal;

strikes a fair balance between the interests of Expropriated Shareholders and the Continuing Shareholders.

## **9. Valuation of PharmaAust**

### *Valuation Methodologies*

9.1. In assessing the value of PharmaAust we have considered a range of valuation methods. ASIC Practice Note 43 "Valuation Reports and Profit Forecasts" states, inter alia, that in valuing a company, the expert should consider the following commonly used valuation methodologies:

9.1.1. the discounted value of projected future cash flows;

9.1.2. the value of trading operations based on the capitalisation of future maintainable earnings added to the estimated realisable value of any surplus assets;

9.1.3. the value which would be realised upon the orderly realisation of assets;

9.1.4. the amount which an alternative acquirer might be prepared to pay for the Company; and

9.1.5. the most recent quoted prices of listed securities.

9.2. We consider each of these valuation methodologies below:-

### *Discounted Cash Flows*

9.3. The discounted cash flow technique ("DCF") has a strong theoretical basis, valuing a business on the net present value of its future cash flows. It requires an analysis of future cash flows, the capital structure and costs of capital and an assessment of the residual value of the business remaining at the end of the forecast period.

9.4. Detailed cashflows have not been prepared over a sufficient period of time to enable this basis of valuation to be adopted.

### *Capitalisation of Future Maintainable Earnings*

9.5. A valuation based on the capitalisation of future maintainable earnings requires the determination of three key features; future maintainable earnings, an appropriate

capitalisation rate and the value of surplus assets. The capitalisation of earnings methodology is commonly used in valuing businesses and is appropriate where the earnings of the business are regular and sufficient to justify a value exceeding the value of the underlying assets.

- 9.6. The Company has a history of trading losses and accordingly this basis of valuation is not applicable.

#### *Alternative Acquirer*

- 9.7. This valuation method considers the premium which an alternative acquirer who (as a result of potential economies of scale, reductions in competition, synergy with existing operations or other factors) would be prepared to pay for PharmAust. Given that the consideration in this instance is a relatively small parcel of shares (approximately 1.1% of the issued shares) this is not an appropriate basis of valuation.

#### *Orderly Realisation of Assets*

- 9.8. The value achievable in an orderly realisation of assets is estimated by determining the net realisable value of the assets or business segments on the basis of an assumed orderly realisation. This technique is particularly appropriate for businesses with relatively high asset values compared to earnings and cash flows.

#### *Recent Quoted Prices of Listed Securities*

- 9.9. Prices at which a Company's shares have traded on the ASX can, in the absence of low liquidity or unusual circumstances, provide an objective measure of the value of the company, excluding a premium for control.
- 9.10. Given that we are valuing a small parcel of shares and there is relatively high liquidity in the issued shares we have adopted this as the basis of valuation.

#### *Valuation – Recent Quoted Prices of Listed Securities*

- 9.11. As set out in Table 5 in Section 7 of this report in the period from 1 January 2005 to 31 August 2005 approximately 37.44 million shares have traded on the ASX representing approximately 56.5% of the issued share capital.
- 9.12. Since 1 April 2005 the shares have traded in the price range of 15 cents to 22 cents. At 31 August 2005 the 30 day moving average price was 18 cents per share and the closing share price on 31 August 2005 was 19 cents per share.

#### *Valuation Summary*

- 9.13. Based on the foregoing we consider the value of the shares to be in the range of 18 cents to 19 cents and the value of the parcel of 800,000 shares to be in the range of \$144,000 to \$152,000.

## **10. Factors taken into consideration in forming our opinion**

10.1. In assessing whether the proposed Transaction is fair and reasonable to the Continuing Shareholders and to the Expropriated Shareholders, we have compared the various advantages and disadvantages accruing to both sets of shareholders as set out below.

### **Continuing Shareholders**

#### **Advantages**

##### *Marginal increase in shareholding percentage*

10.2. Given that under the proposed transaction 800,000 issued shares are to be cancelled with no impact on the financial position of PharmAust the Continuing Shareholders will increase their shareholding percentage in the Company by a factor of approximately 1.17%.

##### *Consistent with strategic focus of the Company*

10.3. At the shareholder's meeting held on 8 November 2004 shareholders approved a change in the nature and scale of the Company's activities from travel technology software to activities in the pharmaceutical sector. The proposed transaction is consistent with the changed strategic focus of the Company.

10.4. In addition given that the Company is now in the pharmaceutical sector it does not have the appropriate resources to manage the travel software technology business.

#### **Disadvantages**

##### *Termination of a Potential Source of Income*

10.5. By cancelling the exclusive Distribution Agreement, the Company is terminating the potential to derive income from the sale of the ACE software. However, given that there have been no sales made under the distribution agreement since it commenced in June 2000 and the Company's focus is now in the pharmaceutical industry, it is unlikely that any revenue would be generated from this source.

### **Expropriated Shareholders**

#### **Advantages**

##### *Ability to Operate Business in Australia and South East Asia*

10.6. The distribution agreement is valid to 28 February 2006 with an option to extend for a further 5 years. By terminating the distribution agreement early the Amadeus Group has the ability to take advantage of existing opportunities to market and distribute its ACE software product throughout Australia, New Zealand and South East Asia.

## **Disadvantages**

### *Cancellation of 800,000 shares*

- 10.7. As consideration for the termination of the distribution agreement the 800,000 shares held by the Amadeus Group in PharmAust are to be cancelled. We have assessed the value of the shares to be in the range of \$144,000 to \$152,000 based on the current share market price. Accordingly, the Amadeus Group are foregoing between \$144,000 and \$152,000 in exchange for the ability to market and distribute their ACE software product throughout Australia, New Zealand and South East Asia.
- 10.8. Whilst we have not sought to determine what the value of terminating the distribution agreement is to the Amadeus Group we note that in the Settlement, Release and Waiver agreement Amadeus has undertaken that it will vote in favour of the resolution cancelling the 800,000 shares.

## **11. Declarations and Disclosures**

- 11.1. RSM Bird Cameron Corporate Pty Ltd holds Australian Financial Services Licence 255847 issued by ASIC pursuant to which they are licensed to prepare reports for the purpose of advising clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate reconstructions or share issues.

### **Qualifications**

- 11.2. RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron (RSMBC) a large national firm of chartered accountants and business advisors.
- 11.3. Mr Andrew Gilmour is a director and authorised representative of RSM Bird Cameron Corporate Pty Ltd. He is a Chartered Accountant with extensive experience in the field of corporate valuations and the provision of independent expert's reports for transactions involving publicly listed and unlisted companies in Australia.

### **Reliance on this Report**

- 11.4. This report has been prepared solely for the purpose of assisting the Shareholders of PharmAust in considering the proposed Transaction. We do not assume any responsibility or liability to any party as a result of reliance on this report for any other purpose, including but not limited to investment or lending decisions in relation to PharmAust.

### **Reliance on Information**

- 11.5. Statements and opinions contained in this report are given in good faith. In the preparation of this report, we have relied upon information provided by management and directors of PharmAust and we have no reason to believe that this information was inaccurate, misleading or incomplete. However, we have not endeavoured to seek any independent confirmation in relation to its accuracy, reliability or completeness. RSM Bird Cameron Corporate Pty Ltd does not imply, nor should it be construed that it has carried out any form of audit or verification on the information and records supplied to us.

- 11.6. The opinion of RSM Bird Cameron Corporate Pty Ltd is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. In addition, it is not possible to confirm that the management forecasts will be achieved as such forecasts depend upon certain future events and these are not capable of independent substantiation.
- 11.7. In addition, we considered publicly available information which we believe to be reliable. We have not, however, sought to independently verify any of the publicly available information which we have utilised for the purposes of this report.
- 11.8. We assume no responsibility or liability for any loss suffered by any party as a result of our reliance on information supplied to us.

### **Disclosure of Interest**

- 11.9. At the date of this report, none of RSM Bird Cameron Corporate Pty Ltd, RSMBC, RSM Bird Cameron Partners, Andrew Gilmour, nor any other member, director, partner or employee of RSM Bird Cameron Corporate Pty Ltd and RSMBC has any interest in the outcome of the proposed Transaction, except that RSM Bird Cameron Corporate Pty Ltd are expected to receive a fee of approximately \$10,000 based on time occupied at normal professional rates. The fees are payable regardless of whether PharmAust receives Shareholder approval for the proposed Transaction, or otherwise.
- 11.10. RSM Bird Cameron Partners are the auditors of PharmAust.
- 11.11. With the exception of the above fees, we will not receive any other benefits, whether directly or indirectly, for or in connection with the making of this report.
- 11.12. A draft of this report was presented to Mr Winton Willesee, to review the factual accuracy of the information included in the report. No significant changes were made to this report as a result of that review.

### **Consents**

- 11.13. RSM Bird Cameron Corporate Pty Ltd consents to the inclusion of this report in the form and context in which it is included with the Explanatory Memorandum to be issued to Shareholders. Other than this report, none of RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners or RSMBC has been involved in the preparation of the Explanatory Memorandum. Accordingly, we take no responsibility for the content of the Explanatory Memorandum as a whole.

## **12. Financial Services Guide**

### **Overview**

- 12.1. RSM Bird Cameron Corporate Pty Ltd, ABN 82 050 508 024 (“RSM Bird Cameron Corporate Pty Ltd” or “we” or “us” or “ours” as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.
- 12.2. In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide (“FSG”). This FSG is designed to help retail clients make a decision as to

their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

12.3. This FSG includes information about:

- who we are and how we can be contacted;
- the services we are authorised to provide under our Australian Financial Services Licence, Licence No 255847;
- remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- any relevant associations or relationships we have; and
- our complaints handling procedures and how you may access them.

#### **Financial services we are licensed to provide**

12.4. We hold an Australian Financial Services Licence, which authorises us to provide financial product advice in relation to:

- deposit and payment products limited to:
  - (a) basic deposit products;
  - (b) deposit products other than basic deposit products.
- interests in managed investments schemes (excluding investor directed portfolio services); and
- securities (such as shares and debentures).

12.5. We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

12.6. Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

#### **General Financial Product Advice**

12.7. In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs.

12.8. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also

obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

### **Benefits that we may receive**

- 12.9. We charge fees for providing reports. These fees will be agreed with, and paid by, the person who engages us to provide the report. Fees will be agreed on either a fixed fee or time cost basis.
- 12.10. Except for the fees referred to above, neither RSM Bird Cameron Corporate Pty Ltd, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

### **Remuneration or other benefits received by our employees**

- 12.11. All our employees receive a salary.

### **Referrals**

- 12.12. We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

### **Associations and relationships**

- 12.13. RSM Bird Cameron Corporate Pty Ltd is beneficially owned by the partners of RSM Bird Cameron, a large national firm of chartered accountants and business advisers. Our directors are partners of RSM Bird Cameron Partners.
- 12.14. From time to time, RSM Bird Cameron Corporate Pty Ltd, RSM Bird Cameron Partners, RSM Bird Cameron and / or RSM Bird Cameron related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

### **Complaints Resolution**

#### *Internal complaints resolution process*

- 12.15. As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, RSM Bird Cameron Corporate Pty Ltd, P O Box R1253, Perth, WA, 6844.
- 12.16. When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than 45 days after receiving the written complaint, we will advise the complainant in writing of our determination.

#### *Referral to External Dispute Resolution Scheme*

- 12.17. A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited

("FICS"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

- 12.18. Further details about FICS are available at the FICS website [www.fics.asn.au](http://www.fics.asn.au) or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited  
P O Box 579  
Collins Street West  
Melbourne VIC 8007

Toll Free: 1300 78 08 08  
Facsimile: (03) 9621 2291

**Contact Details**

- 12.19. You may contact us using the details set out at the top of our letterhead on page 1 of this report.

Yours faithfully



A J GILMOUR  
Director and Authorised Representative

**ANNEXURE 4**

**RSM BIRD CAMERON CORPORATE PTY LTD  
REPORT ON VALUATION OF DIRECTORS' OPTIONS**

# RSM Bird Cameron Corporate Pty Ltd

8 St Georges Terrace Perth WA 6000  
GPO Box R1253 Perth WA 6844  
T +61 8 9261 9100 F +61 8 9261 9111  
www.rsmi.com.au

Direct Telephone: 08 9261 9447  
Direct Facsimile: 089261 9101  
AJG:SB

9 September 2005

The Directors  
PharmAust Limited  
Suite 2  
33 Broadway  
NEDLANDS WA 6009

Dear Sirs

## Valuation of Directors Options of PharmAust Limited

### 1. Introduction

#### Terms of Reference

- 1.1. In accordance with your instructions, we have valued options to be issued to directors of PharmAust Limited ('PharmAust' or 'the Company') subject to the passing of the relevant resolutions at the Annual General Meeting.

#### Scope of Valuation

- 1.2. The scope of the work performed in valuing the options has been limited to:
- 1.2.1 A review of the historical price volatility of PharmAust; and
  - 1.2.2 Discussion with management.

'Liability is limited by the Accountants' Scheme pursuant to the NSW Professional Standards Act 1994'

RSM Bird Cameron Corporate Pty Ltd  
ABN 82 050 508 024  
Licensed Investment Adviser  
No 255847

Major Offices in:  
Perth, Sydney,  
Melbourne, Adelaide  
and Canberra

RSM Bird Cameron Corporate Pty Ltd is an independent member firm of RSM International, an affiliation of independent accounting and consulting firms.

## **Disclaimer**

- 1.3. The statements and opinions given in this report are given in good faith and in the belief that such statements and opinions are not false or misleading. In preparing this report we have relied upon information supplied by management, which we believe to be accurate and reliable. We have not, in preparing this report, independently verified the correctness, existence or value of any item, which is, or should be, in such information. We do not have any reason to believe that any material facts have been withheld from us, nor do we warrant that our investigation has revealed all of the matters which an audit or more extensive examination might disclose. Although the report and opinions expressed herein are based on information supplied to us by management, we believe the report and opinions to be accurate. However, for the above reasons, we do not warrant the accuracy or reliability of either the information supplied to us or the conclusion drawn therefrom.

## **2. Valuation Summary**

### **2.1. Options exercisable on or before 31 December 2008**

- 2.1.1. Based on the variables used in our calculation, as described below, we consider that the options with an expiry date on or before 31 December 2008 have a value of the following:

<b>Series</b>	<b>Strike Price</b> \$	<b>Option Value</b> \$
1	0.20	0.086
2	0.22	0.081

- 2.1.2. We have valued the options by applying the Black-Scholes formula. The key variables we have applied in the formula are as follows:

- 2.1.2.1. Risk free rate of 5.12% based on the 3 year Australian Government Bond rate currently available;
- 2.1.2.2. Time to expiry of 1,200 days;
- 2.1.2.3. Share price of \$0.19, based on the latest issue price of ordinary shares in September 2005;
- 2.1.2.4. A share volatility of 61%, based on a review of the historical share price of PharmAust over the period December 2004 to August 2005.
- 2.1.2.5. The options were valued as if they were unrestricted, freely tradeable options using the Black-Scholes formula. Assumptions underlying the Black-Scholes formula include:

- the options are European call options (in that they can only be exercised on the expiry date; unlike an American option, which can be exercised at any time during the period);
- there are no transaction costs, options and shares are infinitely divisible, and information is available to all without cost;
- short selling is allowed without restriction or penalty;
- the risk free rate of interest is known and constant throughout the duration of the option contract;
- the underlying shares do not pay a dividend; and
- share prices behave in a manner consistent with a random walk in continuous time.

## 2.2 Discount

- 2.2.1. 3 million Series 1 options are to be granted to the directors of PharmAust subject to the following performance hurdle:

*‘PharmAust to achieve a Return on Equity of 12% or achieve a Market Capitalisation of 18 million for 10 consecutive days’.*

- 2.2.2. 6 million Series 2 options are to be granted to the directors of PharmAust subject to the following performance hurdle:

*‘PharmAust to achieve a Return on Equity of 15% or achieve a Market Capitalisation of 22 million for 10 consecutive days’.*

- 2.2.3. In accordance with Australian Accounting Standard AASB 2 “Share-based Payment” vesting conditions, as detailed above, are not taken into account in determining the fair value of the options. Instead the vesting conditions are taken into account by adjusting the number of equity instruments expected to vest and this amount is included in the measurement of the transaction value.

- 2.2.4. To take into account the performance hurdles attached to the options, a discount factor based on the probability estimate that the options will vest is then applied to arrive at an estimate of the number of options expected to vest. This is the best estimate available to PharmAust of awarding the options.


- 2.2.4. By way of example only, the above has been applied as a probable outcome in respect to the two separate option series granted, and the resultant transaction value calculated:

Series	Discount Factor %	No. of Options to be Granted to Directors Expected to Vest	Transaction Value \$
1	60%	1,200,000	103,200
2	80%	1,200,000	97,200

**3. General**

3.1.1 If you have any queries or would like further information please do not hesitate to contact myself.

Yours faithfully

A handwritten signature in black ink that reads "Andrew Gilmore". The signature is written in a cursive style with a clear, legible font.

A J GILMOUR  
Director

**PHARMAUST LIMITED**  
**(ABN 35 094 006 023)**

**PROXY FORM**

**ANNUAL GENERAL MEETING**

I/We (name and address)

being a Member of PharmAust 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 Annual General Meeting to be held at 71 Division Street, Welshpool, Western Australia on 14 November 2005 at 11.30am (Western Standard Time) 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 Annual General Meeting**

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Dr Paul D'Sylva	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Mr John Thompson	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Election of Dr Wayne Best	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Selective Capital Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6	Grant of Options to Mr Bryant McLarty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7	Grant of Options to Dr Paul D'Sylva	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 8	Grant of Options to Dr Wayne Best	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 9	Grant of Options to Dr John Moursounidis	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 10	Grant of Options to Mr Winton Willesee	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 11	Adoption of Employee Share Scheme	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 12	Adoption of New Constitution	<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 PharmAust Limited, 71 Division Street, Welshpool, Western Australia or fax to (08) 9311 0788 by 11.30am (Western Standard Time) on 12 November 2005.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2005

**By:**

**Individuals and joint holders**

Signature

Signature

Signature

**Companies (affix common seal if appropriate)**

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

**PHARMAUST LIMITED**  
**(ABN 35 094 006 023)**

**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.