



## **PHARMANET GROUP LIMITED**

**ABN 98 006 640 553**

For a non-renounceable pro rata offer to Eligible Shareholders of approximately 106,505,398 New Shares and 53,252,699 attaching New Options at an issue price of 1 cent per share on the basis of 1 New Share for every 7 Existing Shares and 1 attaching New Option for every 2 New Shares subscribed for, to raise approximately \$1,065,054 before issue costs

### **Underwriters:**

Novus Capital Limited  
ABN 32 006 711 995  
AFS Licence No. 238168

Cunningham Peterson Sharbanee  
Securities Pty Ltd  
ABN 73 088 055 636  
AFS Licence No. 294848

### **Important Notice**

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Securities offered by this Prospectus should be considered speculative.

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## SUMMARY OF IMPORTANT DATES

Lodgement Date	25 February 2010
"Ex" date	2 March 2010
Record date to determine Entitlement	9 March 2010
Prospectus with Application Form dispatched	10 March 2010
Offer opens for receipt of Applications	10 March 2010
Closing date for Applications and payment in full	29 March 2010
Securities quoted on a deferred settlement basis	30 March 2010
ASX notified of under subscriptions	1 April 2010
Allotment and issue of New Shares and New Options	8 April 2010
Dispatch of shareholding statements	8 April 2010
Trading of New Shares and New Options expected to commence	9 April 2010

This timetable is indicative only and subject to change. The Company in consultation with the Underwriters reserves the right to vary the above dates, subject to the ASX Listing Rules and the Corporations Act.

## IMPORTANT NOTES

This Prospectus is dated 25 February 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. No Securities will be allotted or issued on the basis of this Prospectus later than 13 months after the date of this Prospectus. The Company will apply to ASX for the Securities to be granted quotation on ASX.

This Prospectus does not constitute an offer in any place in which or to any person to whom it would not be lawful to make such an offer. Refer to **section 3.9** for treatment of overseas shareholders. Applications for Securities offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

This Prospectus including each of the documents attached to it and which form part of this Prospectus is important and should be read in its entirety prior to making an investment decision. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should consult your professional adviser.

In particular, it is important that you consider the risk factors (see **section 7** of this Prospectus) that could affect the performance of the Company before making an investment decision.

Some words and expressions used in this Prospectus have defined meanings which are explained in **section 9**.

## ELECTRONIC PROSPECTUS

A copy of the Prospectus can be downloaded from the website of the Company at [www.pharmanet.com.au](http://www.pharmanet.com.au), or the website of ASX at [www.asx.com.au](http://www.asx.com.au). Any person accessing the electronic version of the Prospectus for the purposes of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person the Application Form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of the Prospectus. Any person may obtain a hard copy of the Prospectus free of charge by contacting the Company.

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**1 CORPORATE DIRECTORY****Directors**

Mr John Palermo (Chairman, Director)  
Mr John Found (Director)  
Dr Christopher Quirk (Director)

**Company Secretary**

Mr John Palermo

**Underwriters**

Novus Capital Limited  
Level 24, Royal Exchange Building  
56 Pitt Street  
Sydney NSW 2000

Cunningham Peterson Sharbanee Securities  
Pty Ltd  
Level 34 Exchange Plaza  
2 The Esplanade  
Perth WA 6000

**Registered Office**

Level 1  
284 Oxford Street  
Leederville WA 6007  
Telephone: +61 8 9242 2999  
Facsimile: +61 8 9443 2859

**Share Registry**

Security Transfer Registrars Pty Ltd\*  
770 Canning Highway  
Applecross WA 6153  
Tel: +61 8 9315 2333

**Solicitors**

Allion Legal  
Level 2, Spinifex House  
50 Kings Park Road  
West Perth WA 6005

**Auditors**

RSM Bird Cameron Partners\*  
8 St Georges Terrace  
Perth WA 6000

**Web Address**

<http://www.pharmanet.com.au/>

**ABN**

ABN 98 006 640 553

**ASX Code**

PNO

*\*This entity has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.*

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## 2 LETTER TO SHAREHOLDERS

Dear Shareholder

As announced on 27 January 2010, the Company is undertaking a fully underwritten non-renounceable Rights Issue on the basis of 1 New Share for every 7 Existing Shares held at the issue price of 1 cent per New Share, together with 1 attaching New Option for every 2 New Shares subscribed for, exercisable at 1.5 cents each on or before 30 June 2011.

The Rights Issue provides the opportunity for Eligible Shareholders to participate on similar terms as the placement that was also announced on 27 January 2010 undertaken through Novus Capital Limited (AFS licence 238168) ("**Novus**") and Cunningham Peterson Sharbanee Securities Pty Ltd (AFS licence 294848) ("**CPSS**"). Novus and CPSS have agreed to underwrite the Rights Issue.

The Rights Issue is expected to result in the issue of approximately 106 million New Shares and 53 million New Options in the Company and will raise an estimated \$1,065,054 before costs. This Rights Issue combined with the placement will inject approximately \$2.1 million into the Company before costs.

The proceeds from the Rights Issue are planned to be used to fund marketing and distribution of the Company's ThermaLife Cream® as part of its re-entry into the market, and for general working capital purposes.

If you have any queries regarding your entitlement or participation in the upcoming Rights Issue, please do not hesitate to contact your stockbroker or financial advisor.

I commend this Rights Issue to you and look forward to your continued support as a Shareholder.

John Palermo  
Chairman

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### **3 DETAILS OF THE OFFER**

#### **3.1 The Issue**

A non-renounceable pro rata entitlements issue to Eligible Shareholders of approximately 106,505,398 New Shares and 53,252,699 attaching New Options on the basis of 1 New Share for every 7 Existing Shares held as at the Record Date at an issue price of 1 cent each and 1 attaching New Option for every 2 New Shares subscribed for, to raise approximately \$1,605,054 before issue costs.

#### **3.2 Underwriting**

The Issue is fully underwritten by Novus and CPSS. A summary of the underwriting agreement is set out in **section 8.2** of the Prospectus.

#### **3.3 Entitlement to Rights Issue**

Eligible Shareholders who are on the Company's Share Register at the close of business on the Record Date are eligible to participate in the Offer.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares and New Options. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If the Company considers that holdings have been split to take advantage of rounding, the Company reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

An Application Form setting out your Entitlement to New Shares and New Options accompanies this Prospectus.

#### **3.4 Acceptances**

This Offer may be accepted in whole or in part prior to the Closing Date subject to the rights of the Company to extend the Offer period or close the Offer early.

Instructions for accepting your Entitlement are set out in **section 5** and on the Application Form which accompanies this Prospectus.

#### **3.5 Rights Trading**

The Offer is non-renounceable. This means that the Rights of Eligible Shareholders to subscribe for New Shares and New Options under this Prospectus are not transferable and there will be no trading of Rights on ASX. Eligible Shareholders who choose not to take up their Rights will receive no benefit and their shareholding in the Company will be diluted as a result.

#### **3.6 Applying for Additional New Securities**

Eligible Shareholders may, in addition to their Entitlement, apply for additional New Shares and New Options regardless of the size of their present holding.

Any Entitlements not taken up may become available as Additional New Securities which may be placed by the Underwriters in accordance with the Underwriting Agreement. It is possible that there will be few or no Additional New Securities available for issue, depending on the level of take up of Entitlements by Shareholders. There is also no guarantee that in the event Additional New Securities are available for issue, they will be allocated by the Underwriters to all or any of the Eligible Shareholders who have applied for them.

It is an express term of the Offer that applicants for Additional New Securities will be bound to accept a lesser number of Additional New Securities allocated to them than applied for. If a lesser number is allocated to them, excess application money will be refunded without interest. The Company reserves the right to scale back any applications for Additional New Securities as directed by the Underwriters in their absolute discretion.

### 3.7 Allotment and Application Money

New Shares and New Options will be issued only after all Application Money has been received and ASX has granted permission for the New Shares and New Options to be quoted. It is expected that New Shares and New Options will be issued on 8 April 2010 and trading of the New Shares and New Options on ASX is expected to commence on 9 April 2010.

All Application Money received before New Shares and New Options are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares and New Options are issued to Applicants, the balance of funds in the account plus accrued interest will be received by the Company.

Application will be made within seven days of the date of issue of this Prospectus for the New Shares and New Options to be granted Official Quotation by ASX. If such an application is not made within these seven days, or Official Quotation of the New Shares and New Options is not granted by ASX within three months of the date of this Prospectus, then the Company will not allot or issue any New Shares or New Options and all Application Money received pursuant to this Prospectus will be repaid as soon as practicable, without interest.

If the New Shares and New Options are not quoted by ASX within three months after the date of this Prospectus, the Company will refund all Application Money in full.

The fact that ASX may agree to grant Official Quotation of the New Shares and New Options is not to be taken in any way as an indication of the merits of the Company or the New Shares and New Options. ASX takes no responsibility for the contents of this Prospectus.

### 3.8 Issue Outside Australia and New Zealand

This Prospectus does not constitute an offer of Securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. No action has been taken to register or qualify the Securities or the Issue or otherwise to permit an offering of the Securities in any jurisdiction outside Australia and New Zealand.

### 3.9 Treatment of Overseas Shareholders

The Offer in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand. The Prospectus is sent to those Shareholders for information only.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any Securities.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

### 3.10 Market Prices of Existing Shares on ASX

The highest and lowest market sale price of the Existing Shares, which are on the same terms and conditions as the New Shares being offered under this Prospectus, during the three months immediately preceding the lodgement of this Prospectus with the ASIC, and the last market sale price on the date before the lodgement date of this Prospectus, are set out below.

	3 month high	3 month low	Last market sale price
Existing Shares	\$0.023 on 27.01.2010	\$0.006 on 17.12.2009	\$0.013 on 24.02.2010

### **3.11 Opening and Closing Dates**

The Issue will open for receipt of acceptances on 10 March 2010 and will close on 29 March 2010, subject to the right of the Company to vary these dates.

### **3.12 CHESS**

The Company participates in the Clearing House Electronic Sub-register System (“**CHESS**”). ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the ASX Listing Rules and the ASTC Settlement Rules.

Under CHESS, applicants will not receive a certificate but will receive a statement of their holding of New Shares and New Options.

If you are broker sponsored, ASTC will send you a CHESS statement.

The CHESS statement will set out the number of New Shares and New Options issued under this Prospectus, provide details of your holder identification number and give the participation identification number of the sponsor.

If you are registered on the issuer sponsored sub register, your statement will be dispatched by the Company’s share registrar and will contain the number of New Shares and New Options issued to you under this Prospectus and your security holder reference number.

A CHESS statement or issuer sponsored statement will routinely be sent to Shareholders at the end of any calendar month during which the balance of their shareholding changes. Shareholders may request a statement at any other time, however, a charge may be made for additional statements.

### **3.13 Rights and Liabilities attaching to the New Shares and New Options**

The New Shares will rank equally in respect of dividends and in all other respects (e.g. voting, bonus issues) as Existing Shares.

A summary of the rights and liabilities attaching to the New Shares and New Options is set out in **section 6**.

### **3.14 Taxation Implications**

The Directors do not consider that it is appropriate to give Shareholders advice regarding the taxation consequences of the Company conducting the Issue or Shareholders applying for New Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation positions of Shareholders. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Shareholders in the Issue. Shareholders should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Issue.

### **3.15 Enquiries**

Any questions concerning the Issue should be directed to Mr John Palermo, the Company Secretary on (08) 9242 2999.

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## 4 PURPOSE AND EFFECT OF THE ISSUE

### 4.1 Purpose of the Issue

The purpose of the Issue is to raise up to \$1,065,054 (before costs of the Issue).

The proceeds from the Issue are planned to be used to fund marketing and distribution of the Company's ThermoLife Cream® as part of its re-entry into the market, and for general working capital purposes, in accordance with the table set out below. The table assumes that none of the New Options are exercised before their expiry date.

Proceeds of the Issue	\$
Marketing and distribution activities	500,000
Working capital	565,054
<b>ESTIMATED TOTAL</b>	<b>\$1,065,054</b>

#### Marketing and distribution activities

As set out above, it is currently intended that funds allocated to marketing and distribution activities will be used to fund marketing and distribution of the Company's ThermoLife Cream® as part of its re-entry into the market. The Company is currently in the process of finalising its marketing and distribution arrangements for the relaunch of the ThermoLife Cream®.

#### Working capital

It is currently intended that funds allocated to working capital will be used (after payment of Issue costs of \$120,000) in equal proportions for general working capital purposes and to fund further research and development.

### 4.2 Effect of the Issue and Pro Forma Statement of Financial Position

The effect of the Issue (assuming no Options are exercised) will be that:

- (a) cash reserves will initially increase by up to approximately \$1,065,054 before issue costs;
- (b) the number of Shares on issue will increase from 745,537,784 to 852,043,182; and
- (c) the number of Options on issue will increase from 142,200,000 to 195,452,699.

Set out below is:

- (a) an unaudited statement of financial position of the Company as at 31 December 2009, and
- (b) an unaudited pro forma statement of financial position as at the same date incorporating the effect of the proposed Issue.

### 4.3 Statement of Financial Position

The unaudited statement of financial position as at 31 December 2009 and unaudited pro forma statement of financial position as at the same date shown in the table overleaf have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position.

**PROFORMA BALANCE SHEET**

	NOTES	UNAUDITED CONSOLIDATED 31 DECEMBER 2009 \$	UNAUDITED CONSOLIDATED PROFORMA \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	1, 2 & 3	276,875	2,341,929
Other current assets		206,489	206,489
<b>TOTAL CURRENT ASSETS</b>		<b>483,364</b>	<b>2,548,418</b>
<b>NON CURRENT ASSETS</b>			
Plant and equipment		113,025	113,025
<b>TOTAL NON CURRENT ASSETS</b>		<b>113,025</b>	<b>113,025</b>
<b>TOTAL ASSETS</b>		<b>596,389</b>	<b>2,661,443</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		559,191	309,191
Interest bearing liabilities		810,000	810,000
Other current liabilities		5,000	5,000
<b>TOTAL CURRENT LIABILITIES</b>		<b>1,374,191</b>	<b>1,124,191</b>
<b>NON CURRENT LIABILITIES</b>			
Interest bearing liabilities	2	250,000	550,000
<b>TOTAL NON CURRENT LIABILITIES</b>		<b>250,000</b>	<b>550,000</b>
<b>TOTAL LIABILITIES</b>		<b>1,624,191</b>	<b>1,674,191</b>
<b>NET ASSETS/(LIABILITIES)</b>		<b>(1,027,802)</b>	<b>987,252</b>
<b>EQUITY</b>			
Issued capital	1 & 3	21,406,881	23,421,935
Reserves		788,768	788,768
Accumulated losses		(22,888,493)	(22,888,493)
Total parent equity interest		(692,844)	1,322,210
Non-controlling interest		(334,958)	(334,958)
<b>TOTAL EQUITY/(DEFICIENCY)</b>		<b>(1,027,802)</b>	<b>987,252</b>

**Notes to the Proforma :**

1. Completion of raising \$1,070,000 of equity capital by the issue of 100,000,000 shares at 1.07 cents per share plus 1 free attaching unlisted option for every 2 new shares subscribed for, exercisable at 1.5 cents each on or before 30 June 2011.
2. Completion of raising \$300,000 by the issue of 300 convertible notes.
3. Completion of non-renounceable rights issue raising \$945,054 (after issue costs totaling \$120,000) of equity capital by the issue of 106,505,398 new shares at 1 cent per share on the basis of 1 new share for every 7 existing shares held plus 1 free attaching new option for every 2 new shares subscribed for, exercisable at 1.5 cents each on or before 30 June 2011.

### Assumptions for Unaudited Pro forma Consolidated Statements of Financial Position

The unaudited pro forma consolidated Statement of Financial Position has been prepared on the basis that there have been no material movements in the assets and liabilities of the Company between 31 December 2009 and the close of Offer other than the increases in cash of:

- \$945,054 (after issue costs totalling \$120,000), pursuant to the Issue;
- \$1,070,000 pursuant to the private placement announced on 27 January 2010; and
- \$300,000 pursuant to the issue of convertible notes as announced on 8 February 2010.

#### 4.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Issue is set out below.

##### Capital Structure after Completion of Issue

Shares	
745,537,784	Shares quoted on ASX as at the date of this Prospectus
106,505,398	Shares issued pursuant to this Prospectus
852,043,182	Total Issued Shares

Options	
12,000,000	unlisted \$0.05 Options exercisable on or before 31 December 2010
13,500,000	unlisted \$0.10 Options exercisable on or before 31 December 2010
12,000,000	unlisted \$0.15 Options exercisable on or before 31 December 2010
80,000,000	unlisted \$0.015 Options exercisable on or before 30 June 2011
4,000,000	unlisted \$0.015 Options exercisable on or before 31 December 2011
4,000,000	unlisted \$0.025 Options exercisable on or before 31 December 2011
8,350,000	unlisted \$0.01 Options exercisable on or before 31 December 2011
8,350,000	unlisted \$0.015 Options exercisable on or before 31 December 2012
53,252,699	New Options exercisable at \$0.015 on or before 30 June 2011
195,452,699	Total issued Options

In addition to the above Shares and Options, the Company issued convertible notes on 8 February 2010 in return for the noteholders providing loans to the Company of \$300,000 in aggregate. Under the terms of the convertible notes, the conversion price per Share is the lower of \$0.0107 and 80% of the volume weighted average price of Shares calculated over the last five days on which sales in Shares are recorded before the conversion date. Each noteholder is also entitled to an Option exercisable at \$0.015 on or before 30 June 2011 for each two Shares issued upon conversion. Interest is payable to each noteholder on the amount of the loan that remains outstanding at the rate of 12% per annum, and is payable by the Company monthly in arrears. The term of the loan is 24 months. The Company must repay the loan (and accrued interest) to the extent it has not been repaid or converted into Shares at the end of the term.

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## 5 ACTIONS REQUIRED BY ELIGIBLE SHAREHOLDERS

### 5.1 What you may do

As an Eligible Shareholder, you may:

- subscribe for all of your Entitlement (refer **section 5.2**);
- apply for Additional New Securities (refer **section 5.3**);
- allow part or all of your Entitlement to lapse (refer **section 5.4**);

### 5.2 To subscribe for part or all of your Entitlement

If you wish to subscribe for part or all of your Entitlement, complete the accompanying Application Form in accordance with the instructions set out in that form. The Application Form sets out the number of New Shares and New Options you are entitled to subscribe for. The completed Application Form must be accompanied by a cheque or bank draft made payable to “Pharmanet Group Limited – Share Application Account” and crossed “Not Negotiable” for the appropriate Application Money in Australian dollars calculated at \$0.01 per New Share accepted, and received by the Company at either of the following addresses by no later than 5.00 pm (WST) on 29 March 2010. The Company will present the cheque or bank draft on or around the day of receipt of the Application Form. If a cheque is not honoured upon its first presentation, the Directors reserve the right to reject the relevant Application Form.

If the amount of your cheque(s) or bank draft(s) for Application Money (or the amount for which those cheque(s) or bank draft(s) clear in time for allocation) is insufficient to pay for the number of New Shares and New Options you have applied for in your Application Form, you may be taken to have applied for such lower number of New Shares and New Options as your cleared Application Money will pay for (and to have specified that number of New Shares and New Options in your Application Form) or your Application may be rejected.

Street Address:	Postal Address:
Pharmanet Group Limited c/o Security Transfer Registrars Pty Ltd 770 Canning Highway Applecross WA 6153	Pharmanet Group Limited c/o Security Transfer Registrars Pty Ltd PO Box 535 Applecross WA 6953

Alternatively, if you are paying by Bpay, refer to your personalised instructions on your Application Form. Shareholders who wish to pay by Bpay must ensure that payment is received by no later than 6.00 pm Eastern Daylight Savings Time (3.00 pm (WST)) on 29 March 2010.

### 5.3 To apply for Additional New Securities

Eligible Shareholders may, in addition to their Entitlement, apply for Additional New Securities regardless of the size of their present holding. Refer to **section 3.6** if you wish to apply for Additional New Securities.

A single cheque should be used for the Application Money for your Entitlement and the number of Additional New Securities you wish to apply for as stated on the Application Form.

Alternatively, if you are paying by Bpay, refer to your personalised instructions on your Application Form. Shareholders who wish to pay by Bpay must ensure that payment is received by no later than 6.00 pm Eastern Daylight Savings Time (3.00 pm (WST)) on 29 March 2010.

#### **5.4 Entitlements not taken up**

If you are an Eligible Shareholder and do not wish to accept all (or part) of your Entitlement, you are not obliged to do anything. You will receive no benefit, New Shares or New Options and your Entitlement will become available to Eligible Shareholders as Shortfall Securities to be applied for.

If you wish to receive a benefit, you must take action to accept your Entitlement in accordance with the instructions above and on the back of the accompanying Application Form.

The Company and the Underwriters will deal with any Shortfall Securities in accordance with the Underwriting Agreement.

**If you have any queries concerning your entitlement or allocation, please contact:**

**Mr John Palermo, the Company Secretary**

**Tel: (08) 9242 2999 Fax: (08) 9443 2859**

**or contact your stockbroker or professional adviser.**

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## 6 RIGHTS AND LIABILITIES ATTACHING TO NEW SECURITIES

The following is a summary of the more significant rights and liabilities attaching to New Shares and New Options to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

Full details of the rights and liabilities attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

### 6.1 Rights Attaching to New Shares

The New Shares to be issued pursuant to this Prospectus are ordinary shares and will as from their allotment rank equally in all respects with all Existing Shares.

The rights attaching to the New Shares arise from a combination of the Company's Constitution, the Corporations Act, the ASX Listing Rules and general law. A copy of the Company's Constitution is available for inspection free of charge during business hours at its registered office.

A summary of the rights attaching to the New Shares is set out below.

(a) Voting Rights

Subject to the Constitution of the Company and any rights or restrictions at the time being attached to a class of shares, at a general meeting of the Company every Shareholder present in person, or by proxy, attorney or representative has one vote on a show of hands, and upon a poll, one vote for each Share held by the Shareholder. In the case of an equality of votes, the chairperson has a casting vote.

(b) Dividends

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company. The Directors may determine the method and time for payment of the dividend.

(c) Winding up

Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company any surplus must be divided among the shareholders of the Company.

(d) Transfer of Shares

Generally, shares are freely transferable, subject to satisfying the requirements of the ASX Listing Rules, ASTC Settlement Rules and the Corporations Act. The Directors may decline to register any transfer of Shares but only where permitted to do so by the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules, or under the Company's Constitution.

(e) Further Increases in Capital

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and any rights attached to a class of shares, the Company (under the control of the Directors) may allot and issue shares and grant options over shares, on any terms, at any time and for any consideration, as the Directors resolve.

(f) Variation of Rights

Subject to the Corporations Act, the ASX Listing Rules, the ASTC Settlement Rules and the terms of issue of shares in a particular class, the Company may vary or cancel rights

attached to shares in that class by either special resolution passed at a general meeting of the holders of the shares in that class, or with the written consent of the holders of at least 75% of the votes in that class.

(g) Meetings and Notices

Each Shareholder will be entitled to receive notice of, and to attend and vote at, general meetings of the Company and to receive notices, accounts and other documents required to be furnished to Shareholders under the Company's Constitution, the Corporations Act and the ASX Listing Rules.

## 6.2 Rights attaching to New Options

The New Options issued pursuant to this Prospectus will be issued on the following terms and conditions:

- (a) Each New Option will entitle the holder to subscribe for one Share at an exercise price of 1.5 cents.
- (b) The New Options are exercisable at any time on or before 30 June 2011 wholly or in part by delivering a duly completed form of notice of exercise to the Company, accompanied by payment of the exercise moneys.
- (c) All Shares allotted on exercise of the New Options will rank equally in all respects with the Company's then existing Shares.
- (d) The New Options are freely transferable.
- (e) Application will be made to the ASX for official quotation of the New Options not later than 7 business days after the date of this Prospectus. Application will be made to ASX for official quotation by ASX of all Shares allotted pursuant to the exercise of New Options not later than 10 business days after the date of allotment.
- (f) Holders of New Options may only participate in new issues of securities to holders of Shares if a New Option has been exercised and Shares allotted in respect of the New Option before the record date for determining entitlements to the issue. The Company must give at least 7 business days' notice to holders of any New Options before the record date for determining entitlements to the issue in accordance with the Listing Rules of ASX.
- (g) There will be no change to the exercise price of a New Option or the number of Shares over which a New Option is exercisable in the event of the Company making a pro rata issue of Shares or other securities to the holders of Shares (other than for a Bonus Issue).
- (h) If there is a bonus issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an Option is exercisable will be increased by the number of Shares which the holder would have received if the New Option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other Shares of that class at the date of issue of the Bonus Shares.
- (i) If, prior to the expiry of any New Options, there is a reorganisation of the issued capital of the Company, the New Options shall be reorganised in the manner set out in the Listing Rules.

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## **7 RISK FACTORS**

### **7.1 Overview**

Investors should be aware of the following key risks that may affect the future operating and financial performance of Pharmanet and the value of Pharmanet Shares. These risks include general risks associated with any form of business and specific risks associated with Pharmanet's business.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

### **7.2 Commercialisation risk**

The Company may seek to commercialise its technology and/or potential pipeline products through out-licensing to pharmaceutical and cosmetic partners. There is no guarantee that any licensing agreement will be executed or that the Company will achieve future licensing fees or royalty income.

### **7.3 Intellectual Property risk**

The Company has filed (either in its own name or in the name of its wholly-owned subsidiary, Cambridge Scientific Pty Ltd) several patent applications relating to the Tripeptofen project which will define the rights in the use of the Company's active ingredients in the commercially important analgesic and anti-inflammatory fields. The patent applications are directed towards the manufacture of a proprietary active ingredient for analgesic action and the claims cover the manufacturing process and the product/s which may flow from the process. To date, patents have been granted in South Africa, the United States and India, a patent application has been accepted in New Zealand and patent applications are awaiting examination in 4 other countries. The Company also has three patent families in National Phase, under examination or awaiting examination in 8 countries, relating to tissue disruption treatments Cox 2 inhibition and anti-cytokine activity.

There is no guarantee that the patent applications will not infringe competitor patents or that the patent applications will be granted by authorities in key jurisdictions. Prior to the grant of the patent applications, Pharmanet intends to request the inventors (and any potential inventors) of the relevant technology (to the extent they have not already done so) to assign ownership of the technology to Cambridge Scientific Pty Ltd. Pharmanet anticipates that the inventors (and any potential inventors) will sign the required documents. This will mitigate the risk of any challenge to the ownership of a patent by an inventor after the patents are granted. If the assignment documentation is not signed by the inventors (or any potential inventors) prior to the grant of the patents to the Company or Cambridge Scientific Pty Ltd, there is a risk that the patents could be revoked if subsequently challenged by the inventors. However, the directors of the Company believe this risk to be low.

### **7.4 Competitive risk and Market Acceptance**

Multiple early-stage and mature competitors exist in the health care and pharmaceutical markets including those that have more advanced technologies and products marketed or in development. Competition by superior technologies and/or products may negatively affect the profit potential of the Company's technologies and/or future products.

The success of the Company's technologies and products will depend on their competitiveness and acceptance by the market, as well as the Company's ability to improve the drug delivery profile or cost of proposed products to meet the evolving needs of customers on a timely basis. The global marketplace for most products is constantly changing due to new technologies, new products, changes in preferences, changes in regulations and other factors influencing market acceptance or market rejection. This market volatility and risk exists despite the best endeavours of market research, promotion and sales and licensing campaigns.

## **7.5 Market risk**

The Company operates in the health care industry which includes multiple market segments. The Company is seeking to reintroduce Thermalife™ Cream to the Australian market, take existing products into new territorial markets and further diversify its business risk by developing line extension products based on the same active ingredient and developing new products for new therapeutic indications. There can be no assurance that the Company will secure such new business opportunities or that the new opportunities will provide additional value to the Company.

The Company may also be adversely affected by the general market sentiment towards the healthcare sector and pharmaceutical markets.

## **7.6 Development and Regulatory risk**

International regulatory authorities are requiring more extensive clinical trials to show evidence of safety and efficacy for new pharmaceutical products. Changes to regulatory requirements may increase the development costs and time to market.

## **7.7 General Risks**

The future viability and profitability of the Company as a company involved in the research, development and manufacture of pharmaceutical products will be dependent on a number of factors, including, but not limited to, the following:

- (a) currency exchange rate fluctuations;
- (b) the risk of material adverse changes in the government policies or legislation of Australia affecting the level of business activities;
- (c) the impact of the introduction of tax reform;
- (d) the strength of the equity and share markets in Australia and throughout the world;
- (e) general economic conditions in Australia and its major trading partners and, in particular, inflation rates, interest rates, commodity supply and demand factors and industrial disruptions;
- (f) environmental management issues with which the Company may be required to comply from time to time;
- (g) financial failure or default by a participant in any of the joint ventures to which the Company is, or may become, a party;
- (h) the impact of international accounting standards board (IASB) reporting requirements; and
- (i) industrial disputes in Australia and overseas.

## **7.8 Government Policy**

Industry profitability generally can be affected by changes in government policy which are beyond the control of the Company.

## **7.9 Share Market Risk**

The market price of Shares can be expected to rise and fall in accordance with general market conditions. Neither the Company nor its Directors warrant the future performance of the Company or any return on investment in Shares.

## **7.10 Future Capital Needs and Additional Funding**

The future capital requirements of the Company will depend on many factors including the success of the technology proof-of-concept program and partner collaborations. The Company believes its available cash and the net proceeds of this Offer should be adequate to fund the

continued pursuance of the Company's existing projects and objectives. However, the Company faces certain technology, development, economic and commercial risks which may adversely impact on the belief that the Company will have, as a result of this Rights Issue, sufficient funds to meet the Company's projected expenditure requirement.

The Company intends to identify, evaluate and source new business opportunities that meet investment criteria set by the Company. The Company may require additional funds to fund these new business opportunities. Should the Company require such additional funding, there can be no assurance that additional financing will be available on acceptable terms, or at all. Any inability to obtain additional finance, if required, would have a material adverse effect on the Company's business and its financial condition and performance.

#### **7.11 Reliance on Key Personnel and Employees**

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively towards achieving the Company's technical and commercial goals. To manage its growth, the Company must attract and retain additional highly-qualified management, scientific, technical, and business development personnel and continue to implement and improve product development, intellectual property management and operational processes. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

#### **7.12 Joint Venture Parties, Agents and Contractors**

The Directors are unable to predict the risk of financial failure or default by a participant in any joint venture or strategic alliance to which the Company is or may become a party or the insolvency or managerial failure by any of the contractors used by the Company in any of its activities or the insolvency or other managerial failure by any of the other service providers used by the Company for any activity.

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## 8 ADDITIONAL INFORMATION

### 8.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in section 111 AC of the Corporations Act) for the purposes of section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The New Shares which will be issued pursuant to this Prospectus are in the same class of Shares that have been quoted on the official list of the ASX during the 12 months prior to the issue of this Prospectus.

This Prospectus is a "transaction specific prospectus" to which the special content rules under section 713 of the Corporations Act apply. That provision allows the issue of a more concise prospectus in relation to an offer of securities in a class which has been continuously quoted by ASX in the three months prior to the date of the prospectus. In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of New Shares and New Options on the Company and the rights attaching to the New Shares and New Options. Provided the Company has otherwise complied with its continuous disclosure obligations under the Corporations Act and the Listing Rules, it is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year, of the Company lodged with the ASIC before the issue of this Prospectus; and
  - (ii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the Listing Rules as referred to in section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements:

<b>Date</b>	<b>Description of Announcement</b>
08/02/2010	Convertible Note Issue
08/02/2010	Appendix 3B
29/01/2010	Appendix 4C
27/01/2010	Placement and Rights Issue
25/01/2010	Response to ASX Query
21/01/2010	Response to ASX Price and Volume Query
21/01/2010	Shareholder Update Production of Thermalife Cream
20/01/2010	Trading Halt
01/12/2009	Shareholder Update - Production
30/11/2009	Appendix 3B Amended
20/11/2009	Change of Directors Interest
20/11/2009	Appendix 3B
06/11/2009	Results of Annual General Meeting
06/11/2009	Response to ASX Price and Volume Query
30/10/2009	Appendix 4C
26/10/2009	Response to ASX Price and Volume Query
30/09/2009	Notice of Annual General Meeting
30/09/2009	2009 Annual Report

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

## **8.2 Material Contracts**

The following is a summary of the significant terms of the material agreements which relate to the business of the Company.

### **Underwriting Agreement**

The Company has entered into an underwriting agreement with Novus and CPSS (each an "**Underwriter**") dated on or about 25 February 2010 ("**Underwriting Agreement**") pursuant to which they have agreed to underwrite the Offer ("**Underwritten Amount**"). Each Underwriter will underwrite the Issue by subscribing for Shortfall Securities in equal proportions up to an amount of \$532,527 pursuant to the Underwriting Agreement.

The Underwriters may appoint sub-underwriters to assist in the performance of their obligations.

### **Fees and indemnity**

In consideration of each Underwriter performing its obligations under the Underwriting Agreement, the Company has agreed to pay each Underwriter a cash underwriting fee of 3% of the total Underwritten Amount (plus GST). Fees payable to sub-underwriters will be at the sole

discretion of the Underwriter. The Company will not be responsible for the payment of any fees to sub-underwriters.

Subject to certain exclusions relating to negligence, fraud, wilful default or breach of the Underwriting Agreement, the Company has agreed to indemnify the Underwriter against all claims, demands, damages, losses, costs, expenses and liabilities incurred directly or indirectly as a result of the Offer.

***Representations, warranties and undertakings***

Under the Underwriting Agreement, the Company gives certain representations, warranties and undertakings in a form that is usual for agreements of this kind, including those described below.

The Underwriting Agreement contains various obligations on the Company, including that the Company must not, without the prior written consent of the Underwriter, for the three month period after the date that the New Shares and New Options are allotted, allot or agree to allot or indicate in any way that it may or will allot any Shares or other securities convertible into or exchangeable for equity securities other than pursuant to an employee share or option plan implemented by the Company, the conversion of Options or convertible securities (as defined in the Listing Rules) on issue as at the date of the Underwriting Agreement, the issue of up to 10 million Shares or Options to consultants of the Company in consideration for the provision of professional services or as contemplated under the Prospectus.

The Company has also undertaken to ensure that the Prospectus and the Offer comply in all material respects with all applicable laws and the Listing Rules.

***Cessation of Underwriter's obligations***

The obligations and liability of each Underwriter under the Underwriting Agreement cease on the first to occur of:

- (a) the whole of the Underwritten Amount being subscribed;
- (b) the Company closing the Offer before subscription for the Underwritten Amount is received (other than as agreed with the relevant Underwriter);
- (c) the Company closing the Offer or ceasing to accept valid Applications without the relevant Underwriter's consent;
- (d) the relevant Underwriter discharging all of its obligations under the Underwriting Agreement; or
- (e) the relevant Underwriter exercising its termination rights under the Underwriting Agreement.

***Termination events***

Each Underwriter may terminate its obligations under the Underwriting Agreement at any time after the date of the Underwriting Agreement by written notice to the Company if any one or more of the following occurs:

- (a) a material statement in the Prospectus is found to be misleading or deceptive, or a matter is omitted from the Prospectus;
- (b) any of the following notifications are made in relation to the Offer or this Prospectus:
  - (i) ASIC issues an order under section 739 of the Corporations Act;
  - (ii) an application is made by ASIC for an order under Part 9.5 of the Corporations Act in relation to the Offer or this Prospectus or ASIC commences any investigation or hearing under Part 4 of the *Australian Securities and Investments Commission Act 2001* (Cth);

- (iii) any person gives a notice under section 733(3) of the Corporations Act or any person who has previously consented to the inclusion of its name in this Prospectus or to be named in this Prospectus withdraws that consent; or
- (iv) any person gives notice under section 730 of the Corporations Act;
- (c) a supplementary or replacement prospectus is lodged under the Corporations Act without the consent of the Underwriters;
- (d) any material adverse change occurs in the condition, financial position or prospects of the Company;
- (e) a contravention by the Company of the Corporations Act, the Constitution, the Listing Rules or any other legislation;
- (f) a market bid is withdrawn in accordance with section 652C of the Corporations Act;
- (g) an insolvency event occurs;
- (h) the Company is in breach of the Underwriting Agreement;
- (i) the Company contravenes any applicable laws in relation to the Offer including the Corporations Act and the Listing Rules;
- (j) approval of the Official Quotation of all of the New Shares or New Options is refused, not granted or subsequently withdrawn;
- (k) any warranty given by the Company is not true or has ceased to be true in any respect;
- (l) any officer of the Company is charged with or convicted of any criminal offence including fraudulent or dishonest conduct;
- (m) the Company alters, or announces an intention to alter, its capital structure or the Constitution without the prior consent of the relevant Underwriter;
- (n) the Company gives security in favour of a person who is not a security holder at the date of the Underwriting Agreement;
- (o) any information that was supplied to the relevant Underwriter at any time by the Company in respect of the Company or the Offer is or becomes misleading or deceptive or contains a material omission;
- (p) hostilities not presently existing commence or an escalation in existing hostilities occurs (whether war has been declared or not) or a terrorist act is committed involving any one or more of Australia, New Zealand, the United Kingdom, the United States of America, the People's Republic of China (including Hong Kong), the countries of the former USSR (excluding war or hostilities within those countries), Indonesia or Japan;
- (q) the Australian government adopts or announces any change in any applicable laws or governmental policies;
- (r) three months or such other period agreed by the relevant Underwriter elapses after the Prospectus Date without ASX granting Official Quotation of the New Shares;
- (s) any grant by ASX is withdrawn;
- (t) breach of undertakings or statements made in the Underwriting Agreement;
- (u) the Company withdraws the Prospectus;
- (v) there is a significant change to the composition of the Board or management of the Company without the approval of the relevant Underwriter (which may not be unreasonably withheld);
- (w) a judgment in an amount exceeding \$250,000 is obtained against the Company and is not set aside or satisfied within five business days;

- (x) any circumstance arises after the Prospectus is lodged as a result of which the Company is required to either repay the money received from applicants or offer to applicants an opportunity to withdraw their applications and receive a refund of their application money;
- (y) the All Ordinaries Index of ASX is at any time on any three consecutive business days prior to allotment of the New Shares 85% or less of the level that index attained at the close of trading on the business day before the date of signing the Underwriting Agreement; or
- (z) arrangements between the relevant Underwriter and an entity acting as sub-underwriter cease or are terminated.

An event listed in paragraphs (d), (e), (f), (h), (i), (k), (m), (n), (o), (p) and (q), above does not entitle an Underwriter to terminate its obligations under the Underwriting Agreement unless it reasonably believes that the event will materially and adversely affect the Company or the Offer.

If an Underwriter (“**Terminating Underwriter**”) terminates its obligations under the Underwriting Agreement, then the remaining Underwriter may terminate the Underwriting Agreement with immediate effect by providing written notice to the Company. If the remaining Underwriter does not terminate the Underwriting Agreement, then the Terminating Underwriter’s portion of the Shortfall Securities must be offered first to the remaining Underwriter.

### 8.3 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

- (a) the formation or promotion of the Company;
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Issue of Securities pursuant to this Prospectus; or
- (c) the Issue of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Issue of Securities pursuant to this Prospectus.

Directors' direct and indirect interests in securities of the Company at the date of this Prospectus are:

Name	Security
Mr John Palermo	1,829,168 Shares 4,000,000 unlisted Options exercisable at \$0.05 and expiring 31.12.2010 4,000,000 unlisted Options exercisable at \$0.10 and expiring 31.12.2010 4,000,000 unlisted Options exercisable at \$0.15 and expiring 31.12.2010 2,000,000 unlisted Options exercisable at \$0.015 and expiring 31.12.2011 2,000,000 unlisted Options exercisable at \$0.025 and expiring 31.12.2011 4,000,000 unlisted Options exercisable at \$0.01 and expiring 31.12.2011 4,000,000 unlisted Options exercisable at \$0.015 and expiring 31.12.2012

Dr Christopher Quirk	2,000,000 unlisted Options exercisable at \$0.05 and expiring 31.12.2010 2,000,000 unlisted Options exercisable at \$0.10 and expiring 31.12.2010 2,000,000 unlisted Options exercisable at \$0.15 and expiring 31.12.2010 1,000,000 unlisted Options exercisable at \$0.015 and expiring 31.12.2011 1,000,000 unlisted Options exercisable at \$0.025 and expiring 31.12.2011 2,000,000 unlisted Options exercisable at \$0.01 and expiring 31.12.2011 2,000,000 unlisted Options exercisable at \$0.015 and expiring 31.12.2012
Mr John Found	1,000,000 unlisted Options exercisable at \$0.01 and expiring 31.12.2011 1,000,000 unlisted Options exercisable at \$0.015 and expiring 31.12.2012

The Constitution of the Company provides that the Directors may be paid for their services as Directors. Non-executive directors may only be paid a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting, to be divided among the Non-executive Directors and in default of agreement then in equal shares.

In the two years preceding lodgement of this Prospectus, \$551,526 (excluding GST where applicable) has been paid by the Company by way of remuneration for services provided by all Directors, companies associated with the Directors or their associates in their capacity as Directors, employees, consultants or advisers. Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

#### **Sub-underwriting**

The Underwriters have appointed Dolphin Technology Pty Ltd (“**Dolphin**”) to sub-underwrite 35,000,000 New Shares. Under the sub-underwriting agreement, Dolphin is entitled to receive a fee of up to \$22,470. Mr John Palermo, a director of the Company, is a director of Dolphin and has a relevant interest (as defined in the Corporations Act) in all of the issued shares in Dolphin.

#### **8.4 Interests and Consents of Experts and Advisers**

The following parties have given (and not before the date of this document withdrawn) their consent to be named in this document in the form and context in which they are named:

- Novus Capital Limited, in its capacity as an Underwriter;
- Cunningham Peterson Sharbanee Securities Pty Ltd, in its capacity as an Underwriter;
- and
- Allion Legal, in its capacity as solicitors to the Company.

Each of Novus Capital Limited, Sharbanee Securities Pty Ltd and Allion Legal has not:

- authorised or caused the issue of this Prospectus;
- made, or purported to have made, any statement in this Prospectus or on which a statement in this Prospectus is based except as set out in this section; or
- assumed the responsibility for any part of this Prospectus except as set out in this section and to the maximum extent permitted by law, expressly disclaims responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Other than as set out below or elsewhere in this Prospectus, all persons named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation of or distribution of this Prospectus do not have, and have not had in the two years before the date of this Prospectus, any interest in:

- the formation or promotion of the Company;

- property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the offer of Securities pursuant to this Prospectus; or
- the offer of Securities pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) and no other benefit has been given or agreed to be given to any of those persons for services provided by those persons in connection with the formation or promotion of the Company or the offer of Securities pursuant to this Prospectus.

Novus Capital Limited is acting as Underwriter and for this is being paid a fee as set out in **section 8.2**. Except to the extent set out in this paragraph, Novus Capital Limited has not received any payment from the Company in the two years prior to the date of this Prospectus. Novus Capital Limited has invoiced the Company and is entitled to be paid \$21,600 (exclusive of GST) in consideration for services provided in connection with the Company's recent share placement announced on 27 January 2010. In addition, Novus Capital Limited has been issued 10,000,000 Options exercisable at 1.5 cents on or before 30 June 2011 in consideration for managing the Issue.

Cunningham Peterson Sharbanee Securities Pty Ltd is acting as Underwriter and for this is being paid a fee as set out in **section 8.2**. Except to the extent set out in this paragraph, Cunningham Peterson Sharbanee Securities Pty Ltd has not received any payment from the Company in the two years prior to the date of this Prospectus. Cunningham Peterson Sharbanee Securities Pty Ltd has invoiced the Company and is entitled to be paid \$42,800 (exclusive of GST) and has been issued 10,000,000 Options exercisable at 1.5 cents on or before 30 June 2011 in consideration for services provided in connection with the Company's recent share placement announced on 27 January 2010. In addition, Cunningham Peterson Sharbanee Securities Pty Ltd has been issued 10,000,000 Options exercisable at 1.5 cents on or before 30 June 2011 in consideration for managing the Issue and was paid \$29,750 (exclusive of GST) on 21 September 2009 in consideration for underwriting the Company's 2009 rights issue.

Allion Legal is entitled to be paid \$12,500 for advice and assistance in relation to certain aspects of this Prospectus and in relation to application for quotation of the New Shares and New Options on ASX. In addition, Allion Legal has been paid \$34,494.16 (inclusive of GST) for the provision of professional services to the Company in the two years since the date of this Prospectus.

References to Security Transfer Registrars Pty Ltd as share register to the Company and RSM Bird Cameron as the Company's auditor appear for information purposes only. Security Transfer Registrars Pty Ltd and RSM Bird Cameron Partners has not been involved in, authorised or caused the issue of this Prospectus.

#### **8.5 Estimated Expenses of Issue**

The estimated expenses of the Issue are approximately \$120,000 including underwriting, legal, ASIC, ASX and printing costs.

#### **8.6 Litigation**

As at the date of this Prospectus, the Company is not involved in any material legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against the Company.

#### **8.7 Privacy Act**

If you complete an application for New Shares and New Options, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your New Shares and New Options in the context of takeovers, regulatory

bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules. You should note that if you do not provide the information required on the application for Securities, the Company may not be able to accept or process your application.

#### **8.8 Directors' Consent**

Each Director has consented to the lodgement of this Prospectus with the ASIC.

Signed on behalf of the Directors pursuant to a resolution of the Board.

John Palermo  
Chairman

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9 GLOSSARY

"A\$", "\$" and **dollars** means Australian dollars, unless otherwise stated.

**Additional New Securities** means New Shares and New Options in addition to an Eligible Shareholder's Entitlement for which an Eligible Shareholder makes an Application.

**Application** means an application for Securities pursuant to the Application Form.

**Application Form** means the application form attached to or accompanying this Prospectus.

**Application Money** means the money received from Eligible Shareholders in respect of their Application.

**ASIC** means the Australian Securities and Investments Commission.

**ASTC** means ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

**ASTC Settlement Rules** means the settlement rules of ASTC.

**ASX** means ASX Limited (ABN 98 008 624 691).

**Board** means the board of Directors.

**Business Day** means a day on which trading takes place on the stock market of ASX.

**CHESS** means ASX Clearing House Electronic Sub-registry System.

**Closing Date** means 29 March 2010, or such other date as may be determined by the Directors under this Prospectus.

**Company or Pharmanet** means Pharmanet Group Limited (ABN 98 006 640 553).

**Constitution** means the Company's Constitution as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Commonwealth).

**CPSS** means Cunningham Peterson Sharbanee Securities Pty Ltd ABN 73 088 055 636.

**Director** means directors of the Company at the date of this Prospectus.

**Eligible Shareholders** means a Shareholder as at the Record Date other than a Non-qualifying Foreign Shareholder.

**Entitlement or Right** means a Shareholder's entitlement to subscribe for New Shares (with New Options) offered by this Prospectus.

**Existing Share** means a fully paid ordinary share in the capital of the Company.

**Issue** means the issue of Securities under this Prospectus.

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

**New Options** means an Option exercisable at \$0.015 on or before 31 June 2011, to be issued at the ratio of one New Option for every two New Shares subscribed for, to be listed on ASX.

**New Shares** means a fully paid ordinary share in the capital of the Company to be issued under this Prospectus.

**Non-qualifying Foreign Shareholders** means a Shareholder whose registered address is not situated in Australia or New Zealand.

**Novus** means Novus Capital Limited (ABN 32 006 711 995).

**Offer** means the offer of one New Share for every seven Existing Shares held at the Record Date at an issue price of \$0.01 per New Share with one attaching New Option for every two New Shares subscribed for.

**Official Quotation** means official quotation on ASX.

**Option** means an option to subscribe for a Share.

**Pharmanet Group** means Pharmanet and each of its subsidiaries (as defined in the Corporations Act).

**Prospectus** means the prospectus constituted by this document.

**Record Date** means 5pm WST on 9 March 2010.

**Securities** means the New Shares and New Options to be issued under this Prospectus.

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

**Shareholder** means the holder of a Share.

**Shortfall Securities** means New Shares and New Options for which successful valid Applications have not been received by the Closing Date.

**Underwriter** means each of Novus and CPSS.

**Underwriting Agreement** means the underwriting agreement dated 25 February 2010 between each Underwriter and the Company.

**WST** means Western Standard Time.