

**PHARMANET GROUP LIMITED  
(SUBJECT TO DEED OF COMPANY ARRANGEMENT)  
ACN 006 640 553**

**NOTICE OF GENERAL MEETING**

**A General Meeting of the Company will be held at the offices of Palisade Business Consulting Pty Ltd, 22 Lindsay Street, Perth, Western Australia on Friday, 10 February 2017 at 10am (WST).**

In considering the Resolutions, Shareholders must bear in mind the current financial circumstances of the Company.

If Shareholders do not approve the Recapitalisation Proposal, then the Deed Administrator will, in absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to the creditors that the Company be put into liquidation. In those circumstances, it is unlikely that there will be any return to shareholders.

*The Notice of General Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser prior to voting.*

*Should you wish to discuss any matter please do not hesitate to contact the Deed Administrator by telephone on +61 8 9328 6262.*

**Shareholders are urged to attend or vote by lodging the proxy form attached to the Notice**

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# PHARMANET GROUP LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 006 640 553

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## NOTICE OF GENERAL MEETING

Notice is hereby given that the general meeting of Shareholders of Pharmanet Group Limited (Subject to Deed of Company Arrangement) (**Company**) will be held at the offices of Palisade Business Consulting Pty Ltd, 22 Lindsay Street, Perth, Western Australia on Friday, 10 February 2017 at 10am (WST) (**Meeting**).

The Explanatory Memorandum to this Notice provides additional information on matters to be considered at the Meeting. The Explanatory Memorandum and the Proxy Form form part of this Notice.

The Deed Administrator has determined pursuant to regulation 7.11.37 of the *Corporations Regulations 2001* (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on Wednesday, 8 February 2017 at 10am (WST).

Terms and abbreviations used in this Notice and the Explanatory Memorandum are defined in Schedule 1 .

## AGENDA

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### 1. Resolution 1 - Consolidation of capital

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with section 254H of the Corporations Act and for all other purposes, the issued capital of the Company be consolidated on the basis that every 300 Shares be consolidated into 1 Share and, where this Consolidation results in a fraction of a Share being held, the Company be authorised to round that fraction up to the nearest whole Share (as the case may be)."*

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### 2. Resolution 2 - Approval to issue Secured Creditor Shares

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 15,000,000 Shares (on a post-Consolidation basis) at a price of \$0.02 per Share to the Creditors' Trust established under the DOCA on the terms and conditions set out in the Explanatory Memorandum."*

#### Voting Exclusion

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a

benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chair 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.

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### **3. Resolution 3 - Approval to issue Placement Shares**

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 50,000,000 Shares (on a post-Consolidation basis) at a price of \$0.02 per Share on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chair 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.

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### **4. Resolution 4 - Approval to issue Lead Manager Options**

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, pursuant to and in accordance with Listing Rule 7.1 and for all other purposes, Shareholders approve the issue of up to 50,000,000 Options (on a post-Consolidation basis) to Otsana (or their nominees) on the terms and conditions set out in the Explanatory Memorandum."*

#### **Voting Exclusion**

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if this Resolution is passed, and any associates of those persons.

However, the Company will not disregard a vote if:

- (a) it is cast by a person as a 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 Chair 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.

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## **5. Resolution 5 - Election of Director - Mr Adam Miethke**

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Adam Miethke, being eligible and offering himself for election, be elected as a Director."*

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## **6. Resolution 6 - Election of Director - Mr Nicholas Young**

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Nicholas Young, being eligible and offering himself for election, be elected as a Director."*

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## **7. Resolution 7 - Election of Director - Mr Brendan de Kauwe**

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

*"That, subject to each of the other Recapitalisation Resolutions being passed, Mr Brendan de Kauwe, being eligible and offering himself for election, be elected as a Director."*

**FOR AND ON BEHALF OF THE DEED ADMINISTRATOR**

Jack James  
**Deed Administrator**  
Dated: 11 January 2017

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# PHARMANET GROUP LIMITED (SUBJECT TO DEED OF COMPANY ARRANGEMENT)

ACN 006 640 553

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## EXPLANATORY MEMORANDUM

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### 1. Introduction

The Explanatory Memorandum has been prepared for the information of Shareholders in connection with the business to be conducted at the Meeting to be held at the offices of Palisade Business Consulting Pty Ltd, 22 Lindsay Street, Perth, Western Australia on Friday, 10 February 2017 at 10am (WST).

The Explanatory Memorandum forms part of the Notice, which should be read in its entirety. The Explanatory Memorandum contains the terms and conditions on which the Resolutions will be voted.

The Explanatory Memorandum includes the following information to assist Shareholders in deciding how to vote on the Resolutions:

Section 2	Action to be taken by Shareholders
Section 3	Overview
Section 4	Resolution 1 - Consolidation of capital
Section 5	Resolution 2 - Approval to issue Secured Creditor Shares
Section 6	Resolution 3 - Approval to issue Placement Shares
Section 7	Resolution 4 - Approval to issue Lead Manager Options
Section 8	Resolution 5 - Election of Director - Mr Adam Miethke
Section 9	Resolution 6 - Election of Director - Mr Nicholas Young
Section 10	Resolution 7 - Election of Director - Mr Brendan de Kauwe
Schedule 1	Definitions
Schedule 2	Terms and Conditions of Lead Manager Options

A Proxy Form is located at the end of the Explanatory Memorandum.

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### 2. Action to be taken by Shareholders

Shareholders should read the Notice including the Explanatory Memorandum carefully before deciding how to vote on the Resolutions.

A Proxy Form is attached to the Notice. This is to be used by Shareholders if they wish to appoint a representative (a 'proxy') to vote in their place. All Shareholders are

invited and encouraged to attend the Meeting or, if they are unable to attend in person, sign and return the Proxy Form to the Company in accordance with the instructions thereon. Lodgement of a Proxy Form will not preclude a Shareholder from attending and voting at the Meeting in person.

Please note that:

- (a) a member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company; and
- (c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

The Chair intends to exercise all available proxies in favour of all Resolutions.

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## 3. Overview

### 3.1 Background

The Company was incorporated on 29 September 1986 and admitted to the Official List of ASX on 13 March 1987. The Company is an ASX-listed pharmaceuticals and biotechnology company.

The Company's securities were suspended from official quotation on 6 October 2014 at the request of the Company pending a decision on an application by the Company in the Federal Court under section 459G of the Corporations Act, and have remained suspended since that date.

On 5 April 2015, the Company announced that the Board resolved to appoint Mr Jack James of Palisade Business Consulting Pty Ltd as voluntary administrator of the Company.

On 30 May 2016, the Company announced that at a meeting of creditors of the Company, the creditors resolved that the Company execute a deed of company arrangement (**DOCA**) and that Mr Jack James be appointed as administrator of the deed of company arrangement (**Deed Administrator**).

The Deed Administrator estimates that the claims of the Company's creditors are as follows:

- (a) approximately \$3,256,135 owing to unsecured creditors;
  - (b) approximately \$300,000 owing to secured creditor, Celtic; and
  - (c) approximately \$386,655 owing to secured creditor Finebase,
- (together Celtic and Finebase are the **Secured Creditors**).

### 3.2 Otsana Recapitalisation Proposal

A recapitalisation proposal typically involves an injection of new cash into a company that is either in financial distress or has been placed into voluntary administration. In the ordinary course, the entity will retain some or all of its assets and seek reinstatement to trading following completion of the recapitalisation.

If the Recapitalisation Proposal is approved and the DOCA completes, all claims of Creditors against the Company will be extinguished, discharged and released.

A summary of the material terms of the Recapitalisation Proposal is set out below:

- (a) the Company and the Deed Administrator will establish the Creditors' Trust, with the Deed Administrator acting as trustee;
- (b) the assets of the Company will be transferred to the Creditors' Trust, including an amount of \$120,000 (**Recapitalisation Payment**), to be paid by Otsana upon completion of the DOCA. The Recapitalisation Payment is to be repaid to Otsana upon reinstatement of the Company's securities to the Official List;
- (c) the Company will issue 15,000,000 Secured Creditor Shares to the Deed Administrator for the benefit of the Secured Creditors;
- (d) all creditors will be required to prove debts against the Trustee of the Creditors' Trust as if they were the Company and payment will be made in accordance with the DOCA and the Creditors' Trust Deed;
- (e) upon completion of the DOCA, the Creditors' Trust Fund (other than the Secured Creditor Shares) will be distributed as follows:
  - (i) first, to the Administrator, Deed Administrator and Trustee for administering the voluntary administration, DOCA and the Creditors' Trust;
  - (ii) second, to any priority Creditors (other than Secured Creditors) pro rata according to the amount for which each creditor shall be admitted to proof pursuant to the Creditors' Trust Deed;
  - (iii) third, the admitted Creditors (other than the Secured Creditors) pro rata according to the amount for which each such creditor shall be admitted to proof pursuant to the Creditors' Trust Deed;
  - (iv) the balance, if any, to be returned to the Company immediately upon the distribution of the last dividend pursuant to the Creditors' Trust Deed; and
  - (v) the Secured Creditor Shares shall be distributed to the Secured Creditors pro rata according to the amount owed to each Secured Creditor as approved by the Trustee;
- (f) the Deed Administrator will cause the current Directors of the Company to be removed and appoint nominees of Otsana as Directors of the Company;
- (g) all security over the Company's assets will be discharged and released;
- (h) the Company will undertake the Consolidation;

- (i) the Company will raise \$1,000,000 (before costs) from the issue of 50,000,000 Placement Shares to clients of Otsana;
- (j) the Company will issue 50,000,000 Lead Manager Options as consideration for advisory services provided by Otsana to the Company; and
- (k) the Company will issue such other securities as are required by Otsana.

Key conditions precedent for completion of the DOCA include:

- (a) payment of the Recapitalisation Payment;
- (b) discharge and release of all security over the Company's assets;
- (c) the Company obtaining an ASX waiver from ASX Listing Rules 1.1 Condition 11 and 2.1 Condition 2;
- (d) all subsidiaries (other than those advised by Otsana) being excised from the Company;
- (e) termination or repudiation of existing employment and service contracts; and
- (f) Shareholder approval being obtained to give effect to the Recapitalisation Proposal.

For the avoidance of doubt, upon completion of the DOCA the Company will be debt free and no security will exist over it or any of its assets.

The conditions precedent must be satisfied by 30 May 2017 or such later date as may be agreed in writing between the Deed Administrator and Otsana.

### **3.3 Creditors' Trust Deed**

A creditors' trust is a mechanism used to accelerate a company's exit from external administration. Under the terms of a deed of company arrangement, a trust is created and the company's obligations to creditors which are bound by the deed of company arrangement are then comprised and transferred to the trust. Creditors become beneficiaries of the trust. The purpose of the trust is to deal with the debts and claims against the Company that, but for the release of claims under the deed of company arrangement, would have been payable by the Company.

The deed of company arrangement terminates upon creation of the trust. When the deed of company arrangement terminates, the company ceases to be externally administered and the directors regain full control of the company.

The DOCA provides for the creation of a creditors' trust to which the assets of the Company will be transferred and realised in satisfaction of Creditors' claims. The assets of the Creditors' Trust will comprise the Recapitalisation Payment, the Secured Creditor Shares and any remaining assets of the Company that are realised by the Deed Administrator or Trustee.

Distribution of the fund (other than the Secured Creditor Shares) by the Trustee is first, to satisfy the Voluntary Administrator's, Deed Administrator's and Trustee's costs in administering the voluntary administration, DOCA and the Creditors' Trust, next to satisfy any priority Creditors (other than Secured Creditors) who have had their claims accepted by the Deed Administrator or Trustee, rateably and lastly, any remainder is to be distributed to unsecured Creditors on a pro rata basis. The Secured Creditor



Shares will be distributed to the Secured Creditors pro rata according to the amount owed to each Secured Creditor as approved by the Trustee.

### 3.4 New directors

As noted above, it was a term of the DOCA that the existing directors are removed and nominees of Otsana be appointed to the Board. Following Shareholder approval, the Deed Administrator will remove the incumbent directors Mr John Found and Dr Christopher Quirk as Directors and appoint Adam Miethke, Nicholas Young and Brendan de Kauwe as directors.

### 3.5 Indicative capital structure

The current capital structure of the Company is as follows:

Security	Number
Shares	2,002,565,241
Quoted Options	Nil
Unquoted Options	Nil

Upon completion of the Recapitalisation Proposal (including the Consolidation), the Company's indicative capital structure will be as follows:

Shares	Number	%
Existing Shares (post-Consolidation and subject to rounding)	6,675,217	9.31
Secured Creditor Shares (Resolution 2)	15,000,000	20.93
Placement Shares (Resolution 3)	50,000,000	69.76
<b>Total Shares</b>	<b>71,675,217</b>	<b>100.00</b>
Options	Number	%
Lead Manager Options (Resolution 4)	50,000,000	100.00
<b>Total unquoted Options</b>	<b>50,000,000</b>	<b>100.00</b>

No party, alone or by association, will have a relevant interest of more than 20% of the voting power of the Company upon effectuation of the DOCA.

### 3.6 Reinstatement to official quotation

The Company's securities have been suspended from official quotation since 6 October 2014.

Completion of the DOCA and exit from external administration will not place the Company in a position to seek reinstatement of its securities to the Official List; the Company will first be required to re-comply with Chapters 1 and 2 of the Listing Rules.

The Company will focus on assessing and acquiring a new project or projects following completion of the DOCA. The Company will initially operate with a very broad mandate

and consider businesses and assets at various stages of development. Otsana, as proponent of the Recapitalisation Proposal, has already commenced reviewing and entered into negotiations to acquire various businesses and assets with the aim of recommending the acquisition of a new undertaking to the Company shortly following completion of the DOCA.

The acquisition of a new undertaking will first require shareholder approval, following which the Company will be required to re-comply with Chapters 1 and 2 of the Listing Rules as if were being admitted for the first time.

As part of this process, the Company will likely be required to undertake a further capital raising prior to reinstatement of its securities to the Official List and/or issue securities to vendors of the new undertaking. Shareholders should therefore expect their holdings to be further diluted as part of the re-compliance process.

### **3.7 Effect of the Recapitalisation Proposal**

For the purposes of this Explanatory Memorandum, the information below is provided for the consideration of Shareholders.

The Company's shares were last traded on ASX on 6 October 2014 and a voluntary administrator was appointed to the Company on 5 April 2015. Accordingly, historic ASX share trading prices for the Company are not considered a reliable basis to assess the value of the new Shares issued pursuant to the Recapitalisation Proposal.

Due to the Company's current state of affairs, the lack of profit history and the immediate lack of a reliable future cash flow from remaining assets, maintainable earnings are not considered a reliable basis to assess the value of the Company's shares.

The Deed Administrator estimates that, on a liquidation basis, there is a deficiency of funds and the Creditors may receive a nil return if the Recapitalisation Proposal does not proceed (and no alternative proposal is received or the DOCA varied). Therefore, on a liquidation basis, the Shareholders' return from the Company is most likely to be nil. Accordingly, the current implicit value of the Company's Shares as at the date of this Notice is nil.

The advantages of passing the Resolutions and subsequent completion of the Recapitalisation Proposal include:

- (a) a cash injection of \$1,120,000;
- (b) the provable debts of the Company to its creditors being forgiven. This will leave the Company with negligible liabilities; and
- (c) the Company's ability to seek reinstatement of its shares to quotation on ASX being enhanced. Once the Company obtains reinstatement to trading Shareholders will be offered liquidity to sell their post-Consolidation shareholdings on the ASX.

The principal disadvantage of the Recapitalisation Proposal is that existing Shareholders will have their holdings diluted following the Consolidation on a 300 for 1 basis and the issue of the Secured Creditor Shares and the Placement Shares pursuant to Resolutions 2 and 3. However, this must be balanced with the fact that the existing Shares currently have nil value and, should the Recapitalisation Proposal not proceed, the Company may be placed into liquidation. Following completion of the Recapitalisation Proposal, the existing Shareholders' reduced holdings will have value based on the cash injection to the Company. Once the Company's securities are

reinstated to trading on ASX (following re-compliance with Chapters 1 and 2 of the Listing Rules), existing Shareholders' reduced holdings will also return to liquidity.

If Shareholders do not approve the Recapitalisation Proposal, then the Deed Administrator will, in the absence of any other deed of company arrangement proposal or a variation to the terms of the DOCA, have no other option but to recommend to Creditors that the Company be put into liquidation.

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## **4. Resolution 1 - Consolidation of capital**

### **4.1 Legal requirements**

Section 254H of the Corporations Act provides that a company may, by resolution passed in a general meeting, convert all or any of its shares into a larger or smaller number.

### **4.2 Fractional entitlements**

Not all Security holders will hold that number of Shares (as the case may be) which can be evenly divided by 300. Where a fractional entitlement occurs, the Company will round that fraction up to the nearest whole Security.

### **4.3 Taxation**

It is not considered that any taxation implications will exist for Security holders arising from the Consolidation. However, Security holders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company, nor the Deed Administrator (nor the Deed Administrator's advisers) accept any responsibility for the individual taxation implications arising from the Consolidation.

### **4.4 Holding statements**

From the date of the Consolidation, all holding statements for Securities will cease to have any effect, except as evidence of entitlement to a certain number of Securities on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Securities to be issued to holders of those Securities.

It is the responsibility of each Security holder to check the number of Securities held prior to disposal or exercise (as the case may be).

### **4.5 Effect on capital structure**

The approximate effect which the Consolidation will have on the Company's current capital structure is set out in the table below. All numbers are subject to rounding. A table of the indicative capital structure of the Company post-completion of the Recapitalisation Proposal is set out in Section 3.4 of this Explanatory Memorandum.

<b>Security</b>	<b>Current</b>	<b>Post-Consolidation</b>
Shares	2,002,565,241	6,675,217

## 4.6 Consolidation timetable

If Resolution 1 is passed, the Consolidation will take effect in accordance with the following timetable (as set out in Appendix 7A (paragraph 8) of the Listing Rules). There will be no deferred trading of post-Consolidation securities as the Company's securities will remain suspended throughout the consolidation process:

Action	Date
Company announces Consolidation and sends out Notice	11 January 2017
Company informs ASX that Shareholders have approved the Consolidation	10 February 2017
Last day for Company to enter transfers on a pre-Consolidation basis	15 February 2017
First day for Company to: <ul style="list-style-type: none"><li>- send notice to each Security holder of the change in their details of Security holdings</li><li>- register Securities on a post-Consolidation basis</li></ul>	16 February 2017
Issue Date Last day for Company to send notice to each Security holder	22 February 2017

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## 5. Resolution 2 - Approval to issue Secured Creditor Shares

### 5.1 General

As required under the DOCA, the Company intends to issue 15,000,000 Shares (on a post-Consolidation basis) at a deemed issue price of \$0.02 per Share (**Secured Creditor Shares**) to the Deed Administrator for the benefit of the Secured Creditors. The Trustee of the Creditors' Trust will hold the Secured Creditor Shares on behalf of the Secured Creditors for distribution to them in exchange for a release of their claims against the Company under the terms of the DOCA.

Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more Equity Securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period without shareholder approval.

The effect of Resolution 2 will be to allow the Company to issue the Secured Creditor Shares pursuant to the DOCA during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 2 is an ordinary resolution and is subject to each of the other Recapitalisation Resolutions being passed.

If Resolution 2 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no

other option but to recommend to the Creditors that the Company be placed into liquidation.

## 5.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Secured Creditor Shares:

- (a) the maximum number of Secured Creditor Shares to be issued is 15,000,000 (on a post-Consolidation basis);
- (b) the Secured Creditor Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules) and it is anticipated they will be issued on one date;
- (c) the deemed issue price will be \$0.02 per Secured Creditor Share. No cash consideration will be received for the Secured Creditor Shares, instead the beneficiaries of the Creditors' Trust (being the Secured Creditors) will release their claims against the Company;
- (d) the Secured Creditor Shares will be issued to the Deed Administrator, for eventual distribution to the Secured Creditors through the Creditors' Trust in exchange for a release of their claims against the Company;
- (e) the Secured Creditor Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) no funds are being raised from the issue of the Secured Creditor Shares; and
- (g) a voting exclusion statement is included in the Notice.

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## 6. Resolution 3 - Approval to issue Placement Shares

### 6.1 General

As required under the DOCA and the Recapitalisation Proposal, the Company intends to undertake a placement of 50,000,000 Shares (on a post-Consolidation basis) at an issue price of \$0.02 per Share (**Placement Shares**) to sophisticated or professional investors who are clients of Otsana to raise \$1,000,000 (before costs). ASX may apply a two year escrow period to the Placement Shares from the date the Company's securities recommence quotation on ASX.

A summary of Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 3 will be to allow the Company to issue the Placement Shares during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 3 is an ordinary resolution and is subject each of the other Recapitalisation Resolutions being passed.

If Resolution 3 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the Creditors that the Company be placed into liquidation.

## 6.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Placement Shares:

- (a) the maximum number of Placement Shares to be issued is 50,000,000 (on a post-Consolidation basis);
- (b) the Placement Shares will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the issue price will be \$0.02 per Placement Share;
- (d) the Placement Shares will be issued to clients of Otsana, each of whom is a sophisticated or professional investor who is not a related party of the Company;
- (e) the Placement Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Company intends to use the funds raised from the issue of the Placement Shares for general working capital;
- (g) the issue of the Placement Shares may occur progressively subject to Section 5.2(b); and
- (h) a voting exclusion statement is included in the Notice.

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## 7. Resolution 4 - Approval to issue Lead Manager Options

### 7.1 General

As required under the DOCA and the Recapitalisation Proposal, the Company intends to undertake a placement of 50,000,000 Options (on a post-Consolidation basis) Otsana (or their nominees) as consideration for lead manager services provided by Otsana to the Company. The Company expects that ASX will apply a two year escrow period to the Lead Manager Options from the date the Company's securities recommence quotation on ASX.

A summary of Listing Rule 7.1 is set out in Section 5.1 above.

The effect of Resolution 4 will be to allow the Company to issue the Lead Manager Options during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

Resolution 4 is an ordinary resolution and is subject each of the other Recapitalisation Resolutions being passed.

If Resolution 4 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

## 7.2 Technical information required by Listing Rule 7.3

Pursuant to and in accordance with Listing Rule 7.3, the following information is provided in relation to the issue of the Lead Manager Options:

- (a) the maximum number of Lead Manager Options to be issued is 50,000,000 (on a post-Consolidation basis);
- (b) the Lead Manager Options will be issued no later than three months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the Listing Rules);
- (c) the Lead Manager Options will be issued as consideration for advisory services provided by Otsana to the Company;
- (d) the Lead Manager Options will be issued to Otsana (or their nominees), each of whom is a sophisticated or professional investor who is not a related party of the Company;
- (e) the Lead Manager Options will each be exercisable at \$0.02 on or before the date that is 4 years after their issue on the terms and conditions set out in Schedule 2;
- (f) the issue of the Lead Manager Options may occur progressively subject to Section 5.2(b); and
- (g) a voting exclusion statement is included in the Notice.

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## 8. Resolution 5 - Election of Director - Mr Adam Miethke

It is proposed to appoint Mr Adam Miethke as a Director.

Adam is a geologist with over 16 years' experience in the metals and mining industry including funds management and more recently as a corporate advisor.

Adam initially worked for Rio Tinto's iron ore division before joining Snowden Mining Consultants where he worked across all commodities in Australia, Africa, Eastern Europe and South America. After completing an MBA in 2008, he joined Regent Pacific Group in Hong Kong as technical director, overseeing the group's investment portfolio. For the past five years, Adam has been a director of Argonaut's corporate finance team and led the group's metals and mining division.

Adam holds a Bachelor of Applied Science with First Class Honours in Geology from the Queensland University of Technology and MBA from Curtin University. He is a Member of the Australasian Institute of Mining and Metallurgy and Society of Economic Geologists.

Resolution 5 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 5 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

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## **9. Resolution 6 - Election of Director - Mr Nicholas Young**

It is proposed to appoint Mr Nicholas Young as a Director.

Mr Young holds a Bachelor of Commerce, majoring in Accounting and Finance, is a Chartered Accountant and has completed the Insolvency Education Program at the Australian Restructuring Insolvency and Turnaround Association.

Nicholas commenced his career in the Corporate Restructuring division of an accounting firm and has gained valuable experience in Australia and Southern Africa, across a wide range of industries, including mining and exploration, mining services, renewable energy, professional services, manufacturing and transport.

Mr Young has been involved in the recapitalisation of various ASX-listed companies.

Resolution 6 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 6 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.

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## **10. Resolution 7 - Election of Director - Mr Brendan de Kauwe**

It is proposed to appoint Mr Brendan de Kauwe as a Director.

Dr de Kauwe studied a Bachelor of Science and Bachelor of Dental Surgery from the University of Western Australia. He also holds a Post Graduate Diploma in Applied Finance, majoring in Corporate Finance, and is an ASIC complaint (RG146) Securities Advisor. Dr de Kauwe is a Director of Otsana Capital, a corporate advisory firm, with vast experience in corporate restructuring and recapitalisations, mergers and acquisitions, IPO/RTO and capital markets. Dr de Kauwe's corporate experience, coupled with his extensive technology, science and bio-medical background gives him an integral understanding in the evaluation and execution of projects and assets over a diverse range of sectors. He has held numerous ASX Listed roles including: Exec-Chairman (ASX:ACW), Director (ASX:XPE). He is currently Director of Ookami Ltd (ASX:OOK) and Race Oncology Ltd (ASX:RAC).

Resolution 7 is an ordinary resolution and is subject to each of the Recapitalisation Resolutions being passed.

If Resolution 7 (together with the other Recapitalisation Resolutions) is not passed, then the Deed Administrator shall, in the absence of an alternative proposal, have no other option but to recommend to the creditors that the Company be placed into liquidation.



## Schedule 1 - Definitions

In the Notice, words importing the singular include the plural and vice versa.

**A\$ or \$** means Australian dollars.

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

**ASX** means the ASX Limited ACN 008 624 691 and where the context permits the Australian Securities Exchange operated by ASX Limited.

**Board** means the board of Directors.

**Business Day** has the meaning given in the Listing Rules.

**Celtic** means Celtic Capital Pty Ltd ACN 120 688 262 as trustee for the Celtic Capital Trust.

**Chair** means the person appointed to chair the Meeting.

**Company** means Pharmanet Group Limited (Subject to Deed of Company Arrangement) ACN 006 640 553.

**Consolidation** means the proposed 300 for 1 consolidation of the Company's Securities as set out in Resolution 1.

**Constitution** means the constitution of the Company.

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

**Creditors** means any creditor whose claim against the Company is admitted by the Trustee under the Creditors' Trust Deed.

**Creditors' Trust** means the creditors' trust established under the Creditors' Trust Deed.

**Creditors' Trust Deed** means the trust deed to be entered into by the Deed Administrator as Trustee, pursuant to the terms of the DOCA, for and on behalf of the Company's creditors.

**Deed Administrator** means Mr Jack James of Palisade Business Consulting Pty Ltd in his capacity as administrator of the DOCA.

**Director** means a director of the Company.

**DOCA** means the deed of company arrangement dated 21 June 2016 between the Company, the Deed Administrator, Otsana, Celtic and Finebase.

**Equity Security** has the meaning given in the Listing Rules.

**Explanatory Memorandum** means the explanatory memorandum which forms part of the Notice.

**Finebase** means Finebase Holdings Pty Ltd ACN 153 895 973 as trustee for the Finebase Trust.

**Listing Rules** means the listing rules of ASX.

**Lead Manager Options** means the Options the subject of Resolution 4, to be issued on the terms and conditions in Schedule 2

**Meeting** has the meaning given in the introductory paragraph of the Notice.

**Notice** means this notice of general meeting.

**Official List** means the official list of ASX.

**Option** means an option which entitles the holder to subscribe for one Share.

**Optionholder** means the holder of an Option.

**Otsana** means Otsana Pty Ltd ACN 145 168 216.

**Placement Shares** means the Shares the subject of Resolution 3.

**Proxy Form** means the proxy form attached to the Notice.

**Recapitalisation Payment** has the meaning provided in Section 3.2.

**Recapitalisation Proposal** means the proposal by Otsana for the recapitalisation of the Company as described in Section 3.2.

**Recapitalisation Resolutions** means Resolutions 1 to 4.

**Resolutions** means the resolutions referred to in the Notice or any one of them, as the context requires.

**Schedule** means a schedule to the Notice.

**Section** means a section of the Explanatory Memorandum.

**Secured Creditors** has the meaning provided in Section 3.1.

**Secured Creditor Shares** means the Shares to be issued to the Deed Administrator, for eventual distribution to the Creditors through the Creditors' Trust in exchange for a release of their claims against the Company.

**Securities** mean all Equity Securities of the Company.

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

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

**Trustee** means Mr Jack James of Palisade Business Consulting Pty Ltd in his capacity as trustee of the Creditors' Trust Deed.

**WST** means Western Standard Time, being the time in Perth, Western Australia.

## Schedule 2 - Terms and Conditions of Lead Manager Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

1. Entitlement

Each Lead Manager Option (**Option**) gives the Optionholder the right to subscribe for one Share upon exercise of the Option.

2. Exercise Price and Expiry Date

Each Option has an exercise price of \$0.02 (**Exercise Price**) and will expire at 5.00pm (WST) on the date that is 4 years after their issue (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

3. Notice of Exercise

An Optionholder may exercise their Options by lodging with the Company, on or prior to the Expiry Date:

- (a) in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion;
- (b) a written notice of exercise of Options specifying the number of Options being exercised (**Exercise Notice**); and
- (c) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised. Cheques shall be in Australian currency made payable to the Company and crossed "Not Negotiable". An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

4. Timing of issue of Shares

Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

5. Shares issues on exercise

All Shares issued upon the exercise of Options will upon issue rank equally in all respects with the then issued Shares.

6. Quotation of Shares on exercise

The Company will apply for official quotation on ASX of all Shares issued upon exercise of Options within 10 Business Days after the date of issue of those Shares.

7. Quotation of Options

The Options will be unlisted upon grant. No application for quotation of the Options will be made.

8. Options transferrable

The Options will be transferable subject to compliance with the Corporations Act.

9. Participation in new issues

There are no participation rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will give the holders of Options notice of the proposed issue prior to the date for determining entitlements to participate in any such issue.

10. Adjustment for bonus issues of Shares

If the Company makes a bonus issue of Shares or other securities to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment):

- (a) the number of Shares which must be issued on the exercise of an Option will be increased by the number of Shares which the Optionholder would have received if the Optionholder had exercised the Option before the record date for the bonus issue; and
- (b) no change will be made to the Exercise Price.

11. Adjustment for entitlement issue

If the Company makes an issue of Shares pro rata to existing Shareholders (other than an issue in lieu or in satisfaction of dividends or by way of dividend reinvestment) the Exercise Price of an Option will be reduced according to the following formula:

$$\text{New exercise price} = \frac{O - E [P - (S+D)]}{N+1}$$

O = the old Exercise Price of the Option.

E = the number of underlying Shares into which one Option is exercisable.

P = average market price per Share weighted by reference to volume of the underlying Shares during the 5 trading days ending on the day before the ex rights date or ex entitlements date.

S = the subscription price of a Share under the pro rata issue.

D = the dividend due but not yet paid on the existing underlying Shares (except those to be issued under the pro rata issue).

N = the number of Shares with rights or entitlements that must be held to receive a right to one Share.

12. Adjustments for reorganisation

If there is any reorganisation of the issued share capital of the Company, the rights of the Optionholder may be varied to comply with the Listing Rules which apply to a reorganisation of capital at the time of the reorganisation.

PHARMANET GROUP LIMITED (SUBJECT TO DEED OF COMPANY ARRANGMENT)

ACN 006 640 553  
PROXY FORM

The Deed Administrator  
Pharmanet Group Limited (Subject to Deed of Company Arrangement)

**By post:**  
Pharmanet Group Limited (Subject  
to Deed of Company Arrangement)  
c/o 108 Outram Street  
West Perth, WA 6005

**By facsimile:**  
+61 8 9463 6373

Name of Shareholder:

Address of Shareholder:

Number of Shares entitled to vote:

Please mark  to indicate your directions. Further instructions are provided overleaf.

Proxy appointments will only be valid and accepted by the Company if they are made and received no later than 48 hours before the Meeting.

**STEP 1 - APPOINT A PROXY TO VOTE ON YOUR BEHALF**

I/We being Shareholder/s of the Company hereby appoint:

The Chair of the Meeting (mark box)

OR if you are NOT appointing the Chair of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered shareholder) you are appointing as your proxy

Or failing the person/body corporate named, or if no person/body corporate is named, the Chair of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf, including to vote in accordance with the following directions (or, if no directions have been given, and to the extent permitted by law, as the proxy sees fit), at the General Meeting of the Company to be held at the offices of Palisade Business Consulting Pty Ltd, 22 Lindsay Street, Perth, Western Australia on Friday, 10 February 2017 at 10am (WST), and at any adjournment or postponement of that Meeting.

**CHAIR'S VOTING INTENTIONS IN RELATION TO UNDIRECTED PROXIES**

The Chair intends to vote all undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intentions on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

**STEP 2 - INSTRUCTIONS AS TO VOTING ON RESOLUTIONS**

The proxy is to vote for or against the Resolution referred to in the Notice as follows:

		For	Against	Abstain*
Resolution 1	Consolidation of capital			
Resolution 2	Approval to issue Secured Creditor Shares			
Resolution 3	Approval to issue Placement Shares			
Resolution 4	Approval to issue Lead Manager Options			
Resolution 5	Election of Director - Mr Adam Miethke			
Resolution 6	Election of Director - Mr Nicholas Young			
Resolution 7	Election of Director - Mr Brendan de Kauwe			

If no directions are given my proxy may vote as the proxy thinks fit or may abstain.

\* If you mark the Abstain box for a particular Resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

**Authorised signature/s** This section **must** be signed in accordance with the instructions below to enable your voting instructions to be implemented.

Individual or Shareholder 1

Sole Director/Company Secretary

Contact Name

Contact Daytime Telephone

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date

<sup>1</sup>Insert name and address of Shareholder

<sup>2</sup> Insert name and address of proxy

\*Omit if not applicable

## PROXY NOTES

A Shareholder entitled to attend and vote at the General Meeting may appoint a natural person as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting. If the Shareholder is entitled to cast 2 or more votes at the General Meeting the Shareholder may appoint not more than 2 proxies. Where the Shareholder appoints more than one proxy the Shareholder may specify the proportion or number of votes each proxy is appointed to exercise. If such proportion or number of votes is not specified each proxy may exercise half of the Shareholder's votes. A proxy may, but need not be, a Shareholder of the Company.

If a Shareholder appoints a body corporate as the Shareholder's proxy to attend and vote for the Shareholder at that General Meeting, the representative of the body corporate to attend the General Meeting must produce the Certificate of Appointment of Representative prior to admission. A form of the certificate may be obtained from the Company's share registry.

You must sign this form as follows in the spaces provided:

Joint Holding: where the holding is in more than one name all of the holders must sign.

Power of Attorney: if signed under a Power of Attorney, you must have already lodged it with the registry, or alternatively, attach a certified photocopy of the Power of Attorney to this Proxy Form when you return it.

Companies: a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also a sole Company Secretary can also sign. Please indicate the office held by signing in the appropriate space.

If a representative of the corporation is to attend the General Meeting the appropriate "Certificate of Appointment of Representative" should be produced prior to admission. A form of the certificate may be obtained from the Company's Share Registry.

Proxy Forms (and the power of attorney or other authority, if any, under which the Proxy Form is signed) or a copy or facsimile which appears on its face to be an authentic copy of the Proxy Form (and the power of attorney or other authority) must be posted to c/o 108 Outram Street, West Perth, Western Australia 6005 or received by facsimile transmission +61 8 9463 6373 not less than 48 hours prior to the time of commencement of the General Meeting (WST).