PRIMARY HEALTH CARE LIMITED
(ACN 064 530 516)
30-38 Short Street
LEICHHARDT NSW 2040

1 July 2004

Dear IPN Shareholder

You will have received the **Offer by Primary Health Care Limited (Primary) to buy ALL your shares in Independent Practitioner Network (IPN).**

IPN advised you in a letter, dated 16 June 2004, that it's Board and management "continue to execute strategic and operational initiatives, including the implementation of the Monet IT system which is expected to deliver cost efficiencies and improvement operational performances". One should ask, as a shareholder of IPN, if one can expect any significant outcome from this with the record of the directors and management of IPN.

In the same letter, they state that "while significant progress has been made, there is still much work to be done to deliver the full benefits of these initiatives". This may or may not be true but one should ask yourself how much longer does this Board and management deserve to be given.

The same letter states that the Primary Offer was unsolicited. We do not agree with this statement. Mr. Wayne Peters, the Chairman of IPN asked to see me and attended Primary's head office on 29 January 2004 at 9.00 am. At that meeting there was a discussion as to an offer and a price.

The letter also suggests that Primary is not giving a premium for the "strategic value" of IPN. While one may understand some "puff" from a company such as IPN this is somewhat exaggerated. There are approximately 20,000 GPs in Australia who have no connection with IPN, who are free to negotiate with Primary.

IPN also advised in that letter that the Medicare Plus package and the $5.00 rebate for GPs – "are also having a positive impact on the revenue of IPN". On simple calculation, with IPN's 2003 patient attendances, this should provide a $2m addition to EBITDA in a full year. However, a 5% loss in patient attendances to IPN's practitioners would more than eliminate this gain. In the 10 IPN centres that we have reviewed, there has been a 22% to 50% loss in patient attendances in the last 12 months. While we have not reviewed attendances at all IPN centres, it is more than likely that the loss of attendance are greater than 5%. IPN has previously indicated a reduction of 9%. This will more than offset any possible gains from the "Medicare Plus" package. Again, one should wonder if, as a shareholder of IPN, you should give much credence to what the current Board and management have to say with respect to your investment in IPN.

What are some of your options in respect of these Offers?

The current ASX market, 1 July 2004, is 6.9 to 7 cents per share. This has the advantage of certainty while you would have to pay selling costs, it is currently above our Offer price and allows you to realize a price that is well above the market for quite some time. It would allow you to take your funds and re-invest, in possibly better options, whether they be other health care stocks such as Sonic, Primary, Mayne etc or in other investments. It also gives you the opportunity of investing again, at a later time in IPN should Sonic's Proportional Offer be successful, in which case you will probably be able to buy IPN shares at less than the current market price.

A second option is to accept the Primary 100% Offer, which is at 5 cents. This gives you certainty as to price, while less than the current market, there are no selling costs. It also gives you the opportunity to participate in any further price increase, should Primary increase its Offer.

You can wait for the Proportional Offer from Sonic which was due after 30 June 2004. This Proportional Offer is highly conditional. You **may** get 8 cents per share for **2 out of 3** of your shares sometime in the future (which could be as much as 12 months) **if** no other party gets to 40%, **and** Sonic gets to 45%, (**or** Sonic makes their Offer unconditional). If Sonic does get to a position of control of IPN, Sonic would have difficulty in complying with the Corporations Act in respect of its arrangements with IPN and its pathology. If all these hurdles were overcome, you will then have to consider what would be the value of the one in three shares that you have left in IPN.

Given the record of IPN under the current management, with a need for ongoing capital contributions (IPN is losing money and has borrowings that are significant) and with Sonic's proposal to maintain the current strategy, one would suggest the one IPN share you are left with (having accepted Sonic's offer of 2 out of 3 IPN shares) may be worth something less than 1 cent. Additionally, you will be in a less liquid company that functions as a pathology collection system for Sonic, where Sonic gets the pathology, IPN shareholders get the bills, with the general practitioners getting the "left overs".

Yours faithfully

Edmund Bateman
Managing Director