Important Message to Shareholders
Thursday 11th January 2007

Dear Shareholder,

The AHG Board was surprised to see the announcement to the ASX on Friday 5th January 2007 by Pharmaust of its proposed intention to takeover your company by offering 1.5 cents per share with significant pre-conditions.

The ASX announcements by AHG dated the 8th & 9th January 2007 are attached for your information.

"No Formal Offer" has been received to date by AHG from Pharmaust.

AHG's solicitors have written to Pharmaust seeking clarification of their ASX announcement of the 5th January 2007, and subsequent public statements made by Pharmaust's managing director. Pharmaust's response will be relayed to shareholders upon receipt.

Shareholders should question the motives of Pharmaust and the accuracy of the facts set out in its ASX announcement of Friday 5th January 2007. In summary:

- Pharmaust is suing your company in the Supreme Court of Western Australia, not only costing AHG a lot of money but also delaying AHG's shares being readmitted to trading.

- Pharmaust's proposed offer is not superior to the transactions approved by shareholders at the 2006 AGM, nor to the proposed investment by a company associated with Michael Boyd.

- Pharmaust has still not confirmed whether or not it actually will be making you an offer.

By way of background, Pharmaust first acquired shares in AHG on 28 July 2006 (less than a week before AHG's 2006 AGM) at a price of 3.5 cents per share.

Pharmaust then voted against all resolutions put to shareholders at the 2006 AGM, despite the Independent Expert and Independent Director recommending the resolutions as fair and reasonable and the explanatory memorandum for the AGM making it explicitly clear that unless the resolutions were passed, AHG would likely be insolvent as over $10m in debt would become immediately due and payable to Hawkesbridge, with AHG being unable to fund that liability.

Since that time, Pharmaust has instigated costly litigation against AHG seeking to overturn the AGM transactions, which amongst other things has meant AHG's shares have not been readmitted to trading on ASX.

Pharmaust has now proposed an opportunistic offer of 1.5 cents per share, compared with the price of 2.5 cents per share established by the recent sale by Hawkesbridge Limited to Covenant Nominees (subject to AHG shareholder approval), announced to the ASX on January 8th .

Shareholders should also be aware that the 3 largest AHG shareholders, namely Hawkesbridge Limited, HET No1 Pty Ltd and the Atkinson Family Superannuation Fund, (who collectively hold over 40% of AHG shares), have all advised AHG that based on the information provided to date by Pharmaust they would not be accepting the 1.5 cent per share proposed. Given one of the proposed conditions of Pharmaust's offer to AHG shareholders requires 90% acceptance, it is highly unlikely this condition could be met, making the proposed offer illusory.

Whilst the AHG Board has not resolved to sell any of the Company's assets, the AHG Board will consider any offer made by any party (including Pharmaust) for any of the Company's assets or for the Company as a whole if it considers such offer is in the best interests of all shareholders. In the circumstances outlined above, however, your Board does not consider the proposed highly conditional offer to be in the interests of shareholders.

Pharmaust's actions over the past seven months have had the effect of disrupting and destabilising AHG's business for Pharmaust's own benefit, namely to attempt to purchase below value assets of your Group.

Your Board believes that Pharmaust has attempted to mislead AHG shareholders under the guise of protecting you when in fact its actions are motivated solely by self interest.

Shareholders need to ask Pharmaust the question ?

"Is Pharmaust acting in the best interest of AHG shareholders"

The AHG Board advises shareholders to take no action at this time and to await further advice from their Board which will be provided if and when a formal proposal is made to AHG or its shareholders.

Ken Atkinson
Chief Executive Officer
Advance Healthcare Group Limited

Chris Rowe
Chairman

For further information contact Ken Atkinson or Chris Rowe on (08) 9240 0000