

SELECT-TEL LIMITED

ACN 062 063 692

INFORMATION MEMORANDUM

AND

**NOTICE OF THE 2003 ANNUAL GENERAL
MEETING**

TO BE HELD ON

19 JUNE 2003

AT 10 AM

This Information Memorandum is dated 17 April 2003 and is provided to Members of Select-Tel Limited ACN 062 063 692 ("Select" or "the Company") in connection with the 2003 Annual General Meeting of the Company and a proposal by the Company to invest in research and development projects being undertaken by The Macfarlane Burnet Institute for Medical Research and Public Health Limited.

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1. INTRODUCTION

This Memorandum provides information concerning a proposal ("the Proposal") by Select-Tel Limited ("Select" or "the Company") to invest in research and development projects being undertaken by The Macfarlane Burnet Institute for Medical Research and Public Health Limited ("the Burnet Institute" or "the Institute"). These research projects aim to create and develop technologies with a range of possible applications for the diagnosis, treatment and/or vaccination against hepatitis and other infectious diseases, including the picornavirus, which is responsible for many forms of the common cold. Elements of the projects may also lead to the development of platform technologies for delivery systems for use in combating a range of human conditions.

The information provided in this Memorandum is to assist Members of the Company understand the nature of the investments proposed and the structures through which those investments would be made by the Company. Its purpose is to enable the Company's Members to make an informed decision about those resolutions put forward in the attached Notice of Annual General Meeting ("the Resolutions") that are designed to authorise implementation of the Proposal.

If the Proposal is approved by the Members, the Company will change its predominant activity from a provider of telecommunications systems to that of research and development activities in the biotechnology sector.

This Memorandum also provides information in respect of business to be considered at the 2003 Annual General Meeting, including the proposed re-election of Directors and setting the maximum remuneration of non-executive Directors.

2. OUTLINE OF THE PROPOSAL

The Proposal involves the establishment of a commercial framework to pursue opportunities for the commercialisation of technology developed by the Burnet Institute. The Burnet Institute has for over 16 years been involved in research into a range of communicable diseases. The efforts of the Burnet Institute and its scientific personnel have led to the creation of a body of intellectual property concerning the detection, treatment and prevention of various infectious diseases. As is often the case with scientific research, the efforts of the

Burnet Institute and its people have also resulted in technologies that may have alternative and novel applications to that which was intended when the process commenced.

The Company has successfully negotiated with the Burnet Institute arrangements through which it may invest in technologies developed by the Institute and thereby provide a pathway for the commercialisation of those technologies. The Proposal incorporates a commitment for immediate investment in specifically identified research projects and the creation of rights of election and review with respect to existing and future technologies developed by the Burnet Institute.

Initially, research projects are to be conducted through the incorporation of two project based companies; Hepgenics Pty Ltd ("Hepgenics") and Picoral Pty Ltd ("Picoral"). Both companies are to be held jointly between Select, which will subscribe for sixty-five percent (65%) of the issued capital of each company, and the Burnet Institute, which will be issued the remaining thirty-five percent (35%) of capital as consideration for the transfer or, in one case, license of the relevant technology. The research projects to be undertaken by Hepgenics and Picoral are as follows:

2.1 HEPGENICS

Hepgenics will acquire a range of intellectual property concerned with technologies for the diagnosis and prevention of hepatitis viruses and the possible use of virus-like particles as a carrier platform for vaccine proteins. Hepgenics will also take a licence over a specific patent relevant to hepatitis E. Four discreet projects have been identified for further research by the Hepgenics joint venture company:

Project 1 - Diagnostic kits for hepatitis E, hepatitis A and hepatitis C

This project will aim to further develop and commercialise rapid diagnostic test kits for various strains of hepatitis. It is envisaged that products developed under this project will provide an efficient diagnostic procedure for use at the point of care, as opposed to the relatively expensive and cumbersome lab-based procedures that currently prevail.

Project 2 - Virus-like particles as a platform technology for vaccines

This project is based on technology which indicates that certain virus-like particles can be used to carry antigens for use in vaccination programs. Research undertaken at the Burnet Institute has indicated that virus-like particles from biological material may provide a robust platform for carrying a range of antigens. It is hoped that development of such a process would open opportunities for partnering the technology with third parties who have good vaccination antigens but lack an appropriate pathway or carrier to the subject.

Project 3 - Adhesive peptides as a platform technology for diagnostics and arrays

In the course of conducting research into the viruses, the Burnet Institute observed the creation of peptides that were particularly adhesive to plastic. Although in its early stages, this discovery may ultimately provide a quantum leap in the production of more efficient biological diagnostic applications over a wide range of targets.

Project 4 - Vaccines for hepatitis

It is hoped that research conducted on project 1 above will lead to opportunities to sell the antigen technologies so developed for use in vaccine production, as opposed to diagnostic kit production. At present, it is not expected that this technology would extend to hepatitis E vaccines because of existing third party claims to relevant intellectual property.

2.2 PICORAL

Picoral will acquire the Burnet Institute's existing technology and know-how with respect to the interaction of particular molecules and ion channels in cells and the potential effect of those processes in fighting the picornavirus, which is responsible for the most usual cause of the common cold, and for use against polio related viruses.

Project 1 - Antiviral drugs

This project will focus on further developing and proving the potential for a safe, drug-based therapeutic approach to the action of these picornaviruses. The drug-based approach which is planned would attempt to block the cell's ion channels, thereby affecting the cell and not the virus, whilst preventing the mutation of the virus within the cell.

Project 2 - Molecular targets of drug action - establishment of assays for screening of novel compounds

This project follows on from project 1 above and will centre on finding novel compounds to act as ion channel blockers, as opposed to relying on existing compounds discovered by the Burnet Institute. The objective is to develop a high-throughput screening assay for identification of relevant compounds.

The Proposal envisages that the Company would provide staged funding for the Hepgenics and Picoral research projects for an initial period of one (1) year. Subject to the achievement of agreed research milestones, the Company would intend to pursue further funding of the technologies past the first year. The research programs and milestones are described in appendices A and B of this Memorandum.

In addition to commencing the abovementioned projects, the Proposal provides rights of first review to the Company to participate in research and/or commercialisation with respect to other identified technologies held by the Burnet Institute and future technologies that may emerge from the Burnet Institute's own ongoing programs. The existing technologies to which the Company's first review rights apply relate to the development of edible vaccines and an HIV research and development program.

Implementation of the Proposal will require the following:

- Authorisation by Members for the Company to change its predominant activities to that of research, development and commercialisation of medical and biotechnology projects. Select's current activity is to provide telecommunications systems and therefore the Proposal involves a change of activities, which will require approval of Members to comply with the ASX Listing Rules.
- The Company is proposing to change its name to "Select Vaccines Limited", as this name will more accurately reflect its new direction and focus.

- It is intended that the Company's existing capital will be consolidated on a four (4) for one (1) basis. This reduction in the number of shares on issue and the attendant reconstruction of option entitlements is considered as a desirable precursor to raising the fresh capital funding necessary for implementation of the Proposal.
- As part of implementing the Proposal, the Company is seeking to raise up to two million dollars (\$2,000,000) through the issue of ten million (10,000,000) ordinary shares (post consolidation) at an issue price of twenty cents (\$0.20) each. A minimum subscription level has been set at \$1.6 million (\$1,600,000). For each two (2) shares, the applicant will be issued with one (1) free attaching option exercisable on payment of twenty cents (\$0.20) and with an expiry date 31 May 2008. The capital raising will provide the funds necessary to implement the Proposal and is a condition precedent to the Company proceeding with the investment in the Burnet Institute's technology.
- Authorisation is required for the allotment of certain securities to advisors and consultants in connection with their roles in securing the investment opportunities represented by the Proposal.
- The Burnet Institute is to be allotted two million (2,000,000) options over ordinary shares of the Company as part of the consideration due on implementation of the Proposal.
- Subject to implementation of the Proposal, the Company intends to allot a series of options to new and continuing directors and management. These allotments have been recommended to provide appropriate incentives to key personnel whilst preserving the Company's cash resources through using non-cash remuneration methods.
- The Company also wishes to pursue offers to cancel up to seven million, six hundred and thirty-eight thousand, one hundred and thirty (7,638,130) options expiring on 1 February 2007 for a consideration of two cents (\$0.02) each, on a post consolidation basis ("the Option Cancellation Offer").

3. DIRECTORS' INTENTIONS

The Directors of the Company at the date of this Memorandum are Mr Bryan Frost, Mr Peter Marks, Mr Jon Brett and Dr Martin Soust.

Mr Frost is also a director of Peregrine, which has assisted the Company in procuring the opportunity represented by the Proposal and which will receive allotments of certain securities in the Company if the Proposal is implemented. Accordingly, Mr Frost has declared that he has an interest in the outcome of the Proposal and, as such, wishes to refrain from making a recommendation on how Members should vote with respect to the Resolutions.

Mr Marks is also a director of Peregrine. Accordingly, Mr Marks has declared that he has an interest in the outcome of the Proposal and, as such, wishes to refrain from making a recommendation on how Members should vote with respect to the Resolutions.

Dr Soust has agreed, subject to implementation of the Proposal, to undertake the duties of the chief executive officer of the Company and therefore has a personal interest in the outcome of the Meeting. For this reason, Dr Soust also wishes to refrain from making a recommendation on how Members should vote with respect to the Resolutions.

Mr Brett believes that implementation of the Proposal would be beneficial to the Company and therefore recommends the Members vote in favour of the Resolutions excepting those numbered 11 to 15 inclusive, which deal with option allotments to Directors and for which he makes no recommendation.

The Directors and their associates currently hold interests in some 13% of the voting shares of Select. Those parties intend to vote their shareholdings in favour of those Resolutions in respect of which they are not precluded from voting by virtue of the voting exclusion statement set out in the Notice of Meeting. It is the intention of the Chairman to vote all undirected proxies granted in him in favour of each of the Resolutions.

Irrespective of their own positions, the Directors would encourage Members to read this Memorandum in its entirety and the attached Notice of Meeting before making a decision on how to vote on the Resolutions.

4. STRATEGIC PLAYERS TO THE PROPOSAL

4.1 BURNET INSTITUTE

The Burnet Institute is an independent health research organisation, which, through its investigations and application of its expertise, aims to improve individual and public health in Australia and the world.

The Burnet Institute was established in 1986 as a research arm of the Virology Department of the former Fairfield Infectious Diseases Hospital in Melbourne, Australia. Incorporated as an independent entity in 1989, the Institute was named in honour of the highly acclaimed and revolutionary Australian virologist and immunologist Sir Frank Macfarlane Burnet. The Burnet Institute has grown rapidly into an internationally recognised and influential communicable diseases research organisation, distinguished by its broad, multi-disciplinary approach to diseases of national and global importance.

The Burnet Institute actively seeks to apply its research discoveries to improving individual and population health through a variety of methods: from fundamental research in virology, molecular biology and immunology; through development and trial of new drugs and vaccines; to education and prevention in the global community.

Through its Hepatitis Research Unit headed by Dr David Anderson, BSc (Hons), PhD (Melbourne), NHMRC Senior Research Fellow, the Burnet Institute conducts research with the broad aim of improving control of viral hepatitis through increased understanding of the biology of the individual hepatitis viruses (hepatitis A to E). The Institute's Hepatitis Research Unit's ("the Unit") ongoing studies have contributed much to our understanding of the assembly of hepatitis viruses. The Unit's understanding of the relationships between virus assembly, structure and disassembly provide potential targets for the development of new antiviral drugs, which may complement the few available drugs for treatment of hepatitis. Knowledge gained in this area will also have implications for other viral diseases. Through its work, the Hepatitis Research Unit is also moving towards development of improved tools for diagnosis of the hepatitis viruses through rapid diagnostic kits that can be used at the point of care. Through building on their expertise in the hepatitis viruses, researchers from the Hepatitis Research Unit operated by the Burnet Institute have continued to follow promising leads towards the development of antiviral drugs for rhinoviruses, which cause the majority of common colds and are members of the same family of viruses as hepatitis A.

The Burnet Institute and its researchers (in collaboration with others from time to time) have developed the technologies upon which the research projects to be pursued through the

Proposals are based. The Burnet Institute and its researchers will be engaged by the particular project companies (refer 4.2 below) to undertake the biomedical research involved in those projects.

4.2 THE PROJECT COMPANIES

(a) Hepgenics Pty Ltd ("Hepgenics")

Hepgenics has been formed by the Company and the Burnet Institute to undertake a range of projects for research into various technologies for the diagnosis and prevention of hepatitis viruses and the possible use of virus-like particles as a carrier platform for vaccination proteins.

On implementation of the Proposal, Hepgenics will progressively issue shares to the Company so that completion of the first year's agreed research program will result in the Company acquiring a sixty-five percent (65%) interest in the issued capital of Hepgenics. Pending completion of the research program, the Company will maintain shareholding control of Hepgenics in accordance with the terms of the shareholders agreement entered between itself and the Burnet Institute. The balance of issued capital of Hepgenics will be held by the Burnet Institute or its nominee. If, following completion of the first year's research projects, the Company wishes to continue funding, then its shareholding in Hepgenics will increase as further funds are provided through subscription for shares in Hepgenics. However, it has been agreed that, for a minimum period of two (2) years, the Burnet Institute's interest in Hepgenics will not be diluted below seventeen and a half percent (17.5%) of the fully diluted issued capital of Hepgenics.

(b) Picoral Pty Ltd ("Picoral")

Picoral has been formed by the Company and the Burnet Institute to acquire existing technology and know-how with respect to the interaction of particular molecules and ion channels in cells and the potential effect of those processes in fighting a family of viruses, the picornavirus family, responsible for the most usual cause of the common cold and for possible use against polio-related viruses. It is intended that Picoral will focus its research on further developing and proving the potential for a safe drug based therapeutic approach to the action of these viruses.

As with the Hepgenics arrangements, on implementation of the Proposal, Picoral will progressively issue shares to the Company so that on completion of the first year's agreed research program the Company will have acquired a sixty-five percent (65%) interest in the issued capital of Picoral. Pending completion of the research program, the Company will maintain shareholding control of Picoral in accordance with the terms of the shareholders agreement entered between itself and the Burnet Institute. The balance of issued capital of Picoral will be held by the Burnet Institute or its nominee. If the Company wishes to continue funding following completion of the first year's research projects, then its shareholding in Picoral will increase as further funds are provided through subscription for shares in Picoral. However, it has been agreed that the Burnet Institute's interest in Picoral will not be diluted below seventeen and a half percent (17.5%) of the fully diluted issued capital of Picoral for a minimum period of two (2) years.

(c) **First Rights of Review**

In addition to the identified research projects, the arrangements constituting the Proposal provide the Company with a right for five (5) years to have the exclusive first right to review and commercialise opportunities arising from particular existing technologies under development at the Burnet Institute. These opportunities relate mainly to research being conducted in the area of edible vaccines and in the area of HIV. In addition, the Company has also been provided with an exclusive first right to review and commercialise opportunities that might arise from future technologies developed by the Burnet Institute.

In effect, these arrangements will provide the Company with the right to review specific commercialisation and other projects for an exclusive period of sixty (60) days, following which the parties would undertake discussions in good faith for the purpose of resolving terms for implementation of a further research and/or commercialisation project. If agreement cannot be reached, the Burnet Institute is free to offer such projects to third parties provided that the terms offered are no more favourable to the third party than that which was proposed by the Company.

It is envisaged that any further substantive projects taken up pursuant to the Company's exclusive first rights of review would most likely be pursued through the formation of discrete project focussed companies in keeping with the structures established with respect to Hepgenics and Picoral.

5. THE RESEARCH PROJECTS

5.1 TWO DISCRETE RESEARCH COMPANIES

The Company intends to capitalise on opportunities arising from previous work undertaken by the Hepatitis Research Unit of the Burnet Institute. To ensure clarity of purpose, those research projects directly related to aspects of the hepatitis virus are to be undertaken by the Hepgenics joint venture company, whilst those focussing on issues connected with the picornavirus shall be undertaken by Picoral.

The particular projects and the objectives associated with them are described in detail below.

5.2 HEPGENICS PROJECTS

(a) **Project 1 - Diagnostics for hepatitis E, hepatitis A and hepatitis C**

Currently, virtually all diagnostic testing for these diseases necessitates undertaking a laboratory test procedure. The purpose of developing rapid test kits is to take the testing to the point of care. There are immediate and obvious advantages of moving to a rapid test at point of care. These are:

- Laboratory testing is inherently more expensive than a test kit system.
- Laboratory testing involves a delay in that samples must be sent from the physician to the laboratory, to be returned at a later date. The procedure also necessarily involves two visits to the physician, i.e. one to take a blood sample and a further visit to obtain results and any further treatment.
- Laboratory testing procedure requires the taking of an intravenous blood sample, whereas a rapid test kit only involves a blood sample by a finger

prick. In particular, some cultures have significant issues with providing intravenous blood samples. There are also blood product and sharp objects disposal issues involved with the taking of larger samples.

The rapid test kits to be developed by the Burnet Institute will work with small samples of blood or serum that react with a specific antigen. Essentially, a determination could be made with one drop of serum, which will react with the antigen and thereby provide a result usually within two (2) minutes of implementing the test. The Burnet Institute has already developed prototype rapid test kits for hepatitis E virus ("HEV") and for hepatitis A virus ("HAV"). However some reformatting and licensing issues remain to be finalised in relation to the HEV and HAV rapid test kits before commercialisation could occur.

A significant objective of the project is to further develop a HAV test kit that specifically identifies an antibody that signposts the fact that the individual had already been exposed to HAV and had thus become immune. The significant benefit of this technology is that it would avoid the need for providing costly vaccines to persons who were already naturally immune to the disease. This approach may have significant potential cost savings to governments and other persons interested in implementation of HAV vaccination programs. It is also envisaged that vaccine manufacturers might distribute such kits in tandem with their vaccine deliveries.

While there are plenty of laboratory testing procedures for hepatitis C ("HCV") there is no known rapid test kit for the diagnosis of acute (current) HCV infection. Further development work will be undertaken by Hepgenics to develop such a kit.

The HAV test kit has a potentially large market, and, whilst other HAV point of care test kits have already been developed, these are not financially viable. The Burnet Institute is able to produce the HAV antigen more cheaply than the Burnet Institute's rapid test kit for HAV is financially viable with this competitive cost advantage. It is, of course, recognised that, whilst Hepgenics cannot obtain patent protection on the process of producing HAV antigens (which is already generally known), a third party's ability to convert Hepgenics technology to its own use is limited, particularly having regard to the difficulty they would have in replicating the techniques undertaken at the Burnet Institute.

It is expected that products under this project will be point of care diagnostic kits for:

- HEV;
- HAV;
- combined HEV and HAV; and
- HCV.

(b) Project 2 - Virus-like particles as a platform technology for vaccines

This project is based on technology which indicates that certain virus-like particles can be used to carry antigens for use in vaccination programs. Research undertaken at the Burnet Institute has indicated that virus-like particles obtained from biological material may provide a particularly robust platform for carrying a range of disease antigens. The benefit of using virus-like particles is that they potentially stimulate a greater biological response from the subject's immune system than other methods.

Proving and ultimately patenting the process would open opportunities for partnering the technology with third parties who have good antigens but lack an appropriate pathway or carrier to the subject. One example is that of measles, which currently cannot be given to infants as the process would normally lead the infant to develop measles or, alternatively, if the infant was still being breastfed the mother's antibodies being passed on would nullify the effect of the vaccine. The use of these particular virus-like particles as a carrier for the measles antigen may overcome these problems.

(c) **Project 3 - Adhesive peptides as a platform technology for diagnostics and arrays**

This technology was originally developed as a sideline to other research being undertaken by the Burnet Institute. Originally, the Burnet Institute had tried to produce mimotopes that mimic viruses thereby potentially providing a way to fool the body into recognising the mimotope hepatitis. One of the purposes of that research was to potentially avoid infringing patents covering the genome.

However, in the course of those research investigations, the Burnet Institute researchers observed the creation of peptides that were particularly adhesive to plastic. Although the research is in its early stages, it is hoped that these peptides may be used to enable proteins and antigens/diagnostic assays to be fastened on to the plastic surfaces of testing kits. Problems are currently experienced in a range of diagnostics by reason of the fact that the antigens may not effectively adhere to the testing surface. Ultimately, this technology may enable a protein to be genetically engineered so as to join a peptide, which in turn sticks on to the surface of the kit. This would mean that the test would be more efficient and reliable than current methods. This technology will hopefully lend itself to use over a range of diagnostic applications whereby it can be partnered with a diverse range of third party technologies.

The project is designed to demonstrate that peptides actually provide an effective adhesive function for use with plastic and, hopefully, glass. The latter would be especially valuable for Hepgenics by way of partnering in the area of bioinformatics and high density arrays (gene chips, protein chips).

(d) **Project 4 - Vaccines for hepatitis E and hepatitis A**

This technology has already been covered effectively in the description of Project 1. Essentially, the development of the technology in Project 1 may lead to an opportunity to sell that technology to vaccine manufacturers for use in vaccine production, as opposed to diagnostic kit production. In the case of hepatitis E, there is no current opportunity because Genelabs Inc, the owner of the hepatitis E genome, have granted Glaxo SmithKline an exclusive world license, but this situation may change pending results of clinical trials.

5.3 PICORAL PROJECTS

(a) **Project 1 - Antivirals for the Common Cold**

Project 1 will focus on developing drugs for use against the most usual cause of the common cold and for use against polio related viruses. Essentially, vaccines have a poor track record in working against these types of viruses, as there are simply too many diverse strains to deal with. Accordingly, it is felt that a drug-based approach provides a better prospect of success.

The technology behind this project arose out of observations by the Burnet Institute researchers that related to the function of ion channels in cells. Genetic conditions and some viruses can operate to alter the manner in which ion channels operate within our cells. The Burnet Institute researchers have noted that certain compounds can operate to block these changes to the ion channels. Of the compounds observed, three were already known as safe drugs used in other therapeutic applications. The perceived benefit of Picoral's drug-based approach relates to simply blocking the ion channels, affecting the cell and not the virus and hopefully will not result in a mutation of the virus.

The aim of the program will be to strengthen the current patent claims and extend the scope of the claims themselves. It is intended to pursue testing of up to a further 100 compounds and to demonstrate how the approach works in different cell lines, including cells which are representative of the diseased tissues (respiratory epithelia), and for a wider range of medically important viruses (including enterovirus 71, which can be the cause behind Hand, Foot and Mouth disease with a polio-like syndrome or aseptic meningitis and encephalitis).

(b) Project 2 - Molecular target of drug action - establishment of assays for screening of novel compounds

This project flows from Project 1 and centres on the objective of finding novel compounds to act as ion channel blockers, as opposed to the existing identified compounds. Picoral plans to develop a high throughput screening assay to identify novel compounds that could be used to develop antiviral drugs.

Development of such an assay would enable testing of multiple compounds through available libraries of compounds held by the Burnet Institute and other parties. It is envisaged that a working assay would be available after one year to commence running tests on available compound libraries. Once the assay has been successfully developed, Picoral will look to licence or dispose of the technology outside Australia, as expertise in this field within Australia is generally lacking. However, there may be opportunities for further value adding beyond 2 years through collaboration opportunities within Australia.

5.4 BUDGETED EXPENDITURE YEAR ONE

(a) Hepgenics

The proposed expenditure of Hepgenics for year 1 is eight hundred and seventy thousand six hundred and fifty dollars (\$870,650). Budgeted costs for Hepgenics in year 1 are:

Research programs	\$641,591
Laboratory capital equipment	\$40,000
Administration costs	\$171,059
Patent protection costs	<u>\$18,000</u>
Total Hepgenics	<u>\$870,650</u>

(b) Picoral

The proposed expenditure of Picoral for year 1 is five hundred and twenty-four thousand eight hundred and fifty-two dollars (\$524,852). Budgeted costs for Picoral in year 1 are:

Research programs	\$286,991
Laboratory capital equipment	\$31,700
Administration costs	\$124,161
Patent protection costs	<u>\$82,000</u>
Total Picoral	<u>\$524,852</u>

(c) Other Potential Opportunities

Following implementation of the Proposal, Select will undertake a review of other existing Burnet Institute technologies that are subject to the exclusive first right of review and commercialisation that has been granted. Subject to that review, Select may pursue further research project(s) on the relevant technology(ies) through utilisation of presently uncommitted funds.

6. THE OPPORTUNITY WITHIN THE BIOTECHNOLOGY SECTOR

6.1 SELECT'S OBJECTIVES

Select intends to become a company focussed on commercial opportunities with the infectious disease market and, through its controlled subsidiary companies, Hepgenics and Picoral will develop and commercialise products that will seek to assist in the diagnosis and treatment of infectious diseases.

Select will operate in the biotechnology industry in Australia and potentially overseas. Whilst the intention is to develop products for human therapeutic and diagnostic use, the Company will initially focus on infectious diseases. The Company will, through Hepgenics, have a diagnostic kit near to market. It will also be developing reagents and tools for use in diagnostics and will pursue the development of antigens and anti-viral compounds that are aimed at the human vaccine and therapeutic markets.

6.2 BIOTECHNOLOGY MARKET GENERALLY

Biotechnology has grown rapidly internationally on the back of scientific and technical breakthroughs. Since the end stages of sequencing the human genome, information about the genetic causes of disease and the number of drug targets have expanded quite dramatically. In the western world an ageing population is spending an increasing proportion of their income on health. Outside of the US there is pressure on drug prices, but the outlook generally is for a growing demand for better health provided through products developed by the biotechnology and pharmaceutical industries.

Over the past decade there has been an accelerating interest in the potential of biotechnology in Australia. It is increasingly being realised that Australia is particularly well supplied with quality medical research institutions, leading to a steadily growing biotechnology industry in Australia

The nature and structure of the local biotechnology industry is easily described as small but growing. It is expected there will be a period of consolidation in the industry over 2003 and 2004 such that the number of firms in the industry will remain static or decline. However, the consolidation process has the potential of creating bigger companies that are better placed to successfully develop revenue generating product(s).

The industry receives support from both private and public investment and several government initiatives are aimed at boosting the rate of growth of the industry as well as increasing the level of offshore interest in the local industry. Australian biotechnology firms benefit from these initiatives as they assist their efforts to establish alliances and partnerships with offshore companies with a view to either getting the horsepower behind the late and expensive stages of product development or to create better routes to new markets.

Recent estimates provided in a report prepared for the federal Government indicate there are about six hundred and fifty (650) Australian biotechnology companies and nearly ten percent (10%) of these are listed on the Australian Stock Exchange (ASX). The majority of these companies are small to medium sized enterprises; however, there are a small number of large companies such as CSL Ltd and Cochlear Ltd.

Smaller biotechnology companies traditionally take a role in developing a technology that originally arose out of many years of basic research at a university or research institute. Australia has many high quality research institutions and university-based research groups producing world-class fundamental research outcomes. Many of these outcomes are recognized as holding potential commercial value and, consequently, become valuable intellectual property. It is here that a commercially focussed approach can assist greatly and help further develop the project to a point where it holds more value and is more attractive to other biotechnology and pharmaceutical companies.

There are also a growing number of large and small companies out-sourcing part or all of their research and development. Globally there are many large and small companies servicing the biotechnology and pharmaceutical industries. In Australia, much of the outsourced work has gone to universities and research institutes but there are also a small number of private firms servicing the industry.

Larger biotechnology firms in the US are increasingly becoming more vertically integrated and are taking their products all the way to market. In Australia, due to relative immaturity of the market and lesser financing opportunities companies have tended to exit a project or merge with another well before the manufacturing and marketing stage.

There is certainly an appetite for new projects from big pharmaceutical companies but there are now many more opportunities to sell or license technology projects to the second and third-tier biotechnology companies in the US and Europe. As patents expire and the use of generic drugs grows returns to companies are squeezed and the growth rates expected by shareholders are very much harder to achieve. Consequently, the interest in novel and potentially commercially viable technology is growing which creates opportunities for the relative small companies that predominate in Australia. Further, biotechnology companies, not pharmaceutical companies, are developing and registering most new drugs entering clinical trials. Not surprisingly companies (biotechnology and pharmaceutical) are always searching for products to add to their supply chain for new projects.

6.3 THE OVERALL LIFE SCIENCES MARKET

Whilst they are Australian companies, Select and its subsidiary companies will operate in the global life sciences industry, i.e. pharmaceuticals, biotechnology, medical devices, in-vitro

diagnostics, and research tools. Hepgenics and Picoral will both be conducting projects that are aimed at developing products for the medical diagnostics market as well as products for the human pharmaceuticals market.

The Life Sciences constitute a massive global market. The global pharmaceuticals industry alone is estimated to be in excess of US\$600 billion and the medical devices industry is estimated to be in excess of US\$170 billion.

The Life Sciences account for 4 of the 5 most valued intellectual property segments and emerging public and private companies provide much of the innovation in the industry. It is these emerging companies that are helping fuel the growth of the major companies seeking to maintain high per annum growth rates. For the very large pharmaceutical companies and device companies to maintain growth they must seek to import promising research and development projects from other companies. For example, multinationals are paying private and small market capitalisation public companies anywhere from US\$3 million to US\$300 million to secure rights to a single drug that have not received regulatory approval.

It is becoming generally accepted that the global Life Sciences sector will undergo considerable consolidation over the next twelve to twenty-four (12 - 24) months. Already there have been several mergers and acquisitions of varying size. Pfizer acquired Pharmacia in 2002 for \$60 billion. Aventis and Bayer tried to merge their blood products business this year. Cephalon Inc has offered to buy Sirtex Ltd for \$271 million this year. Commentary on the sector predicts there will be considerable consolidation over the next twelve to twenty-four (12 - 24) months in Australia.

Globally there are many examples of mergers and acquisitions activity within the Life Sciences over the past twelve (12) months. In the UK, Cambridge Antibody offered to acquire Oxford Glycosciences for approximately US\$130 million. In the US, NPS Pharmaceuticals and Enzon Pharmaceuticals have merged their businesses to create a 60-person company with estimated product revenues of US\$200 million for 2003. Many companies see a potential merger as the fast lane to growth and this is often driven by investors who now have the view that organic growth is simply too difficult to finance, very slow, and very risky in smaller emerging companies.

Notably, Serologicals, a NASDAQ listed entity acquired the privately held Chemicon earlier this year. The acquisition of Chemicon was achieved with a US\$95 million cash offer. Chemicon had sales of \$40 million last year.

6.4 SELECT'S POTENTIAL MARKETS

More people are travelling to countries with high rates of infectious diseases. It has been estimated that in the year 2000 some 87 million people travelled from developed countries to regions with infectious diseases not normally contracted in developed countries. Hepatitis vaccines (against HAV and HBV) constitute a combined market of in excess of US\$1 billion. While this is likely to decline in size (mostly due to lower priced hepatitis B vaccines) travellers will continue to be vaccinated against hepatitis.

Significant potential exists for a test for HAV that signposts the fact that an individual had already been exposed to HAV and had become immune. A diagnostic that quickly and reliably provides this result could result in those already immune to HAV avoiding the US\$30 (approx) vaccination against HAV.

The global vaccine market has been forecast to grow at a rate of 13% per annum with nearly US\$10 billion in sales by 2006. Paediatric vaccines constitute the single largest market for

vaccines today (approx US\$2.5 billion in 2001). Vaccines that are shown to be very effective command a significant price premium (up to US\$60 per dose), which helps create a highly lucrative market for vaccine manufacturers. For example, Wyeth's Prevnar had sales of US\$798 million in 2001 and key future growth areas are likely to be parainfluenza virus, respiratory syncytial virus and bacterial meningitis. Hepgenics' virus-like particle ("VLP") project could result in the development of a vaccine against a number of diseases including measles (in this specific case that was delivered at a much younger age but not by Hepgenics, rather by a vaccine manufacturer using the VLP technology). If such a vaccine was to become a routine paediatric vaccine, it is not unreasonable to expect that a commercial opportunity would have been realised. A modest royalty stream (say 3% to 5%) from such a product could generate substantial returns to Hepgenics.

There are already several companies producing rapid (point-of-care) diagnostic kits, including kits to test for hepatitis B. It is envisaged that the Hepgenics technology has the potential to produce much more specific and sensitive rapid diagnostics to test for HAV and HEV, and possibly HCV, in the future. The commercialisation of these tests would most likely involve a sale or out-licence of the technology. Hepgenics will seek to negotiate this outcome with a diagnostics company that has a strong global distribution network.

Genelabs Diagnostics Pte Ltd, Binax Inc, Hema Diagnostic Systems and Foxboro are companies that are either producing Hepatitis diagnostic tools or producing rapid ICT tests. The ICT test is the technology upon which the BI's market-ready HEV diagnostic is built. There are a vast number of diagnostics companies some of which produce tests for a range of infectious diseases and others that produce tools and reagents for diagnostic uses.

The adhesive peptide technology of Hepgenics could become an important tool for many diagnostic companies to incorporate into their technology. It is well known that DNA does not adhere to glass well and for DNA microarrays and other platforms in which glass or silica is used the adhesive peptide could potentially improve efficiency levels greatly.

It should be noted there is no rapid test for HEV and the rapid HAV diagnostic kits have not been commercially viable due to very high production costs.

7. DIRECTORS, MANAGEMENT, SCIENTIFIC PANEL AND OTHER PERSONNEL

7.1 CURRENT DIRECTORS

Directors in office at the date of this Memorandum and particulars of their qualifications and experience are as follows:

(a) Mr Bryan Frost, Chairman

Mr Frost, aged 62, was until 1973 a partner of a Melbourne-based stockbroking firm, where he specialised in advising international investors, banks and investment funds on Australian arbitrage and investments. Since then, he has been involved in numerous public and private companies as venture capital investor, corporate advisor, Executive Director and major shareholder. As a result, Mr Frost possesses extensive experience in financial structuring, funding developing businesses and providing company management to such companies.

At present, Mr Frost is Chairman of three ASX-listed companies; Yamarna Goldfields Ltd, Prima Biomed Ltd and Gaming and Entertainment Group Limited. Mr Frost is also founder and Executive Chairman of Peregrine Corporate Ltd, a corporate advisory business that holds an unrestricted securities dealer's licence.

(b) **Mr Peter Marks, Director** BEc LLB Grad. Dip. Comm. Law MBA

Mr Marks has extensive experience in the areas of corporate finance and advice and venture capital investment, having specialised in capital raisings (for listed and unlisted companies), underwriting and initial public offerings since 1983 in London and Australia. He obtained a Bachelor of Economics, Bachelor of Laws and Graduate Diploma in Commercial Law from Monash University and completed his MBA at The Scottish School of Business (University of Edinburgh). He has served as an Associate Director of McIntosh Securities (now Merrill Lynch Australia) as well as occupying senior corporate finance positions both at Baring Securities Ltd and Burdett Buckeridge & Young Ltd in their Melbourne offices. Between 1985 and 1991, Mr Marks was responsible for advising on a substantial number of listed and unlisted company issues ranging from corporate and company structure, valuations, business strategies, acquisitions and international opportunities. In 1992, Mr Marks was appointed Head of the Melbourne Companies Department at the Australian Stock Exchange.

Between 1995 and 1998, Mr Marks was Managing Director of a boutique corporate advisory and venture capital firm working with a wide range of small to medium sized companies, raising new capital for them either by way of private placement or listing on the Australian Stock Exchange. Mr Marks was also a founding Director of Momentum Funds Management Pty Ltd, one of the first venture capital funds to be licensed under the Federal Government's Innovation Investment Fund program, a new venture capital program established in 1997.

From 1998 to early 2001, Mr Marks was employed at KPMG corporate Finance Ltd (Australia) and, during this time, became a Director and responsible for heading up the equity capital markets group in Melbourne. In this role, Mr Marks helped develop the team's capabilities in the equity markets area and was responsible for generating several initial public offering projects, as well as assisting with the funding for a range of private equity transactions. Mr Marks is currently Executive Chairman of Premier Bionics Ltd and a Director of Select and Peregrine Corporate Ltd.

(c) **Mr Jonathan Brett, Director** BCom BAcc MCom CA (SA)

Mr Brett, aged 46, has over 22 years experience in general management, finance and investment. His experience includes several years as managing director of several publicly listed companies.

Mr Brett was previously managing director of Techway Ltd, a publicly listed company. He was responsible for its restructure and implemented several business strategies that led to three competing bids for the company. He also served as a consultant to Osborne Computer Corporation, assisting in its restructure and sale to Gateway, a listed corporation in the USA.

Currently, Mr Brett is an Executive Director of First Investment Corporation Ltd and a Director of First Wine Fund Ltd and NRMA Ltd.

(d) **Dr Martin Soust, Director and Proposed CEO** BSc (Hons) MBA PhD

Dr Soust has had a career in medical research and small/medium sized enterprise management. He obtained his BSc (Hons) at the University of Melbourne and his PhD with Monash University's Centre for Early Human Development at the Monash Medical Centre. His PhD was a major investigation into the physiology of

respiratory muscles in the newborn. During his research career, Dr Soust worked on a range of projects including neuroanatomical investigations, respiratory physiology studies and cardiovascular studies with several co-investigators at the University of Melbourne, Monash University and Monash Medical Centre. After a successful period in medical research, Dr Soust embarked upon a management career. He completed his MBA (at Monash University) while he held management roles in small and medium sized enterprises and spent several years managing national associations.

In 1999, Dr Soust started a management consulting practice specialising in providing management consulting services to organisations operating in the biomedical sciences. His firm assisted in the process of starting new ventures for Universities and research groups through the commercialisation of intellectual property and know-how. He has provided extensive services to the Monash Institute of Reproduction and Development, particularly in helping establish two new companies (one being Pulmosonix Pty Ltd). He has also undertaken investigations into potential markets for new therapeutic agents, developed research protocols and provided interim management services for start-up companies. He has extensive experience in commercial negotiations, research and development planning and technical and commercial management of biomedical projects. Dr Soust is executive director and CEO of the listed company Premier Bionics Ltd.

7.2 PROPOSED DIRECTOR

Upon implementation of the Proposal, it is intended that a further appointment to the board be made. That person is:

Mr Jeremy Cooper, Director BA MBA

Mr Cooper has 15 years experience in senior management positions with major international corporations, focusing on strategy, business development and mergers and acquisitions. He obtained his BA from Cambridge University and his MBA from INSEAD.

Prior to joining Peregrine Corporate Ltd in early 2000, Mr Cooper spent three years with TXU, a global energy company, as Business Development Manager, based initially in Europe and then in Melbourne. Focusing on acquisitions and strategic development activities, Mr Cooper assisted with the successful conclusion of a number of multi-million dollar transactions. These included the acquisitions of energy companies in Finland, Sweden and Australia. During 1996, Mr Cooper studied for his MBA at INSEAD in France.

Between 1989 and 1995, Mr Cooper worked throughout Asia and the Middle East with Cathay Pacific Airways Ltd. Roles in Hong Kong included two years in International Affairs, where he was responsible for the negotiation of bi-lateral air traffic rights agreements. Mr Cooper was also based in Indonesia (one year) and the Middle East (two years) where, as Country Manager, he was responsible for management, marketing and sales and operational issues.

Since joining Peregrine Corporate Ltd, Mr Cooper has worked with a number of Australasian companies on corporate development activities, including capital restructurings, ASX Listings and mergers and acquisitions.

Mr Cooper is currently a Director of Premier Bionics Ltd, Peregrine Corporate Ltd and Lift Structures Ltd.

7.3 SCIENTIFIC ADVISORY PANEL

A Scientific Advisory Panel ("SAP") will be established to advise the Directors and management on scientific and technical matters. The SAP will consist of leaders of the scientific community in areas complementary to the technologies the subject of the research projects. Members of the SAP will meet to review the course of development of the projects and to recommend any changes in the direction of the targeted research goals. Members of the SAP will be remunerated on commercial terms and appointments will be reviewed periodically. Select is yet to finalise appointments to the SAP.

7.4 PROJECT COMPANY MANAGEMENT

Each of the project companies, Hepgenics and Picoral, will have up to three (3) directors. It has been agreed that the Managing Director of each company shall be Dr Martin Soust. Details regarding Dr Soust's experience and qualifications are contained in section 7.1 of this Memorandum. The Company and the Burnet Institute have also agreed to appoint Dr David Anderson as a Director of each project company. Dr Anderson is Senior Research Fellow and head of the Hepatitis Research Unit of the Burnet Institute. Indeed, much of the technology the subject of the research projects that are to be undertaken as part of the Proposal have been developed by or have been developed under the direct supervision of Dr Anderson. Particulars of Dr Anderson's experience and qualifications are as follows:

Dr David Anderson BSc (Hons) PhD (Melbourne) NH MRC

Dr David Anderson is Deputy Director of the Macfarlane Burnet Institute for Medical Research and Public Health, and a Senior Research Fellow of the National Health and Medical Research Council. He trained in Microbiology and Molecular Virology at the University of Melbourne and Fairfield Hospital, receiving his PhD in 1998. Since that time his work has focussed on understanding the structure and assembly of hepatitis viruses, and the use of this information to design better diagnostics, vaccines and antiviral therapies for control of major viral infections of man. He has served on the WHO Working Group on the Prevention and Control of Viral Hepatitis in the Western Pacific Region and has been invited to speak on original research work at numerous national and international scientific meetings. He has had a longstanding interest in the application of research to practical and commercial processes, reflected in contract and collaborative research agreements with the pharmaceutical and biotech industries from 1991 to present. He is also the founder, Director and Chief Scientific Officer of Hepitope Pty Ltd, a Start-Up biotech company established in 2002 with funding from Uniseed Pty Ltd, based on separate technology developed in his laboratory at the Burnet Institute.

Select's director Mr Peter Marks has been appointed as a director of Hepgenics. Mr Jeremy Cooper, a nominee of Select, has been appointed as a director of Picoral.

8. MATERIAL AGREEMENTS

8.1 MEMORANDUM OF UNDERSTANDING

The terms of the agreements and transactions that now comprise the Proposal were first recorded in a Memorandum of Understanding entered between the Burnet Institute, the Company and Peregrine Corporate Ltd dated 23 January 2003 ("the MOU"). The MOU expressed the overall intention of the parties concerning the Proposal. The MOU was stated to be non-binding on the parties.

The terms of the MOU have now been supplanted by the transaction documents referred to below.

8.2 GOVERNING DEED

The establishment of the overall arrangements incorporated in the Proposal are provided for in a deed dated the 15 April 2003 between the Company and the Burnet Institute ("the Governing Deed"). The formation of binding arrangements by the Governing Deed is subject to fulfilment of enumerated conditions precedent as follows:

- (a) the procurement of all member and regulatory approvals for implementation of the transactions provided for in the Proposal;
- (b) approval of the Burnet Institute board of directors;
- (c) the execution and exchange of all Transaction Documents; and
- (d) the successful completion of the Capital Raising.

The Governing Deed requires the parties to cooperate so as to procure the commercialisation of the technologies that are to be acquired by Hepgenics and Picoral. The document also in broad terms establishes the arrangements for the capitalisation of each of the abovementioned project companies and the commencement of research programs. The parties have acknowledged under the Governing Deed that Hepgenics and Picoral are to establish option incentive plans for the allotment of options over ordinary shares representing up to ten percent (10%) of the fully diluted issued capital of each company. At the discretion of the boards of the relevant project companies, incentive options are able to be allotted to key management, scientists, consultants or advisors involved in that company's activities.

The exclusive first rights to review and commercialise opportunities arising from specific existing technologies or future technologies emanating from the Burnet Institute have also been granted to Select under the terms of the Governing Deed. The rights are granted for an initial period of five (5) years. With respect to the existing technologies, any extension of the rights to review needs to be agreed through further negotiation. However, with respect to the future technologies, it has been agreed that Select may elect to extend those rights for a further period of five (5) years through the allotment of one million (1,000,000) options to the Burnet Institute. The options would be issued with an expiry date of three (3) years from the date of issue and with an exercise price based on the prevailing market price for the Company's ordinary shares.

Procedures for exploitation of the review rights have been provided for in the document. Essentially, the Burnet Institute is required to provide Select with a scoping document regarding a relevant opportunity, following which Select would respond through provision of a proposed terms sheet. Failing acceptance of terms proposed by Select, the parties must then enter up to sixty (60) days of good faith discussions before the opportunity may be offered to third parties. The same procedures apply in relation to both the specified existing technologies and future technologies.

The Governing Deed provides for mutual warranties as to the respective capacities of the parties to enter the arrangements. In addition, the Burnet Institute has provided basic warranties as to its rights and interest in the technology that is to be subject of the research projects. However, it should be noted that the Burnet Institute's aggregate liability under its warranties has been limited to the amount of one hundred thousand dollars (\$100,000) plus the value of any securities of the project companies issued in connection with implementation

of the Proposal. Indemnities have been provided by the parties to support the warranties provided.

As further consideration for entering the arrangements, Select has agreed to issue the Burnet Institute with two million (2,000,000) options each to acquire one (1) ordinary share in the capital of Select upon payment of an exercise price equal to the issue price of each share issued under the Capital Raising. New options will have an expiry date of 30 June 2006.

As a condition of entering the transaction, Select has been required to represent and warrant to the Burnet Institute that all documents prepared in relation to the Capital Raising will be in compliance with applicable laws and that such documents shall not be circulated without the written consent of the Burnet Institute.

The Governing Deed also provides for the appointment to the Select board of a representative of the Burnet Institute and for the general arrangements concerning the establishment of a scientific advisory panel. In addition, the parties have agreed that any further project companies to be established for commercialisation of a further technology would be subject to pre-emptive rights and other restrictions concerning the transfer of Securities to such companies. The Governing Deed contains other miscellaneous provisions that one would normally expect to find in a document of its type.

8.3 PROJECT COMPANY SHAREHOLDER DEEDS

Select and the Burnet Institute have also executed shareholders deeds with respect to their rights and obligations with respect to the operation and activities of both Hepgenics and Picoral. The Hepgenics shareholders deed and the Picoral shareholders deed are substantially in the same form, save for the fact that they refer to the different technologies and projects to be undertaken by the respective companies.

The shareholder deeds provide for the creation of the capital structure of each company. Under those arrangements Select will progressively subscribe for shares in the relevant project company in tranches over a one (1) year period. These tranches are designed to match the project company's funding requirements with respect to its planned research. The deeds also provide for the allotment to the Burnet Institute of shares in consideration of it transferring or licensing the relevant technology to the project company concerned. At the completion of one (1) year and subject to the attainment of applicable research milestones (described in appendices A and B of this Memorandum), the project companies will be owned as to sixty-five percent (65%) by Select and thirty-five percent (35%) by the Burnet Institute. It should be noted that these calculations ignore any shares created through the exercise of incentive options that might in the future be allotted. Pending completion of the initial phase of the subscription programs, Select's shares will be issued as "A" class shares, which effectively entitle it to control the relevant project companies. Upon Select acquiring more than fifty percent (50%) of the relevant project company all shares will convert to ordinary shares.

The deeds recognise that, subject to achievement of relevant research milestones, Select will proceed with a second series of share subscriptions in the second year of the research project. The issue price of the second year securities will be determined by reference to the reasonable market value of the shares at the relevant time, which, failing agreement, is to be determined by reference to an independent body. The amount to be subscribed in the second year shall in no circumstances exceed seven hundred thousand dollars (\$700,000) with respect to Hepgenics and three hundred thousand dollars (\$300,000) with respect to Picoral.

Other than the subscriptions for shares that Select is entitled to make, no further allotments of shares can be made for twenty-four (24) months from the commencement of the shareholders deeds. Implementation of the shareholders deeds is subject to satisfaction of all conditions precedent under the Governing Deed.

The deeds provide for establishment of a board of directors for each company not to exceed three (3) members. Two of those appointees are to be nominated by Select, with the remaining position to be filled by a nominee of the Burnet Institute. Select shall appoint the chairman of the board.

The deeds provide that the Burnet Institute's shareholder in each project company is not to fall below seventeen and a half percent (17.5%) of the fully diluted issued capital for a period of at least twenty-four (24) months from the date the documents are executed.

Through the shareholders deeds the parties acknowledge the general objectives and activities of each company, that being the further development and possible commercialisation of the relevant technologies.

The shareholders deeds provide for the reservation to the Burnet Institute's nominated director of certain veto powers with respect to fundamental issues affecting the company. In general, resolutions at a shareholder or director level that might fundamentally change the direction or activities of the company or involve a decision of substantial materiality to the company's affairs will be subject to a power of veto on the part of the Burnet Institute's nominee.

The shareholders deeds provide for implementation of an option incentive plan as foreshadowed in the Governing Deed. The options are to be non-transferrable except to immediate family members and shall lapse within ninety (90) days of the allottee ceasing to provide any services to the relevant company. Exercise prices of the options are to be determined by reference to the prevailing issue price of shares or otherwise as decided by the board. An allottee must provide at least twelve (12) months service to the relevant company before options may be exercised.

The shareholders deeds incorporate extensive restrictions upon the transfer of shares. Effectively, shares cannot be transferred to a third party unless they are first offered for transfer to the existing shareholders of the relevant company. Only after all existing shareholders have had an opportunity to purchase the shares shall an intending transferor be able to dispose of those shares to a third party. The documents also incorporate a come along option, whereby all shareholders may be compelled to sell their shares to a third party purchaser if the holders of at least seventy-five percent (75%) of the issued capital of the relevant company have approved such a sale. The deeds also provide Select with rights to also participate in offer for sale of shares that has been made to other shareholders.

Through the deeds the parties provide basic mutual warranties as to their capacity to execute and be bound by the terms of the shareholders deeds. Otherwise, the documents contain such provisions as are usual in a document of this type.

8.4 RESEARCH AGREEMENTS

Each of the project companies, Hepgenics and Picoral, has engaged the Burnet Institute through a research agreement to undertake various research with respect to their relevant technologies. Again, these documents are in substantially the same form except to the extent that they relate to different research projects with respect to different technologies.

The research agreements provide for the appointment of the Burnet Institute as the contract researcher to conduct the relevant research programs, which have been specified in schedules to each document. The agreements also provide for the payment of progressive amounts to the researcher upon the satisfaction of specified research milestones. As part of the arrangements the Burnet Institute is required to provide appropriately qualified and skilled personnel and suitable premises to enable the conduct of the research program.

The agreements provide for the establishment of review procedures to inspect and monitor progress being made by the Burnet Institute in respect of each research program. These mechanisms also allow for the alteration or amendment to research programs to accommodate future developments. In circumstances where a program is no longer achieving its objectives or otherwise cannot be considered commercially viable, the relevant project company may effect a termination of the research programs upon the provision of two (2) months notice.

The research agreements confirm that all intellectual property developed as a result of the work undertaken will belong to the relevant project company.

The agreements contain extensive confidentiality provisions to prohibit the unauthorised disclosure of information, whilst the publication of scientific developments is also regulated to protect the interests of the relevant project company and its shareholders. Essentially, no scientific publication can be made without the project company first having been given a substantial period of notice.

The agreements provide for a mechanism of termination by a party where the other party is in material breach of its obligations and fails to remedy those breaches upon appropriate notice being provided. In the case of disputes or controversies, the parties have agreed that they will first attempt conciliation to resolve such matters.

The agreements otherwise contain such provisions as are usual in documents of this nature.

8.5 TECHNOLOGY TRANSFER AGREEMENTS AND/OR LICENCE AGREEMENTS

Each of Hepgenics and Picoral has executed a technology transfer agreement to acquire technology rights relevant to its projects from the Burnet Institute. It should be noted that Hepgenics has also taken a licence agreement from the Burnet Institute over various components of the technology relevant to its research projects on the basis that there are impediments to prevent the Burnet Institute from disposing of its rights to that technology. An outline of that licence agreement is provided under section 8.6 below.

Once again, the technology transfer agreements are substantially in the same form except to the extent that differences have been incorporated to reflect the different technologies being acquired by each company.

Implementation of the technology transfer agreements is conditional upon satisfaction of the conditions precedent under the Governing Deed. Otherwise, the agreements provide for the acquisition by each project company of unencumbered title to components of the relevant technologies. The consideration for the acquisition of the technologies is to be satisfied through the allotment of shares by the purchasing project company. The shares so allotted will, following completion of the first twelve (12) months research project, equate to thirty-five percent (35%) of the issued capital of each project company.

The agreements incorporate obligations for formal completion of the transaction to the effect that the Burnet Institute is required to physically hand over and deliver all property, records and data applicable to the relevant technology to be transferred. Other provisions provide for

cooperation between the parties on pursuing protection of intellectual property rights both pending and following completion of the transaction.

The agreements expressly acknowledge that the project companies shall not take over responsibility for any debts, liabilities or obligations due by the Burnet Institute in relation to the relevant technologies.

Mutual warranties have been provided by the parties as to their capacity to enter and implement the matters provided for in the agreements. In addition, the Burnet Institute has itself provided basic warranties as to its entitlement to the relevant technologies and its ability to sell such technologies to the relevant project companies on an unencumbered basis. However, as was provided for in the Governing Deed, these latter warranties are subject to a limitation of liability such that the Burnet Institute's aggregate liability will not exceed one hundred thousand dollars (\$100,000) plus the value in kind or in value of Securities in the project companies received by the Burnet Institute in connection with implementation of the Proposal. Indemnities have been provided by the parties to underpin the warranties provided.

Otherwise, the agreements contain such miscellaneous provisions as are usual in documents of this nature.

8.6 LICENCE AGREEMENT

A specific segment of the technology to be used by Hepgenics in developing diagnostic test kits was originally developed by the Burnet Institute in collaboration with a syndicate involving outside investors. The syndicate was previously terminated, although the Burnet Institute and the syndicate entities it took over agreed that if, revenues they derived from the technology ever exceeded a specified level, they would commence payment of a royalty stream to their former syndicate partners. This encumbrance to the Burnet Institute's title to this particular technology meant that its use by Hepgenics should be by way of licence rather than acquisition.

The licence granted by the Burnet Institute and the former syndicate entities it controls is exclusive and perpetual. It enables Hepgenics to exclusively exploit and/or commercialise the technology for the payment of a nominal royalty of one dollar (\$1.00) per annum. However, if gross revenue derived by Hepgenics through exploitation of this specific technology were to exceed approximately one hundred and thirty-six million, two hundred and sixty thousand dollars (\$136,260,000), Hepgenics would be required to commence payment of a royalty on further sales in favour of the Burnet Institute's former syndicate entity. The rate of the royalty in respect of application of the technology in the diagnostics field is five and a half percent (5.5%) of gross receipts above the one hundred and thirty-six million, two hundred and sixty thousand dollar (\$136,260,000) threshold. Because it is not possible to determine in advance whether the technology may be applied in other fields and, if so, the royalty rate(s) that would be reasonable in respect of a particular application, it has been agreed that an arm's length commercial rate is to be agreed or determined. If the technology is applied in other fields, the royalty rate applicable to gross receipts above the one hundred and thirty-six million, two hundred and sixty thousand dollars (\$136,260,000) threshold is to be agreed between the parties, or in the absence of agreement, determined by an independent expert, having regard to arm's length commercial rates of royalties payable under licences for the use of comparable technologies in the relevant field. In effect, the payment of such commercial royalty has been set to kick in at a point when the Burnet Institute syndicate entities would have otherwise commenced payment of a commercial royalty of their own to their former partners. These arrangements mean that, when that point is reached, the Burnet Institute and its former syndicate entities will have sufficient funds to meet their obligations.

It is important to note that, in calculating any liability for commercial royalties under the licence, Hepgenics is only required to take account of revenue derived from use of this specific technology. In cases where the technology is used in conjunction with other technologies, a procedure for determining the allocation of revenue through engagement of an independent expert has been agreed.

Any enhancements or improvements to the technology made through Hepgenics conducting further research will enure to the benefit of Hepgenics. Otherwise, the licence agreement contains such other miscellaneous terms as are usual in a document of this nature.

9. THE RESOLUTIONS

The Proposal described in this Memorandum is conditional upon Select obtaining approval of its members of several aspects of the Proposal, as required by the Corporations Act and the ASX Listing Rules. In order to satisfy these requirements, the Company has put forward for consideration the Resolutions numbered 5 to 18 in the attached Notice of Annual General Meeting. The Resolutions numbered 1, 2, 3 and 4 are put forward to comply with the Company's constitutional requirements and are not related to the Proposal. The Resolutions are explained below.

9.1 Resolutions 1 & 2: RE-ELECTION OF DIRECTOR RETIRING BY ROTATION

Pursuant to the Constitution of the Company, Mr Bryan Frost and Mr Peter Marks are required to retire by rotation at the Annual General Meeting. Mr Frost and Mr Marks are eligible for re-election and have each offered themselves for re-election. Particulars of Mr Frost's and Mr Marks's qualifications and experience are contained in sections 7.1(a) and (b) of this Memorandum.

9.2 Resolution 3: RE-ELECTION OF DIRECTOR APPOINTED BY BOARD

Pursuant to the Constitution of the Company, directors appointed by the Board to fill casual vacancies hold office until the next Annual General Meeting. Dr Soust was appointed to the Board on 1 April 2003. Dr Soust is eligible for re-election and has offered himself for re-election. Particulars of Dr Soust's qualifications and experience are contained in section 7.1(d) of this Memorandum.

9.3 Resolution 4: NON-EXECUTIVE DIRECTORS' REMUNERATION

The Constitution of the Company provides that the amount of fixed remuneration payable to non-executive Directors shall not exceed, in aggregate, an amount fixed by the Company at a general meeting. Resolution 4 seeks approval to increase the maximum total that may be paid to non-executive Directors by fifty thousand dollars per annum (\$50,000 p.a.) to one hundred and fifty thousand dollars (\$150,000).

The proposal to increase the amount available to pay non-executive Directors is made to enable the Company to maintain a competitive remuneration level in line with market conditions so that it can attract and maintain high calibre Directors. It also gives the Company the discretion to retain further non-executive Directors should it be considered necessary.

9.4 Resolution 5: CHANGE OF ACTIVITIES

The Company is required to obtain the approval of members pursuant to ASX Listing Rule 11.1.2 to change its activities to include medical and biomedical research, and the

development and commercialisation of medical and biomedical technology. Resolution 5 is proposed for the purpose of obtaining that approval. This change of activities will result from the implementation of the Proposal (which is the subject of Resolution 8). Details of the nature and extent of the Company's proposed new activities are described in this Memorandum.

Subject to implementation of the Proposal, the Company intends to review its current telecommunications assets (see section 12 of this Memorandum). However, no decisions have been made in that regard and, in the interim, approval is required for the proposed change of activities so as to comply with Chapter 11 of the ASX Listing Rules.

If passed, Resolution 5 will take effect only if Resolutions 6, 8, 9 and 16 are also passed.

9.5 Resolution 6: 1 FOR 4 CONSOLIDATION OF CAPITAL

Resolution 6 provides for a consolidation of the Company's share capital on the basis of one (1) new share for each four (4) shares on issue with fractional entitlements rounded down. Existing options which have not expired or been exercised as at the date Resolution 6 is passed are also to be reconstructed on the same basis (that is, by consolidating each four (4) options into one option) rounding down any fractional entitlements, and increasing the exercise price of each option by a multiple of four, in accordance with their terms of issue. The terms and expiry date of each option shall otherwise remain the same.

The directors believe that reconstruction of the capital on this basis is a necessary precursor to the Company undertaking a successful capital raising as envisaged by the Proposal. Authority from shareholders to effect the consolidation is sought in order to comply with the Company's Constitution and the Corporations Act requirements.

The effect of the consolidation on the issued shares and options of the Company is set out below:

Security	Current	Post Consolidation
Ordinary Shares (deemed fully paid)	36,828,101	9,207,025*
Options expiring 30 April 2003 exercisable at \$0.72	5,042,101 (now expired)	None+
Options expiring 1 February 2007 exercisable at \$0.20	30,552,518	7,638,130* (expiring 1 February 2007 exercisable at \$0.80)

* Approximately – the exact number will not exceed this amount and will depend on the rounding down of fractional entitlements in individual holdings.

+ These options (expiring 30 April 2003 exercisable at \$0.72) will expire before the Annual General Meeting.

The Company also proposes that offers be to cancel the above options for a consideration of two cents ((\$0.02) per option on a post consolidation basis. This proposal is the subject of Resolution 7 and is described in detail in the following section 9.6 of this Memorandum.

The proposal of Resolution 6 is subject to Resolution 5 being passed. If passed, Resolution 6 will take effect only if Resolutions 8, 9 and 16 are also passed.

9.6 Resolution 7: PROPOSED CANCELLATION OF OPTIONS

Resolution 7 is proposed to authorise making offers to all holders of existing options expiring on 1 February 2007 (exercisable at \$0.20 pre-consolidation, and \$0.80 post-consolidation) to cancel the options in consideration for paying the holders two cents (\$0.02) per option on a post-consolidation basis, which the Company wishes to do if the Proposal is implemented. The offers will only apply to the options which expire on 1 February 2007, and will not apply to the options which expire on 30 April 2003 nor to new options proposed to be issued if Resolutions 8 to 16 are passed.

The directors consider the continued existence of the 1 February 2007 options creates an impediment to the ability of the Company to raise additional funds in the current market. The options themselves have exercise prices well in excess of the current and recent trading prices of the Company's shares, which will remain the case upon the consolidation taking effect (see above regarding Resolution 6). At the close of trading on 16 April 2003 (the last day before submission of this Memorandum to ASIC) listed options expiring on 1 February 2007 had a closing price of 1.2 cents (\$0.012), and had traded between five cents (\$0.05) and 1.2 cents (\$0.012) in the previous four (4) months (closing prices). As a result, the Company would be expected to have its ability to raise additional funds by the issue of new options severely restricted until 1 February 2007, with no foreseeable prospect of funds being likely to be received from the exercise of these options in the interim.

In light of this, the directors believe it is appropriate and beneficial to the Company to offer all holders of those options the opportunity to cancel the options in exchange for payment by the Company of two cents (\$0.02) per option (on a post-consolidation basis). If all offers are accepted, the total consideration payable by the Company for the cancellation of the options will be --one hundred and fifty-two thousand, seven hundred and sixty-two dollars (\$152,762) (approximately, as the exact amount, which will not exceed --one hundred and fifty-two thousand, seven hundred and sixty-two dollars (\$152,762), will depend on the rounding down of fractional entitlements in individual holdings as part of the consolidation).

The offers are expected to be made within one (1) month of the date of the meeting, and to remain open for acceptance for at least one (1) month. Option holders are not compelled to accept offers, and can choose to retain their options if they wish. This is the case whether they voted for or against Resolution 7 (if they held shares entitling them to vote on the Resolution).

The proposal of Resolution 7 is subject to Resolutions 5 and 6 being passed. The Proposal is not conditional upon Resolution 7 being passed.

9.7 Resolution 8: IMPLEMENTATION OF THE PROPOSAL & ISSUE OF OPTIONS

The Company is required to obtain the approval of members pursuant to ASX Listing Rule 11.1.2 for the implementation of the Proposal, and Listing Rule 7.1 for the issue of two million (2,000,000) free options to the Institute pursuant to the Proposal. Resolution 8 is proposed for the purpose of obtaining those approvals.

The Proposal is described in detail in this Memorandum. Resolution 8 seeks express authority for the implementation of the Proposal, the subject matter of which is within the new activities of the Company authorised by Resolution 5, if passed.

Implementation of the Proposal also includes the issue of two million (2,000,000) free options to the Institute. Listing Rule 7.1 effectively provides that, among other things, other than with the prior approval of shareholders in general meeting, a company shall not issue any securities if those securities when aggregated with the number of other securities of the same class that

have issued in the previous twelve (12) months exceed fifteen percent (15%) of the number of the same class of securities at the commencement of the twelve (12) month period. As such, authority for the proposed allotment of two million (2,000,000) options to the Institute pursuant to the Proposal is required in order to comply with the provisions of Chapter 7 of the ASX Listing Rules. By obtaining shareholder approval for the implementation of the Proposal and issue of options to the Institute, the Company also retains the ability to issue further shares or options up to fifteen percent (15%) of the Company's ordinary shares under Chapter 7 to take advantage of opportunities to obtain further funds if required and available.

The options will have an exercise price of twenty cents (\$0.20), and will expire on 30 June 2006. The shares that issue upon exercise of the options will be ordinary shares of the Company (deemed fully paid) having the same terms and ranking equally in all respects with the Company's existing listed ordinary shares. The Company will apply to ASX for quotation of the shares that issue upon exercise of the options. The options shall be issued on a date no later than three (3) months after the date of the meeting. The options (and shares that issue upon exercise of the options) that are the subject of this Resolution are post-consolidation shares and options. The number of shares and options and the exercise price of the options will not be affected by the consolidation proposed under Resolution 6 nor by the proposed cancellation of options which is the subject of Resolution 7. The issue raises no funds. Funds received upon exercise of the options (if exercised) will be applied to working capital. For particulars of the Company's assessment of value for these options please refer to section 10.2

The proposal of Resolution 8 is subject to Resolutions 5 and 6 being passed. If passed, Resolution 8 will take effect only if Resolutions 9 and 16 are also passed.

9.8 Resolution 9: PROPOSED ISSUE OF SHARES & OPTIONS

Resolution 9 is proposed to obtain authority for the proposed Capital Raising (by the issue of up to ten million (10,000,000) shares and five million (5,000,000) one (1) for two (2) free attaching options, on a post-consolidation basis) as part of the Proposal. The shares and options will be issued by a placement pursuant to a prospectus.

It is a condition of the Proposal that approval for the placement be received, and that subscriptions for at least eight million (8,000,000) shares and four million (4,000,000) one (1) for two (2) free attaching options (to raise at least one million, six hundred thousand dollars (\$1,600,000) before costs) are received. If subscriptions for at least that number of shares and one (1) for two (2) free attaching options are not received, the Proposal will not proceed.

As described above in respect of Resolution 8, Chapter 7 of the ASX Listing Rules requires the prior approval of shareholders in general meeting to issue securities if the number of those securities exceeds fifteen percent (15%) of the number of the same class of securities at the commencement of the relevant twelve (12) month period. The proposed allotment of shares and options as part of the Capital Raising involves an increase in the issued capital of the Company. As such, authority for that increase is required in order to comply with the provisions of Chapter 7 of the ASX Listing Rules. Also as noted above, by obtaining shareholder approval for the placement, the Company retains the ability to issue further shares or options up to fifteen percent (15%) of the Company's ordinary shares under Chapter 7 to take advantage of opportunities to obtain further funds if required and available.

The shares and one (1) for two (2) free attaching options will be issued for twenty cents (\$0.20) each. The shares (and the shares which issue upon exercise of the options) will be ordinary shares of the Company (deemed fully paid) having the same terms and ranking equally in all respects with the Company's existing listed ordinary shares. The free attaching options will have an exercise price of twenty cents (\$0.20), and an expiry date of 31 May

2008. The other terms and conditions of the options are set out in Section 10 of this Memorandum. The Company will apply to ASX for quotation of the shares and free attaching options, and the shares that issue upon exercise of the options. The shares and options the subject of Resolution 9 shall be issued by the day no later than three (3) months after the date of the meeting (shares and options which may be issued to Directors or their nominees if Resolution 10 is passed, see below, will be issued within one (1) month of the date of the meeting). Shares will be issued progressively as applications are received and accepted. The shares and options that are the subject of this Resolution are post-consolidation shares and options. The number of shares and options and the exercise price of the options will not be affected by the consolidation proposed under Resolution 6 nor by the proposed cancellation of options which is the subject of Resolution 7.

Funds raised by the placement will be used as working capital, particularly in connection with the implementation of the Proposal, and to pay the costs of the placement. Peregrine, of which two present Directors of Select, Messrs Bryan Frost and Peter Marks, a proposed director, Mr J Cooper, and a former director of Select, Mr R Revelins, are also directors, will receive fees in the form of shares and options (as described in section 9.11 of this Memorandum) in connection with assisting the Company with sourcing and implementing the Proposal, and fees of up to one hundred and twenty thousand dollars (\$120,000) in respect of the Capital Raising. Other costs of the Capital Raising are anticipated not to exceed eighty thousand dollars (\$80,000).

It is proposed that Directors of the Company be authorised to participate in the placement. Resolution 10 (described below) is proposed for that purpose. Neither Resolution 9 nor any other Resolution is conditional upon Resolution 10 being passed.

The proposal of Resolution 9 is subject to Resolutions 5, 6, and 8 being passed. If passed, Resolution 9 will take effect only if Resolution 16 is also passed.

9.9 Resolution 10: APPROVAL OF PARTICIPATION IN CAPITAL RAISING BY DIRECTORS & RELATED PARTIES

It is proposed that Directors and proposed Directors of the Company be authorised to participate in the placement. Resolution 10 is proposed for this purpose. Chapter 10 of the Listing Rules of the ASX provides that a company may not issue securities (such as shares or options) to a director without approval of holders of ordinary shares. If approval of ordinary shareholders is given under Chapter 10 (by passing Resolution 10), further approval is not required under Listing Rule 7.1.

Each of the Directors has indicated that they are prepared to take up offers under the placement (either themselves or by their nominees) at the same price as shares and free attaching options are offered to other eligible recipients, for up to the number of shares and options (on a post-consolidation basis) set out next to their names below:

Director or proposed Director (or nominee)	Number of shares under placement	Number of options under placement	\$
Mr B Frost	500,000	250,000	100,000
Mr P Marks	250,000	125,000	50,000
Mr J Brett	250,000	125,000	50,000
Dr M Soust	250,000	125,000	50,000
Mr J Cooper	250,000	125,000	50,000

The shares and options the subject of Resolution 10 are included in the shares and options which are the subject of Resolution 9 and are not additional shares or options. The terms and conditions of the shares and options, and the proposed use of funds raised by the issue of the shares and options are set out in the information provided in respect of Resolution 9 (above).

The shares and options the subject of Resolution 10 shall be issued by the day no later than one (1) month after the date of the meeting. Shares and options will be issued progressively as applications are received and accepted. The shares and options that are the subject of this Resolution are post-consolidation shares and options. The number of shares and options and the exercise price of the options will not be affected by the consolidation proposed under Resolution 6.

The proposal of Resolution 10 is subject to Resolutions 5, 6, 8 and 9 being passed. If passed, Resolution 10 will take effect only if Resolution 16 is also passed. None of the Resolutions proposed for the meeting are conditional upon Resolution 10 being passed, and the passing of Resolution 10 is not a condition of the Proposal.

9.10 Resolutions 11, 12, 13, 14 & 15: APPROVALS OF PROPOSED ISSUES OF OPTIONS TO DIRECTORS OR PROPOSED DIRECTORS

These Resolutions have been put forward to provide for the proposed allotment of options to current and proposed Directors of the Company, Messrs Frost, Marks and Brett, Dr Soust and Mr Cooper or their associates or nominees if the Proposal is implemented (which includes the fulfilment of the conditions precedent under the Governing Deed, as described in section 8.2 of this Memorandum).

The Resolutions provide for the issue of seven hundred and fifty thousand options (750,000) to Mr Frost, seven hundred and fifty thousand (750,000) options to each of Dr Soust and Messrs Marks and Cooper and seven hundred and fifty thousand (750,000) options to Mr Brett, for no consideration. The issues have been proposed in recognition of the past and continuing services provided by the board members concerned for and on behalf of the Company, and as incentive options for the proposed Director. These options, if issued, will form part of the remuneration package available to the Directors concerned.

The terms of the options are the same as the free attaching options to be issued as part of the placement if Resolution 9 is passed (that is, the options will have an exercise price of twenty cents (\$0.20) and an expiry date of 31 May 2008 and upon exercise will entitle the holder to one ordinary share in the capital of the Company (deemed fully paid) ranking pari passu with the existing listed ordinary shares of the Company, all on a post-consolidation basis). Full details of the terms of the options are set out in section 10.

The options the subject of these Resolutions shall be issued by the day no later than one (1) month after the date of the meeting. Application will be made to ASX for Official Quotation of the options. If approved for quotation, the options may be classified by ASX as restricted securities and if so classified will not be able to be traded within the first two years after the end of the voluntary suspension of trading. In the case of Mr Cooper, as described in section 7.2 of this Memorandum, the Directors propose that he will be appointed as a Director by the Board upon the Proposal being implemented. The proposed issue of options to Mr Cooper, which is the subject of Resolutions 15 is conditional upon him being appointed as a Director.

The approval of these Resolutions is required under ASX Listing Rule 10.11, and as a consequence approval under ASX Listing Rule 7.1 is not required.

The passing of the Resolutions would permit financial benefits in the nature of free options to acquire shares in the Company to be given to each of the named Directors or proposed Directors, or their respective associates or nominees, within the meaning of Chapter 2E of the Corporations Act.

The following table sets out the current shares and options of the Company (on a post-consolidation basis) held by the proposed recipients of the options or in which they hold an indirect interest:

	B Frost	P Marks	M Soust	J Brett	J Cooper
Current Shares	841,652	62,500	0	259,742	62,500
Additional shares under placement (see section 9.9 of this Memorandum)	Up to 500,000	Up to 250,000	Up to 250,000	Up to 250,000	Up to 250,000
Total shares	<u>Up to 1,341,652</u>	<u>Up to 312,500</u>	<u>Up to 250,000</u>	<u>Up to 509,742</u>	<u>Up to 312,500</u>

Current Options*	Expiring 1/2/07: 1,005,342	Expiring 1/2/07: 295,278	Expiring 1/2/07: 0	Expiring 1/2/07: 428,690	Expiring 1/2/07: 250,000
Additional options under placement (see section 9.9 of this Memorandum)	Expiring 31/5/08: up to 250,000	Expiring 31/5/08: up to 125,000	Expiring 31/5/08: up to 125,000	Expiring 31/5/08: up to 125,000	Expiring 31/5/08: up to 125,000
Options the subject of Resolutions 11, 12, 13, 14 & 15	Expiring 31/5/08: 750,000	Expiring 31/5/08: 750,000	Expiring 31/5/08: 750,000	Expiring 31/5/08: 750,000	Expiring 31/5/08: 750,000
Total options*	Expiring: 1/2/07: 1,005,342 31/5/08: up to 1,000,000 <u>Total: up to 2,005,342</u>	Expiring: 1/2/07: 295,278 31/5/08: up to 875,000 <u>Total: up to 1,170,278</u>	Expiring: 1/2/07: 0 31/5/08: <u>up to 875,000</u> <u>Total: up to 875,000</u>	Expiring: 1/2/07: 428,690 31/5/08: <u>up to 875,000</u> <u>Total: up to 1,303,690</u>	Expiring: 1/2/07: 250,000 31/5/08: <u>up to 875,000</u> <u>Total: up to 1,125,000</u>

Total shares if all options* exercised:	<u>Up to 3,346,994</u>	<u>Up to 1,482,778</u>	<u>Up to 1,125,000</u>	<u>Up to 1,813,432</u>	<u>Up to 1,437,500</u>
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* *NOTE: Options expiring on 30 April 2003 will have expired by the date of the meeting and are excluded from the above table. Options expiring 1 February 2007 will be the subject of cancellation offers if Resolution 7 is passed and the Proposal is implemented, and may have been cancelled before the options expiring 31 May 2008 are issued.*

A valuation of the options proposed to be issued pursuant Resolutions 11, 12, 13, 14 and 15 is set out in section 10.2 of this Memorandum. Using the valuation calculated by the Black & Scholes methodology with a discount applying in accordance with the reasons explained in section 10.2 (3.3 cents (\$0.033) per option), the values in the table below are ascribed to the options proposed to be issued to the Directors or proposed Directors.

Director or proposed Director	Number of options	\$ value at \$0.033 per option
Mr B Frost	750,000	24,750
Mr P Marks	750,000	24,750
Dr M Soust	750,000	24,750
Mr J Brett	750,000	24,750
Mr J Cooper	750,000	24,750

Each of current directors of the Company, Mr B Frost, Mr P Marks, Dr M Soust and Mr J Brett has an interest in the outcome of Resolutions 11, 12, 13 and 14 respectively, and have therefore declined to make a recommendation in respect of those Resolutions.

The current Directors of the Company do not have a personal interest in the outcome of Resolution 15 and considers the proposal and passing of that Resolution and the issue of the options to the proposed Director to be in the interests of the Company, recommends to members that the Resolution be passed, and proposes voting shares in which they have an interest and which are eligible to vote on that Resolution in favour of the Resolution.

It is not considered that the Company will incur detrimental opportunity costs if the options are issued. The options have the same exercise price, expiry date and terms as the options proposed to be issued as free attaching options under the placement (refer Resolution 9). The Company does not consider there would be adverse fringe benefits or other tax consequences of issuing the options.

The proposal of Resolutions 11, 12, 13, 14 and 15 is subject to Resolutions 5, 6, 8 and 9 being passed. None of the Resolutions proposed for the meeting are conditional upon Resolutions 11, 12, 13, 14 or 15 being passed, and the passing of the Resolutions is not a condition of the Proposal.

9.11 Resolution 16: ISSUE OF SHARES & OPTIONS TO PEREGRINE CORPORATE LTD

The Proposal provides for the issue of five million (5,000,000) shares and options to Peregrine or its nominee in discharge of the Company's obligations to make payment to Peregrine in connection with assisting the Company with sourcing and implementing the Proposal. Specifically, these securities are being issued to Peregrine in consideration of services provided by Peregrine as follows:

- the introduction by Peregrine to Select of the Burnet Institute and, in particular, the research personnel involved in the projects that are now the subject of the transaction;
- conducting an assessment of the research projects and subject technology which was put forward by the Burnet Institute for consideration by Select as commercialisation opportunities;
- providing advice to Select on the most appropriate means of structuring of the transaction, which involved the objectives of creating joint venture project companies to be funded progressively in line with the achievement of identified milestone goals;
- providing advice and assistance to Select in connection with conducting negotiations towards securing the Burnet Institute's agreement and participation in the Proposal; and
- negotiating the terms of the transaction and assisting with finalisation of documentation.

The shares and options will only be issued if the Proposal is implemented (which includes the fulfilment of the conditions precedent under the Governing Deed, as described in section 8.2 of this Memorandum). This means that, if the Proposal is not implemented, Select will have no obligation to allot these securities to Peregrine. As such, Peregrine's entitlement to the securities is dependent upon implementing the Proposal. It is a success fee for services, which will only be paid in the event of success in implementing the Proposal.

It is proposed that three million (3,000,000) of the shares and options will be issued upon implementation of the Proposal, and the balance of two million (2,000,000) will only be issued if Select proceeds with the second year project funding, which is contingent upon milestones being achieved (see section 8 of this Memorandum). Accordingly, if the milestones are not achieved and Select therefore elects not to proceed with the second year funding of the projects, Peregrine's entitlement to receive the second tranche of two million (2,000,000) shares and two million (2,000,000) options will lapse. In such circumstances, the consideration paid to Peregrine would thereby be reduced to the three million (3,000,000) shares and three million (3,000,000) options already issued.

As Peregrine is a promoter of Select within the meaning of the ASX Listing Rules, the shares and options issued to Peregrine in connection with the Proposal will be restricted securities with full escrow arrangements applying. This means that Peregrine will be unable to dispose of or borrow against the shares and options it receives for a period of two (2) years. At the conclusion of that two (2) year period Select will have completed its commitments for funding of Hepgenics and Picoral. In the event that those projects were unsuccessful, then presumably the value of Select shares and options (absent any other material developments) would be substantially reduced. As such, the value of the shares and options in terms of benefit to Peregrine is largely dependent upon the success or failure of the projects it has introduced to Select. In this sense, Peregrine's reward is really dependent upon Select's success with the Proposal.

To make a present assessment of any benefit to Peregrine in receiving the shares and options is difficult because:

- (a) it cannot realise any financial benefit (excepting the right to vote the shares) for a period of two (2) years;

- (b) the value of the securities is really dependent on the outcome of the research projects, which is at present unknown; and
- (c) there is a range of unknown factors that could affect the value of those securities over the next two (2) years.

The cost to acquire the subject securities based on the offer price to the public under the capital raising would be approximately one million and eighty-two thousand, five hundred dollars (\$1,082,500). This calculation is made up as follows:

5,000,000 shares at 20¢ each	\$1,000,000
2,500,000 options as free attaching	\$nil
2,500,000 options on valuation	<u>\$82,500</u> (approx)
Total	<u>\$1,082,500</u>

Using the valuation of 3.3 cents (\$0.033) per option calculated by the Black & Scholes methodology with a discount applying in accordance with the reasons explained in section 10.2, the five million (5,000,000) options proposed to be issued to Peregrine would have a value of approximately one hundred and sixty-five thousand dollars (\$165,000). See section 10.2 for the calculation of this value. The lower end of the range includes a discount due to these options being restricted (escrowed) securities.

Full details of the terms of the options are set out in section 10.

This base value must be discounted to take account of the uncertainties referred to above, and the possibility that the number of securities may be reduced to three million (3,000,000) shares and three million (3,000,000) options. Having considered all these factors, Select believes that the real present value of the securities to be issued to Peregrine would be in the range of two hundred and fifty thousand dollars to three hundred thousand dollars (\$250,000 - \$300,000). This is considered by Select as a fair and reasonable sum for the services provided and is consistent with normal commercial rates for higher risk ventures, such as that provided for in the Proposal.

It should be noted that, if the Proposal is implemented, Select has agreed to pay Peregrine further fees in connection with services that will be provided in connection with the Capital Raising that forms part of the Proposal. As detailed in section 12, these fees comprise an issue management fee of up to twenty thousand dollars (\$20,000) and Capital Raising fees of up to one hundred thousand dollars (\$100,000). Peregrine expects that the substantial proportion of any Capital Raising fees will be rebated by Peregrine to other licensed securities dealers who introduce investors to the capital raising. The making of such rebates will reduce the quantum of any financial benefits to Peregrine by those amounts.

Prior to identification of the transaction that constitutes the Proposal, Select had retained Peregrine's services in December 2002 to provide corporate advice with respect to identifying a change of business transaction. Peregrine's services under that retainer have extended to participation in due diligence investigations, documentation and overall coordination of the transaction that was subsequently identified. Peregrine is currently owed thirty-two thousand dollars (\$32,000) by Select in connection with accrued fees under that retainer. Assuming the successful implementation of the Proposal, those fees would be expected to rise to a total of sixty-four thousand dollars (\$64,000) by July 2003. If the Proposal is not implemented, no further fees would accrue from that time.

Pending implementation of the Proposal, Select has not maintained any full or part-time staff. Rather, the Company has avoided employee costs through outsourcing. Peregrine maintains a full-time staff of professionals experienced in capital markets transactions and public companies generally. Retaining the services of Peregrine in the manner outlined has avoided the substantial costs the Company would otherwise have incurred in maintaining employees of its own capable of sourcing and implementing a transaction such as that incorporated within the Proposal. Select considers that the approach adopted has been a far more cost-effective means of achieving its objectives than the alternative of maintaining an "in-house" skill base.

If Resolution 16 is not passed, Select would not be able to issue those securities to Peregrine, as to do so would be in breach of the requirements of the ASX Listing Rules and the Corporations Act. Peregrine has agreed to equity-based remuneration with the understanding that payment would be conditional upon the procurement of relevant shareholder approvals. As such, if that approval is not forthcoming, the Company would not be liable to make payment of that fee. However, having negotiated with Peregrine in good faith to agree on an equity-based remuneration, it is the Company's view that it is now obliged to make reasonable efforts to procure shareholder approval for that payment. To do otherwise would clearly be improper and unconscionable.

Based on the projected capital structure of the Company following implementation of the Proposal, Peregrine and/or its associates would then be entitled to approximately 18.71% of the issued capital of Select. Peregrine's ability to exercise options it holds or take up a further two million (2,000,000) shares pursuant to its equity fee arrangements is subject to the restrictions under the take over provisions of the Corporations Act. In short, Peregrine could not take up shares if its entitlement to Select's voting shares would then equal or exceed the limit of a twenty percent (20%) holding set by the law. To avoid this problem, Select could have sought shareholder approval under section 611 of the Corporations Act to authorise Peregrine to so increase its holding in voting shares. Select, with Peregrine's consent, elected not to seek that approval for several reasons:

- (i) the approval may not be required, as Peregrine may not become entitled to the second tranche of equity remuneration in the event that Select does not proceed with second year funding of the project companies;
- (ii) the capital base of Select may in the future alter through the exercise of options and/or allotment of new shares so that Peregrine's entitlement (in percentage terms) to Select voting shares diminishes;
- (iii) given the contingencies of (i) and (ii), Select believes that the additional costs of procuring section 611 approval, which would ordinarily involve the commissioning of an independent expert report, were not justifiable at this time.

If and when Peregrine becomes entitled to receive the second tranche of the equity-based remuneration, Select and Peregrine will cooperate to identify the requirements (if any) that need to be met and provide for their satisfaction. In that regard, Select may then seek approval of shareholders pursuant to section 611, or Peregrine may itself be content to take up the further securities progressively in accordance with the "creep rule" provisions of the Corporations Act, which in effect enable increases of up to three percent (3%) to the entitlement over six (6) month intervals without approval.

Peregrine is a company controlled by two Directors of Select, being Messrs Frost and Marks, a proposed Director of Select, Mr J Cooper and a former Director of Select, Mr R Revelins

(who ceased to be a director fewer than six (6) months before the date of this Memorandum). Peregrine is a related party of Select within the meaning of Chapter 2E of the Corporations Act and Chapter 10 of the ASX Listing Rules. Accordingly, the proposed issues of shares and options as part of the Proposal is required to be approved by shareholders in order to comply with the related party transaction provisions of Chapter 2E of the Corporations Act and the requirements of Chapter 10 of the ASX Listing Rules. Resolution 16 has been put forward for approval on that basis. The Company has been granted a waiver of the requirement of the ASX Listing Rules to issue the shares and options within one (1) month of the meeting approving the issue, to permit issue two million (2,000,000) of the shares and options twelve to twenty-four (12 - 24) months after the meeting, subject to Select proceeding with the second year project funding. The first three million (3,000,000) shares and options are to be issued within one (1) month of the meeting.

Application will be made to ASX for admission to Official Quotation of the shares and options proposed to be issued to Peregrine pursuant to Resolution 16. If approved for quotation, the shares and options will be classified by ASX as restricted securities and will not be able to be traded within the first two years after the end of the voluntary suspension of trading.

The approval of this Resolution is required under ASX Listing Rule 10.11, and as a consequence approval under ASX Listing Rule 7.1 is not required.

The terms of the options are the same as the free attaching options to proposed to be issued as part of the placement if Resolution 9 is passed (that is, the options will have an exercise price of twenty cents (\$0.20) and an expiry date of 31 May 2008 and upon exercise will entitle the holder to one ordinary share in the capital of the Company (deemed fully paid) ranking pari passu with the existing listed ordinary shares of the Company, all on a post-consolidation basis).

The passing of Resolution 16 would permit financial benefits in the nature of shares and options to acquire shares in the Company to be given to Peregrine within the meaning of Chapter 2E of the Corporations Act. As controllers of, and direct or indirect holders of interests in, Peregrine, Messrs Frost, Marks, Cooper and Revelins may receive indirect benefits from the receipt of the shares and options by Peregrine. The issue of shares and options by the Company satisfies its obligations in respect of services provided by Peregrine, avoiding a reduction of the Company's cash resources in connection with in connection with Peregrine assisting the Company with sourcing and implementing the Proposal.

Each of Mr Frost and Mr Marks has an interest in the outcome of Resolution 16, and have therefore declined to make a recommendation in respect of the Resolution. Dr Soust and Mr Brett do not have a personal interest in the outcome of the Resolution, however subject to implementation of the Proposal, Dr Soust has agreed to undertake the duties of the chief executive officer of the Company and therefore has a personal interest in the outcome of the Meeting. For this reason, Dr Soust also wishes to refrain from making a recommendation on how Members should vote with respect to the Resolution. Mr Brett considers the proposal and passing of Resolution 16 and the issue of the shares and options to Peregrine to be in the interests of the Company, recommends to members that the Resolutions be passed, and proposes voting any shares in which he has an interest and which are eligible to vote on the Resolution in favour of the Resolutions. In reaching this recommendation, Mr Brett has identified and considered the following perceived advantages and disadvantages of the equity-based remuneration fee that has been negotiated with Peregrine:

(A) Advantages

- Equity-based remuneration will enable Select to preserve its cash resources in what must be considered a difficult capital funding environment for speculative ventures, such as that represented by the Proposal.
- Providing Peregrine with shares and options that will be subject to escrow restrictions ties Peregrine's potential reward to the success or otherwise of the projects represented in the Proposal. This ensures that Peregrine's fee will be commensurate with the ultimate value of the services provided.
- The equity-based remuneration provides Peregrine with an ongoing incentive to assist and support the Company in the pursuit of its objectives. In effect, it creates a defacto royalty rewards arrangement between the Company and the service provider.
- Peregrine maintains an active full-time professional staff. It can be expected that Peregrine will wish to use this resource to maintain a watching brief and contact with the Company to optimise the ultimate realisation of the benefit from the fee.
- Peregrine's introduction of the Proposal supports the expectation that, during the course of the research projects, it will be a supportive shareholder whose presence will be a stabilising influence on the Company's share register.
- In the context of equity-based remuneration arrangements in higher risk or speculative ventures, the quantum of the fee is not considered to be excessive or outside normal commercial practise.

(B) Disadvantages

- The equity-based remuneration will materially dilute the holdings of existing members over the issued capital of the Company. An illustration of this dilution is given in the following table:

	Non Peregrine Members	Peregrine and Associates
Current share holdings	87.44%	12.56%
On Implementation:		
(a) issue of first tranche - 3,000,000 shares	81.29%	18.71%
(b) issue of second tranche - 2,000,000 shares)	72.28%	27.72% (subject to compliance with Corporations Act control provisions)
Option holdings on implementation		
(a) Existing options (unchanged)	74.1%	25.9%

	Non Peregrine Members	Peregrine and Associates
(b) New Options:		
- issue of first tranche - 3,000,000 options	60.3%	39.7%
- issue of second tranche - 2,000,000 options	52.5%	47.5%

Notes:

1. The table assumes the Capital Raising is fully subscribed.
 2. The table assumes no additional subscription by Peregrine for shares or options under the Capital Raising.
 3. The table assumes no options are exercised at implementation of the Proposal and up to the issue of the second tranche of the equity based remuneration .
 4. The table assumes no other shares or options are allotted other than those contemplated in this Memorandum.
- The nature of equity-based remuneration and escrow restrictions make it very difficult to assess the quantification of that remuneration, which therefore makes for uncertainty.
 - The presence of a large shareholder associated with directors may provide a disincentive for other parties to pursue takeover offers with respect to the Company.

Having considered these matters, Mr Brett has reached the conclusion that, on balance, the payment of fees to Peregrine in this manner is appropriate in all the circumstances. In reaching this conclusion, Mr Brett has also taken account of the Company's assessment of its overall arrangements with Peregrine and the quantification of same as outlined above in this section 9.11 of the Memorandum.

The Company will incur opportunity costs if the shares and options are issued to Peregrine, in that the shares and options will not be available to be issued to another party. However, the Company is not restricted in its ability to issue further shares and options except where shareholder approval is required to exceed the limit of fifteen percent (15%) issued shares twelve (12) months earlier, the ability to find subscribers for new shares and options, and the dilutive effect (if any) of a further issue. Against these opportunity costs (which are unable to be calculated) is the advantage of obtaining the services of Peregrine in sourcing and implementing the Proposal without cash outlay, thus preserving the Company's cash resources for development of its activities and to pay other liabilities. The Company does not consider there would be adverse fringe benefits or other tax consequences of issuing the shares and options rather than making cash payments to Peregrine.

The proposal of Resolution 16 is subject to Resolutions 5, 6, 8 and 9 being passed.

9.12 Resolution 17: CHANGE OF NAME TO "SELECT VACCINES LTD"

As part of its change of activities, the Company proposes changing its name to "Select Vaccines Limited". The Corporations Act requires approval by shareholders by special Resolution in order for a company to effect a change of name. The change of name has been proposed in order that the Company's name may more accurately reflect and be consistent with its intended course of future activities.

Resolution 18 is proposed as a Special Resolution. To be passed, at least seventy-five percent (75%) of the votes cast on the Resolution by shareholders (by number of shares) must be in favour of the Resolution.

The proposal of Resolution 18 is subject to Resolutions 5, 6, 8, 9 and 16 being passed. None of the Resolutions proposed for the meeting are conditional upon Resolution 18 being passed, and the passing of Resolution 18 is not a condition of the Proposal.

10. OPTIONS

10.1 Option Terms

The options proposed to be issued if Resolutions 8 to 16 (inclusive) are passed shall have the following terms and rights (all on a post-consolidation basis):

Each option entitles the holder to one ordinary share in the capital of the Company, deemed fully paid.

The options are exercisable at any time prior to 5:00 pm Melbourne time on:

- (a) in the case of the options which are proposed to be issued to the Institute (Resolution 8): 30 June 2006; and
- (b) in the case of the options which are proposed to be issued pursuant to the Capital Raising (Resolutions 9 and 10), to the Directors and proposed Directors or their associates or nominees (Resolutions 11 to 15, inclusive) and to Peregrine (Resolution 16): 31 May 2008,

by completing the Option Exercise Form and delivering it together with the payment for the number of shares in respect of which the options are exercised to the registered office of the Company.

The exercise price of the options is twenty cents (\$0.20) per option.

Subject to the Corporations Act, the Listing Rules and the Constitution of the Company, options are freely transferable. Application will be made to the ASX for Official Quotation of the options proposed to be issued pursuant to the Capital Raising (Resolutions 9 and 10) and to Peregrine (Resolution 16). The options proposed to be issued to the Institute (Resolution 8) and to the Directors and proposed Director or their associates or nominees (Resolutions 11 to 15, inclusive).

All ordinary shares issued upon exercise of options will rank *pari passu* in all respects with the Company's then issued ordinary shares. The Company will apply for Official Quotation by ASX of all shares issued upon exercise of options.

There are no participating rights and entitlements inherent in the options and holders will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. The Company will ensure that option holders will be allowed at least ten (10) business days notice to allow for the conversion of options prior to the Record Date in relation to any offer of securities made to shareholders.

In the event of any reconstruction or reorganisation of capital (including consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the Expiry Date, rights of the holders of the options, the number of options and/or the exercise price of the options shall be changed to the extent necessary to comply with the Listing Rules applying to the reorganisation of capital at the time of the reorganisation.

10.2 Valuation of Options

Using the Black & Scholes option valuation model and making an appropriate adjustment to recognise the imposition of escrow restrictions, the Company has assessed option values as follows:

- (a) in the case of the two million (2,000,000) options which are proposed to be issued to the Institute (Resolution 8), and which will have an expiry date of 30 June 2006 (a period of three (3) years remaining to expiry as at the time of issue), the Black & Scholes option valuation model determines a value of 4.4 cents (\$0.044) for each option. A further discount of forty-five percent (45%) has been applied to recognise the imposition of escrow restrictions, which resolves in a theoretical value of 2.4 cents (\$0.024) each; and
- (b) in the case of the options which are proposed to be issued to Directors or their associates or nominees (total three million, seven hundred and fifty thousand (\$3,750,000) - Resolutions 11 to 15, inclusive) and to Peregrine (total five million (5,000,000) - Resolution 16), and which will have an expiry date of 31 May 2008 (a period of five (5) years remaining to expiry as at the time of issue), the Black & Scholes option valuation model determines a value of 6.1 cents (\$0.061) for each option. A further discount of forty-five percent (45%) has been applied to recognise the imposition of escrow restrictions, which results in a theoretical value of 3.3 cents (\$0.33) each.

The Black & Scholes option valuation model works through a formula to assess value based on five (5) parameters. These parameters are:

- (i) Price of underlying stock - which, in this case, is the price of ordinary shares under the Capital Raising, i.e. twenty cents (\$0.20);
- (ii) Exercise price of the option - which is also twenty cents (\$0.20);
- (iii) Risk-free rate - which, in line with general industry practise, we have adopted as the current yield on ten (10) year Commonwealth Bonds of 5.31%;
- (iv) Time to expiration of the option - which is known in the case of each class of option; and
- (v) Volatility of the underlying stock - which has been calculated at 20.72% having regard to the trading history of Select shares on the ASX over a nine (9) year period by using the recognised formula for calculation of this parameter.

However, the Black & Scholes option valuation model assumes the option is entirely unencumbered and freely tradable and therefore would not take account of externally imposed restrictions that may be placed upon the rights of the holder, such as ASX escrow restrictions. In the case of options issued as vendor consideration to the Institute (Resolution 8), the options to be issued to Peregrine as part of its equity remuneration arrangements (Resolution 16) and those to be allotted to Directors (Resolutions 11 to 15 inclusive), it is expected that escrow restrictions will be imposed for up to two (2) years. Those restrictions will prevent the holders from disposing of the options, borrowing against the options or in any way dealing with the options. If the option were to be exercised, the same restrictions will be imposed with respect to the underlying shares for the balance of the escrow period. Thus, whereas the Black & Scholes option valuation model assumes a capacity to realise value from the date of acquisition, that capacity will be deferred for up to two (2) years in these cases.

Having regard to these restrictions, Select considers that, in assessing the value of these options, a substantial discount to the value determined under the Black & Scholes option valuation model is warranted. For that reason, a discount of forty-five percent (45%) has been applied, which results in the theoretical values as outlined above.

11. CAPITAL STRUCTURE

The following table illustrates the existing and proposed changes to the Company's capital structure as provided for in the Proposal.

CURRENT ISSUED CAPITAL		\$
36,828,101	Ordinary Shares Fully Paid	21,319,735
Options:		
(a)	5,042,101 options expiring 30 April 2003 to acquire one (1) ordinary share at an exercise price of seventy-two cents (\$0.72) each.	
(b)	30,552,518 options expiring 1 February 2007 to acquire one (1) ordinary share at an exercise price of twenty cents (\$0.20) each.	
PROPOSED CAPITAL STRUCTURE POST 1 FOR 4 CONSOLIDATION		
22,207,025	Ordinary Shares Fully Paid	23,119,735
Options:		
(a)	7,638,130 options expiring 1 February 2007 to acquire one (1) ordinary share at an exercise price of eighty cents (\$0.80) each.	
(b)	11,250,000 options expiring 31 May 2008 to acquire one (1) ordinary share at an exercise price of twenty cents (\$0.20) each.	
(c)	2,000,000 options expiring 30 June 2006 to acquire one (1) ordinary share at an exercise price of twenty cents (\$0.20) each.	

Notes:

1. The table assumes that all shares and options offered under the Capital Raising are taken up. If only the minimum subscription was obtained, the number of shares on

issue would reduce by two million (2,000,000) to twenty million, two hundred and seven thousand and twenty-five (20,207,025) and the number of options expiring 31 May 2008 would reduce by one million (1,000,000) to ten million, five hundred and fifty thousand (10,550,000).

2. The number of options may reduce further through the cancellation of up to seven million, six hundred and thirty-eight thousand, one hundred and thirty (7,638,130) of the options expiring 1 February 2007 through the Option Cancellation Offer.
3. The table does not take into account a further two million (2,000,000) shares and two million (2,000,000) options expiring 31 May 2008 which are to be issued to Peregrine not earlier than twelve (12) months after the Meeting in completion of payment of Peregrine fees.
4. The twenty-two million, two hundred and seven thousand and twenty-five (22,207,025) shares referred to in the proposed capital structure are comprised of:
 - nine million, two hundred and seven thousand and twenty-five (9,207,025) of the existing shares post consolidation;
 - ten million (10,000,000) shares to be issued as part of the planned two million dollar (\$2,000,000) capital raising; and
 - 3,000,000 shares to be issued to Peregrine in payment of fees.

12. PRO-FORMA FINANCIALS

The table below sets out Select's consolidated balance sheet position as at 31 December 2002 (audited) in comparison with alternative pro-forma positions on completion of the Capital Raising that forms part of the Proposal.

	December Year End Audited	Pro-forma 1 Consolidation (\$1.6m capital raising) Note 1	Pro-forma 2 Consolidation (\$2m capital raising) Note 2
Current Assets			
Cash	536,784	1,960,784	2,336,784
Receivables	143,490	143,490	143,490
Other Financial Assets	685,033	685,033	685,033
Other	59,000	59,000	59,000
Total Current Assets	1,424,307	2,848,307	3,224,307
Non-Current Assets			
Other Financial Assets	290,000	290,000	290,000
Intellectual Property - Hepgenics	-	367,009	367,009
Intellectual Property - Picoral	-	171,601	171,601
Total Non-Current Assets	290,000	828,610	828,610
Total Assets	1,714,307	3,676,917	4,052,917
Current Liabilities			
Payables	161,052	161,052	161,052
Total Current Liabilities	161,052	161,052	161,052

	December Year End Audited	Pro-forma 1 Consolidation (\$1.6m capital raising) Note 1	Pro-forma 2 Consolidation (\$2m capital raising) Note 2
Total Liabilities	161,052	161,052	161,052
Net Assets	1,553,255	3,616,865	3,891,865
Equity			
Contributed Equity	21,319,735	22,919,735	23,319,735
Capital Raising Costs (Note 3)	-	(176,000)	(200,000)
Accumulated Losses	(19,766,480)	(19,766,480)	(19,766,480)
Total Parent Entity Interest	1,553,255	2,977,255	3,353,255
Outside Equity Interest in controlled entities	-	538,610	538,610
Total Equity	1,553,255	3,515,865	3,891,865

Note 1: This assumes the minimum subscription of one million, six hundred thousand dollars (\$1,600,000) for the Capital Raising is achieved.

Note 2: This assumes the Capital Raising is fully subscribed for two million dollars (\$2,000,000).

Note 3: Costs attributable to implementation of the Proposal have been taken into account in preparing the pro-forma balance sheets. The respective allowances are calculated as follows:

Pro-forma 1:	\$
Issue management fee	16,000
Capital Raising fee*	80,000
Legal, accounting and registry costs	68,000
Printing	10,000
Other	<u>2,000</u>
Total	<u>176,000</u>
Pro-forma 2:	\$
Issue management fee	20,000
Capital Raising fee*	100,000
Legal, accounting and registry costs	68,000
Printing	10,000
Other	<u>2,000</u>
Total	<u>200,000</u>

* Capital Raising fees are payable at five percent (5%) of funds procured by the issue manager, Peregrine. The calculations assume all funds are introduced by Peregrine and therefore represent the maximum amount payable. Peregrine expects that the substantial portion of any capital raising fees paid will be rebated to other licensed securities dealers who introduce investors.

13. STATUS OF EXISTING COMMUNICATIONS SOFTWARE ASSETS

Subject to implementation of the Proposal, the Company intends to review its current telecommunications assets. As members are already aware, Select has since October 2001 licensed the use of its bundled telephone hardware products for distribution by M2 Technology Holdings Ltd. If the Proposal is adopted, Directors would consider the alternatives to continuing the existing licensing arrangements, which may include a transfer of all assets to the licensee for a capital payment in lieu of ongoing licence fees. At this point no decision has been made with respect to these matters.

14. GLOSSARY

"**ASX**" means the Australian Stock Exchange Ltd.

"**ASX Listing Rules**" means the listing rules of the ASX from time to time.

"**Burnet Institute**" means The Macfarlane Burnet Institute for Medical Research and Public Health Ltd ABN 49 007 349 984.

"**Capital Raising**" means the procurement by Select of additional equity funding for a minimum of one million, six hundred thousand dollars (\$1,600,000) through the issue and allotment of Securities by Select to third parties.

"**Company**" means Select-Tel Limited ACN 062 063 692.

"**Directors**" means the directors of Select from time to time.

"**Governing Deed**" means the governing deed between the Company and the Burnet Institute dated 15 April 2003.

"**HAV**" means hepatitis A virus.

"**HBV**" means hepatitis B virus.

"**HCV**" means hepatitis C virus.

"**HEV**" means hepatitis E virus.

"**Hepgenics**" means Hepgenics Pty Ltd ACN 104 360 714.

"**HIV**" means human immunodeficiency virus.

"**the Institute**" means The Macfarlane Burnet Institute for Medical Research and Public Health Ltd ABN 49 007 349 984.

"**Meeting**" means the annual general meeting of Select at which the Resolutions will be considered.

"**Members**" means the shareholders of Select from time to time.

"**Memorandum**" means this information memorandum.

"**MOU**" means the Memorandum of Understanding entered between the Burnet Institute, the Company and Peregrine Corporate Ltd dated 23 January 2003.

"Option Cancellation Offer" means the proposed offer by Select to pay two cents (\$0.02) in respect of the cancellation of each option to acquire one (1) share in the capital of Select expiring 1 February 2007 on a post consolidation basis.

"Peregrine" means Peregrine Corporate Limited ACN 062 478 997.

"Picoral" means Picoral Pty Ltd ACN 104 360 705.

"Proposal" means the proposal that provides for investment by Select in certain biomedical research projects, more fully described in this Memorandum.

"Resolutions" means the resolutions put forward in the Company's Notice of Annual General Meeting dated 17 April 2003 which is attached to and forms part of this Memorandum.

"SAP" means Scientific Advisory Panel.

"Scientific Advisory Panel" means a panel to be established to advise Select on scientific and technical matters.

"Securities" has the meaning as ascribed to that term by Part 1.2 of the Corporations Act.

"Select" means Select-Tel Limited ABN 25 062 063 692.

"Transaction Documents" means the documents that provide for implementation of the Proposal and which have been more fully described in section 8 of this Memorandum.

"the Unit" means the Hepatitis Research Unit of the Burnet Institute.

"VLP" means virus-like particle(s).

APPENDIX A - HEPGENICS RESEARCH PROGRAM and MILESTONES

Hepgenics Research and Development Program

The Research and Development Program conducted by Hepgenics will be outsourced to the Burnet Institute.

Project 1: Technical Description - Diagnostics for hepatitis E, hepatitis A and hepatitis C.

Research and development ("R&D") to support the HAV and HEV diagnostics, including production of HAV antigen and recombinant HEV antigens already developed, testing of diagnostics against serum panels, and development of hepatitis C IgM ELISA and rapid assays (which includes developing a monoclonal antibody against HCV core).

Project 2: Technical Description - Virus-like particles as a platform technology for vaccines.

R&D to establish the capacity of proprietary virus-like particles ("VLPs") as a carrier for foreign antigens. Studies will determine the maximum capacity of foreign sequences that can be carried, the range of different protein sequences which can be carried, and the immunogenicity of the particles in mice and rats.

Project 3: Technical Description - Adhesive peptides as a platform technology for diagnostics and arrays

R&D to establish whether adhesive peptides, discovered during studies of viruses, can be used to enhance the binding of proteins or peptides to solid phases (polystyrene, glass, nitrocellulose) which are used in diagnostic and research devices and high density arrays (such as gene chips). Studies will determine whether the inclusion of adhesive peptides in 4 different proteins and 4-10 different synthetic peptides can increase their binding (saturation level, affinity) compared to the unmodified protein.

Project 4: Technical Description - Vaccines against hepatitis E and hepatitis A

No R&D planned at this stage: dependent on interest from collaborators. Budget would be formulated if and when project becomes activated.

Key Milestones - Hepgenics

6 Months – Source manufacturer or negotiate licensee for HEV and HAV rapid tests

6 Months – Purify disease-specific virus-like particles (checked by EM)

9 Months – Prototype HAV and HEV rapid tests

9 Months – Purify second disease-specific virus particles (checked by EM)

9 Months – Comparative binding studies for adhesive peptides

12 Months – Final versions of HEV and HAV rapid tests for testing; Prototype HCV ELISA, prototype HCV rapid test, Final version HCV rapid test for testing

12 Months – Results of HCV, HIV, Measles, HBV immunisation in mice using VLPs; Test carrying capacity of VLPs

R&D Milestones (by months) – Hepgenics Research Program

	1. Project 1	2. Project 2	3. Project 3
Month	Diagnostics	VLP vaccines	Adhesive peptides
1	1.1 <i>Appoint Postdoc, RAs</i> 1.2 New purified stocks of HEV MAb 2E2 1.3 <i>QC on stored materials – ELISA stability</i> 1.4 Materials to third party for evaluation (MAb, ORF2.1, ORF2.1 plates and reagents)	2.1 <i>Appoint RA</i> 2.2 Test construct for particle formation, export 2.3 Make construct plus Signal peptide: particles/export 2.4 File provisional patent on VLPs	Note 3.
2	1.5 Source HAV MAbs, or purify HAV for production of own 1.6 Make cDNA clones for HCV core protein expression in <i>E. coli</i>	2.5 Make L expression plasmid with FLAG tag 2.6 Make full construct 2.7 Make full construct with signal peptide	
3	1.7 <i>Core protein expressed in E. coli, purified (2-3 different forms)</i> 1.8 <i>New purified stocks of HEV MAbs 1E6 and 4B2</i> 1.9 Source manufacturer or negotiate licensee for Hepgenics HEV and HAV IgM, IgG rapids	2.8 Make cDNA clones 2.9 Cotransfect mixtures of E1 and E2; test presentation of conformational epitope 2.10 Make cDNA clones (several different versions) 2.11 Make cDNA clones of surface protein antigen	

	1. Project 1	2. Project 2	3. Project 3
4	1.10 <i>Core protein forms screened with patient sera: best chosen in comparison to commercial ELISA</i>	2.12 Subclone (full and/or ecto, with or without signal peptide, with or without E1; choose best 1 or 2) expression vector 2.13 <i>Test construct for particle formation, export</i> 2.14 <i>Test surface protein construct for particle formation, export</i> 2.15 Make cDNA clones 2.16 Test construct for particle formation, export	
5	1.11 Screening of HAV MAb 1.12 Core protein provided for MAb	2.17 Test yeast expression of VLP constructs 2.18 Purify yeast particles, check by EM 2.19 Subclone VLP constructs into yeast 2.20 Subclone VLP surface protein constructs into yeast	3.1 Make cDNA clones for expression of (4) adhesive peptide – protein fusions
6	1.13 <i>Negotiate license with GLD for HEV rapids</i>	2.21 Immunise mice and rats with particles 2.22 Purify yeast particles, check by EM 2.23 Purify yeast surface protein particles, check by EM 2.24 Subclone VLP constructs into yeast	3.2 Design synthetic peptide-adhesive peptide conjugates (4-10)
7	1.14 Production of HAV MAb	2.25 Immunise mice and rats with particles	

	1. Project 1	2. Project 2	3. Project 3
8	1.15 Prototype HAV and HEV IgM rapids 1.16 Prototype HAV IgG rapid 1.17 <i>Screen HEV and HAV IgM prototypes with patient sera</i> 1.18 Screening of HCV Mabs	2.26 Purify yeast particles, check by EM 2.27 Immunise mice and rats with surface protein particles	3.3 Express and purify adhesive peptide-protein fusions
9	1.19 Titrate HAV IgG rapid with reference serum (sensitivity for pre-vaccine screen) 1.20 Selection and growth of best HCV Mabs	2.28 Immunise mice and rats with particles	3.4 Comparative binding studies – polystyrene
10	1.21 Final version of HEV rapid; testing 1.22 Final version of HAV IgM rapid and/or ELISA; testing 1.23 Final version of HAV IgG rapid; testing 1.24 Prototype HCV Core IgM ELISA	2.29 Results of VLP immunisation in mice, rats 2.30 Clone the large protein, beta galactosidase and test carrying capacity of VLPs	3.5 Comparative binding studies – glass and NC 3.6 Prepare chemical conjugates between adhesive peptides and recombinant antigens, perform binding studies
11	1.25 Prototype HCV Core IgM rapid 1.26 Final version of HCV Core IgM ELISA; testing	2.31 Results of VLP immunisation in mice, rats (ELISA)	
12	1.27 Final version of HCV Core IgM rapid; testing	2.32 Results of VLP immunisation in mice, rats (ELISA) 2.33 Results of VLP surface protein immunisation in mice, rats (ELISA)	

	1. Project 1	2. Project 2	3. Project 3
Y2, outline	1.28 Technical support in final development and QC of HAV and HEV tests 1.29 Minor research needed to publish scientific papers to highlight utility of HAV and HEV products 1.30 <i>Finalise licensing of HCV core IgM assays</i> 1.31 Technical support and research for publication to highlight utility of the product	2.34 Examine cellular immune response in mice immunised with VLPs 2.35 Challenge of VLP vaccinated mice 2.36 Examine cellular immune response in mice immunised with gp41 VLPs 2.37 Head to head study of MVH versus attenuated measles vaccine in baboons 2.38 Surrogate neutralisation and virus-binding studies for surface protein vaccine sera, including vaccine-escape mutants 2.39 Examine immunogenicity of VLP system administered as DNA vaccines 2.40 Studies of new antigens, such as malaria antigens	3.7 <i>Seek collaborative ventures to use the adhesive peptides for actual product development (diagnostics, arrays)</i>

Bold text Key performance milestones / decision points.

Note 3: Project 4 milestones are dependent on project 1. Upon attainment of project 1 milestones, project 4 essentially becomes a marketing exercise.

Glossary

1. ELISA – Enzyme linked immunosorbent assay (total amount of specific antibody)
2. EM – electron microscopy (to check particle structure)
3. E1 – full-length E1 glycoprotein
4. E2(ecto) – hypervariable region of E2 glycoprotein
5. E2(full) – full length E2 glycoprotein
6. gp41 – essential glycoprotein
7. HAV – hepatitis A virus
8. HCV – hepatitis C virus
9. HEV – hepatitis E virus
10. HIV – human immunodeficiency virus
11. IgG – Immunoglobulin G; marker of past infection
12. IgM – Immunoglobulin M; marker of recent or current infection
13. MAb – monoclonal antibody
14. MVH – measles virus H protein
15. Neutralising antibody – antibody which can neutralise specific virus

APPENDIX B - PICORAL RESEARCH PROGRAM and MILESTONES

Picoral Research & Development Programme

The R&D Program conducted by Picoral will be outsourced to the Burnet Institute.

Project 1: Technical Description - Antivirals for the common cold and enteroviruses.

R&D to provide:

- (a) proof of concept for the activity of compounds against rhinoviruses in human upper airway epithelial cells, providing a basis for clinical development of the compounds,
- (b) selection of drug-resistant viruses (in which a negative result would also be significant),
- (c) screening of >100 additional active compounds against rhinoviruses and enteroviruses to provide structure-function data, and
- (d) screening of active compounds against a wider range of clinically relevant picornaviruses, including enterovirus 71.

Project 2: Technical Description - Molecular target of drug action – establishment of assays for screening of novel compounds.

R&D to identify the molecular target of identified compounds and similar compounds, providing a basis for high- or medium-throughput screening to find novel drugs, and drugs with activity against both rhinoviruses and enteroviruses (note that two further lead compounds, active against enteroviruses, have now been identified).

Key Milestones - Picoral

6 Months – Screen lead compounds

9 Months – Test lead compounds against rhinoviruses in upper airway epithelial cells

12 Months – Isolate resistant virus; Test active compounds against coxsackievirus in mice and myocyte culture

12 Months – Medium- or High-throughput screening assay developed

R&D Milestones (by months) – Picoral Research Program

Month	1. Project 1	2. Project 2
	Antiviral screening	Antiviral assay development and mechanism of action
1	1.1 <i>Appoint RA</i> 1.2 Order 40-100 potential compounds	2.1 <i>Appoint Postdoc</i>
2	1.3 Screen first 20-40 compounds against rhino 2, rhino 14, coxsackie B3 (HeLa cells) 1.4 Obtain clinical isolates (enterovirus 71 etc) and more rhinovirus strains, adapt to HeLa	2.2 Time-course of infection for experiments (rhinovirus)
3	1.5 <i>Serial passage of rhino 2 (drug-resistant virus)</i> 1.6 <i>Screen further 40-60 compounds against rhino 2, rhino 14, coxsackie B3</i> 1.7 <i>Obtain HUAEC cells, prepare rhino 2 and rhino 14 stocks in same</i>	2.3 Time course of infection for experiments (continuing)
4		2.4 Fluorescent dye loading and detection conditions (for fluorescent assay development)
5	1.8 <i>Screen LEAD compounds against clinical isolates, entero 71, more rhinos</i>	
6		2.5 Time course of infection (for fluorescent assay development) 2.6 Identification of key structure in experiments
7	1.9 Screen further compounds against rhino 2, rhino 14, coxsackie B3	2.7 Rhinovirus growth curves in 96-well plate cultures 2.8 Inhibition
8	1.10 Test LEAD compounds against rhinoviruses in HUAEC cells	2.9 Test known compounds by fluorescent assay

	1. Project 1	2. Project 2
9		2.10 Prepare cDNA expression plasmids for viral non-structural proteins
10	1.11 Establish coxsackievirus B3 model in mice, and/or myocyte cell culture	2.11 Test known compounds (rhino) in 96-well plates 2.12 Time course for viral non-structural proteins (NSP expression plasmids/fura Ca/hygromycin)
11	1.12 Test further active compounds against rhinoviruses in HUAEC cells	2.13 Coxsackievirus B3 growth curves in 96-well plate cultures 2.14 Inhibition of NSP
12	1.13 Resistant virus isolated/not isolated 1.14 Test active compounds against coxsackie B3 in mice, and/or myocyte culture 1.15 clone and sequence resistant virus	2.15 Test known compounds (Coxsackievirus B3) in 96-well plates 2.16 NSP - is it the same structure? 2.17 Medium throughput or high throughput screening assay developed
Y2, outline	1.16 Structure-function relationships of active/inactive drugs 1.17 Confirm mutation has drug resistance (merge with 2.16 and 2.20) 1.18 Progress animal studies for coxsackievirus B3.	2.18 Perform medium throughput or high throughput screen, 96-well plates 2.19 Medicinal chemistry, structure function studies 2.20 Experiments with enteroviruses and/or enterovirus NSPs to identify whether enteroviruses and rhinoviruses use the same (or different) structure.

Note: Key performance milestones / decision points are bolded

Glossary

1. Enteroviruses: picornaviruses causing meningitis, encephalitis, hand foot and mouth disease etc.
2. HeLa cells: cancer cell line used for screening
3. HUAEC cells: human upper airway epithelial cells, used for confirming activity of drugs against rhinoviruses in relevant tissue
4. LEAD compounds: compounds already shown to have activity against rhinoviruses and/or enteroviruses in preliminary studies
5. Medicinal chemistry: drug design based on lead compounds and structure-function studies
6. NSP expression plasmids/fura Ca/hygromycin: expression of viral non-structural protein (NSP) in cells, followed by fluorescent or hygromycin permeability to determine effect of viral proteins
7. Rhinoviruses: picornaviruses causing common colds.