

Circular to Creditors with Admitted Claims

Our ref Pan04C-CredCircAdmClaims-L0605-
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May 2004

Contact Alexandra Cotman (+61 2 9335
7842)

Dear Sir(s)/Madam

Pan Pharmaceuticals Limited (In Liquidation) (“Pan”)

I advise that the Liquidators declared an interim dividend to unsecured creditors at the rate of ten cents in the dollar on 27 April 2004 (“the First Interim Dividend”).

The Liquidators are now in a position to distribute the First Interim Dividend among the unsecured creditors whose debts or claims have been admitted in full or in part.

A formal Notice of Declaration of the First Interim Dividend is attached together with a cheque for the First Interim Dividend payable on the amount of your admitted claim.

As the Liquidators have declared the First Interim Dividend at a stage before all creditors’ claims have been adjudicated for dividend purposes (particularly sponsors’ complex and large claims), it has been necessary to base the First Interim Dividend on a creditor pool comprising the amount of creditors’ claims received plus a general contingency reserve. Accordingly, the Liquidators have calculated the First Interim Dividend based on a creditor pool of \$368 million.

Whilst it is necessary to base the First Interim Dividend on such a large creditor pool, it should be noted that based on the claims-adjudication work to date, the Liquidators see no current reason to revise the previous estimate of approximately \$190 million for the claims that would ultimately be admitted to rank for dividend purposes.

Pending completion of the claims adjudication process, it should be possible to declare a second interim dividend later in the year.

Further dividends thereafter will be largely dependent upon the outcome of the legal proceedings commenced on 7 April 2004 against Mr Jim Selim for damages for breach of duties owed to Pan under section 180 of the *Corporations Act 2001* and for breach of contract of employment.

The figure for the amount of your admitted claim shown on the attached Notice may differ to the amount of the claim set out in your proof of debt. If you have not received notification of rejection of this part of your claim, the difference between the amount in your proof of debt and the admitted figure in the Notice will represent the portion of your claim that is currently under

consideration. You will shortly receive notification as to whether this part of your claim has been either admitted or rejected or if further evidence is required in support of it. If this part of your claim is subsequently admitted (in whole or part), you will also receive a cheque for the First Interim Dividend payable on the further admitted part of your claim.

Should you require further information, please contact Alex Cotman of my staff on +61 2 9335 7842.

Yours faithfully

A G McGrath
Joint Liquidator