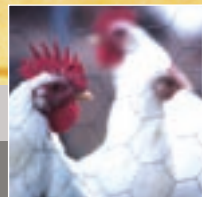
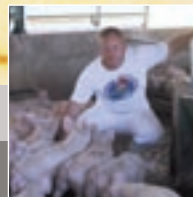


This Replacement Prospectus replaces
the prospectus dated 27 August 2004



Rights Offer Replacement Prospectus

**A non-renounceable Rights Offer
of 1 New Share and attaching Option
for every 11 existing Shares
to raise approximately \$20.3 million.**



Important Information

This replacement Prospectus is dated 10 September 2004 and replaces the initial Prospectus which was dated 27 August 2004. A Copy of this Prospectus was lodged with ASIC on 10 September 2004. The Prospectus relates to an offer of New Shares and attaching Options in Chemeq. Neither ASIC nor ASX take any responsibility for the content of this Prospectus.

Chemeq will apply for quotation of the New Shares and attaching Options on ASX within seven days after the date of this Prospectus. No securities will be issued on the basis of this Prospectus later than 13 months after the date of the Prospectus.

Section 713 of the Corporations Act requires this Prospectus to contain all information that Eligible Shareholders and their professional advisers would reasonably require and reasonably expect to find in this Prospectus for the purpose of making an informed assessment of:

- the effect of the Rights Offer on Chemeq; and
- the rights and liabilities attaching to the New Shares and attaching Options.

In determining the content of this Prospectus, regard has been had to the fact that Chemeq is a disclosing entity for the purposes of the Corporations Act (and is subject to regular reporting and disclosure obligations) and also to the fact that certain matters may reasonably be expected to be known to professional advisers whom Eligible Shareholders may consult.

Applications for New Shares can only be made by completing the Entitlement Application Form in full, in accordance with the instructions on it, and sending it to the Chemeq Share Registry. A personalised Entitlement Application Form accompanies this Prospectus for use by Eligible Shareholders who are entitled to participate in the Rights Offer.

If you are entitled as an Eligible Shareholder to apply for New Shares under the Rights Offer, your personalised Entitlement Application Form shows the number of New Shares for which you are entitled to apply pursuant to your Entitlement. You may also apply for additional Remaining New Shares.

Please refer to section 2.18 on how to accept your Entitlement. Eligible Shareholders who take no action in respect of their Entitlement will not receive any New Shares or attaching Options.

This Prospectus is important and should be read in its entirety before you decide to participate in the Rights Offer. If, after reading this Prospectus, you do not understand any of its

contents, have any questions about the Rights Offer or are in doubt as to the course you should follow, you should consult your professional adviser.

A copy of this Prospectus is available for inspection at Chemeq's principal office at Chemeq House, 3 Brodie Hall Drive, Bentley, Western Australia during normal business hours. Chemeq will provide a copy of this Prospectus to any person who requests a copy during the application period for this Prospectus.

A copy of this Prospectus (in read only format and without an Entitlement Application Form) may be viewed on Chemeq's website at www.chemeq.com.au from the date of this Prospectus until the Closing Date. No offer is made under the electronic form of this Prospectus, and there is no facility for electronic applications.

Definitions of certain terms used in this Prospectus appear in the Glossary on page 45. All amounts designated in dollars are in Australian dollars unless otherwise specified.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and persons who come into possession of this Prospectus should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

To make the offer of New Shares and attaching Options in New Zealand, Chemeq is relying on the Exemption Notice. Further information relevant to New Zealand Shareholders is set out in section 6.5. New Zealand Shareholders should carefully consider the matters set out in section 6.5.

Where this Prospectus has been dispatched to persons in a country other than Australia or New Zealand, this Prospectus is provided for information purposes only and does not constitute an offer or invitation (see section 2.11).

No person is authorised to give any information or make any representation in connection with the Rights Offer that is not contained in this Prospectus. Any information or representation not contained in this Prospectus may not be relied on as having been authorised by Chemeq or the Directors.

All real property, buildings and plant pictured in this Prospectus are owned by Chemeq.

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Summary of Key Dates

Announcement of the Rights Offer	27 August 2004
Date of initial Prospectus	27 August 2004
Date of this replacement Prospectus	10 September 2004
Record Date to determine Entitlements under the Rights Offer	7 September 2004
Dispatch of Prospectus and Entitlement Application Form	13 September 2004
Last day for acceptance of Application Monies (Closing Date)	27 September 2004
Trading expected to commence for New Shares and attaching Options on deferred settlement basis	28 September 2004
Issue of New Shares and attaching Options	6 October 2004
Dispatch of shareholding statements for New Shares and attaching Options	6 October 2004
Trading expected to commence for New Shares and attaching Options on a normal T + 3 basis	7 October 2004

These dates are indicative only and subject to change. Chemeq reserves the right, subject to the Corporations Act, the ASX Listing Rules and other applicable law, to vary the dates of the Rights Offer, including to extend the Rights Offer, close the Rights Offer early or accept late applications, either generally or in particular cases, without notifying you. You are encouraged to submit your Entitlement Application Form as soon as possible.

Chemeq Share Registry

Within Australia 1300 557 010

Outside Australia +61 3 9415 4000

Chemeq Rights Offer InfoLine

Within Australia 1300 789 405

Outside Australia +61 8 9362 0105



Chairman's Letter



Dear Shareholder

I am delighted to present to you a new opportunity to invest in what your Board considers to be an outstanding global pharmaceutical business.

Chemeq stands poised to take advantage of worldwide demand for a safe and effective replacement for the problematic use of antibiotics as growth promotants in commercial animal production.

Our extensively patented antimicrobial is an efficacious drug to directly deal with the growing international animal healthcare problem presented by antibiotic resistant bacteria or "superbugs".

In 2001, Chemeq undertook to design and construct a commercially efficient, state-of-the-art pharmaceutical production facility at Rockingham in Western Australia. I am pleased to inform you that Chemeq achieved first production of its pharmaceutical product, CHEMEQ® polymeric antimicrobial, from its newly completed pharmaceutical production facility on 9 August 2004.

The Board of Chemeq believes our arrival at this significant milestone marks the beginning of an exciting new chapter for our company.

To more fully exploit the substantial market opportunities before us, we now wish to raise further capital. Your Board strongly supports this capital raising.

I commend this Rights Offer to you and look forward to your full participation.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'G. Melrose', is positioned above the printed name.

Dr Graham J. H. Melrose

Chairman and Chief Executive Officer

1 Investment Highlights

World leader. Chemeq is the originator and world leader in the development of polymeric antimicrobial drugs which supersede antibiotics for the control of disease causing bacteria in commercial animal production.

Critical need for product. There is a critical worldwide gap for a replacement for antibiotics as producers, governments and health officials grapple with the increasing problem of antibiotic-resistant bacteria linked to the use of antibiotics as growth promotants in animal food production. For economic reasons, commercial producers of poultry and pigs, operating at very low margins, invariably demand protection for their livestock from disease-causing bacteria that are exhibiting increasing resistance to partially effective antibiotics. CHEMEQ® polymeric antimicrobial has been shown (among other attributes) to have the following key advantages over antibiotics:

- higher efficacy against antibiotic-resistance “superbugs”; and
- no observed build-up of resistant germs.

Secure and proven intellectual property. Chemeq has achieved manufacturing and marketing monopolies as the result of having been granted patents in more than 80 countries with more than 175 patents pending. Based on extensive searches, Chemeq is not aware of any comparable competing technologies.

Need for regulatory approvals and manufacturing licence. Chemeq’s product has been comprehensively tested and has already been approved for use in South Africa for poultry and pigs, and New Zealand for pigs. Additional approvals are expected to follow this financial year (see section 3.4). To sell product, Chemeq will require an APVMA Good Manufacturing Practice licence. No assurance can be given that this will be obtained (see section 3.7(b)).

Established production facility. Chemeq has produced its pharmaceutical drug, CHEMEQ® polymeric antimicrobial, from its newly constructed pharmaceutical production facility. The facility is capable of producing 20,000 kg per annum of the key Active Pharmaceutical Ingredient (“API”). An upgrade is underway to add a further 30,000 kg per annum capacity, taking total production capacity to 50,000 kg per annum, when brought online by December 2005. The upgrade is subject to Chemeq being able to raise the funding required for this purpose (see sections 3.7(c), 3.7(d) and 4.2).

Market is substantial. The global market potential is substantial. Chemeq has identified its medium-term target market segment as the highly concentrated, large scale, poultry and pig producers.

Marketing and commercialisation is well advanced. Chemeq has been active in the market for over two years and has recently launched sales campaigns. Already, Chemeq has secured the conditional arrangements described in section 3.6. In addition, Chemeq has received expressions of interest from other parties - although these remain at the enquiry stage, and no binding arrangements have been entered into. Importantly, the market is highly concentrated to relatively few producers, as illustrated by poultry production in Australia, which is dominated by just two producers. This enables Chemeq to directly target large customers at low cost.

Other applications. Other potential applications of Chemeq’s platform technology, at various stages of development, include: select cancer treatments; preservative for dermatological use; sunscreen; and the treatment of human gastrointestinal diseases.

Inclusion in indices. Chemeq is included in the S&P/ASX 200 index.

Important note. Any investment in New Shares and attaching Options is subject to a number of risks, including those set out in section 5 of this Prospectus.

Details of the Offer

2

2.1 OVERVIEW OF RECENT PLACEMENT

On 27 August 2004, Chemeq raised approximately \$9.8 million (before expenses) by making a placement of 4.1 million Shares and 4.1 million Options to institutional, sophisticated and professional investors at a price of \$2.40 per Share. The Options were issued for no additional consideration on the basis of one Option for each Share subscribed for.

The Shares issued under the Placement rank equally with Shares on issue before the Placement. Shares issued under the Placement will also participate in the Rights Offer.

This Prospectus relates to the Rights Offer only.

2.2 THE RIGHTS OFFER

The Directors have approved an offer of approximately 8.5 million New Shares and approximately 8.5 million attaching Options at the Offer Price to raise approximately \$20.3 million before offer expenses. Eligible Shareholders are entitled to subscribe for one New Share for every eleven Shares (1:11) held as at 5.00 pm WST on the Record Date. Eligible shareholders will receive one attaching Option, for no additional consideration, for each New Share subscribed for.

The Rights Offer is non-renounceable and is being made at the same price (being \$2.40, the Offer Price) as the price at which institutional, sophisticated and professional investors acquired Shares under the Placement. This is a discount of 33% to the five day volume weighted average price at which Chemeq Shares traded on ASX up to and including 13 August 2004.

The number of New Shares to which each Eligible Shareholder, as registered on the Record Date, is entitled is shown on the accompanying Entitlement Application Form. Eligible Shareholders may accept their Entitlement in full or in part by returning their Entitlement Application Form to the Share Registry by the Closing Date (see section 2.13). Eligible Shareholders may also apply for additional Remaining New Shares and attaching Options in the manner described below. Once an Entitlement Application Form is returned, it is irrevocable and may not be varied or withdrawn.

Any New Shares not taken up by Eligible Shareholders will be placed in a pool of Shares referred to as Remaining New Shares. Remaining New Shares will be offered to other Eligible Shareholders. Eligible Shareholders may apply for Remaining New Shares, in addition to their Entitlement, at the Offer Price. Directors of Chemeq are not permitted to apply for Remaining New Shares but may take up their Entitlement, if any (however, one of the directors, Dr Graham J.H. Melrose, has agreed to sub underwrite a portion of the Rights Offer – see section 6.10). As Chemeq may receive applications for more Remaining New Shares than are available, applications for additional Remaining New Shares may be scaled back if the offer is over subscribed. This means you may not receive the full number of Remaining New Shares you apply for. In this case your Application Monies in respect of those New Shares will be refunded, but no interest will be paid. Eligible Shareholders who are allocated Remaining New Shares will receive an equivalent number of attaching Options for no additional consideration.

The Offer Price of \$2.40 per New Share (or Remaining New Share) is payable on acceptance (whether in whole or in part) of your Entitlement and on application for any Remaining New Shares. Where fractions arise in the calculation of Entitlements, they will be rounded up to the nearest whole number of New Shares.

The Rights Offer is underwritten by Ord Minnett Limited and is non-renounceable. Details of the underwriting arrangements are set out in section 6.10.

2.3 PURPOSE OF THE RIGHTS OFFER

Any funds that are raised by the Rights Offer will be used for the purposes set out in section 4.2.

2 | Details of the Offer continued

2.4 RIGHTS ATTACHING TO THE NEW SHARES AND TERMS OF THE OPTIONS

The New Shares, from the date of issue, will be in the same class as the existing Shares and will carry the same rights as the existing Shares. The rights attaching to the New Shares and Shares are more fully described in section 6.6. Each Option carries the right to subscribe for one Share at the Offer Price (\$2.40) at any time until 30 June 2005. The terms of the Options are more fully described in section 6.7.

2.5 ASX LISTING

Chemeq will apply to ASX within seven days of the date of this Prospectus for the official quotation of the New Shares and attaching Options offered by this Prospectus.

If approval is not granted by ASX within three months after the date of this Prospectus (or such longer period as may be allowed by ASIC), Chemeq will not issue any New Shares or attaching Options and will repay all Application Monies (where applicable) within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation of the New Shares or attaching Options is not to be taken in any way as an indication of the merits of Chemeq or the New Shares or Options issued under the Rights Offer.

2.6 MARKET PRICE OF SHARES

The lowest and highest market sale prices of Chemeq's Shares (other than those issued under the Placement) on ASX during the three months immediately preceding the date of this Prospectus and the respective dates of those sales were \$1.95 on 1 September 2004 and \$5.49 on 15 June 2004.

The latest available market sale price of Chemeq's Shares, and Options, on ASX immediately before the date of this Prospectus was \$2.02, and \$0.305 on 9 September 2004 respectively.

2.7 NO MINIMUM SUBSCRIPTION

There is no minimum subscription, but all applications must be for a whole number of New Shares.

2.8 UNDERWRITING

The Rights Offer is fully underwritten by Ord Minnett Limited. This means that even if all Entitlements are not taken up, the Rights Offer will raise the full amount of approximately \$20.3 million before expenses. The Underwriter will therefore take up any New Shares not taken up by Eligible Shareholders (and will receive attaching Options in respect of those New Shares for no additional consideration). The terms of the underwriting arrangements are described in section 6.10.

2.9 CHEMEQ EMPLOYEE SHARE ACQUISITION PLAN

Chemeq periodically offers Shares to a number of its employees under the Chemeq Employee Share Acquisition Plan. All Eligible Shareholders holding Shares that were issued under the Employee Share Acquisition Plan prior to the Record Date are eligible to participate in the Rights Offer in respect of those Shares.

2.10 CHEMEQ EMPLOYEE SHARE SAVINGS PLAN

Chemeq periodically offers a number of employees the opportunity to save money over a period of time. At the end of that period, the money may (at Chemeq's discretion) be applied towards a subscription of Shares. All Eligible Shareholders holding Shares that were issued under the Employee Share Savings Plan prior to the Record Date are eligible to participate in the Rights Offer in respect of those Shares.

2.11 FOREIGN SHAREHOLDERS

Chemeq is making the Rights Offer only to shareholders with registered addresses in Australia and New Zealand. Chemeq considers it unreasonable to extend the Rights Offer to shareholders with registered addresses in other jurisdictions having regard to the small number of such shareholders, the small number and value of securities that would be offered in such jurisdictions and the costs of complying with legal and regulatory requirements in those jurisdictions. As required under the Listing Rules, Chemeq will send all Foreign Shareholders' details of the Rights Offer and advise that Chemeq is not extending the Rights Offer to the Foreign Shareholders.

Eligible Shareholders with registered addresses in New Zealand to whom the Rights Offer is made should allow for time constraints imposed by mail services.

This Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

2.12 CHESS

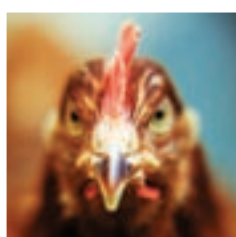
Chemeq participates in the security transfer system known as CHESS. ASTC, a wholly owned subsidiary of ASX, operates CHESS in accordance with the Listing Rules and the ASTC Settlement Rules. Under CHESS, Shareholders will not receive a share certificate or Option certificate but will receive a statement of holding of Shares and Options.

If you are broker sponsored, and you take up your Entitlement, ASTC will send you a CHESS statement. The CHESS statement will set out the number of New Shares and Options issued to you under this Prospectus and provide details of your holder identification number and the participant identification number of the sponsor. If you are registered on the issuer sponsored sub-register, and you take up your Entitlement or are issued Remaining New Shares, your statement will be dispatched by the Share Registry and will contain the number of New Shares and Options issued to you under this Prospectus and a security holder reference number.

A CHESS statement or issuer-sponsored statement will routinely be sent to Shareholders and Optionholders at the end of any calendar month during which the balance of their shareholding or optionholding changes. Shareholders and Optionholders may request a statement at any other time, however, a charge may be made for additional statements.

2.13 OPENING DATE AND CLOSING DATE

The Rights Offer will open for receipt of acceptances at 9.00 am WST on Monday, 13 September 2004, and will close at 5.00 pm WST on the Closing Date (Monday, 27 September 2004), or such later date not exceeding 13 months from the date of this Prospectus as the Board, in its absolute discretion and subject to compliance with the Corporations Act and the Listing Rules, may determine. Applications received after the Closing Date will be rejected and the corresponding Application Monies will be returned without interest.



2.14 ALLOCATION

Chemeq expects to allocate all New Shares and attaching Options on Wednesday, 6 October 2004. It reserves the right to allocate New Shares and attaching Options in full for any application, to allocate any lesser number, or to decline any application. Where no allocation is made or the number of New Shares and attaching Options allocated is less than the number for which application is made, surplus Application Monies will be returned to the applicant as soon as practicable. Applications for Remaining New Shares and attaching Options received from Eligible Shareholders will be allocated at the discretion of Chemeq in such manner as Chemeq considers appropriate. This may result in no Remaining New Shares and attaching Options being allocated to an applicant, or the amount applied for being scaled back. Interest will not be paid on any monies refunded and any interest earned on Application Monies pending the allocation or refund will become an asset of Chemeq.

2.15 APPLICATION MONIES HELD ON TRUST

Until the issue of the New Shares and attaching Options under this Prospectus, the Application Monies will be held on trust in a separate bank account opened and maintained for that purpose only. Any interest earned on the Application Monies will be for the benefit of Chemeq and will be retained by it irrespective of whether the issue of the New Shares and attaching Options takes place.

2.16 ISSUE OF NEW SHARES AND ATTACHING OPTIONS

No issue of New Shares or attaching Options will be made until the proceeds of the Rights Offer have been received and permission is granted for quotation of the New Shares and attaching Options on ASX. While Chemeq is not aware of any reason why quotation would not be granted, there is no guarantee that quotation will be granted. Chemeq expects to issue the New Shares and attaching Options on or about Wednesday, 6 October 2004. Holding statements in relation to the New Shares and attaching Options are expected to be dispatched on or before Wednesday, 6 October 2004.

It is the responsibility of applicants to the Rights Offer to determine their allocation prior to trading in New Shares and attaching Options. Applicants who purport to sell New Shares or attaching Options before they receive their holding statements will do so at their own risk. Chemeq disclaims all liability in tort (including negligence), under statute or otherwise, to persons who trade any New Shares or attaching Options before receiving their holding statements, whether on the basis of a confirmation of allocation provided by Chemeq or the Share Registry or otherwise.

2.17 RISK FACTORS

In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in Chemeq, which are set out in section 5.

2.18 ACTION REQUIRED BY ELIGIBLE SHAREHOLDERS

Before taking any action in relation to the Rights Offer, Eligible Shareholders should read this Prospectus in its entirety. Eligible Shareholders may:

- take up their Entitlement in full and apply for additional Remaining New Shares and attaching Options (refer to section 2.20);
- take up their Entitlement in full (refer to section 2.21);
- take up part of their Entitlement and allow the balance to lapse (refer to section 2.22); or
- not take up their Entitlement and allow all of it to lapse (refer to section 2.23).

Since the Rights Offer is non-renounceable, your Entitlement cannot be sold to a third party.

Potential investors are encouraged to submit their Entitlement Application Forms as early as possible as the Rights Offer may be closed before the indicated Closing Date without prior notice.

2.19 AVOIDING DILUTION OF YOUR SHAREHOLDING

The Rights Offer is a pro rata offer to Eligible Shareholders. Eligible Shareholders who take up their full Entitlement (or acquire Remaining New Shares) will not have their percentage shareholdings in Chemeq diluted by the Rights Offer (although the Placement will have diluted all Shareholders other than the recipients of Shares under the Placement). The percentage of issued Shares held by Eligible Shareholders who do not take up their Entitlement in full will be diluted. In addition, the exercise of Options by other Optionholders may dilute your shareholding.

2.20 IF YOU WISH TO TAKE UP ALL OF YOUR ENTITLEMENT AND APPLY FOR ADDITIONAL REMAINING NEW SHARES AND ATTACHING OPTIONS

If you wish to take up all of your Entitlement and apply for additional Remaining New Shares (and attaching Options), you should complete the accompanying Entitlement Application Form in accordance with the instructions set out on the form, indicating the number of New Shares (being your full Entitlement) and the number of Remaining New Shares you wish to apply for. Forward your completed Entitlement Application Form together with your cheque or bank cheque (refer to section 2.24 for the full amount payable) in the enclosed reply paid envelope so as to reach the Share Registry by not later than 5.00pm (WST) on the Closing Date (Monday, 27 September 2004).

2.21 IF YOU WISH TO TAKE UP YOUR ENTITLEMENT IN FULL

If you wish to take up all of your Entitlement you should complete the accompanying Entitlement Application Form in accordance with the instructions set out on the form. Forward your completed Entitlement Application Form together with your cheque or bank cheque (refer to section 2.24) for the full amount payable in the enclosed reply paid envelope so as to reach the Share Registry by not later than 5.00 pm (WST) on the Closing Date (Monday, 27 September 2004).

2.22 IF YOU WISH TO TAKE UP ONLY PART OF YOUR ENTITLEMENT (AND ALLOW THE BALANCE TO LAPSE)

If you wish to take up only part of your Entitlement (and allow the balance to lapse) you should complete the accompanying Entitlement Application Form in accordance with the instructions set out on the form, indicating the number of New Shares you wish to accept (being less than your Entitlement as specified on the Entitlement Application Form). Forward your completed Entitlement Application Form together with your cheque or bank cheque (refer to section 2.24) for the full amount payable in respect of the part of your Entitlement you have accepted, in the enclosed reply paid envelope so as to reach the Share Registry by not later than 5.00 pm (WST) on the Closing Date (Monday 27 September 2004).

2.23 IF YOU DO NOT WISH TO TAKE UP YOUR ENTITLEMENT AND ALLOW ALL OF IT TO LAPSE

If you decide not to take up your Entitlement at all, you should take no action and allow the Rights Offer to lapse.

2.24 PAYMENT FOR NEW SHARES

The Offer Price of \$2.40 per New Share (and Remaining New Share) is payable on acceptance of your Entitlement (whether in whole or in part) or on application for additional Remaining New Shares. No brokerage or stamp duty is payable on the issue of New Shares or Options. Attaching Options will be issued for no additional consideration, on the basis of one attaching Option for each New Share (including a Remaining New Share issued).

All payments are to be made in Australian currency either by way of:

- a cheque drawn on and payable at any Australian bank or any bank operating in Australia; or
- a bank cheque drawn on and payable at any Australian bank or any bank operating in Australia.

2 | Details of the Offer continued

Other currency will not be accepted. Cash or Electronic Funds Transfer (EFT) payments will not be accepted. Other currency payments or cash payments will be returned and the acceptance will be deemed invalid.

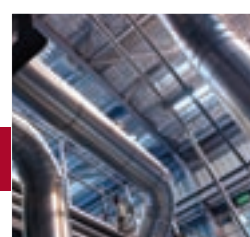
Cheques or bank cheques should be made payable to "Chemeq – Rights Offer Trust Account" and crossed "Not Negotiable". Receipts for payments will not be issued.

Chemeq reserves the right to reclaim cheque dishonour fees from applicants whose cheques are dishonoured. Chemeq may, in its discretion, deduct those fees from the Application Monies received and reduce the number of New Shares applied for accordingly.

2.25 ENQUIRIES

For further information or if you require assistance to complete the Entitlement Application Form or require additional copies of this Prospectus, please call the Share Registry on 1300 557 010 (within Australia) or the Chemeq Rights Offer InfoLine, on 1300 789 405. However, Eligible Shareholders should only rely on the information contained in this Prospectus and in documents lodged with ASX in accordance with Chemeq's obligations under the Corporations Act and the Listing Rules to notify ASX of relevant information (see sections 6.1 and 6.3).

If you require advice as to whether to invest in Chemeq, you should seek professional advice from your stockbroker, accountant or financial adviser.



Chemeq's Business

3.1 PRODUCT

Chemeq is the creator, extensive patent owner, manufacturer and marketer of an antimicrobial drug that is a safe and effective replacement to the increasingly problematic use of antibiotics in animal food production, worldwide. Chemeq is awaiting regulatory approvals and a manufacturing licence approval (see sections 3.4 and 3.7, in particular, section 3.7(b)).

There is a critical worldwide gap for a replacement for antibiotics as producers, governments and health officials grapple with the increasing problem of antibiotic-resistant bacteria linked to the use of antibiotics as a growth promotant in animal food production. For economic reasons, commercial producers of poultry and pigs, operating at very low margins, invariably demand protection for their livestock from disease-causing bacteria that are exhibiting increasing resistance to partially effective antibiotics.

CHEMEQ® polymeric antimicrobial has been shown (among other attributes) to have the following key advantages over antibiotics:

- higher efficacy against antibiotic-resistant “superbugs”; and
- no observed build-up of resistance in germs.

Chemeq has extensively tested CHEMEQ® polymeric antimicrobial against disease causing bacteria, including antibiotic resistant “superbugs”, and on each occasion scored a 100% kill. In vitro results proved that even after more than 100 successive exposures to CHEMEQ® polymeric antimicrobial, E.coli bacteria did not become resistant. However, use of a leading antibiotic soon promoted resistant bacteria. Trials demonstrate that CHEMEQ® polymeric antimicrobial is effective and can be used as a replacement to antibiotics, the use of which has been restricted in some jurisdictions because it results in antibiotic-resistant bacteria. The European Union has already legislated to ban the use of antibiotics as growth promotants from 2006.

Commercial trials have demonstrated a revenue advantage to pig producers who used CHEMEQ® polymeric antimicrobial. When calculated using the AUSPIG® simulation model that shows the impact of reduced performance due to disease, the potential revenue advantage of using CHEMEQ® polymeric antimicrobial instead of existing product, amounts to \$69 per sow per year. See the table below.

Production Parameter	Trial results	Weaner effect 21-63 days	Economic benefit
Mortality	0.5% improvement	Every 1% decrease in mortality rate increased revenue by \$18/sow/year	\$9 per sow/year
Growth rate	30 g/day improvement	Every 10 g/day increase in weaner growth rate increased revenue by \$20/sow/year	\$60 per sow/year
Potential extra revenue			\$69 per sow/year*

* Extra revenue will vary according to individual farm conditions including existing disease level and effectiveness of existing treatment program.

3 | Chemeq's Business continued

CHEMEQ® polymeric antimicrobial treated animals were typically heavier, grew faster, ate less feed and were ready for market earlier than control groups treated with antibiotics.

The table below shows the superior Performance Efficiency Factor (PEF), a combined and recognised measure of live weight gain, feed conversion ratio and mortality rate, of CHEMEQ® polymeric antimicrobial over a leading antibiotic when used in poultry. The PEF is an industry-recognised indicator and a key input in the management of poultry production.

Poultry Gender	CHEMEQ® PEF	Avilamycin PEF	PEF Improvement
Females	315.3	283.4	31.9
Males	365.1	344.9	20.2
Overall	340.1	313.3	26.8

The chart below demonstrates the capacity of CHEMEQ® polymeric antimicrobial to comprehensively kill all target bacteria (see the column far right) in contrast to partially or totally ineffective antibiotics commonly used in the treatment and prevention of animal intestinal diseases. CHEMEQ® polymeric antimicrobial destroyed all antibiotic resistant bacteria that were not killed using antibiotics.

Culture	Spectinomycin	Ampicillin	Lincomycin	Bacitracin	Apramycin	Tetracycline	Gentamycin	Neomycin	Thimethoprim /Sulphonamide	CHEMEQ®
E.coli ATCC 8739	▲	○	▲	▲	○	○	○			○✓
E.coli serotype 08	▲	▲	▲	▲	○	▲	○	▲	▲	○✓
E.coli serotype 09	▲	○	▲	▲	○	■	○			○✓
E.coli serotype 020	▲	▲	▲	▲	○	▲	○			○✓
E.coli serotype 045	▲	○	▲	▲	○	■	○			○✓
E.coli serotype 064	▲	○	▲	▲	○	■	○			○✓
E.coli serotype 098	▲	▲	▲	▲	○	▲	○			○✓
E.coli serotype 0101	▲	▲	▲	▲	○	○	○	○	▲	○✓
E.coli serotype 0138	▲	○	▲	▲	○	▲	○	○	▲	○✓
E.coli serotype 0139	▲	▲	▲	▲	○	■	○	○		○✓
E.coli serotype 0149	▲	○	▲	▲	○	▲	○			○✓
E.coli serotype 0157	▲	▲	▲	▲	▲	▲	▲			○✓
E.coli serotype 0141ab	▲	▲	▲	▲	▲	▲	▲			○✓
E.coli serotype 0141ac	▲	▲	▲	▲	▲	▲	▲			○✓

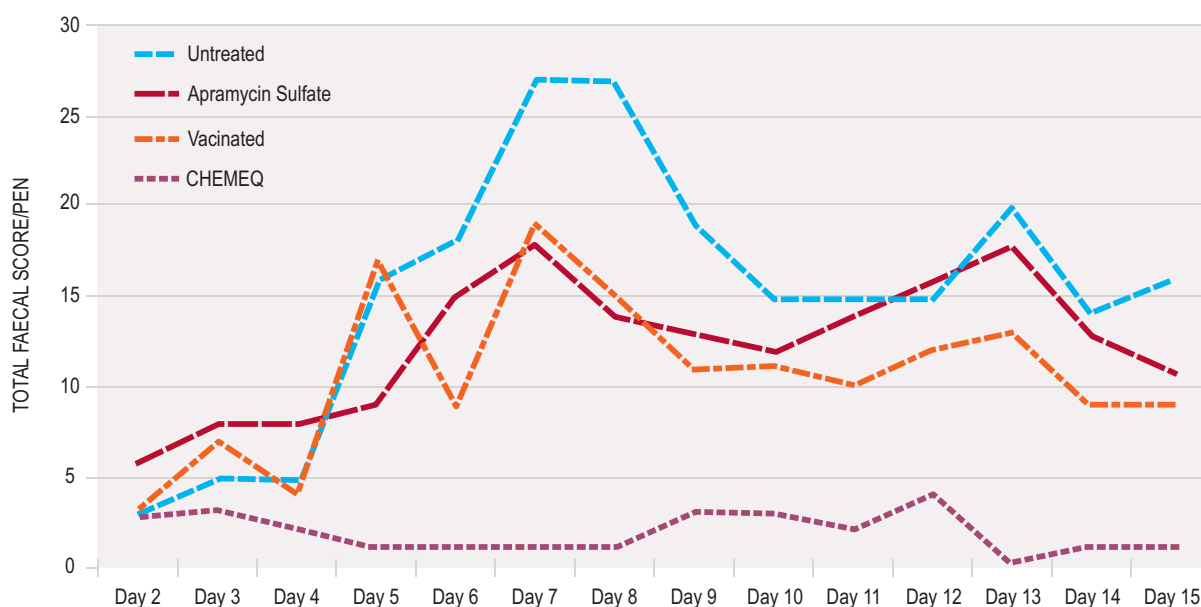
○ Sensitive, zone of clearing present

▲ Resistant, no zone of clearing

■ Partial resistance, very small zone of clearing

The chart below shows that CHEMEQ® polymeric antimicrobial effectively controlled E.coli germs with significantly lower faecal scores (evidenced by fewer diarrhoea days and reduced mortality) than pigs treated with a leading antibiotic, a commercial E.coli vaccine or left untreated.

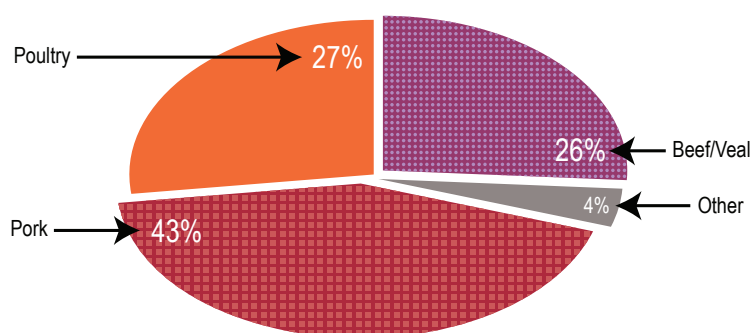
COMPARATIVE FAECAL E.COLI SCORES



3.2 MARKETS

Chemeq is poised to commercialise CHEMEQ® polymeric antimicrobial by supplying to the two largest categories of commercial meat production in the world, pigs and poultry.

The graph (right) shows that pork constitutes about 43% of global meat consumption and poultry about 27%.



Source: Ontario Ministry of Agriculture and Food (15 July 2001).

3 | Chemeq's Business continued

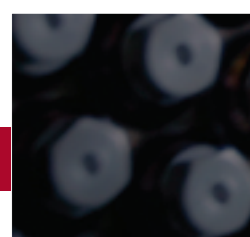
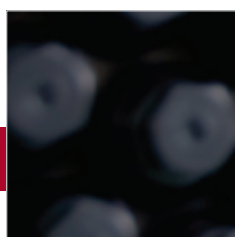
The global market potential for CHEMEQ® polymeric antimicrobial is substantial. Chemeq has identified its medium-term target market segment as the highly concentrated, large scale, poultry and pig producers. Chemeq's access to its target market segment will be influenced by a number of factors including the issue of the APVMA Good Manufacturing Practice licence, the pace of regulatory approvals, Chemeq's production capacity and other risk factors referred to in section 5, not all of which Chemeq can accurately predict.

Importantly, because large-scale commercial meat production is highly concentrated among few producers, Chemeq has an opportunity to directly access a very significant market share. For example, the table right illustrates the concentration of producers in Australian poultry and pigs markets, and the Brazilian poultry market (one of the largest poultry producing nations in the world). Chemeq has not obtained regulatory approvals for Australia and Brazil (see section 3.4).

AUSTRALIA	→	10% of Pig Producers	~ 70% of market
AUSTRALIA	→	2 Poultry Producers	~ 70% of market
BRAZIL	→	8 Poultry Producers	~ 50% of market

3.3 COMPETITORS

Intense competition exists in the markets for antimicrobials and related products and the risk exists that one or more of the competitors' products in development now or in the future will prove more efficacious, more cost effective or more acceptable to the market or regulatory bodies, than the CHEMEQ® polymeric antimicrobial. It is possible, that a competitor may be in the market-place with regard to a new application sooner than Chemeq and hence establish itself as the preferred manufacturer. To do so, the competitor would need to develop a product which did not infringe the patents held by Chemeq and would need to jump the same regulatory hurdles faced by Chemeq at a production and marketing level. Such competition and new technologies could have the effect of rendering costly research and development obsolete or of decreased value, resulting in reduced pricing and profit margins. Market acceptance of the CHEMEQ® polymeric antimicrobial or any of its related products cannot currently be assessed with certainty.



3.4 REGULATORY APPROVALS

Our advanced state of market readiness is the result of years of regulatory and market preparation in key jurisdictions. The product has already been approved in South Africa for use in the poultry and pig markets and New Zealand for pig markets. The table below lists current and additional approvals that are expected in the 2005 financial year. The actual timing of regulatory approvals will be determined by a range of factors, some of which are outside of the control of Chemeq. Where appropriate, Chemeq has submitted applications for approval in pig markets that will accelerate subsequent approvals in poultry markets.

The United States of America regulator, the Food and Drug Administration ("FDA"), has the discretion to assign expedited review status for review of a new drug not marketed if that drug may also be of use against life-threatening or severely debilitating disease where no satisfactory alternative therapy is provided by any existing product. CHEMEQ® polymeric antimicrobial has met these criteria and been granted expedited review status by the FDA, which having been granted, still demands USA field trials of product manufactured from Chemeq's recently completed facility.

Chemeq expects these USA based trials, together with related submissions, to be completed during the second half of calendar year 2005.

Regulatory approvals processes of the European Union and Brazil have commenced in preparation for formal submissions for registration of CHEMEQ® polymeric antimicrobial (for poultry) and CHEMEQ® polymeric antimicrobial (for pigs). Similar processes have begun in South Korea in preparation for formal submissions for registration of CHEMEQ® polymeric antimicrobial (for pigs).

Country	Date of Original Submission	Status
New Zealand (pigs)	Jun 2001	Approved
South Africa (pigs)	Oct 2001	Approved
South Africa (poultry)	May 2003	Approved
New Zealand (poultry)	May 2003	Last part of final submission currently being completed
Thailand (pigs)	Oct 2002	All submissions completed / final evaluation underway
Thailand (poultry)	Sep 2003	All submissions completed / final evaluation underway
Malaysian (pigs and poultry)	Pending	No formal submission required. Appropriate registration from another country required for market access
Australia (pigs)	Feb 2002	Final submission currently being completed

3.5 PRICING

Chemeq has decided to charge a premium price for its CHEMEQ® polymeric antimicrobial products. The various factors Chemeq has considered include:

- The unique 'world-leader' nature and efficacy of the drug;
- The general willingness of producers and veterinarians to pay premium prices for a superior technology;
- The requirement for a solid return on investment given the significant costs of research and development consistent with the pricing policies of other global pharmaceutical companies;
- Potential for additional margin in the poultry market where antibiotic-free meat already sells for a premium; and

3 | Chemeq's Business continued

- Potential premium pricing in markets, or countries supplying markets, where antibiotics have been restricted or banned (e.g. the USA and EU).

Chemeq acknowledges the trade-off between market penetration and premium pricing. Chemeq believes that premium pricing will maximise returns to investors and more fully capitalise on the superiority of the product. Market research and enquiries conducted by Chemeq indicate market support for a premium pricing policy for Chemeq's products. However, there is a risk Chemeq may not be able to charge a premium price for its products, or the amount of the premium that Chemeq currently anticipates. See also section 3.3 (Competitors) in this regard.

3.6 EARLY CONDITIONAL SALES AGREEMENTS

Recent successful marketing campaigns in New Zealand and South Africa have confirmed strong interest in the CHEMEQ® polymeric antimicrobial drug. Chemeq has the conditional agreements discussed below. Each agreement is conditional on the issue to Chemeq of the APVMA Good Manufacturing Practice Licence (in effect an implied condition) together with the other conditions specified below. There can be no assurance that the relevant conditions to these agreements will be met.

(a) New Zealand – a non-binding memorandum of understanding with an importer and distributor of animal health products, with the intention that the parties will enter into an exclusive distribution agreement for New Zealand and any other areas which may be agreed. The memorandum envisages a Distribution Agreement which:

- (i) will have a 3 year term with a right to renew by agreement for a further 3 years;
 - (ii) sets a wholesale price to be paid by the Distributor as well as a maximum recommended retail price and a process for adjustment;
 - (iii) incorporates Chemeq's standard trading terms;
 - (iv) otherwise provides for terms usually found in distribution agreements such as product quality, technical support and advertising support;
 - (v) provides for the Distributor to submit rolling 12 month sales forecasts on a quarterly basis and to use reasonable efforts to achieve agreed sales targets; and
 - (vi) obliges the Distributor to provide product and field support, to maintain required levels of inventory and provide quarterly sales reports.
- No assurance can be given that a binding Distribution Agreement will be concluded.

(b) South Africa – a Distribution Agreement appointing Inviro Animal Health Solutions CC, a leading South African importer and distributor of animal health products, as the exclusive distributor of CHEMEQ® polymeric antimicrobial in relation to pigs and poultry in South Africa with the exception of certain customers with whom Chemeq intends to have a direct relationship.

The Distribution Agreement:

- (i) has a 3 year term with provision for a 3 year extension;
- (ii) imposes obligations on the Distributor of the nature usually found in such agreements to market and support the Chemeq product;
- (iii) provides mechanisms for the agreement of annual sales budgets;
- (iv) obliges the Distributor to provide sales reports, to maintain adequate stock levels and to use reasonable endeavours to order quantities required to achieve the sales budgets agreed from time to time;
- (v) provides that the initial sales budget is subject to conditions including that product trials prove the product to be cost effective - failing which it will be renegotiated.
- (vi) provides for delivery mechanisms and related matters;
- (vii) determines the price payable by the Distributor and methods for changing that price; and
- (viii) allows the early termination of the agreement after six months by either party on the giving of 30 days' written notice.

(c) Thailand – Chemeq has entered into a preliminary distributorship agreement with D-Vet Limited, a leading supplier and distributor of veterinary products in Thailand, which provides for exclusive distribution in Thailand and limited distribution rights in Myanmar, Cambodia, Laos and Vietnam. The agreement:

- (i) relates to CHEMEQ® polymeric antimicrobial for pigs and poultry;

- (ii) provides for matters generally dealt with in such distribution agreements in relation to compliance, product support, placing of orders, supply and dispatch of products, product trials, promotion and advertising and maintenance of inventory;
- (iii) has a 3 year term but is terminable by either party on the giving of 90 days notice at any time; and
- (iv) is preliminary in the sense that essential terms such as price and payment terms are yet to be finalised and regulatory approvals are yet to be forthcoming (see section 3.4).

No assurance can be given that a final distribution agreement will be concluded.

(d) Meat Producer – Chemeq has received an order for CHEMEQ® polymeric antimicrobial (conditional on the results of a commercial test being satisfactory to the buyer and its advisors and regulatory approval within Australia (see section 3.4)) for a minimum of \$1.7 million (but up to \$4.4 million at the discretion of the buyer) from a major Australian meat producer.

(e) Sales Order – On 27 August 2004, Chemeq announced that a sales order had been signed for CHEMEQ® polymeric antimicrobial for \$1.5 million by a South African agent to major poultry producers. This will, subject to the issue of the APVMA Good Manufacturing Practice licence, require deliveries in December 2004, March 2005 and July 2005.

3.7 MANUFACTURING

(a) Design and Construction

In 2002, Chemeq undertook to fast-track the design and construction of a world-class pharmaceutical production facility to be used for the manufacture of CHEMEQ® polymeric antimicrobial. This commitment underscored the resolve of Chemeq to commercialise its unique drug. The decision to become Australia's leading end-to-end drug pharmaceutical company also reflected a determination to maximise earnings potential.

Chemeq has achieved first production of its pharmaceutical product, CHEMEQ® polymeric antimicrobial, from its newly completed pharmaceutical production facility (MP-1) in Rockingham, Western Australia.

CHEMEQ® polymeric antimicrobial is a Polymer derived from the polymerisation of a Monomer. The key steps in producing the CHEMEQ® polymeric antimicrobial are:

- Production of catalyst (achieved during 2003);
- Production of Monomer (achieved 11 June 2004);
- Production of API (achieved 2 August 2004); and
- Formulation of API (achieved 9 August 2004).

The MP-1 facility is, in all material respects, a unique combination of proven technology and chemistry. In commissioning to date, the plant has demonstrated the ability to deliver at approximately 15% capacity in accordance with the planned ramp-up. Chemeq is planning a steady increase up to name plate capacity (20,000 kg per annum of API) by December 2004.

(b) Need For APVMA Good Manufacturing Practice Licence

For Chemeq to sell product from its MP-1 facility, an APVMA Good Manufacturing Practice ('GMP') licence is required. The GMP licence, for veterinary preparations, ensures that products are consistently manufactured in a safe and clean environment, by specified methods, under adequate supervision and with effective quality control procedures, so users can be confident that the product is fit for its purpose.

Chemeq has been in regular communication with the APVMA and its authorised GMP auditors, throughout the design and construction phases of the MP-1 facility. This proactive approach, together with the experience derived from successful licensing of Chemeq's 2,000 kg per annum API pilot plant in August 2002, adds a level of certainty to the approval process. Chemeq is preparing for an APVMA audit of the MP-1 facility in October 2004. The actual timing of the audit, and any decision based upon it, will depend on a range of factors, some of which are outside the control of Chemeq. No assurance can be given that the licence will be granted.

3 | Chemeq's Business continued

(c) MP-1 Construction Program

The first construction program, called MP-1, had two major deliverables:

- An Active Pharmaceutical Ingredient plant ('API-1') of 20,000 kg per annum API capacity; and
- Infrastructure (including formulation, laboratory, administration and warehousing).

Chemeq subsequently undertook to upgrade the infrastructure component of MP-1 to a potential 750,000 kg capacity (and to FDA standards).

The table below shows the estimated total cost of MP-1 versus budget (including infrastructure component upgrade described above). The higher than budgeted cost of the API-1 plant reflects unexpected (but now resolved) complications, delays and additional development costs associated with construction of Chemeq's unique world-first technology. The infrastructure was delivered on budget. The successful completion of the first API facility provides assurance for a positive outcome in the construction of subsequent API facilities.

MP-1	Estimated Total Cost (\$ million)	Budget (\$ million)
API 1		
Equipment	12.4	
Piping, Mechanical, Electrical and Controls Labour	5.6	
Building	1.7	
Consultants	7.4	
Total API 1	27.1	10.0
Infrastructure		
Buildings	17.1	
Contractors	6.1	
Consultants	1.6	
Total Infrastructure	24.8	25.0
Total MP1 Project	51.9	35.0

The projects below (the API-1 Enhancement Project and the MP-2 Construction Program) are proposed to be undertaken after 30 June 2005, subject to the raising of further funds upon exercise of the Options as described in this Prospectus. For further information see section 4.2.

(d) API-1 Enhancement Project

The knowledge acquired by Chemeq's research and development programs during the successful completion of MP-1, will allow Chemeq to substantially enhance the output of its existing API-1 plant from 20,000 to 50,000 kg per annum by December 2005.

The total cost of increasing the API-1 capacity to 50,000 kg per annum is estimated by Chemeq, based upon the experience of constructing API-1, at \$22 million, of which \$10.3 million has been spent to date, as detailed in the table below. There is a risk that the actual construction cost may exceed Chemeq's estimate. In this situation, further funding to complete the increase of the API-1 plant capacity would be required. There is no guarantee that the funding would be obtained by Chemeq on favourable terms or at all.

API-1 Enhancements	Costs to 30 June 2004 (\$ million)	Estimated Cost to Completion (\$ million)	Estimated Total Cost (\$ million)
Equipment	7.1	5.5	12.6
Piping, Mechanical, Electrical and Controls Labour	3.2	2.5	5.7
Catalyst Production Facility	–	1.5	1.5
Waste Water Treatment Plant	–	1.0	1.0
Contingency	–	1.2	1.2
Total MP1 Enhancements	10.3	11.7	22.0

It is expected that the capital required for the waste water treatment plant (\$1 million) and long lead-time equipment (approximately \$1 million) will be spent during the 2005 financial year. The remaining capital expenditure (\$9.7 million) is expected to be spent during the 2006 financial year.

(e) MP-2 Construction Program

In June 2003, Chemeq announced an MP-2 program. The major deliverable of the MP-2 program was a second Active Pharmaceutical Ingredient plant ('API-2') with a capacity of 200,000 kg per annum. In anticipation of completion of MP-1, in December 2003, Chemeq indicated a possible start to planning the first stages of construction of API-2. Since then, however, due to the delays associated with completion of MP-1, Chemeq elected to advance only the design of API-2.

Initial design work suggests that the API-2 plant can be built with a capacity of 400,000 kg of API per annum for a cost of approximately \$160 million (plus or minus 30%). A more accurate estimate of construction costs will be determined with the completion of design work. Chemeq also has the option of undertaking a duplication of the enhanced API-1 plant to provide 50,000 kg of API per annum for a cost of approximately \$40 million (plus or minus 10%).

A decision on whether to construct and the size of the next API facility will be determined by December 2005 when the API-2 design work will be substantially complete, allowing construction to commence. A key factor in determining whether to build the API-2 plant and the chosen size of the API-2 plant will be the status of Chemeq's regulatory approvals program and the existing level of demand.

The estimated total cost of the API-2 design is \$15 million, of which approximately \$4.6 million has been spent to date. It is expected that the remaining design costs will be incurred during the first half of the 2006 financial year. There is a risk that the design cost may exceed Chemeq's estimate. In this situation, further funding to complete the design of API-2 would be required. There is no guarantee that the funding would be obtained by Chemeq on favourable terms or at all.

3.8 PATENTED INTELLECTUAL PROPERTY AND OTHER APPLICATIONS

Chemeq has been granted patents in more than 80 countries including the USA, and countries within Europe and Asia. Chemeq has more than 175 patents pending which, if granted, will take potential manufacturing and marketing monopolies beyond the year 2020. Chemeq's key patents are comprehensive and cover molecules, syntheses, compositions and uses. All intellectual property is 100% owned by Chemeq.

Other potential applications of Chemeq's unique platform technology, at different stages of development, include: select cancer treatments; preservative for dermatological use; sunscreen; and, the treatment of human gastrointestinal diseases.

3 | Chemeq's Business continued

3.9 DIRECTORS

On 23 August 2004, Chairman and Chief Executive Officer, Dr Graham Melrose announced his decision to vacate the role of Chief Executive Officer, once an outstanding successor has been identified. Dr Melrose remains vital to the ongoing success of Chemeq and will become the Non-Executive Chairman.

Additionally, in view of the progress of the company and the magnitude of its potential markets, Chemeq is conducting a search for two new independent directors of high stature.



Dr Graham John Hamilton Melrose
Chairman & Chief Executive Officer

B.Sc. (Hons.), Ph.D. (U.W.A.), M.B.A. (Macq.), F.R.A.C.I., F.A.I.C.D., C.Chem.

Dr Melrose is the inventor of CHEMEQ® polymeric antimicrobial, and the founder, Chairman and Chief Executive Officer of Chemeq. A former Research and Executive Director of Johnson & Johnson (Australia) with responsibilities including intellectual properties and quality assurance for Asia-Pacific, Dr Melrose has a distinguished scientific and business career. He was tenure-Head of the Department of Applied Organic Chemistry at the University of New South Wales and has held university lecturing or research positions in Oxford, Munich, Western Australia (University of Western Australia and Curtin University). He later established and directed a leading consultancy specialising in marketing strategy. He has been widely involved in public and private commercial marketing and chemical organisations.



Russell Chilton Barnett
Non-Executive Director

Mgt. Cert. (S.T.C.), F.A.I.C.D.

Russell Barnett, Non-executive Director, Foundation Fellow of the Australian Institute of Company Directors. Mr Barnett has sales-management and general management experience in industries, locally and overseas. Mr Barnett has been a leader in a number of business organisations, having held Committee or President/Chair appointments in the Housing Industry Association (N.S.W.), W.A. Committee of Indicative Planning Council, Framed Housing Association, Kewdale Business Association, Monash Mt Eliza Alumni Association (W.A. Branch) and the International Services Committee of the Confederation of W.A. Industry.



Graeme Alexander Major
Non-Executive Director

B.Sc.(Hons.), Dip.Ed. (U.Tas.), M.App.Sc.(U.N.S.W.), A.Mus.A.

Graeme Major is an industrial chemist, with particular interests in technology and the environment. He has held positions ranging from university teaching to applied research in CSIRO (Sydney and Perth) and at Pasminco Refinery (Hobart). He has been a Councillor, including Mayor, in local government for 11 years, and in these and related capacities has rendered very broad community services including finance, planning and the environment. Mr Major established, and is the Principal of, Gecko Special Coatings, a specialist manufacturer of industrial coatings. He has participated in Chemeq's activities since 1989.

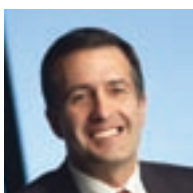


Raymond Victor Steffanoni

Non-Executive Director

B.Com (U.W.A.), C.A.

Mr Steffanoni is a Chartered Accountant with more than 15 years experience in the Corporate Consulting Divisions of international accounting firms in Australia and the United Kingdom. He has consulted to businesses regarding prospectuses, takeovers, Investigating Accountant's Reports, taxation, business valuations and corporate investigations. Currently, Mr Steffanoni is the Principal and founder of Salisbury Business Services, and consultants in all aspects of financial management.



Paul Alexander Grujic

Non-Executive Director (effective 16 August 2004)

B.Sc.(Hons.), M.Dip (W.H.C.)

Paul Grujic was formerly the US based President of the CSL Animal Health Group and a member of the CSL Executive Management Group. While President of the CSL Animal Health Group from 2001 to 2004, Mr Grujic was responsible for leadership of CSL's global animal health business, and before that was General Manager for Animal Health in Australia and New Zealand for CSL Limited. In addition to his extensive international experience in the manufacture and marketing of veterinary products with CSL Limited, Melbourne based Mr Grujic has served in other international veterinary appointments in pharmaceutical companies as: European Business Manager for Cyanamid and Fort Dodge; General Manager and Director, Europe, Webster Animal Health; European Marketing Director, Pitman-Moore and UK Sales and Marketing Manager, Glaxo.

3 | Chemeq's Business continued

3.10 EXECUTIVE TEAM



Ian Frank Purdy

Chief Financial Officer

B.Com (U.W.A.), C.A.A., G.A.I.C.D.

Ian Purdy has a proven track record of delivering shareholder value across a broad range of public and private companies. He has held the position of Chief Financial Officer in a number of leading Australian businesses including The Griffin Group – a top 100 private company, and Australia's largest forest products business, North Forest Products. He also held senior financial positions with international companies including North Limited, WMC Limited, Midland Bank Plc and KPMG.



Frank John Dilizia

Corporate Construction Manager

B. Eng. (Construction), I.E.A.

Frank Dilizia has a strong construction industry background spanning almost 20 years. He has extensive experience in the successful delivery of major complex building, engineering and construction projects using a variety of delivery methods including design and construction. Previously, Mr Dilizia has held the role of Operations Manager, Civil Infrastructure, and Operations Manager, Building and Civil, for leading Australian construction groups, John Holland and Transfield. He was responsible for the delivery of all building, civil and infrastructure works in Western Australia and oversaw the successful delivery of major design and construction contracts including the \$125 million Tonkin Highway Extension, \$80 million Acacia Prison, and \$15 million Hollywood Hospital Extensions.



James Robert Geldart

Regional Sales and Marketing Manager (Animal Health Care)

Dip.Ag.(AniSci), B.Com.

James Geldart has had an outstanding career in sales and marketing within the agricultural sector delivering impressive results. Previously based in South Africa, Mr Geldart led teams responsible for nutritional solutions for the commercial animal production industry. Later recruited by the Sydney-based Ridley Corporation, Mr Geldart implemented a major restructure for the Regional Agribusiness Division where his team achieved impressive sales results. More recently, he headed Regional and International Sales and Distribution for the stockfeed division of Milne AgriGroup.



Daniel Martin Gregory

Corporate Manufacturing Manager

B.Eng. (Curtin), Grad. Dip.Bus. (Curtin)

Dan Gregory, with over 15 years experience, is an accomplished manufacturing manager with special skills in chemical plant engineering and maintenance. Previously, Mr Gregory worked in a variety of senior management positions, both within Australia and the United States, in engineering, quality control, maintenance and production areas. Most recently he held positions responsible for production and maintenance at Alcoa's Wagerup Refinery in Western Australia.



Dr Damon Matthew Goadby Tilbrook

Corporate Research and Development Manager

B. Sc. (Hons) (U.W.A.), Ph.D. (U.W.A.), Grad. Dip. Ed. (U.W.A.)

Matthew Tilbrook is an internationally published research specialist. He joined Chemeq from the University of Western Australia (UWA), where he was a Lecturer in Organic Chemistry. Matthew heads the Research & Development team which aims to further develop the market applications of Chemeq's polymeric technologies. He has extensive overseas research experience, particularly at Cambridge University, England.



Lyle Jeffrey Rawle

Corporate Human Resources and Knowledge Manager

Post Graduate Studies H.R.M. (U.T.S.), A.H.R.I.

Lyle Rawle has a strong human resources and drug pharmaceuticals background with a 25 year career in human resource management and leadership, in Australia and overseas. Formerly Senior Director Human Resources, Asia Pacific, at Wyeth Pharmaceuticals, he has extensive knowledge of workplace reform and is experienced in building human resource teams and the improvement of human resources capability to support business goals and outcomes. Mr Rawle has also worked for Johnson & Johnson (Australia).



Stewart James Walton

Corporate Compliance Manager

B.Sc. (Curtin)

Stewart Walton is experienced in the development, manufacture, engineering and provision of quality assurance for a range of pharmaceutical products in Australia, Europe and the USA. Previously Director, Quality Assurance Technical Support, for Pharmacia Corporation (now part of Pfizer Corporation), Mr Walton was responsible for quality assurance support across all drug product facilities in Europe. He was also involved with corporate quality assurance reviews for capital projects at ten key European manufacturing sites. Mr Walton has extensive project management skills and experience in the specification and commissioning of pharmaceutical facilities and equipment, and ongoing compliance with regulatory requirements.



Dr David Reginald Homer

Technical Services Manager

B.V.Sc. (Uni Syd), P.G. Dip.Tech. Mgt. (Macq.)

Dr David Homer has extensive experience in the animal health industry. Previously Dr Homer was Veterinary Technical Services Manager in Australia, for Merial, a top ranking global animal health company, and has held senior technical positions with Virbac and Fort Dodge (formerly Cyanamid Websters) Animal Health companies. Dr Homer has detailed knowledge of the development and regulatory processes specific to animal health products, and knowledge of the manufacturing and testing processes for biological and pharmaceutical products. He is a member of the Australian Veterinary Association (AVA) and is currently Treasurer of the Australian Veterinarians in Industry (AVI).

Purpose and Effect of the Offer

4.1 NET PROCEEDS

On 27 August 2004, Chemeq raised approximately \$9.8 million (before expenses) by making a placement of 4.1 million Shares and 4.1 million Options to institutional, sophisticated and professional investors. The one for eleven (1:11) Rights Offer will raise approximately \$20.3 million before expenses. The combined net proceeds of the Placement and the Rights Offer will be approximately \$28.3 million (after deducting expenses of \$1.8 million). The exercise of the Options could (if all Options are exercised) raise an additional amount of up to \$30.1 million.

4.2 USE OF PROCEEDS

The funds raised by the Placement and the Rights Offer will be used by Chemeq in production, marketing and sales of CHEMEQ® polymeric antimicrobial on a global scale as follows:

- Working capital to produce production inventory (\$10 million), continue technical and marketing activity (the major elements of which are likely to include staff costs, regulatory approval expenses, commercial and clinical trial expenses and travel and marketing expenses) (\$5 million) and support ongoing operations (\$8.8 million); and
- Essential capital expenditure to progress the API-1 enhancement project (\$2 million), regulatory activities (\$1 million) and research and development (\$1.5 million).

Any further funds raised by the exercise of Options will be applied to the following:

- Capital expenditure to increase the capacity of the API-1 plant by 30,000kg (\$9.7 million);
- Complete the design and development of the API-2 plant (\$10.4 million); and
- Working capital to produce inventory (\$4.2 million), continue sales, technical and marketing activity (\$2.1 million) and support ongoing operations (\$3.7 million).

4.3 IMPACT ON CAPITAL STRUCTURE

The recent Placement increased the issued capital of Chemeq from \$88.8 million (net of issue costs and comprising approximately 89.16 million shares) to approximately \$98.1 million (net of issue costs and comprising approximately 93.26 million Shares and 4.1 million Options).

The effect of the Rights Offer on Chemeq (assuming none of the Options have yet been exercised) will be that the issued capital of Chemeq will increase from \$98.1 million (net of issue costs and comprising approximately 93.26 million shares) to approximately \$117.1 million (net of issue costs and comprising approximately 101.74 million Shares and 12.58 million Options).

The full effect of the Rights Offer on Chemeq's capital structure, assuming all Options are exercised, will be that the issued capital (net of issue costs) of Chemeq will increase to approximately \$147.2 million (comprising 114.3 million Shares).

4.4 IMPACT ON FINANCIAL POSITION

(a) Pro forma consolidated statement of financial position

To illustrate the impact on the financial position of Chemeq of the recent Placement, the proposed Rights Offer, and the potential exercise of the Options a pro forma consolidated statement of financial positions has been prepared based on the unaudited financial results as at 30 June 2004.

Notes describing the assumptions on which the pro forma consolidated statement of financial position is based are set out below.

Pro forma consolidated statement of financial position as at 30 June 2004:

\$MILLIONS	Actual 12 months ended 30 June 2004 (Unaudited)	Impact of Placement	Impact of Rights Offer	Pro-forma (Unaudited) assuming no Options ex.	Impact of Option exercise	Pro-forma (Unaudited) assuming all Options ex.
CURRENT ASSETS						
Cash	6.3	9.3	19.0	34.6	30.1	64.7
Receivables	0.6			0.6		0.6
Inventories	0.2			0.2		0.2
Other	0.4			0.4		0.4
Total Current Assets	7.5	9.3	19.0	35.8	30.1	65.9
NON-CURRENT ASSETS						
Property, Plant & Equipment	66.1			66.1		66.1
Intangible Assets	1.1			1.1		1.1
Deferred Development Costs	1.1			1.1		1.1
Total Non-Current Assets	68.3			68.3		68.3
Total Assets	75.8	9.3	19.0	104.1	30.1	134.2
CURRENT LIABILITIES						
Payables	11.3			11.3		11.3
Provisions	0.4			0.4		0.4
Total Current Liabilities	11.7			11.7		11.7
NON-CURRENT LIABILITIES						
Provisions	0.1			0.1		0.1
Total Non-Current Liabilities	0.1			0.1		0.1
Total Liabilities	11.8			11.8		11.8
Net Assets	64.0	9.3	19.0	92.3		122.4
EQUITY						
Contributed Equity	88.8	9.3	19.0	117.1	30.1	147.2
Accumulated Losses	(24.8)			(24.8)		(24.8)
Total Equity	64.0	9.3	19.0	92.3	30.1	122.4

(b) Pro-forma assumptions

The Pro-forma Statement of Financial Position has been prepared based on the following:

- Chemeq issued 4.1 million Shares under the recent Placement raising approximately \$9.8 million at an issue cost of \$0.5 million; and
- It is assumed that Chemeq issues approximately 8.48 million Shares and approximately 8.48 million Options under the proposed Rights Offer raising approximately \$20.3 million at an issue cost of \$1.3 million; and
- It is assumed that all Options are exercised up by 30 June 2005, resulting in the issue of approximately 8.48 million Shares, raising approximately \$30.1 million.

(c) Other material transactions

Chemeq entered into a short-term debt financing arrangement with the Bank of Western Australia Limited ("BankWest") in August 2004. The facility is fully drawn to \$5 million and is secured by a fixed and floating charge over the assets of Chemeq, including a mortgage over land owned by Chemeq.

(d) Availability of documents

A copy of each of the documents listed below will be provided by Chemeq, free of charge, to any person who requests a copy before the Closing Date:

- The annual financial report of Chemeq and its controlled entities for the year ended 30 June 2003; and
- The half-year financial report of Chemeq and its controlled entities for the half-year ended 31 December 2003.

(e) Accounting policies

The accounting policies adopted in the preparation of the pro forma consolidated Statement of Financial Position are consistent with the accounting policies adopted and described in Chemeq's annual report for the year ended 30 June 2003, except where changes are prescribed by the Accounting Standards, Urgent Issues Consensus Views and the Corporations Act, and should be read in conjunction with that annual report and the 31 December 2003 half year financial report. The changes required by the Accounting Standards, Urgent Issues Consensus Views and Corporations Act changes do not have a material impact on the financial position of Chemeq.

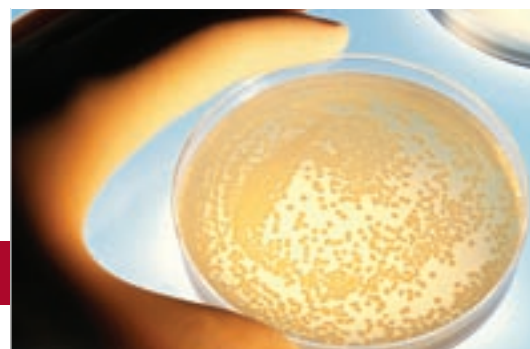
The financial information is based on Australian Accounting Standards effective at the date of this Prospectus and does not reflect the effect of the proposed transition to International Financial Reporting Standards (IFRS) in 2005. Chemeq will be required to comply with IFRS for the financial reporting period beginning 1 July 2005. Although Australia has been undertaking a harmonisation process for several years, there are still significant differences between Australian GAAP and IFRS, and conversion to IFRS will result in many changes to accounting policies. These policy changes may have a consequential impact on Chemeq's Statement of Financial Performance and Statement of Financial Position. Chemeq has established a review committee to monitor developments in IFRS and to assess the likely impact on Chemeq's financial statements, accounting policies and systems.

Chemeq has not quantified the potential impact on the Statement of Financial Performance and the Statement of Financial Position of adopting IFRS. Chemeq currently understands the relevant potential implications of conversion to IFRS to be as follows:

- Financial instruments – All financial instruments will be recognised at fair value with gains and losses arising from movements in their value potentially being booked to the statement of financial performance.
- Impairment of assets – If there is any indication that an asset (current and non-current) may be impaired an impairment test is required to be performed at each reporting date. The proposed impairment test is very specific and requires more detailed calculations than present tests, instead, calculating the recoverable amount, defined as either the higher of the net selling price and value in use.
- Intangible assets – Currently intangible assets are required to be amortised. Under proposed IFRS, where intangible assets can be said to have indefinite lives, their amortisation would cease and they would be subject to a rigorous impairment test (as described above).
- Share based payments – Share and Option based transactions are required to be recognised at fair value as an expenses in the Statement of Financial Performance for both employees and other parties.

(f) Tax consolidations regime

Chemeq has received independent advice and has determined not to enter the tax consolidations regime at this point in time. This position will be reviewed on an annual basis.



The Directors have considered and identified in this section of the Prospectus, the areas of risk associated with the issue of New Shares and attaching Options for the purpose set out in this Prospectus. The risks identified by the Directors are not exhaustive. For further information on and clarification of these risk factors or, if in any doubt, Eligible Shareholders should seek advice from their professional adviser before deciding to invest.

5.1 GENERIC RISKS

Shareholders would be aware that owning securities listed on a stock exchange carries risks associated with general stock market performance as well as the performance of Chemeq. The price at which the New Shares, once issued, trade on ASX may be higher or lower than the Offer Price. Therefore, if an investor decides to sell the Shares, the amount received may be higher or lower than the amount of the original investment. Also, the exercise price of the Options, when compared to the Share price, may mean that it is not economically viable to exercise the Options.

5.2 SPECIFIC RISKS

The business activities of Chemeq are subject to risks, and there are many factors that may affect their performance in the future. If any one of these factors affects Chemeq, then it may impact on the value of the New Shares (and of Shares) and the Options. Some of these risks can be mitigated by the use of safeguards, and appropriate systems and actions, but many others are outside the control of Chemeq and cannot be mitigated. There are a number of business risks that potential investors should consider before deciding whether or not to apply for New Shares and attaching Options. These risks include the matters discussed in more detail below.

5.3 GENERAL ECONOMIC CONDITIONS

Chemeq's businesses may be affected by local and international economic conditions (including for example, interest rates, inflation, foreign exchange rates, or changes in local or international fiscal, monetary or regulatory policies and the labour market environment). Changes in economic conditions in the markets in which Chemeq operates (arising from whatever cause, including but not limited to, as a result of the commencement of, or a major escalation in, any war, armed conflict, hostilities between nations, civil unrest or terrorist activities, anywhere in the world) may affect demand for the goods and services sold by them which may have an adverse effect on Chemeq's financial performance and the price of Shares and Options.

5.4 LIMITED OPERATING HISTORY

Whilst Chemeq has been involved in research and development for some 15 years, it is important to realise that it is about to enter a new phase in its business and the period post commissioning of the new pharmaceutical production facility may see operational issues arising which may significantly affect the business of Chemeq.

5.5 RESEARCH AND DEVELOPMENT

Chemeq's core business is materially influenced by the continuing accumulation of intellectual property through research and development that is inherently uncertain. Whilst Chemeq has already accumulated considerable intellectual assets, its ongoing viability is very considerably dependent upon its ongoing success in these areas, relating to which no certain predictions can be made.

5.6 KEY STAFF

It is envisaged that Chemeq will always have the benefits of a relatively small number of highly qualified staff. There is a risk that Chemeq may fail to attract, retain or develop key employees and this would have an adverse effect upon the development of Chemeq. Particularly, it may be difficult to obtain employees with suitable research or marketing experience relating to Chemeq's particular business.

5.7 TECHNICAL RISKS

Chemeq's technology is world-first and thus there are inherent technical risks. Although Chemeq has successfully completed tests to the highest regulatory standards, nevertheless it cannot discount the possibility of either these completed tests or results from current tests being assessed by the company or tests planned by the company in the future, will be acceptable to regulatory authorities; it cannot discount the possibility of technical problems becoming apparent or significant during the course of ongoing patent approvals, regulatory processes, production or sales. Any adverse findings in these regards could have significant negative impact upon the company's plans for commercialisation.

5.8 INTELLECTUAL PROPERTY RISKS

The Directors believe Chemeq has a strong portfolio of fully approved patents, in major market-countries. The enforceability of patents and the monopolies derived from them can be very expensive and the outcomes depends on the availability of competent legal counsel, finances and on a number of factors which may not be predictable and which may vary from country to country. It is normal and Chemeq expects that there will continue to be an ongoing need for Chemeq to protect its patent rights. There can be no assurance that the additional patent applications which Chemeq has pending will be accepted so as to yield further monopolistic rights to Chemeq. Similarly, the trademarks CHEMEQ® and CHEMYDE® have registered protection in a number of countries and this will require ongoing protection by Chemeq. Although Chemeq's technologies are broadly protected by the patents, it cannot be guaranteed that others will not legitimately market in related technical areas.

5.9 REGULATORY RISKS

Chemeq aims to continue compiling sound data packages for submission to regulatory authorities, however such packages may not result in regulatory approvals in due time, since invariably, such assurances are not provided by regulatory authorities. Chemeq cannot provide assurance that an approval will be granted. Chemeq cannot predict the effect of legislative changes before, during or after the approval process.

5.10 MANUFACTURE

Inherent risks exist in continuing to efficiently produce saleable product from a world-first pharmaceutical production facility. These risks include but are not limited to, efficient systems and procedures for the management of raw materials, intermediate processes and saleable product. Significant time has been spent to reduce these risks by controlled trials in Chemeq's APVMA approved pilot facility and extensive use of authoritative consultants. Chemeq aims to ensure, however cannot guarantee, that all licenses and approvals required for manufacture are obtained and maintained valid.

Although Chemeq maintains high standards of occupational, health, safety and environmental compliance, all risks are not mitigated.

Although Chemeq maintains high standards of industrial relations, all risks relating to industrial disputes are not mitigated.

Any future construction undertaken by Chemeq will be subject to the consent and approval of all relevant local, State and Commonwealth regulatory bodies. These are likely to include planning and environmental consents and approvals. There can be no assurance that the necessary consents and approvals will be obtained, or obtained under conditions or within timeframes that are suitable to Chemeq, or that applicable laws or policies will not change to the detriment of Chemeq.

5.11 MARKETING

Chemeq anticipates using distributors, in designated areas, for the worldwide distribution of the CHEMEQ® polymeric antimicrobial and any related products. Whilst Chemeq's early test marketing contacts engender optimism, nevertheless, there can be no guarantee that Chemeq will be able to enter into acceptable collaborative agreements in the future, with such distributors, and in this case, the circumstance would seriously inhibit the commercial development of Chemeq. Similarly, there can be no assurance that any parties to Chemeq's present or future commercial agreements will perform their obligations as expected, or that any specific revenue will be derived from such commercial agreements.

Intense competition exists in the markets for antimicrobials and related products and the risk exists that one or more of the competitors' products in development now or in the future will prove more efficacious, more cost-effective or more acceptable to the market or regulatory bodies, than the CHEMEQ® polymeric antimicrobial. It is possible that a competitor may be in the market-place with regard to a new application sooner than Chemeq and hence establish itself as the preferred manufacturer. Such competition and new technologies could have the effect of rendering costly research and development obsolete or of decreased value, resulting in reduced pricing and profit-margins. Market acceptance of the CHEMEQ® polymeric antimicrobial or any of its related products cannot currently be assessed with certainty.

5.12 ADDITIONAL CAPITAL REQUIREMENTS

There is no assurance that any additional funding that may be required will be available, or upon acceptable terms to Chemeq. If in any way this funding is not available, Chemeq may be required to significantly curtail its research and development programs, regulatory processes, manufacturing and marketing, capital expenditure and construction programs, and any major changes to these would materially and adversely affect Chemeq's business.

5.13 RISK OF PRODUCT LIABILITY

As a manufacturer and marketer, Chemeq's business is exposed to product liability risks and Chemeq will need to ensure it maintains adequate insurance as a protection to this (as well as to other aspects of its business). There can be no assurance that adequate or necessary insurance coverage will be available or will be obtained.

5.14 DIVIDENDS

Chemeq has a very substantial requirement for capital for research and development, regulatory matters, manufacture and marketing. The ability of Chemeq to pay any dividend in the future is dependent on many factors, including these activities and their financial requirements. Additionally there will be factors that affect the ability of Chemeq to pay any dividends and the timing of those dividends that will be outside the control of Chemeq. It is difficult to forecast with any degree of certainty the likely financial results of Chemeq in future financial years. The Directors of Chemeq are therefore unable to give any assurance regarding the payment of dividends in the future.

5.15 LITIGATION

Chemeq cannot guarantee that it will not become involved in litigation. Except as set out in this Prospectus, at the time of this Prospectus, there is no known material litigation, threatened or otherwise (though, see section 6.12).

5.16 GENERAL

Neither Chemeq, nor any of its Directors or any other party associated with the preparation of this Prospectus, guarantees that any specific objective of Chemeq will be achieved or that any particular performance of Chemeq or its Shares, including the New Shares, and Options, will be achieved. Chemeq will be active as a manufacturer and marketer in many overseas countries and, inherently, this may increase risk. Considerable amounts of Chemeq's manufacturing costs and anticipated revenue will be subject to variations in exchange rates between the Australian dollar and overseas currency.

5.17 NATURE OF INVESTMENT

The above list of risk factors should not be taken as exhaustive of the risks faced by Chemeq or by investors in Chemeq. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of Chemeq and the value of the New Shares and Options offered under this Prospectus. The New Shares and Options offered under this Prospectus carry no guarantee with respect to payment of dividends, return of capital or market value.



6.1 DISCLOSING ENTITY

Chemeq, as a disclosing entity under the Corporations Act and as an entity listed on ASX, is subject to regular reporting and disclosure obligations.

These obligations include compliance with the requirements of the Listing Rules concerning notification of information to ASX. Those rules require Chemeq to notify ASX immediately of any information concerning Chemeq of which it is, or becomes, aware and which a reasonable person would expect to have a material effect on the price or value of securities of Chemeq. There are certain limited exceptions to this rule. Chemeq must also provide to ASX, within two months of the end of its half and full year accounting periods, a half yearly report and preliminary final report respectively.

As a disclosing entity, before the deadline after each accounting period (among other things), Chemeq is required to lodge its financial statements for the accounting period with the ASIC and ASX.

6.2 NATURE OF THIS PROSPECTUS

This Prospectus is issued pursuant to section 713 of the Corporations Act and is of the type commonly referred to as a “transaction specific prospectus”. Section 713 enables disclosing entities to issue such a prospectus in relation to securities (or options to acquire such securities) where the securities offered by the prospectus are in a class of securities that were continuously quoted securities at all times in the 12 months before the issue of the prospectus and the entity has not received an exemption or relief from the specified disclosure requirements, or an order under sections 340 or 341, of the Corporations Act, at any time during that 12 month period.

Having taken such precautions and made such enquiries as are reasonable, Chemeq believes that it has complied with the general and specific requirements of ASX (as applicable from time to time throughout the 12 months before the date of this Prospectus) which require Chemeq to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Apart from formal matters, a “transaction specific prospectus” for continuously quoted securities need only contain information relating to the effect of the Rights Offer on Chemeq and the rights attaching to the New Shares and attaching Options. Other general information is not required to be included by a disclosing entity as the periodic reporting and continuous disclosure requirements now required of disclosing entities mean that all this information should have previously been released to the market.

6.3 AVAILABILITY OF DOCUMENTS

Copies of documents lodged with ASIC in relation to Chemeq may be obtained from, or inspected at, an office of ASIC. The ASX maintains a file of all announcements lodged by Chemeq. Copies of all documents lodged by Chemeq with ASX can be found on the ASX website at www.asx.com.au (for a period of at least three years from lodgement). Copies of all material ASX announcements are also available on the Chemeq website at www.chemeq.com.au.

A copy of each of the documents listed below will be provided by Chemeq, free of charge, to any person who requests a copy before the Closing Date:

- The annual financial report of Chemeq and its controlled entities for the year ended 30 June 2003;
- The half-year financial report of Chemeq and its controlled entities for the half-year ended 31 December 2003; and
- announcements lodged by Chemeq with ASX since the date of the lodgement of the annual financial report for the year ended 30 June 2003 and before the date of this Prospectus, the more significant of which are the following:

Date	Announcement
1 September 2004	Chemeq lodged with the ASX a letter sent to all shareholders re-affirming Chemeq's strong position and providing an indicative timetable for the non-renounceable rights issue of approximately 8.5 million Ordinary Shares and approximately 8.5 million Options.
27 August 2004	Chemeq is re-instated to official quotation on the Australian Stock Exchange
27 August 2004	Chemeq lodged a prospectus and roadshow presentation, announcing the details of a fully underwritten non-renounceable rights offer offering 1 new share and one free attaching option for every 11 shares held at the record date at an issue price of \$2.40 per new share to raise approximately \$20.3 million.
27 August 2004	Chemeq announced it has completed a Placement of 4.1 million Shares (\$9.84 million) and intends shortly to lodge a prospectus for a fully underwritten non-renounceable offer. Also, the company announced sales orders for \$1.5 million to South Africa
23 August 2004	Chairman and Chief Executive Officer, Dr Graham Melrose announced his decision to vacate the position of Chief Executive Officer and will become the Non-Executive Chairman. Chemeq also announced its intention to appoint two additional independent directors
18 August 2004	Chemeq released its 30 June 2004 unaudited Statement of Financial Position
18 August 2004	Chemeq announced that a Certification of Registration had been granted in South Africa for Chemeq to supply CHEMEQ® polymeric antimicrobial to South African poultry meat (broiler) producers
16 August 2004	Chemeq requests a trading halt and voluntary suspension to consider a proposal to raise equity funds
9 August 2004	Chemeq announced that it had achieved production of its finished pharmaceutical product, CHEMEQ® polymeric antimicrobial
6 August 2004	Shareholder update / presentation
4 August 2004	Market Update 2 – responding to media comments
4 August 2004	Market Update - confirming sales, cash and production
3 August 2004	Clarification of Appendix 4C - 4th Quarter Report confirming intangibles statutory accounting adjustment and cash balance
2 August 2004	Chemeq announced that it had manufactured the Active Pharmaceutical Ingredient (API) for its unique drug, CHEMEQ® polymeric antimicrobial, at its state-of-the-art pharmaceutical production facility at Rockingham, Western Australia

continued overleaf

Additional Information continued

30 July 2004	Chemeq gave an update on the commissioning of its pharmaceutical production facility and sales and marketing achievements
16 July 2004	Chemeq appointed Mr Paul Grujic as a new Non-Executive Director
18 June 2004	Chemeq announced that an independent, commercial trial had been completed at a pig production farm in New Zealand, with outstandingly successful results
11 June 2004	Chemeq announced that it was in the final stages of commissioning its planned manufacture of Chemeq's veterinary drug
8 June 2004	Chemeq announced that it had raised \$10 million through a placement of shares to institutional and private investors of Bell Potter Securities
19 May 2004	Chemeq announced that an independent, commercial trial had been completed at a poultry unit of a leading Australian producer, with outstandingly successful results
7 May 2004	Chemeq gave an update on construction and commissioning of its new pharmaceutical production facility
7 April 2004	Chemeq gave an update on commissioning of its new pharmaceutical production facility and its pre-launch marketing programs
22 March 2004	Chemeq reaffirmed some of its recent announcements
27 February 2004	Chemeq announced progress of commissioning of new pharmaceutical production facility
11 February 2004	Chemeq announced its 2004 Half-Year Report and Accounts
16 January 2004	Chemeq announced that it had begun commissioning its newly constructed pharmaceutical production facility
14 January 2004	Chemeq announced appointment of Adam Deane as Chemeq's new company secretary
12 December 2003	Chemeq updated the market on the results of its Share Purchase Plan which had raised \$20 million
10 December 2003	Chemeq announced that it had received approval of patents for its antimicrobials in USA, Europe, Australia, Eurasia and China
4 December 2003	Chemeq announced that new US Food and Drug Administration guidelines were a positive signal for Chemeq and gave an update on its pre-launch marketing programs and on construction of its new pharmaceutical production facility
11 November 2003	Chemeq announced details of a Share Purchase Plan to raise at least \$20 million
7 November 2003	Chemeq lodged details of the results of its 2003 Annual General Meeting with ASX
6 November 2003	Chemeq announced that 12 different types of antibiotic-resistant bacteria were killed rapidly and easily with Chemeq polymeric antimicrobials
5 November 2003	Chemeq announced that it would establish a sales (and technical service) office at Australian Technology Park in Sydney as its first step in its global push for the sales of its products
6 October 2003	Chemeq lodged a copy of its 2003 Annual Report with ASX, together with the 2003 Notice of Annual General Meeting and Explanatory Statement

The above list is not a complete list of announcements made or documents lodged with ASX in the period after lodgment of Chemeq's most recent annual financial report. None of the documents listed above are incorporated into this Prospectus by reference.

6.4 TAXATION TREATMENT OF THE NEW SHARES AND OPTIONS

Each individual taxpayer's position is different and taxation consequences will depend upon particular circumstances. Investors should take their own professional advice concerning their taxation position in relation to an investment in the New Shares and Options. Neither Chemeq nor any of its officers accept any liability or responsibility in respect of any taxation consequences connected with an investment in the New Shares or the exercise of the Options.

6.5 MATTERS RELEVANT TO NEW ZEALAND SHAREHOLDERS

The following matters should be noted by New Zealand Shareholders:

- Investing in securities of an Australian issuer may carry with it a currency exchange risk.
- The financial reporting requirements applying in New Zealand and those applying to Chemeq may be different and so Chemeq's financial reports may not be compatible in all respects with financial statements prepared in accordance with New Zealand law.
- Chemeq may not be subject in all respects to New Zealand law.
- The contract under which the New Shares and attaching Options will be issued may not be enforceable in New Zealand courts.
- This Prospectus has not been registered in New Zealand under New Zealand law and may not contain all the information that a New Zealand registered prospectus is required to contain.

6.6 RIGHTS ATTACHING TO THE SHARES

A summary of the rights attaching to the Shares (which will include the New Shares and only Shares issued on exercise of the Options) and certain provisions of the Constitution is set out below. This summary is not intended to be exhaustive and is qualified by the Constitution.

General

The only class of Chemeq shares issued are ordinary Shares. The rights attaching to the Shares are subject to:

- The Constitution of Chemeq, a copy of which is available for inspection at Chemeq's principal office at Chemeq House, 3 Brodie Hall Drive, Bentley, Western Australia during normal business hours; and
- The Corporations Act, the Listing Rules, the ASTC Settlement Rules, and the general law.

Voting

Every holder of Shares present in person or by proxy, attorney or representative at a meeting of shareholders has one vote on a vote taken by a show of hands, and, on a poll, every holder of Shares who is present in person or by proxy, attorney or representative has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid share, registered in such shareholder's name on Chemeq's share register.

A poll may be demanded by the chairperson of the meeting, by at least five shareholders present in person or by proxy, attorney or corporate representative, or by any one or more shareholders present in person or otherwise representing not less than 5% of the total voting rights of, or paid up value of, the shares of all those shareholders having the right to vote on the resolution.

The quorum required for a meeting of Shareholders is two members present in person or by proxy, attorney or corporate representative.

General meetings and notices

Each Shareholder will be entitled to receive notice of and to attend and vote at general meetings of Chemeq and to receive all notices, accounts and other documents required to be sent to Shareholders under the Constitution, the Corporations Act or the Listing Rules.

Under the Corporations Act, a notice must currently be provided to the Shareholders not less than 28 days in advance of the meeting.

Dividends

Dividends are payable out of Chemeq's profits and the amount payable is determined by the Directors in accordance with the Constitution. However, as to the payment of dividends, see section 5.14.

Variation of Class Rights

Subject to the Corporations Act, whenever the capital of Chemeq is divided into different classes of shares, the rights and privileges attached to any class of share (unless otherwise provided by the terms of issue of the Shares of that class) may be altered by special resolution passed at a general meeting of the holders of the Shares of that class.

Further issues of Shares and Options

Subject to the Constitution, the Corporations Act and the Listing Rules, Chemeq shares are under the control of the Directors, who may issue, grant Options over or otherwise dispose of Chemeq shares on such terms and conditions as they see fit.

Pre-emptive rights

Shareholders do not have any pre-emptive rights under the Constitution. Under the Listing Rules, certain restrictions apply to a listed company offering its ordinary Shares otherwise than pro rata among shareholders.

Small Holdings

Subject to the Listing Rules, Chemeq may sell the Shares of a member who holds less than a marketable parcel of Shares.

Transfer of Shares

A shareholder may transfer shares by a market transfer in accordance with the CHESS system or by an instrument in writing in a form approved by the ASX or in such other form as the Directors may approve. Chemeq will not issue share certificates to shareholders for transfers under the CHESS system.

Holding Locks

Chemeq:

- may, if the Listing Rules permit Chemeq to do so; and
- must, if the Listing Rules require Chemeq to do so (or if the transfer is in breach of the Listing Rules or any restriction agreement between Chemeq and any holder of Shares under the Listing Rules),

request ASX to apply a holding lock to prevent a transfer of Shares through CHESS or decline to register any transfer of Shares.

Winding up

All Shares rank equally in the event of liquidation. Once all of the liabilities of Chemeq are satisfied, a liquidator may, with the authority of a special resolution of Shareholders divide the whole or any part of the remaining assets of Chemeq among the Shareholders. The liquidator can, with the sanction of a special resolution of Shareholders, vest the whole or any part of the assets in trust for the benefit of Shareholders as the liquidator thinks fit, but no Shareholder can be compelled to accept any shares or other securities in respect of which there is any liability.

Forfeiture of Shares

As the New Shares issued under the Rights Offer will be fully paid, they will not be subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

Alteration of Constitution

The Constitution can only be modified or repealed by a special resolution of Shareholders.

ASX Listing Rules

While Chemeq is admitted to the Official List of the ASX, then despite anything in the Constitution: (a) if the Listing Rules prohibit an act being done, the act must not be done; (b) nothing in the Constitution prevents an act being done that the Listing Rules require to be done; (c) if the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be); (d) if the Listing Rules require the Constitution to contain a provision or not to contain a provision, a provision the Constitution is deemed to contain that provision or not to contain that provision (as the case may be); and (e) if a provision of the Constitution is or becomes inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

Directors

The Directors are responsible for the overall corporate governance of Chemeq, including establishing its strategic direction, establishing goals for management and monitoring the achievement of these goals.

The minimum number of Directors is three and the maximum number is seven. Shareholders may vary the number by resolution in general meeting.

The Constitution provides that at each annual general meeting, one-third of the Directors (or if the number of Directors is not a multiple of three, then the number nearest one-third), and any other Director who has held office for three years or must retire from office. Any Director appointed by the Directors in the preceding year holds office only until the next general meeting. Dr Graham Melrose, performing the functions of a managing director, is exempted from retirement by rotation. A retiring Director is eligible for re-election.

Questions and resolutions arising at a meeting of Directors will be decided by a majority vote. In the event that there is an equality of votes then provided there are more than two Directors eligible to vote, the chairperson of the meeting has the casting vote.

6.7 TERMS AND CONDITIONS OF THE OPTIONS

The Options will be issued on the following terms and conditions:

Exercise Date

The Options shall entitle the Optionholder to acquire one fully paid ordinary Share upon payment of the sum of \$2.40 per Option to Chemeq.

Note of exercise

Each Option may be exercised by notice in writing to Chemeq at any time before its date of expiry. Any notice of exercise of an Option received by Chemeq will be deemed to be a notice of the exercise of that Option as at the date of receipt.

Quotation of Options and Shares on exercise

Application will be made by Chemeq to ASX for official quotation of the Options. Application will be made for official quotation of the Shares issued upon exercise of the Options. The Options are transferable as the Optionholder thinks fit.

Participation rights or entitlements

There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of securities offered to Shareholders during the currency of the Options. However, Chemeq will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least 6 business days after the issue is announced so as to give the Optionholders the opportunity to exercise their Options before the date for determining entitlements to participate in any issue.

Shares allotted on exercise

Shares allotted pursuant to the exercise of Options will be allotted following receipt of all the relevant documents and payments and will rank equally with all other Shares on issue.

Reorganisation of Share Capital

In the event of a reorganisation of the issued capital of Chemeq, all rights of the Optionholder shall be changed to the extent necessary to comply with the ASX Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

Bonus issues

If, from time to time, before the expiry of the Options, Chemeq makes a pro rata issue of Shares to shareholders for no consideration (that is, a bonus issue), the number of Shares over which an Option is exercisable will be increased by the number of Shares which the Optionholder would have received if the Option had been exercised before the date for calculating entitlements to the pro rata issue.

6.8 DIRECTORS' INTERESTS

Except as set out in this Prospectus:

- no Director or proposed director of Chemeq has, or has had in the two years before lodgement of this Prospectus with ASIC, an interest in the formation or promotion of Chemeq or the Rights Offer, or any property acquired or proposed to be acquired by Chemeq in connection with its formation or promotion or the Rights Offer; and
- no amount has been paid or agreed to be paid, and no benefit has been given or agreed to be given, to any Director or proposed Director of Chemeq, either to induce him to become, or to qualify him as, a Director, or otherwise for services rendered by him in connection with the promotion or formation of Chemeq, or in the Rights Offer.

Directors' Fees and Superannuation

The Constitution provides that Directors are entitled to such remuneration as is determined, by the company in General Meeting. At the 2003 Annual General Meeting, this amount was set at \$220,000 per annum. This amount may be divided amongst the Directors in such proportion and manner as they agree. The Directors are also entitled to be reimbursed for all reasonable costs and expenses incurred by them in the performances of their duties as directors.

Payments made to Non-Executive Directors, for the financial year ended 30 June 2004, comprised \$70,000 to Mr Ray Steffanoni, \$60,000 to Mr Graeme Major, and \$55,000 to Mr Russell Barnett. In addition to Directors' fees, Mr Ray Steffanoni received superannuation payments of \$4,350, Mr Graeme Major received superannuation payments of \$3,750 and Mr Russell Barnett received superannuation payments of \$3,450.

Dr Graham Melrose is employed by Chemeq as Chief Executive Officer. His remuneration under his contract of employment was \$564,033 plus superannuation payments of \$50,763 for the financial year ended 30 June 2004.

6.9 DIRECTORS' HOLDINGS

Set out below is detail of the Directors' interests in the securities of Chemeq at the date of this Prospectus:

Director	Shares held directly	Shares held indirectly	Options held directly/indirectly	Total Shares
GJH Melrose	26,625	23,690,721	Nil	23,717,346
RC Barnett	2,392,214	Nil	Nil	2,392,214
PA Grujic (start date 16 August 2004)	Nil	Nil	Nil	Nil
GA Major	5,312,020	Nil	Nil	5,312,020
RV Steffanoni	103,478	132,642	Nil	236,120
Total	7,834,337	23,823,363	Nil	31,657,700

Dr Graham Melrose will sub-underwrite the Rights Offer to the value of \$6,449,920. See section 6.10 below for further information.

6.10 UNDERWRITING AGREEMENT

Chemeq and the Underwriter have entered into an underwriting agreement under which the Underwriter agrees to fully underwrite the Rights Offer at the Offer Price.

Costs and expenses

The Underwriter will receive:

- a placement fee equal to 2% of the total funds raised under the Placement;
- an underwriting commission equal to 3.5% of the total funds to be raised under the Rights Offer;
- a management fee of 1.75% of the total funds to be raised under the Rights Offer and the Placement.

Chemeq must pay, or reimburse the Underwriter for, the costs of, and incidental to, the Rights Offer.

Termination

The Underwriter may terminate the Underwriting Agreement by notice to Chemeq at any time after the Underwriter becomes aware of the happening of any one or more of the events listed below. However, unless the relevant event is an event referred to in paragraphs ("ASX Indices fall"), ("Change in law"), ("Breach of significant contracts"), ("Listing"), ("Default ") or ("Listing Rules") below, the Underwriter may only terminate the Underwriting Agreement if the Underwriter determines reasonably and in good faith that the event has or would have had a material adverse effect on the Rights Offer, or the event could create a potential material liability for the Underwriter under any law.

- **(ASX Indices fall)** Any one of the All Ordinaries Index or All Industrial Index or Engineering Index is, at the close of trading for two consecutive business days, at a level which is 90% or less than the level at the close of trading on the date of the Underwriting Agreement.
- **(Change in law)** Any of the following occurs which does or is likely to prohibit, restrict or adversely regulate the Issue or materially reduces the level or likely level of valid applications for New Shares:
 - ▶ the introduction of legislation into the parliament of the Commonwealth of Australia or of any State or Territory of Australia
 - ▶ the public announcement of prospective legislation or policy by the Federal Government or the Government of any State or Territory; or
 - ▶ the adoption by ASIC or its delegates or the Reserve Bank of Australia of any regulations or policy.
- **(Breach of significant contracts)** A significant or material contract referred to in the Prospectus is breached by Chemeq, terminated, altered or amended in any way, or found to be void or voidable otherwise than in accordance with its terms.
- **(Listing)** Approval is not given, or ASX indicates that approval will not be given, to the official quotation of all of the New Shares on or before the Closing Date, or Chemeq's shares are suspended from trading on ASX or are removed from the official list of ASX after the date of lodgment of the Prospectus with ASIC.
- **(Default)** Chemeq is materially in breach of the engagement letter issued by the Underwriter to Chemeq dated 26 July 2004 concerning the underwriting of the Rights Offer and the Placement, or Chemeq is in default or breaches any of the terms, conditions, warranties or covenants in the Underwriting Agreement and that default or breach is either incapable of remedy or is not remedied within 5 business days after it occurs.

- **(Failure to comply)** Chemeq fails to comply with a clause of its constitution, a statute, any policy or guideline of ASIC, or any other requirement, order or request made by or on behalf of ASIC or any governmental agency, or any agreement entered into by Chemeq.
- **(Capital structure)** Chemeq alters its capital structure without the prior written consent of the Underwriter.
- **(Constitution altered)** The constitution or any other constituent document of Chemeq is amended without the prior written consent of the Underwriter.
- **(Financial assistance)** Chemeq seeks the approval of Shareholders under section 260B of the Corporations Act, without the prior written consent of the Underwriter.
- **(Business)** Chemeq disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property, or ceases or threatens to cease to carry on business, in each case without the consent of the Underwriter.
- **(Hostilities)** There is a fresh outbreak of hostilities (whether or not war has been declared) (including major acts of terrorism) not presently existing, or a major escalation in existing hostilities occurs, involving any one or more of Australia, the United Kingdom, the United States of America, the Peoples Republic of China, Japan or Indonesia.
- **(Financial position)** There is a materially adverse change, or a development likely to involve a prospective materially adverse change, in Chemeq's financial or business condition or prospects.
- **(Prospectus)** Without limiting any other termination provisions:
 - ▶ there is a material omission from the Prospectus;
 - ▶ the Prospectus contains a statement which is or becomes misleading or deceptive;
 - ▶ a forecast in the Prospectus becomes incapable of being met or unlikely to be met in the projected time;
 - ▶ the Prospectus does not comply with section 710(1) (pursuant to section 713(1)) of the Corporations Act; or
 - ▶ a matter referred to in section 719 of the Corporations Act occurs in respect of the Prospectus.
- **(Corporations Act)** Without limiting any other termination provisions:
 - ▶ ASIC applies for an order under section 1324B of the Corporations Act in relation to the Prospectus and the application is not dismissed or withdrawn before the Closing Date;
 - ▶ a person gives a notice under section 730 of the Corporations Act in relation to the Prospectus;
 - ▶ ASIC gives notice of intention to hold a hearing in relation to the Prospectus under section 739(2) of the Corporations Act or makes an interim order under section 739(3) of the Corporations Act; or
 - ▶ any person (other than the Underwriter) who consented to being named in the Prospectus withdraws that consent.
- **(Supplementary prospectus)** The Underwriter reasonably forms the view that a supplementary or a replacement document must be lodged with ASIC under section 719 of the Corporations Act and Chemeq does not lodge a supplementary or a replacement document in the form, with the content and within the time reasonably required by the Underwriter.

- **(Indictable offence)** A director (or, if he is not a director, the Chief Executive Officer, the Chief Financial Officer, or the Chief Operating Officer) of Chemeq is charged with an indictable offence relating to a financial or corporate matter.
- **(Insolvency event)** Chemeq suffers an insolvency event.
- **(Charge)** Chemeq charges or agrees to charge, the whole, or a substantial part of its business or property.
- **(Listing Rules)** Chemeq commits a material breach of the Listing Rules.
- **(Laws)** There is introduced any Australian law or prospective law or there is adopted by any Australian government authority, any regulatory change which materially affects the business of Chemeq or the Underwriter or any such introduction or adoption is foreshadowed or there occurs any fundamental change in Australian political conditions or exchange controls are introduced in Australia, any of which does or would be likely to prejudice the success of the Issue.
- **(Trading Generally)** Trading in securities generally has been suspended or materially limited for at least one trading day by any of the New York Stock Exchange, the London Stock Exchange or the ASX.
- **(Moratorium)** A general moratorium on commercial banking activities is declared by any regulatory authority in Australia or the United States of America.

Indemnity

Chemeq indemnifies the Underwriter and its directors, officers, employees and advisers against all losses, expenses, damages, costs, outgoings and payments that any of them may sustain or incur as a result of:

- any warranty in the Underwriting Agreement being untrue, inaccurate or misleading or any breach by Chemeq of the Underwriting Agreement;
- a claim in relation to the Rights Offer;
- the Prospectus;
- any announcement, advertising, publicity or other promotion made or distributed by Chemeq in relation to the Prospectus or the Issue; or
- any investigations, enquiries, legal proceedings or review of the Prospectus undertaken by ASIC, ASX or other regulatory body.

One of the directors, Dr Graham J.H. Melrose, will sub-underwrite the Rights Offer up to the value of \$6,449,920. In the event of any shortfall Dr Melrose has agreed to sub-underwrite the first 2,253,000 New Shares. In the event of any shortfall in excess of 2,253,000 New Shares he will be required, upon notification from the Underwriter, to subscribe for additional New Shares up to the level of his commitment. Dr Graham Melrose or his elected recipient will be paid a fee of 3.5%, by the Underwriter, of the amount agreed to be sub-underwritten by him (subject to receipt by the Underwriter of the underwriting fees pursuant to the Underwriting Agreement). Dr Graham Melrose's voting power in Chemeq could potentially increase to 31.3% as a result of the Rights Offer. This assumes that Dr Melrose takes up his Entitlement in full and is called on by the Underwriter to sub-underwrite to the full extent of his commitment, and is the only Optionholder to exercise his options and does so in full. Dr Melrose's sub-underwriting commitment is unconditional and irrevocable. However, if the offer does not proceed, or the Underwriter terminates its obligations under the Underwriting Agreement (see above), then the sub-underwriting arrangements (including any entitlement to fees) terminate immediately.

6.11 INTERESTS OF PERSONS NAMED IN THE PROSPECTUS

Except as set out below:

- neither the Underwriter nor any person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus has, or has had in the two years before lodgment of the Prospectus with ASIC, an interest in the formation or promotion of Chemeq or the Rights Offer, or any property acquired or proposed to be acquired by Chemeq in connection with its formation or promotion of the Rights Offer; and
 - no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to any person named in the Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of the Prospectus or the Underwriter, in connection with the formation or promotion of Chemeq or the Rights Offer.
- ▶ Ord Minnett Limited has acted as lead manager and Underwriter to the Rights Offer. Chemeq has agreed to pay Ord Minnett Limited is set out in section 6.10.
 - ▶ Richard James Holdings Pty Ltd trading as Radar Investor Relations has acted as corporate advisor to Chemeq for the Rights Offer. Chemeq has paid or agreed to pay Radar Investor Relations is approximately \$226,000 excluding any GST in fees for services in connection with the Rights Offer.
 - ▶ Mallesons Stephen Jaques has acted as legal adviser to the Rights Offer, has performed work in relation to due diligence and advised Chemeq generally in relation to the matter. Chemeq has paid or agreed to pay approximately \$95,500 excluding GST in relation to these services, to the date of this Prospectus.
 - ▶ Computershare Investor Services Pty Limited will be paid approximately \$25,000 excluding GST in fees for services in connection with the Rights Offer.

6.12 LITIGATION ISSUES

Chemeq from time to time becomes involved in legal actions as a consequence of its operations. Such matters routinely involve matters arising from employment issues, minor regulatory breaches, disputes with suppliers and third party claims. Other than as specifically referred to elsewhere in this Prospectus, Chemeq believes that there were no legal actions outstanding at the date of this Prospectus of any material consequence (also refer to section 5.15).

Chemeq is currently in the process of resolving a number of variation claims in relation to the MP-1 project for which a provision have been included in the estimated total project costs. Chemeq is confident that it will be able to resolve these matters within the amount provided for.

6.13 CONSENTS

Each of the parties referred to in this section 6.13:

- does not make, or purport to make, any statement in this Prospectus or on which a statement in the Prospectus is based, other than as specified in this section 6.13; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section 6.13.

Each of the following have consented to being named in this Prospectus in the capacity as noted below and have not withdrawn such consent prior to lodgement of this Prospectus with ASIC:

- Ord Minnett Limited as lead manager and underwriter to the Rights Offer;
- Richard James Holdings Pty Ltd trading as Radar Investor Relations as advisor to Chemeq for the Rights Offer;
- Mallesons Stephen Jaques as solicitors to Chemeq and as solicitors to the Rights Offer;
- Ernst & Young as Chemeq's auditor; and
- Computershare Investor Services Pty Limited as Chemeq's share registry.

6.14 EXPENSES OF THE RIGHTS OFFER

The expenses of the Rights Offer (which include advisory, legal, accounting, tax, listing and administration fees as well as printing and distribution costs and other miscellaneous expenses) are estimated to be approximately \$1.8 million, which has been paid or is payable by Chemeq.

6.15 GOVERNING LAW

This Prospectus and the contracts which arise on acceptance by Chemeq of applications for Entitlements are governed by the law applicable in Western Australia and each applicant submits to the exclusive jurisdiction of the courts of Western Australia.

6.16 CONSENTS TO LODGEMENT

Each Director of Chemeq has consented to the lodgment of this Prospectus with ASIC as required by section 720 of the Corporations Act.

Signed for Chemeq Limited by



Dr Graham J.H. Melrose

Chairman and Chief Executive Officer

Glossary



Active Pharmaceutical Ingredient or API means the key ingredient in CHEMEQ® polymeric antimicrobial (for poultry) or CHEMEQ® polymeric antimicrobial (for pigs).

Antibiotic means a chemical substance produced by micro-organisms and which kills or inhibits the growth of micro-organisms, particularly bacteria; the mode of action of antibiotics is characteristically site specific.

Antimicrobial means a chemical substance, usually synthesised, and which kills or inhibits the growth of micro-organisms, particularly bacteria; the mode of action of antimicrobials is characteristically site non-specific.

API-1 has the meaning given to it in section 3.6.

API-2 has the meaning given to it in section 3.6.

Application Monies means monies in respect of an application for New Shares, payable in accordance with this Prospectus and the Entitlement Application Form.

APVMA means Australian Pesticides & Veterinary Medicines Authority.

ASIC means the Australian Securities & Investments Commission.

ASTC means ASX Settlement and Transfer Corporation Pty Limited ABN 49 008 504 532.

ASTC Settlement Rules means the Settlement Rules of ASTC, which are applicable while Chemeq is admitted to the official list of ASX.

ASX means the Australian Stock Exchange Limited ABN 98 008 624 691.

Board, Board of Directors or Directors means the board of directors of Chemeq.

Chemeq means Chemeq Limited ABN 77 009 135 264.

CHEMEQ® is a registered trademark of Chemeq Limited.

CHEMEQ® polymeric antimicrobial means Chemeq's patented pharmaceutical drug, the key ingredient of which is Active Pharmaceutical Ingredient ('API').

CHESS means Clearing House Electronic Subregister System.

Closing Date means Monday, 27 September 2004

Constitution means the constitution of Chemeq as amended from time to time.

Corporations Act means the Corporations Act 2001 (Cwlth).

Drug means a chemical substance, usually synthesised and given with the intention of preventing, controlling or curing disease in humans or animals; its safety and efficacy is highly substantiated.

Eligible Shareholder means a Shareholder whose address (as registered on the Chemeq share register) is in Australia or New Zealand and who holds Shares at the Record Date.

Entitlement means the number of New Shares (and attaching Options) to which an Eligible Shareholder is entitled under the Rights Offer.

Entitlement Application Form means the form accompanying this Prospectus which sets out the number of New Shares which are the subject of each Entitlement and provides the means for acceptance of all or part of an Entitlement and for application for Remaining New Shares.

EU means the European Union.

Exemption Notice means the Securities Act (Overseas Companies) Exemption Notice 2002 (NZ) issued by the New Zealand Securities Commission under the Securities Act 1978 (NZ), reference 2002/299 (as amended).

FDA means the United States Food and Drug Administration.

Foreign Shareholder means a Shareholder with a registered address outside Australia or New Zealand.



Glossary continued

kg means kilogram. 1,000 kg equals 1 tonne.

Listing Rules means the Listing Rules of ASX.

Monomer means a single molecule of low molecular weight capable of reacting with identical or different monomers to form a polymer.

MP-1 has the meaning given to it in section 3.6.

MP-2 has the meaning given to it in section 3.6.

New Shares means the Shares offered to Eligible Shareholders under this Prospectus.

New Zealand Shareholder means a Shareholder whose address (as registered on the Chemeq share register) is in New Zealand.

Offer Price means \$2.40 in respect of the subscription price for each New Share applied for under the Rights Offer.

Option means an Option to subscribe for a Share on the terms and conditions set out in section 6.7.

Optionholder means a registered holder of Options.

Placement means the recent placement of 4.1 million Shares and 4.1 million Options to institutional, sophisticated and professional investors further described in section 2.1.

Polymer means a mixture of compounds having a range of molecular weights, on average high molecular weight and having been derived from polymerisation of monomer or monomers. Thus, in contrast to a monomer which has discrete absolute properties related to only one compound - a polymer's properties are a range and aggregate of the individual properties of its many components, differing in molecular weight, structures and properties.

Prospectus means this document, and any supplementary or replacement Prospectus in relation to this document.

Record Date means 5.00pm WST on Tuesday, 7 September, 2004

Remaining New Shares means the New Shares not taken up by Eligible Shareholders pursuant to their Entitlements as described in this Prospectus.

Rights Offer means the offer of New Shares (including Remaining New Shares) and attaching Options to Eligible Shareholders under this Prospectus.

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

Share Registry means Computershare Investor Services Pty Limited ABN 48 078 279 277.

Shareholder means a registered holder of Shares.

Tonne means a unit of weight equivalent to 1,000 kilograms.

Underwriter means Ord Minnett Limited ABN 86 002 733 048.

Underwriting Agreement means the underwriting agreement between Chemeq and the Underwriter dated 27 August 2004.

USA means the United States of America.

WST means Western Standard Time in Australia.

\$ means Australian Dollars unless otherwise specified.

Corporate Directory

BOARD OF DIRECTORS

Dr Graham J.H. Melrose, Chairman &
Chief Executive Officer

Mr Russell C. Barnett, Non-Executive Director

Mr Paul A. Grujic, Non-Executive Director (effective
16 August 2004)

Mr Graeme A. Major, Non-Executive Director

Mr Raymond V. Steffanoni, Non-Executive Director

COMPANY SECRETARY

Mr Adam L. Deane

SENIOR MANAGEMENT TEAM

Mr Ian F. Purdy, Chief Financial Officer

Mr Frank J. Dilizia, Corporate Construction Manager

Mr James R. Geldart,
Regional Sales & Marketing Manager

Mr Daniel M. Gregory,
Corporate Manufacturing Manager

Mr Dr David R. Homer, Technical Services Manager

Mr Lyle J. Rawle, Corporate Human Resources
and Knowledge Manager

Dr D. Matthew G. Tilbrook, Corporate Research
and Development Manager

Mr Stewart J. Walton, Corporate Compliance Manager

UNDERWRITER

Ord Minnett Limited
Level 8/255 George Street
SYDNEY NSW 2000

CORPORATE ADVISOR

Radar Investor Relations
Level 12, 37 Bligh Street
SYDNEY NSW 2000

AUDITORS

Ernst & Young
152 St Georges Terrace
PERTH WA 6000

SOLICITORS

Mallesons Stephen Jaques
152 St Georges Terrace
PERTH WA 6000

SHARE REGISTRAR

Computershare Investor Services Pty Ltd
Level 2/45 St Georges Terrace
PERTH WA 6000

REGISTERED/HEAD OFFICE

3 Brodie Hall Drive, Technology Park
BENTLEY WA 6102

ROCKINGHAM FACILITY

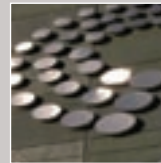
Cnr Patterson Road & Alumina Road
ROCKINGHAM WA 6168

SYDNEY OFFICE

Suite IN20, IBC Building
Australia Technology Park
EVERLEIGH NSW 1430









CHEMEQ LIMITED
ABN 77 009 135 264

REGISTERED/HEAD OFFICE
Chemeq House
3 Brodie-Hall Drive
Technology Park
BENTLEY WA 6102