

8<sup>th</sup> November 2005

Dear PharmAust Investor

Non-Renounceable Rights Issue

Today the Company lodged with ASIC and ASX a Prospectus seeking to raise approximately \$3,029,631 via a non-renounceable rights issue (“Offer”) of 15,148,157 Ordinary Fully Paid Shares at 20c per Share on the basis of two new Shares for every nine Shares held at the Record Date. Additionally, for every Share subscribed for in the Offer there will be an attaching Option, of the class quoted on ASX (ASX: PAAOA), granted at no cost.

Funds raised from this Offer will be applied across the PharmAust Group to facilitate the Group’s transition from its establishment phase into its next phase of expansion. Funds will be applied to;

- |                         |   |
|-------------------------|---|
| Mimotopes               | <ul style="list-style-type: none"><li>• Expansion and consolidation of sales and distribution capabilities in key international markets for the Mimotopes products.</li></ul>   |
| Epichem                 | <ul style="list-style-type: none"><li>• Funding research partnership activities.</li><li>• Consolidation of Epichem’s recent expansion into the east coast of Australia.</li></ul>  |
| PharmAust Manufacturing | <ul style="list-style-type: none"><li>• Internal Research and Development Projects</li><li>• Facilitation of the registration of a greater number of Xepa-Soul Pattinson generic medicines.</li><li>• Further upgrades of the production line and other equipment at PharmAust Manufacturing.</li></ul> |
| Corporate/Other         | <ul style="list-style-type: none"><li>• Corporate overheads, working capital and the cost of this Offer</li></ul>   |

Minimum Subscription of \$750,000 has been set by the Company. At Minimum Subscription the funds will be applied to expand and consolidate the sales and distribution capabilities of the Mimotopes products, upgrading PharmAust Manufacturing's production line and equipment and provide for corporate overheads and general working capital for the Company.

## Indicative Timetable

- Lodgement of this Prospectus with ASIC and ASX 8 November 2005
- Application to ASX for quotation of Shares and Options under this Prospectus 8 November 2005
- Notice to Shareholders and Option holders 8 November 2005
- Current Shares "Ex" the entitlements issue on the ASX 11 November 2005
- Record Date to identify Shareholders and to determine Entitlements to Shares under this Prospectus 17 November 2005
- Despatch of Prospectus and Entitlement and Acceptance Form and Shortfall Application form (Opening Date) 18 November 2005
- Closing Date 7 December 2005
- ASX notified of under subscriptions 12 December 2005
- Despatch Date of Holding Statements to Shareholders 15 December 2005

Post completion of the Offer the Capital Structure of the Company (assuming Maximum Subscription) will be as such;

Securities	Shares	Options (listed)	Options (unlisted)
Pre Offer	68,166,707	45,444,028	1,842,402
To be issued	15,148,157	15,148,157	-
Total – post Offer	83,314,864*	60,592,185	1,842,402*

\*NB: Separately, the cancellation of 800,000 shares and the grant of a package of unlisted options are to be considered at the Company's upcoming AGM. If either or both of these resolutions are passed the total securities on issue will be affected accordingly.

The Offer to participate in the rights issue will be made to all PharmAust shareholders on the register at 5pm on Thursday 17<sup>th</sup> November 2005. The Company wishes to advise that existing options holders can participate in the rights issue by converting their options to Ordinary Fully Paid Shares by the Record Date (Thursday 17<sup>th</sup> November 2005). Fractional entitlements will be rounded up.

It is anticipated that the Prospectus will be mailed to eligible shareholders on Friday 18<sup>th</sup> November 2005.

The Directors have considered that, given the cost of complying with the securities legislation of overseas jurisdictions, it is not reasonable to offer Shares to overseas Shareholders (other than New Zealand registered Shareholders).

The Prospectus can be viewed on the website of the ASX ([www.asx.com.au](http://www.asx.com.au)) or on the Company's website ([www.pharmaust.com](http://www.pharmaust.com)).

Yours sincerely



Dr Paul D'Sylva  
Managing Director  
PharmAust Limited.