

**PHARMAUST LIMITED**  
**ABN 35 094 006 023**

**PROSPECTUS**

For a pro-rata non-renounceable entitlements issue of approximately 15,148,157 Shares at 20 cents per Share, on the basis of 2 Shares for every 9 Shares held at the Record Date, to raise up to approximately \$3,029,631 and the issue of approximately 15,148,157 Options for no consideration on the basis of 1 free attaching Option for every 1 Share subscribed for under this Prospectus

**OFFER CLOSES AT 5 PM WST ON WEDNESDAY 7 DECEMBER 2005**

**IMPORTANT INFORMATION**

An investment of Securities offered by this Prospectus should be considered speculative. This Prospectus is important and should be read in its entirety. If you do not understand its contents you should consult your professional adviser without delay.

## TABLE OF CONTENTS

<b>Section 1</b>	<b>Important Notes and Statements</b>	<b>1</b>
<b>Section 2</b>	<b>Corporate Directory</b>	<b>2</b>
<b>Section 3</b>	<b>Chairman's Letter</b>	<b>3</b>
<b>Section 4</b>	<b>Important Dates</b>	<b>5</b>
<b>Section 5</b>	<b>Details of the Offer</b>	<b>6</b>
<b>Section 6</b>	<b>Company Review</b>	<b>13</b>
<b>Section 7</b>	<b>Effect of the Entitlement Issue</b>	<b>17</b>
<b>Section 8</b>	<b>Risk Factors</b>	<b>20</b>
<b>Section 9</b>	<b>Rights Attaching to Shares and Options</b>	<b>25</b>
<b>Section 10</b>	<b>Additional Information</b>	<b>29</b>
<b>Section 11</b>	<b>Glossary</b>	<b>34</b>
<b>Section 12</b>	<b>Directors' Authorisation and Consent</b>	<b>37</b>

Entitlement and Acceptance Form

Shortfall Application Form

## **Section 1 Important Notes and Statements**

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This Prospectus is dated 8 November 2005 and was lodged with ASIC on this date. Neither the ASIC nor the ASX take any responsibility for the content of this Prospectus. The expiry date of this Prospectus is 13 months after the date of this Prospectus. No Securities will be issued on the basis of this Prospectus after the expiry date. This Prospectus does not constitute an offer in any place or to any person to whom it would not be lawful to make such an offer.

The Company will apply for quotation of the Securities offered by this Prospectus on the ASX within 7 days of the date of this Prospectus.

This Prospectus is important and should be read in its entirety prior to making a decision whether to accept your Entitlement. If you do not fully understand this Prospectus or are in any doubt as to how to deal with it, you should contact your stockbroker or licensed professional adviser.

In preparing this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult.

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

The Securities the subject of this Prospectus should be considered speculative. The risks associated with the Securities and the values are significant. Please refer to section 8 for details relating to risk factors.

The Company is an ASX listed company whose securities are included in the official list of the ASX.

Please refer to the Glossary for terms and abbreviations used in this Prospectus.

## **Section 2 Corporate Directory**

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<b>Directors</b>	Mr John Thompson (Non-Executive Chairman) Dr Paul D'Sylva (Managing Director) Mr Bryant McLarty (Executive Director) Dr Wayne Best (Executive Director)
<b>Company Secretary</b>	Mr Winton Willesee
<b>Registered and principal office</b>	71 Division Street Welshpool Western Australia 6106 Telephone: (08) 9311 0700 Facsimile: (08) 9311 0788
<b>Website</b>	<a href="http://www.pharmaust.com">www.pharmaust.com</a>
<b>Solicitors</b>	Fairweather & Lemonis Level 9, 172 St Georges Terrace Perth Western Australia 6000
<b>Share Registry</b>	*Computershare Registry Services Pty Limited Level 2, Reserve Bank Building 45 St George's Terrace Perth, Western Australia 6000

\*Computershare Registry Services Pty Limited has not been involved in the preparation of this Prospectus and has not consented to being named in this Prospectus. Its name is included for information purposes only.

## Section 3 Chairman's Letter

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Dear Investor,

Since November 2004 the PharmAust Group has worked to develop an integrated pharmaceutical business focused on discovery chemistry, pharmaceutical manufacturing and generic pharmaceuticals. The PharmAust Group is now poised to move from its establishment phase into its next phase of expansion. As a key aspect of this expansion the PharmAust Group will seek to develop and enhance strategic alliances it has in place with key global life science and pharmaceutical companies.

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. At Maximum Subscription funds will be applied to;

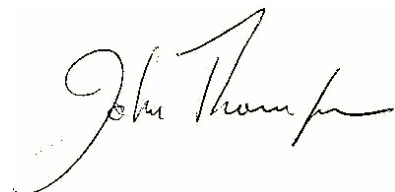
Mimotopes	<ul style="list-style-type: none"><li>• Expansion and consolidation of sales and distribution capabilities in key international markets for the Mimotopes products.</li></ul>
Epichem	<ul style="list-style-type: none"><li>• Funding research partnership activities.</li><li>• Consolidation of Epichem's 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>

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. Should the Company raise more than Minimum Subscription the money will be applied towards further objectives in accordance with the activities specified above and further detailed in section 5.2 of this Prospectus. Those applications will be seeking to bring on stream the registration of a greater number of generic medicines, further funding Epichem's recent expansion into the east coast of Australia, developing Mimotopes' and Epichem's research partnerships with key strategic allies and conducting internal research and development at Epichem

The Offer is a non-renounceable rights issue by which a maximum of approximately 15,148,157 Shares can be issued at 20 cents per Share and the issue of approximately 15,148,157 Options for no consideration on the basis of 1 free attaching Options for every 1 Share subscribed for under this Prospectus. Further details of this Offer are contained in this Prospectus.

The Board believes that the moneys raised will underpin the Company's expansion and encourages your participation in this Offer.

Yours faithfully,

A handwritten signature in black ink, appearing to read "John Thompson". The signature is written in a cursive style with a large initial "J" and a long, sweeping tail.

John Thompson  
Chairman  
PharmAust Limited

## Section 4 Important Dates

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The following key dates are indicative only and may be subject to change without notice. The Company reserves the right to vary the opening date and the Closing Date, subject to compliance with the Listing Rules:

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

## Section 5 Details of the Offer

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### 5.1 Offer of Securities

The pro-rata entitlements issue is made on the basis that for every 9 Shares held as at the Record Date, Shareholders as Eligible Participants will have the right (but not the obligation) to subscribe for 2 Shares at an issue price of 20 cents for each Share subscribed for and issued. Fractional entitlements will be rounded up to the next whole number. Each Eligible Participant will be entitled to be granted 1 free attaching Option for every 1 Share subscribed for under this Prospectus.

The entitlements issue is non-renounceable which means that Eligible Participants may not sell or transfer all or any part of the entitlement.

Based on the capital structure of the Company at the date of this Prospectus, approximately 15,148,157 Shares and 15,148,157 Options will be offered pursuant to this Offer and the proceeds raised from the issue at Maximum Subscription will be approximately \$3,029,631 (before costs).

No Shares or Options will be allotted or issued until valid Applications for the subscription have been received. All application moneys shall, before allotment pursuant to this Prospectus, be held in trust in a separate bank account until allotment or where applicable, the application moneys are repaid. Any interest earned on application moneys will be retained by the Company.

### 5.2 Purpose of the Offer and Use of Funds

At Maximum Subscription the 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>   |

The Company intends to use the funds raised from the Offer (assuming each of Minimum Subscription and Maximum Subscription) broadly as follows:

	<b>Minimum Subscription</b>	<b>Maximum Subscription</b>
Funds from this Offer	\$750,000	\$3,029,631
<b>Application of Proceeds</b>		
<u>Mimotopes Pty Ltd</u>		
1. Expansion and consolidation of sales and distribution capabilities in key international markets for the Mimotopes products.	\$110,000	\$660,000
2. Funding research partnership activities.	nil	\$110,000
<u>Epichem Pty Ltd</u>		
3. Consolidation of Epichem's recent expansion into the east coast of Australia.	nil	\$335,000
4. Internal research and development projects	nil	\$120,000
<u>PharmAust Manufacturing Pty Ltd</u>		
5. Facilitation of the registration of a greater number of Xepa-Soul Pattinson generic medicines.	nil	\$350,000
6. Further upgrades of the production line and other equipment at PharmAust Manufacturing.	\$90,000	\$600,000
<u>Corporate</u>		
7. Costs of the Offer	\$23,000	\$23,000
8. Corporate Overheads	\$420,000	\$420,000
9. General Working Capital throughout the PharmAust Group	\$107,000	\$411,631
<b>Total</b>	<b><u>\$750,000</u></b>	<b><u>\$3,029,631</u></b>

The estimated costs assume that there are no fees payable if Shortfall is placed. However, if Shortfall is placed, a commission of approximately 6% of any such funds raised may be payable, which will reduce the general working capital available to the Company.

The use of the funds is indicative only and may change depending on the Company's circumstances and priorities.

Should the Offer raise less than the Maximum Subscription but more than the Minimum Subscription (in other words an amount between \$750,000 and \$3,029,631), the Company will scale back from its intended use of funds in the following order:

- (a) firstly, a scale back in general working capital (item 9) (of up to \$304,631);
- (b) secondly, a pro-rata scale-back of the Mimotopes research partnership activities (item 2) and the Epicchem internal research and development activities (item 4) (of up to \$230,000);
- (c) thirdly, a scale back of the consolidation of Epicchem's recent expansion into the east coast of Australia (item 3) (of up to \$335,000); and
- (d) fourthly, a scale back of the project to register a greater number of Xepa-Soul Pattinson generic medicines (item 5) (of \$350,000); and
- (e) fifthly, a pro-rata scale back of the expansion and consolidation of sales and distribution capabilities in key international markets for the Mimotopes products (item 1), and upgrades of the production line and other equipment at PharmAust Manufacturing (item 6 (of up to \$1,060,000).

Should the Company not achieve Minimum Subscription under this Offer, it will continue to operate in its present form and will reassess its fundraising alternatives.

### 5.3 Capital Structure

At the close of the Offer and assuming no Options are exercised prior to the Record Date, the capital structure of the Company at Minimum Subscription and Maximum Subscription will be:

Shares	Number at Minimum Subscription	Number at Maximum Subscription
Existing Shares on issue	68,166,707*	68,166,707*
Shares issued under this Offer	<u>3,750,000</u>	<u>15,148,157</u>
<b>Total Shares</b>	<b><u>71,916,707*</u></b>	<b><u>83,314,864*</u></b>

\*It is proposed that 800,000 shares will be cancelled at the Company's General Meeting to be held on 14 November 2005. If approved this will result in the existing Shares on issue and total Shares in the above table being reduced by 800,000.

<b>Options</b>	<b>Number at Minimum Subscription</b>	<b>Number at Maximum Subscription</b>
Existing November 2007 Options (listed)	45,444,028	45,444,028
Options issued under this Offer (listed)	3,750,000	15,148,157
June 2008 Options (unlisted)	1,842,402	1,842,402
*December 2008 Options (unlisted)	13,500,000	13,500,000
<b>*Total</b>	<b>64,536,430</b>	<b>75,934,587</b>

\*This assumes that Shareholders at the Company's General Meeting on 14 November 2005 approve the grant of 13,500,000 December 2008 Options pursuant to an executive option scheme.

#### **5.4 Shareholder Entitlement and How to Accept**

The number of Shares to which an Eligible Participant is entitled is set out in the personalised Entitlement and Acceptance Form which accompanies this Prospectus. Eligible Participants may accept their Entitlement in whole or in part. Please contact the Company if you have any queries as to your Entitlement.

If you decide not to accept your Entitlement it will lapse and Shareholders will be entitled to apply for Shortfall Shares and Options.

It is important that you consider the Offer carefully. If you decide to accept your Entitlement (either in whole or in part), you must do so in accordance with the instructions set out on the accompanying Entitlement and Acceptance Form.

A duly completed Application must be received by the Share Registry in accordance with the Entitlement and Acceptance Form by no later than 5pm WST on 7 December 2005.

The Company reserves the right to extend the period of the Offer.

If you are in doubt as to the course of action you should consult your professional adviser.

#### **5.5 Allotment**

The Directors will proceed to allot the new Shares and Options as soon as possible after the Closing Date and after Minimum Subscription is achieved and ASX permission for Official Quotation of the new Shares and Options is received.

Pending the issue and allotment of Shares and Options or payment of refunds pursuant to this Prospectus, all Application moneys will be held by the Company in trust for the

Applicants in a separate bank account as required by the Corporations Act. The Company, however, will be entitled to retain all interest that accrues on such bank account and each Applicant waives the right to claim any such interest.

## **5.6 Minimum Subscription**

The Minimum Subscription of the Offer is \$750,000. At least this amount must be raised from the Offer for the Offer to be completed.

The Offer is not underwritten. Over-subscriptions will not be accepted.

## **5.7 Shortfall Shares**

Any Entitlement not taken up by a Shareholder by the required time will lapse and the Directors reserve the right to place the Shortfall at their discretion within 3 months of the Closing Date.

The Shortfall Shares will be issued at a price not less than the subscription price under the Offer.

A Shareholder who wishes to apply for Shortfall Shares must complete the Shortfall Application Form and apply for a minimum of 10,000 Shortfall Shares.

All Shortfall Shares will be issued at the absolute discretion of the Company. Lodgement of a Shortfall Application Form with moneys does not guarantee any allotment of Shortfall Shares. All Application moneys in relation to which Shortfall Shares are not allocated will be returned without interest.

The Company may at its discretion pay a placement fee of approximately 6% of subscription moneys (exclusive of GST) to a licensed securities dealer or Australian Financial Services licensee in respect of any relevant Application received for Shortfall Shares.

## **5.8 Official Quotation by ASX**

Application for Official Quotation by ASX of all Shares and Options that may be issued by this Prospectus will be made within 7 days after the date of this Prospectus. If the Shares and Options that may be issued by this Prospectus are not admitted to Official Quotation by ASX before the expiration of 3 months after the date of the Prospectus, (or such period as is varied by the ASIC), the Company will not issue any Shares or Options and will repay all Application moneys within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares and the Options that may be issued pursuant to this Prospectus is not to be taken in any way as an indication of the merits of the Company, the Shares or the Options offered for subscription.

## **5.9 ASX Listed Company**

The Company is an ASX listed company whose securities are included in the Official List of the ASX.

## **5.10 Overseas Shareholders**

This Prospectus and the accompanying Entitlement and Acceptance Form and Shortfall Application Form do not constitute an offer to subscribe for Shares in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Directors have considered the number of overseas Shareholders and the number and value of Shares which would be offered and have decided that it is unreasonable to offer Shares to overseas Shareholders (other than New Zealand registered Shareholders) (**Foreign Shareholders**) given the cost of complying with the securities legislation of these jurisdictions.

Accordingly, this Offer is not being made and no Shares will be issued to any Shareholder whose registered address is in a country in which the Prospectus must be registered or other requirements complied with before an offer of an Entitlement is permitted to be made. Therefore, no Entitlement and Acceptance Form or Shortfall Application Form will be sent to such Foreign Shareholders.

Pursuant to the Listing Rules, the Company will send to Foreign Shareholders the details of the Offer and advise Foreign Shareholders that no offer is being made to them.

## **5.11 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship**

The Company will not be issuing share certificates. The Company participates in the CHESS system, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement that sets out the number of Shares and Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number (HIN) and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders in circumstances in which there have been any changes in their security holding in the Company during the preceding month.

## **5.12 Risk Factors**

Investors should carefully read the risk factors outlined in section 8. An investment of this kind involves a number of risks, some of which are specific to the Company and the industry in which it operates.

## **5.13 Rights Attaching to Securities**

A summary of the rights attaching to Shares and Options is set out in section 9.

#### **5.14 Summary**

This section is not intended to provide full details and information on the Offer. Shareholders must read this Prospectus in full in order to make a fully informed investment decision.

#### **5.15 Enquiries**

Any questions concerning the Offer should be directed to the Company Secretary on (08) 9311 0700.

## **Section 6 Company Review**

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### **6.1 Background and Overview of the PharmAust Group**

Following the Company's October 2003 investment in contract chemistry services and intellectual property generating company Epichem Pty Ltd, the Company changed its principal activity to pharmaceutical and biotechnology manufacturing and services in November 2004 and changed its name to PharmAust Limited.

Further, in November 2004 the consolidated group acquired the land and buildings, and business and assets of Ramprie Laboratories, a pharmaceutical manufacturing business in Welshpool, Western Australia.

Concurrently the Company acquired the final 20% share of Epichem Pty Ltd bringing that company into the PharmAust Group as a wholly owned subsidiary.

In March 2005 the Company acquired 100% of the issued capital of Mimotopes Pty Ltd, a Melbourne based discovery chemistry company.

PharmAust Limited is now a vertically integrated pharmaceutical group of companies fulfilling a range of activities from contract drug discovery and development to manufacturing, sales and marketing of healthcare and pharmaceutical products.

PharmAust wholly owns three main operating subsidiary companies:

- PharmAust Manufacturing Pty Ltd manufactures and markets non-therapeutic and therapeutic pharmaceutical products for the Australian market.
- Epichem Pty Ltd provides contract chemistry services alongside its own intellectual property generating research activities.
- Mimotopes Pty Ltd provides products and services in discovery chemistry to the global pharmaceutical and biotechnology industries.

Since its change of direction in November 2004, the PharmAust Group has grown to now employ over 50 staff of which more than 20 hold a PhD qualification. PharmAust staff have access to a large array of quality plant, equipment and facilities.

#### **Mimotopes Pty Ltd**

In March 2005 PharmAust acquired 100% of Melbourne-based discovery chemistry company Mimotopes Pty Ltd.

Mimotopes provides products and services in discovery chemistry to the global pharmaceutical and biotechnology industries. The Company is housed in a state-of-the-art facility in a technology precinct adjacent to Monash University in Victoria.

Mimotopes has three main business units:

- Discovery Chemistry Unit: Provides tailored chemistry service solutions for advanced drug discovery programs on behalf of a global client base. Now provided in partnership with Epichem Pty Ltd.
- SynPhase Unit: Offers a range of innovative products for combinatorial and solid-phase chemistry, using the Company's patented technology platform, SynPhase™. This technology allows for the fast production of large numbers of compounds.
- Peptide Unit: Creates synthesised peptides for a broad spectrum of applications. Peptides are used for research into areas such as vaccine development, diagnostic kits to screen for diseases as well as therapeutic drug applications.

The purchase of Mimotopes has been a significant boost for the PharmAust Group. Mimotopes was purchased for a nominal consideration as reflected in the PharmAust Group accounts.

Mimotopes provides an opportunity to expand and augment the PharmAust Group's chemistry business, already established through Epichem.

A key part of the Mimotopes growth strategy is to form mutually beneficial partnering arrangements with strategic partners. Funds from this Offer may be applied to partnering activities detailed below and any additional partnering alliances the company may enter into in the future (see section 5.2 item 2).

In August 2005 Mimotopes signed a partnering deal with ASX-listed company Phylogica Ltd to explore the development of next generation peptide drugs.

The SynPhase™ platform owned by Mimotopes incorporates complementary technology that enables the rapid production and optimisation of large libraries of the phylomers identified by Phylogica Ltd as potential therapeutics.

In September 2005 Mimotopes and EQiTX Limited established a partnering agreement to jointly develop new targets for therapeutic or diagnostic approaches.

In October 2005 Mimotopes and global biotechnology group Invitrogen Corporation entered into a preferred outsourcing agreement to supply custom peptides.

A complementary part of Mimotopes growth strategy is to develop its presence in its key international markets, namely the United States, the United Kingdom and Europe. Funds from this Offer will be applied to developing that presence through the engagement of qualified sales personnel and distributors so as to increase sales capacity. Funds are intended to be applied to the United States market alone if Minimum Subscription is met. If more than Minimum Subscription is met, funds are intended to then be applied to furthering the United States market penetration before applying funds to the United Kingdom and then the European markets in that order (see section 5.2 item 1).

## **Epichem Pty Ltd**

PharmAust Limited's wholly owned subsidiary Epichem Pty Ltd provides synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries in Australia and overseas. Epichem also generates its own intellectual property through collaborative research programs.

Epichem's W.A. division operates out of state-of-the-art drug discovery laboratories at Murdoch University in Perth.. These facilities allow for the rapid synthesis and purification of multiple drug compounds, meaning drugs can be created and tested in a timely manner.

The availability of the Mimotopes facilities in Melbourne has enabled Epichem to grow more quickly without the usual large capital outlay for infrastructure associated with such growth. Funds from this Offer may be applied to consolidate this developing presence on the east coast of Australia by focusing initially on opportunities by reason of Mimotopes existing presence in Melbourne and then looking to the Sydney and other markets. In particular funds are intended to be applied to engagement of qualified personnel or distributors to increase sales capacity together with possible capital outlays on required machinery to facilitate Epichem's core business operations (see section 5.2 item 3)

Epichem also conducts internal research and development in collaboration with strategic parties. Work continues on Epichem's antiparasitic drug discovery collaboration with Murdoch University. A number of novel analogues have been prepared and are currently undergoing biological testing. The most recent series of analogues may allow the completion of the current provisional patent in early to mid 2006 and progression towards commercialisation. Funds from this Offer may be applied to the internal research and development program at Epichem (see section 5.2 item 4).

In September 2005 Epichem Pty Ltd established a co-marketing Agreement with neurology-focused biotechnology company, NeuroDiscovery Ltd to identify and exploit new business opportunities. Further research is underway to seek to progress towards commercialisation.

In July 2005 the PharmAust Group invested in specialist chemistry company Advanced Molecular Technologies Pty Ltd.

Advanced Molecular Technologies Pty Ltd is involved in complementary activities to Epichem and is focused on the development and commercialisation of new intellectual property and products mainly in organosilicons and bioactive nucleoside analogs.

## **PharmAust Manufacturing Pty Ltd**

Wholly owned subsidiary PharmAust Manufacturing Pty Ltd manufactures and markets non-therapeutic and therapeutic pharmaceutical products for the Australian market. PharmAust Manufacturing was created following the purchase of Ramprie Laboratories, a pharmaceutical manufacturer located in Western Australia.

In September 2004, PharmAust Limited signed an agreement with Xepa-Soul Pattinson, a subsidiary of Malaysia's largest healthcare company, Apex Healthcare, to supply and distribute the Xepa-Soul Pattinson generic pharmaceuticals in Australia. The PharmAust Manufacturing / Xepa-Soul Pattinson partnership is progressing with the preparation of applications to the TGA to register three drugs in anti-allergy and gastro-oesophageal reflux therapeutic categories underway. The Company expects the applications will be filed with the TGA prior to the end of 2005.

The applications are intended to represent the first in a series of registrations to be conducted over 2005/06 for an initial group of 10 generic medicines in five different therapeutic categories being anti-infectives, anti-virals, anti-allergy, anti-acid and gastro-oesophageal reflux disease. Funds from this Offer may be applied to the project to register Xepa-Soul Pattinson medicines in Australia (see section 5.2 item 5).

PharmAust Manufacturing is currently principally focused on meeting statutory Therapeutic Goods Administration (TGA) compliance and registration requirements in order to attain its TGA licence for the facility in Welshpool W.A. The licence, if granted, will allow manufacturing of the Company's full suite of therapeutic TGA registered products, as well as manufacturing therapeutic goods on behalf of third parties.

Whilst focus has been on attaining the TGA licence, PharmAust Manufacturing has continued to manufacture non-therapeutic personal care products and exempt medicines.

As part of the facility upgrade some key machinery has been now been delivered including an automatic cream and liquids filler and capper and a labeller. Existing equipment is currently being prepared for installation and operational qualification in the cleanroom facility. Funds from this Offer will be applied to continuing the facility upgrade by enabling the purchase of further production line equipment (see section 5.2 item 6). At Minimum Subscription the equipment intended to be purchased is a core business unit being water purification equipment (reverse osmosis machine). If more than Minimum Subscription is met, funds are intended to then be applied to purchase equipment to increase the manufacturing efficiency and improve production flow by equipment including manufacturing weighing machines, industrial tanks, industrial stirrers, mixers and pumps and cream pans.

PharmAust Manufacturing has also secured a national distribution agreement with Cottman Australia Pty Ltd to create a broader and stronger market presence for all PharmAust Manufacturing products. This is intended to include Xepa-Soul Pattinson generic pharmaceuticals and other products in areas such as personal care, cosmetics and galenicals.

## Section 7 Effect of the Entitlement Issue

### 7.1 Purpose of the Offer and Use of Funds

The purpose of the Offer and the use of funds of the Offer is set out in section 5.2 of this Prospectus.

### 7.2 Pro-Forma Statement of Financial Position

To illustrate the effect of the Offer on the Company, a pro-forma statement of financial position (at both Minimum Subscription and Maximum Subscription) as set out below has been prepared based on an unaudited statement of the Company's financial position at 30 September 2005.

Description	Consolidated Actual as at 30 September 2005 (Unaudited)	Pro forma as at 30 September 2005 Minimum Subscription (Unaudited)	Pro forma as at 30 September 2005 Maximum Subscription (Unaudited)
<b><u>CURRENT ASSETS</u></b>			
Cash	(106,776)*	620,224	2,899,855
Receivables	710,070	710,070	710,070
Inventory	334,158	334,158	334,158
Other	48,938	48,938	48,938
<b>Total Current Assets</b>	<b>986,390</b>	<b>1,713,390</b>	<b>3,993,021</b>
<b><u>NON-CURRENT ASSETS</u></b>			
Financial Assets	25,308	25,308	25,308
Provision for Diminution	(18,761)	(18,761)	(18,761)
Property, plant & equipment	3,329,913	3,329,913	3,329,913
Intangibles	157,000	157,000	157,000
<b>Total Non-Current Assets</b>	<b>3,493,460</b>	<b>3,493,460</b>	<b>3,493,460</b>
<b>TOTAL ASSETS</b>	<b>4,479,850</b>	<b>5,206,850</b>	<b>7,486,481</b>
<b><u>CURRENT LIABILITIES</u></b>			
Payables	711,313	711,313	711,313
Interest Bearing Liabilities	244,325	244,325	244,325
Provisions	104,419	104,419	104,419
<b>Total Current Liabilities</b>	<b>1,060,057</b>	<b>1,060,057</b>	<b>1,060,057</b>
<b><u>NON-CURRENT LIABILITIES</u></b>			
Revenue in Advance	269,595	269,595	269,595
<b>Total Non-Current Liabilities</b>	<b>269,595</b>	<b>269,595</b>	<b>269,595</b>
<b>TOTAL LIABILITIES</b>	<b>1,329,652</b>	<b>1,329,652</b>	<b>1,329,652</b>
<b>NET ASSETS</b>	<b>3,150,198</b>	<b>3,877,198</b>	<b>6,156,829</b>
<b><u>EQUITY</u></b>			
Contributed equity	17,653,481	18,380,481	20,660,112
Accumulated losses	14,503,283	14,503,283	14,503,283
<b>TOTAL EQUITY</b>	<b>3,150,198</b>	<b>3,877,198</b>	<b>6,156,829</b>

\* Cash position of (\$106,776) shows the net overdraft position. The bank overdraft facility is with National Australia Bank and has a limit of \$1,350,000.

### 7.3 Assumptions for Proforma Statement of Financial Position

The Proforma Statement of Financial Position at 30 September 2005 disclosed above, has been included for illustrative purposes only. The Proforma Statement of Financial Position has been prepared by adjusting the unaudited Statement of Financial Position at 30 September 2005 to reflect the financial effect of the following transactions as if they had occurred at 30 September 2005:

- For the Maximum Subscription pro forma - the issue of 15,148,157 Shares of \$0.20 each and 15,148,157 Options, raising approximately \$3,029,631 under this Prospectus.
- For the Minimum Subscription pro forma - the issue of 3,750,000 Shares of \$0.20 each, and 3,750,000 Options, raising approximately \$750,000 under this Prospectus.
- Estimated costs of \$23,000 associated with the Offer under this Prospectus. These costs have been written off against share capital in the Proforma Statement of Financial Position. The estimated cost assumes that there are no fees payable if Shortfall is placed. However, if Shortfall is placed, a commission of approximately 6% of such funds raised may be payable.

### 7.4 Capital Structure

At the close of the Offer and assuming no Options are exercised prior to the Record Date, the capital structure of the Company at Minimum Subscription and Maximum Subscription will be:

Shares	Number at Minimum Subscription	Number at Maximum Subscription
Existing Shares on issue	68,166,707*	68,166,707*
Shares issued under this Offer	<u>3,750,000</u>	<u>15,148,157</u>
<b>Total Shares</b>	<b><u>71,916,707*</u></b>	<b><u>83,314,864*</u></b>

\*It is proposed that 800,000 shares will be cancelled at the Company's General Meeting to be held on 14 November 2005. If approved, this will result in the Existing Shares on issue and Total Shares in the above table being reduced by 800,000.

<b>Options</b>	<b>Number at Minimum Subscription</b>	<b>Number at Maximum Subscription</b>
Existing November 2007 Options (listed)	45,444,028	45,444,028
Options issued under this Offer (listed)	3,750,000	15,148,157
June 2008 Options (unlisted)	1,842,402	1,842,402
*December 2008 Options (unlisted)	13,500,000	13,500,000
<b>*Total</b>	<b>64,536,430</b>	<b>75,934,587</b>

\*This assumes that Shareholders at the Company's General Meeting on 14 November 2005 approve the grant of 13,500,000 December 2008 Options pursuant to an executive option scheme.

## **Section 8 Risk Factors**

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An investment in the Company and its Shares and Options is speculative and is subject to risk. Prospective investors should carefully consider the risk factors set out below.

The risk factors below may have a significant impact on the operations, performance and success of the Company and its businesses. The risks are not intended to be exhaustive as other risks affecting the Company may exist.

If you are unsure about any of the information contained in this section, you should consult your professional advisers.

### **8.1 General Economic Risks and Business Climate**

The Shares and Options issued under this Prospectus are to be listed on ASX, where their price may rise or fall in relation to the Offer price. The Shares and Options carry no guarantee in respect of the price at which they may trade on ASX or profitability, dividends or return of capital.

The value of the Shares will be determined by the share market and will be subject to a range of factors affecting that market, some of which are beyond the control of the Company and its Directors and can be unpredictable. These factors and share market conditions may affect the Shares regardless of the Company's operating performance.

Share market conditions are affected by many general economic factors including:

- general economic outlook and world economic conditions;
- movements in or outlook on interest rates and inflation rates;
- currency fluctuations;
- commodity prices;
- government legislation or intervention, including taxation;
- changes in investor sentiment towards particular market sectors; and
- the demand and supply for capital.

The value of the Shares and Options will also be affected by the market for similar stocks to the Shares and Options. There can be no guarantee that an active market in the Shares or Options will develop or that the market price of the Shares or Options will not decline below the Offer price.

Returns from an investment in the Shares and Options may also depend on general share market conditions, as well as the performance of the Company.

General economic conditions may also affect the Company's development, operations, activities and performance and its ability to fund those activities.

## **8.2 Additional Requirements for Capital**

The Company's ongoing capital requirements will depend on a number of factors including the Company's ability to generate income from activities. The Company believes that on completion of the Offer it will have sufficient working capital to carry out its objectives in this Prospectus.

Should the Company require additional funding, there can be no assurance that it will be available or that it will be on terms satisfactory to the Company. Any additional equity financing will dilute shareholdings and any additional debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may need to reduce the scope of its operations and the lack of financing may have a serious adverse impact on the Company.

## **8.3 Uncertainty of Future Profitability**

The Company's ability to operate both its pharmaceutical business and biotechnology/chemistry businesses profitably in the future and the extent to which it will do so will depend on its ability to commercialise its products or activities. This will depend on the ultimate demand for its products or activities by clients and/or consumers, which cannot be guaranteed.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of any profitability cannot be predicted.

## **8.4 Government and Regulatory Issues**

The Company's operations and its products (both chemical and pharmaceutical) may be subject to numerous laws, regulatory restrictions, approvals and controls and certain government policy, directives, recommendations and guidelines, both in Australia and throughout the world, relating to, amongst other things, the manufacture of pharmaceutical and biotechnology products, occupational safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection.

The requirements referred to above may affect both the timing and the cost of bringing the Company's products or services to the market. Delays or failures in complying with these requirements or obtaining approvals may also have an adverse effect on the value of the Company and a consequent impact on its financial performance.

There can also be no assurance that future legislation will not impose further government regulation, or that current laws, regulations or policy may not change. This may adversely affect the business or financial condition of the Company. For example, laws, regulations and policies towards discounts and incentives offered by the Company or governing the PBS or the registration or manufacture of pharmaceuticals may change, affecting generic products to be manufactured or

distributed by the Company and changes in the regulations affecting distribution margins of PBS pharmaceuticals or patent and data exclusivity provisions could adversely affect the Company's planned generic pharmaceutical activities.

Like other businesses, changes in general political and governmental conditions in Australia and elsewhere could materially and adversely affect the financial and business prospects or the overall profitability of the Company. These political uncertainties include but are not limited to changes in government or political leadership, war or acts of terrorism.

## **8.5 TGA and PBS and Other Registrations**

The ability of the Company to offer its pharmaceutical products for sale depends on relevant licences and registrations being obtained by the Company and it receiving favourable audit reports from the regulatory authority of the country in which products are offered for sale. An unfavourable audit can impose unbudgeted costs, which may have a material adverse effect on the Company's ability to conduct its business. In extreme cases, the Company may have its licence revoked, which would prevent it from offering any products for sale.

The Company is currently seeking to attain a TGA licence. Although the Company is aware of the requirements for the issue to it of a TGA licence and registration of products on the ARTG and considers it has the capabilities to achieve these matters, the Company cannot give an assurance that the TGA licence will be issued and products registered on the ARTG.

Delays or failure to obtain registration, approval or validation of licences of products may have a material adverse effect on the financial performance of the Company.

## **8.6 Intellectual Property Rights**

Securing rights to intellectual property, and in particular to patents, is an integral part of securing potential product value arising out of pharmaceutical, biotechnical and chemical research and development. The Company's success by the Mimotopes and Epichem businesses depends, in part, on its ability to obtain patents, protect trade secrets and operate without infringing third parties' proprietary rights.

The granting of a patent does not guarantee that the rights of other parties are not infringed or that competitors will not develop competing intellectual property that circumvents the patents. In addition, there can be no assurance that any patents that the Company may own or control or licence now or in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application.

Competition in obtaining, retaining and maintaining protection of intellectual property and the complex nature of intellectual property rights can also lead to expensive and lengthy disputes for which there can be no guaranteed outcome.

While the Company is not aware of any third party interests (other than those set out below) in its intellectual property rights and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in

pharmaceutical, biotechnical and chemical discoveries and if any disputes arise, they could adversely affect the Company.

The Company has applied to register the names of a number of generic pharmaceutical drugs. Two of which have been challenged. They are Covastin and Normatenol.

If these challenges are not withdrawn it is the intention of the Company to register alternative names for these drugs to avoid these challenges delaying the registration process or incurring any costs to the Company.

## **8.7 Competition and Competing Products**

The pharmaceutical manufacturing industry and the biotechnology and chemistry industry are each highly competitive and subject to rapid, significant technological change. There are currently several generic pharmaceutical companies competing in the Australian market and the Company's current and future potential competitors include companies with substantially greater resources. Other international companies may enter the market and increase competition, despite significant financial and regulatory barriers to entry. In an increasingly competitive market, the Company's prices and margins could be difficult to maintain and its market share hard to maintain or increase. Price-cutting by competitors could lead to reduced margins on the Company's products. Competition within distribution networks could intensify and lead to the erosion of distribution margins affecting the end market.

The Company can give no assurance in respect of its ability to compete in these markets. No assurances can be given that the actions of existing and future competitors will not have a material adverse impact on the Company's ability to implement its business plan and on the Company's operating and financial performance. In particular, there is no assurance that competitors will not succeed in developing products that are more effective or economic than the Company's current products or any of those being developed by the Company or which would render those products obsolete or otherwise uncompetitive.

## **8.8 Reliance on Key Personnel and Qualified Staff**

The Company's success will depend, to some extent, upon the abilities and continued efforts of its existing Directors and senior management. The loss of any of the Directors and/or senior management may adversely affect the Company's performance and ability to compete effectively in the chemistry, pharmaceutical or biotechnical industry. Similarly, the Company's future success would also depend on its employees and other personnel.

Because of the specialised nature of the Company's business, its ability to successfully commercialise its products and service its clients in both the pharmaceutical and biotechnology and chemistry industries will depend in part upon its ability to attract and retain suitably qualified management and employees.

There can be no assurance that the Company will be able to retain its Directors or key senior management, or attract and retain sufficiently qualified management or personnel on a timely basis.

## **8.9 General Contract Risks and Reliance on Third Party Suppliers/Distributors**

The Company and its subsidiaries operate through a series of contractual relationships with third parties through various contracts. All contracts carry risks associated with the performance by the parties of their obligations such as time commitments, achieving targets and quality of work performed.

Contracts will need to be negotiated with a number of third parties including for the sales, marketing and distribution of pharmaceutical products. The Company may become reliant on suppliers and distributors, the loss of whose services may materially adversely affect the Company and impede the achievement of its objectives.

#### **8.10 Risk of Product Liability and Uninsured Risks**

The Company's pharmaceutical and biotechnology/chemistry businesses expose it to potential product liability risks inherent in development, manufacturing, marketing, quality and use of its products, as well as other related risks. The Company has insurances in place to cover certain of these risks in the course of operating its businesses.

However, there can be no assurance that any adverse event will necessarily be covered by the insurance or that any product liability or other claims will not materially and adversely affect the business or financial condition of the Company even if they are covered by insurances. The possibility also exists that the Company, its products or aspects of its business may be brought into disrepute through malicious interference or tampering with the Company's or a competitor's products.

#### **8.11 Foreign Exchange Risks**

Revenue and expenditure in overseas jurisdictions are subject to fluctuations in international currency exchange markets and changes in foreign exchange laws or regulations. Foreign taxes, inflation, interest rates, limitation on the repatriation of earnings, compliance with foreign accounting and business laws and cultural differences also carry a certain amount of risk and may also have an impact on the performance of the Company.

#### **8.12 Potential Acquisitions**

As part of its business strategy, the Company may make acquisitions of or significant investments in complementary companies, products or technologies, although no such acquisitions or investments are currently planned. Any such transactions would be accompanied by risks encountered in making such acquisitions.

## **Section 9 Rights Attaching to Shares and Options**

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### **9.1 Rights and Liabilities attaching to Shares**

Full details of the rights and liabilities attaching to the Shares are:

- detailed in the Constitution, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

#### **(a) Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. A person who holds a Share which is not fully paid (at present there are none), shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant Share bears to the total issue price of the Share. Voting may be in person or by proxy, attorney or representative.

#### **(b) Dividends**

Subject to the rights of holders of Shares issued with any special rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of Shares equally, and among the holders of partly paid Shares in proportion to the amounts paid (including amounts credited) of the total amounts paid or payable (including amounts credited) on the Shares in respect of which the dividend is paid.

All Shares currently on issue and the Shares to be issued under this Prospectus are fully paid Shares.

#### **(c) Future Issues**

Subject to the Corporations Act and the Listing Rules, the Directors may allot, issue, grant Options over securities in the Company at the times and on the terms and conditions that the Directors think fit.

#### **(d) Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements and if the registration of the transfer does not result in a

contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.

(e) **Meetings and Notices**

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company 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.

Shareholders may requisition meetings in accordance with the Corporations Act.

(f) **Election of Directors**

There must be a minimum of 3 Directors and a maximum of 10 Directors. The Company may by ordinary resolution alter the maximum number of Directors provided the minimum is not less than 3 Directors.

(g) **Indemnities**

The Company, under its Constitution, must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any costs incurred in defending an action in respect of such liability.

(h) **Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules, amongst other things:

- (i) increase its share capital by the issue of new shares of such amount as is specified in a resolution; and
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.

(i) **Shareholder Liability**

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(1) **ASX Listing Rules**

If the Company is admitted to trading on the official list of the ASX, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. 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). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

At the Company's upcoming Annual General Meeting to be held on 14 November 2005 the Company will be seeking to adopt a new constitution. If the resolution is passed as a special resolution, the new constitution will not materially affect the above summaries of rights and liabilities attaching to Shares.

## **9.2 Rights attaching to Options under this Prospectus**

The rights attaching to the Options to be allotted and issued under this Prospectus will have the same rights as the existing November 2007 Options. The terms of the Options to be allotted and issued under this Prospectus are:

- (a) each Option entitles the holder, when exercised, to one Share in the capital of the Company;
- (b) the Options may be exercised at any time prior to the expiry date of 5pm WST on 30 November 2007;
- (c) the exercise price of the Options is 30 cents per Option;
- (d) the Company will apply to the ASX to list the Options on the ASX;
- (e) the Options are freely transferable;
- (f) the Company will provide to each Option holder a notice that is to be completed when exercising the Options (Notice of Exercise). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share;
- (g) all Shares issued upon the exercise of the Options will rank *pari passu* in all respects with the Company's then issued Shares;

- (h) there are no participating rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure, for the purposes of determining entitlements to any issue, that Option holders will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues;
- (i) in the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules; and
- (j) the Options will not give any right to participate in dividends, bonus issues or new issues until Shares are allotted pursuant to the exercise of the relevant Options. There is no right to change the exercise price of Options if the Company completes a bonus or new issue.

## **Section 10 Additional Information**

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### **10.1 Directors' Interests and benefits**

Other than as set out below or elsewhere in this Prospectus, no Director or proposed Director holds at the date of this Prospectus, or held at any time during the last two years before the date of lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or
- (b) any property acquired or proposed to be acquired by the Company in connection with its formation or promotion of the Company, or the Offer; or
- (c) the Offer;

and no amount have been paid or agreed to be paid by any person and no benefits have been given or agreed to be given by any person:

- (d) to a Director or proposed Director to induce him or her to become, or to qualify as, a Director; or
- (e) for services provided by a Director or proposed Director in connection with the formation or promotion of the Company or the Offer.

#### **Remuneration of Directors**

In the last two years Mr McLarty received remuneration of \$388,719, Dr D'Sylva received \$322,321 and Dr Best received \$194,963 which are inclusive of Directors fees of up to \$25,000 a year.

The Directors fee for the Chairman (Mr Thompson) is currently \$60,000 per year. As at the date of this Prospectus, whilst remuneration is payable Mr Thompson had not been paid any remuneration.

A non-executive Director may also be paid remuneration as the other Directors determine where that non-executive Director is called upon to perform extra services or make special exertions.

Directors may also be paid all travelling and other expenses properly incurred by them in attending, participating in or returning from meetings of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.

#### **Shareholding Qualifications and Holdings**

The Directors are not required to hold any Shares in the Company under the Constitution of the Company.

Set out below are details of the relevant interests of the Directors in the Securities of the Company immediately prior to lodgement of the Prospectus with the ASIC.

<b>Director</b>	<b>Ordinary Shares</b>	<b>Number of Options</b>
Mr John Thompson	Nil	Nil
Dr P D'Sylva	725,698	*372,820 November 2007 Options
Mr B McLarty	2,510,299	*2,705,427 November 2007 Options
Dr Wayne Best	1,370,510	*907,005 November 2007 Options and 53,334 June 2008 Options

\*Additionally, at the Company's General Meeting to be held on 14 November 2005 Shareholders will vote to approve the issue of 3,000,000 December 2008 Options to each of Messrs D'Sylva, McLarty and Best with 1,000,000 Options exercisable at 20 cents and 2,000,000 Options exercisable at 22 cents.

## **10.2 Interests of Experts**

Other than set out below or elsewhere in this Prospectus, no expert nor any firm of which any expert is a partner or 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 this Prospectus, has or in the last two years had an interest in: -

- (a) the formation or promotion of the Company; or
- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer; and

no amount of any kind has been paid or agreed to be paid to any expert (or to any firm in which he or she is or was a partner) or any person named in the Prospectus as performing a function in a professional, advisory or other capacity for services rendered by the expert or by the firm in connection with the promotion or formation of the Company or the Offer. No form of payment of any kind will be made or agreed to be made to any such expert or firm other than in cash.

Fairweather & Lemonis act as solicitors to the Company. Fairweather & Lemonis will be paid approximately \$2,500 exclusive of GST for services provided in connection with this Prospectus. Fairweather & Lemonis have provided other legal services to the Company during the last 2 years amounting to approximately \$170,000.

## **10.3 Consents and disclaimers of responsibilities**

The following party has given its written consent to be named in this Prospectus and for the inclusion of statements made by that party (as described below in the form and context in which they are included), and has not withdrawn such consent before lodgement of this Prospectus with ASIC.

Fairweather & Lemonis has consented to being named as Solicitors to the Company.

The party referred to in this section:

- does not make, or purport to make any statement in this Prospectus, or on which a statement made in this Prospectus is based other than as specified in this section;
- 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 the Prospectus with the consent of that party as specified in this section; and
- has not caused or authorised the issue of this Prospectus.

#### 10.4 Share Trading History

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market price of the Company's quoted Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales and the last sale on the day prior to lodgement of this Prospectus with the ASIC were:

	<b>Price</b>	<b>Date</b>
Highest	29 cents	24 February 2005
Lowest	15 cents	15 May 2005
Latest	22 cents	7 November 2005

#### 10.5 Costs of the Issue

The following approximate expenses (net of GST) have been or will be incurred by the Company with respect to the Offer:

Professional fees/the ASIC and ASX	\$11,800
Printing and postage	\$9,000
Miscellaneous	\$2,200
<b>TOTAL</b>	<b>\$23,000</b>

The estimated costs assume that there are no fees payable if Shortfall is placed. However, if Shortfall is placed, a commission of approximately 6% of any such funds raised may be payable.

#### 10.6 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it

has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities. The Shares that will be issued pursuant to this Prospectus will be in the same class of Shares that have been included in the official list of ASX during the 12 months prior to the issue of this Prospectus. Shares allotted pursuant to the exercise of the Options issued in accordance with this Prospectus will rank from the date of allotment, equally with existing Shares of the Company in all respects.

In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights and liabilities attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

Having taken such precautions and having made such enquires as are reasonable, the Company 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 issue of this Prospectus which required the Company 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.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with the ASIC;
  - (ii) any half year financial report lodged with the ASIC by the Company after the lodgement of the annual financial report referred to in paragraph (i) and before the lodgement of this Prospectus with the ASIC; and
  - (iii) any continuous disclosure notices given by the body after the lodgement of that annual financial report and before the lodgement of the copy of the Prospectus with ASIC.

For details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report, which was lodged at ASX on 30 September 2005 refer to the table set out below.

<b>Date</b>	<b>Description of Announcement</b>
5 October 2005	Secures Major Outsourcing Agreement with Invitrogen
7 October 2005	Notice of Annual General Meeting
28 October 2005	Quarterly Cashflow – Appendix 4C
31 October 2005	Appointment of Dr Paul D’Sylva as Managing Director
3 November 2005	Investor Update

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal hours.

## Section 11 Glossary

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<b>Applicant</b>	A person who submits a valid Entitlement and Acceptance Form or a Shortfall Application Form pursuant to this Prospectus.
<b>Application</b>	A valid application for Shares pursuant to this Prospectus.
<b>ARTG</b>	The Australian Register of Therapeutic Goods.
<b>ASIC</b>	Australian Securities and Investments Commission.
<b>ASX</b>	Australian Stock Exchange Limited (ACN 006 624 691).
<b>Board</b>	The Board of Directors.
<b>Closing Date</b>	7 December 2005 or such later date which may be determined by the Company.
<b>Company or PharmAust</b>	PharmAust Limited (ABN 35 094 006 023).
<b>Constitution</b>	The constitution of the Company.
<b>Corporations Act</b>	Corporations Act 2001 (Cth).
<b>December 2008 Option</b>	A proposed unlisted Option to subscribe for a Share at 20 cents or 22 cents on or before 31 December 2008 with exercise subject to achieving company targets.
<b>Director</b>	A Director of the Company.
<b>Dollar or \$ or A\$</b>	Australian dollars.
<b>Eligible Participant</b>	A Shareholder on the Record Date entitled to participate in the Offer.
<b>Entitlement</b>	The entitlement of a Shareholder who is eligible to participate in the Offer as indicated in the Entitlement and Acceptance Form.
<b>Entitlement and Acceptance Form</b>	The personalised entitlement and acceptance form accompanying a Shareholder's copy of this Prospectus.
<b>Epichem</b>	Epichem Pty Ltd (ABN 80 106 769 902), which is a wholly owned subsidiary of the Company.
<b>General Meeting</b>	The annual general meeting of Shareholders to be held on 14 November 2005.
<b>GST</b>	Goods and services tax.

<b>June 2008 Option</b>	An unlisted Option to subscribe for a Share at 37.5 cents on or before 30 June 2008.
<b>Listing Rules</b>	The official listing rules of the ASX.
<b>Maximum Subscription</b>	The maximum amount that can be raised by the Offer which is \$3,029,631.
<b>Mimotopes</b>	Mimotopes Pty Ltd (ACN 090 841 286), a wholly owned subsidiary of the Company.
<b>Minimum Subscription</b>	The minimum amount that must be raised by the Offer to complete the Offer which is \$750,000.
<b>November 2007 Option</b>	A listed Option to subscribe for a Share at 30 cents on or before 30 November 2007.
<b>Offer</b>	The Offer of Shares and Options pursuant to this Prospectus.
<b>Official Quotation</b>	Official quotation by the ASX.
<b>Opening Date</b>	9.00 am (WST) on 18 November 2005.
<b>Option</b>	An Option to subscribe for a Share.
<b>PBS</b>	The Australian Federal Government's Pharmaceutical Benefits Scheme.
<b>PharmAust Group or Group</b>	The PharmAust group of companies being the Company and its subsidiaries.
<b>PharmAust Manufacturing</b>	PharmAust Manufacturing Pty Ltd (ABN 19 110 375 294), a wholly owned subsidiary of the Company.
<b>Prospectus</b>	This Prospectus dated 8 November 2005.
<b>Record Date</b>	5pm (WST) on 17 November 2005.
<b>Securities</b>	Shares and Options.
<b>Share</b>	Ordinary fully paid share in the capital of the Company.
<b>Shareholder</b>	Holder of a Share.
<b>Shortfall</b>	The number of Shares comprising the difference between approximately 15,148,157 Shares offered under this Prospectus and the number of Shares for which valid Entitlement and Acceptance Forms have been received and accepted by the Company by the Closing Date.
<b>Shortfall Application Form</b>	The shortfall application form either attached to or accompanying this Prospectus.

<b>TGA</b>	The Australian Therapeutic Goods Administration.
<b>US\$</b>	United States dollars.
<b>WST</b>	Western Australian Standard Time.
<b>Xepa-Soul Pattinson</b>	Xepa-Soul Pattinson (Malaysia) Sdn Bhd (Company No. 8504-M), a company established under the laws of Malaysia.

## **Section 12 Directors' Authorisation and Consent**

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This Prospectus is authorised by the Company and lodged with the ASIC pursuant to section 718 of the Corporations Act.

The Directors have consented to lodgement of this Prospectus with the ASIC in accordance with the terms of section 720 of the Corporations Act.

Dated 8 November 2005



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Signed for and on behalf of  
PharmAust Limited  
By Paul D'Sylva  
Managing Director

**ENTITLEMENT AND ACCEPTANCE FORM**

THIS DOCUMENT IS IMPORTANT, IF YOU ARE IN DOUBT AS TO HOW TO DEAL WITH IT, PLEASE CONTACT YOUR STOCKBROKER OR LICENSED PROFESSIONAL ADVISER.

**PharmAust Limited**  
ABN 35 094 006 023

PRINCIPAL OFFICE  
71 Division Street  
Welshpool Western Australia 6106

SHARE REGISTRY  
Computershare Registry Services Pty Limited  
Level 2, 45 St Georges Terrace  
Perth ,Western Australia 6000

For a pro-rata non-renounceable entitlements issue of approximately 15,148,157 Shares at \$0.20 (20 cents) per Share, on the basis of 2 fully paid Shares for every 9 fully paid Shares held at the Record Date to raise up to approximately \$3,029,631 and the further issue of 1 free attaching Option for every 1 Share subscribed for under this Prospectus.

**Non-renounceable entitlement, closing 5:00pm Western Standard Time on  
7 December 2005**

HIN/SRN:  
Entitlement No:  
Sub-Register:

Shareholding At 5:00pm On 17 November 2005 (*)	Entitlement to Shares On a 2:9 Basis (*)	Amount Payable at \$0.20 Per Share  (*)
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To the Directors  
PharmAust Limited

- I/We the above mentioned, being registered on the Record Date as the holder(s) of ordinary Shares in your Company hereby accept the below mentioned Shares and Options issued in accordance with the enclosed Prospectus.
- I/We enclose my/our cheque made payable to "PharmAust Limited", for the amount shown being payment at the rate of \$0.20 (20 cents) per Share.
- I/We hereby authorise you to place my/our name(s) on the registers of Shareholders in respect of the number of Shares and Options allotted to me/us and;
- I/We agree to be bound by the Constitution of the Company.
- I/We acknowledge having received a full copy of the Prospectus with this application.

RETURN OF THIS DOCUMENT WITH THE REQUIRED REMITTANCE WILL CONSTITUTE YOUR  
ACCEPTANCE OF THE SECURITIES BEING OFFERED

SHARES ACCEPTED	AMOUNT ENCLOSED AT 20 cents PER SHARE

PLEASE ENTER CHEQUE  
DETAILS THANK YOU

Drawer	Bank	Branch	Amount

My/Our contact numbers in the case of inquiry are:

Telephone : (    ) .....

Fax : (.....)

NOTE: Cheques should be made payable to "PharmAust Limited Equity Account" crossed "NOT NEGOTIABLE" and forwarded to the Share Registry to arrive no later than 5:00pm Western Standard Time on 7 December 2005.

Complete this panel and sign below if a change of address is to be registered with the Company	
New Address:	..... .....
Signature(s):	..... Date: .....
Please indicate your correct title : Director/Secretary/ .....	

**ISSUE CLOSES 5:00PM WST ON 7 DECEMBER 2005**

THE DIRECTORS RESERVE THE RIGHT TO MAKE AMENDMENT TO THIS FORM WHERE APPROPRIATE  
PLEASE REFER OVERLEAF FOR INSTRUCTIONS

## EXPLANATION OF ENTITLEMENT

1. The front of this form sets out the number of Shares which you are entitled to accept.
2. Your entitlement may be accepted either in full or in part. There is no minimum acceptance.
3. You may not use this form to apply for Shares and attaching Options in excess of your maximum entitlement – you must use the accompanying SHORTFALL APPLICATION FORM.
4. The price payable in full on acceptance of each Share is \$0.20 (20 cents).
5. You may accept your entitlement by completing the Entitlement and Acceptance Form overleaf. Should you wish to apply for additional Shares and attaching Options, please complete the Shortfall Application Form attached to the Prospectus.

## APPLICATION INSTRUCTIONS

1. The issue price of 20 cents per Share is payable in full upon application.
2. Payments must be made in Australian currency by cheque or bank draft drawn on and payable at a bank within Australia. Cheques or bank drafts drawn on banks outside Australia in either Australian currency or in foreign currency will not be accepted.
3. The cheques must be made payable to “PharmAust Limited” and crossed “Not Negotiable”.
4. When completed, this form together with the appropriate payment in Australian currency should be forwarded to PharmAust Limited c/o Computershare Registry Services Pty Ltd to the addresses below. .
5. Acceptances must be received by the Company no later than 5:00pm WST on the Closing Date.

## ENQUIRIES

Any enquiries regarding this form should be directed to the Company's share registry:

Street Address:           Computershare Registry Services Pty Ltd  
Level 2, Reserve Bank Building  
45 St Georges Terrace  
PERTH WA 6000

Postal Address:           GPO Box D182  
PERTH WA 6840

Phone:                    +61 8 9323 2000  
Facsimile:                +61 8 9323 2005

**SHORTFALL APPLICATION FORM**

This form should only be filled out by a Shareholder wishing to apply for shortfall Shares and attaching Options that may arise upon the close of the Offer. All shortfall Shares and attaching Options will be issued at the absolute direction of the Company. Lodgement of a Shortfall Application Form does not guarantee an allotment of any Shares and attaching Options. Shareholder Entitlements should be applied for on the pre-printed Entitlement and Acceptance Form.

For the offer of Shares at an issue price of \$0.20 (20 cents) per Share. Instructions A to H are set out on the reverse side of this form. All Application Forms must be accompanied by payment of 20 cents per Share.

PLEASE USE BLOCK LETTERS – refer to the guide (reverse side) for correct forms of registerable title(s).

Brokers Stamp Only

**A Application for Shares**

I/We apply for ..... Shares  
 at 20 cents per Share

I/We lodge full application moneys of: \$.....

**B Title**      Given Names or Company      Surname/ABN

.....

**C Title**      Joint Applicants or Designated Account  
 e.g. <SUPERFUND A/C>

.....

**D Address**

Suburb/City/Town ..... State ..... Postcode .....

**E Contact Details**

Contact Name : .....

Contact No      : .....

**F CHESS Details**

**PID** .....      **HIN** .....

**G Payment Details**

All cheques should be made payable to “**PharmAust Limited Equity Account**” and crossed “**Not Negotiable**”

Drawer	Bank	Branch	Amount
.....	.....	.....	\$.....
.....	.....	.....	\$.....

## INSTRUCTIONS TO APPLICANTS

This Shortfall Application Form together with a cheque for the application moneys must be forwarded to:

**PharmAust Limited**  
71 Division Street  
WELSHPOOL WA 6106

**Postal Address:**  
PO Box 527  
WELSHPOOL WA 6986

or

**PharmAust Limited**  
C/- Computershare Registry Services  
Level 2, 45 St Georges Terrace  
PERTH WA 6000

**Postal Address**  
GPO Box D182  
PERTH WA 6840

**A Application for Shares**

**Applications must be for a minimum of 10,000 Shares.**

To calculate application moneys due, multiply the number of Shares that have been applied for by 20 cents.

**B Name of Applicant**

Write the Applicant's FULL NAME in Box B. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of name may be rejected.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more Shares than is indicated by the amount of the accompanying cheque for the application moneys referred to in Box A.

**C Joint Applicants and/or Account Designations**

If JOINT APPLICANTS are applying or an ACCOUNT DESIGNATION is required, complete Boxes B and C. Please refer to the bottom on this page for instructions on the correct form of registerable title. Up to three Joint Applicants may register.

**D Address**

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

**E Contact Details**

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

**F CHESS Details**

If you are sponsored in Chess by a stockbroker or other Chess Participant enter the Participant Number ("PID") and your Holder Identification Number ("HIN").

**G Payment Details**

Payment must be made in Australian currency by cheque or bank cheque drawn on an Australian Bank. The amount of the cheque should agree with the amount shown in Box A of the Shortfall Application Form. Cheques are to be made payable to "PharmAust Limited Equity Account" and should be crossed "Not Negotiable". Cash should not be forwarded. Similarly payment made direct to the Company's bank account may not be accepted.

**H Declaration**

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

**CORRECT FORMS OF REGISTERABLE TITLE**

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registerable title are set out below.

Type of Investor	Correct Form of Registerable Title	Incorrect Form of Registerable Title
Trusts	Mr John David Smith (John David Smith Account)	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith (Est Michael Peter Smith Account)	John Smith (Deceased)
Partnerships	Mr John David Smith and Mr Michael Peter Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith (ABC Tennis Association Account)	Smith Investment Club or ABC Tennis Association
Superannuation Funds	John Smith Pty Ltd (Super Fund Account)	John Smith Superannuation Fund