

PHARMAUST LIMITED
ABN 35 094 006 023

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the General Meeting to be held on
Friday 21st April 2006 at 9.30am (Western Standard Time)
At Holiday Inn, 788 Hay Street, Perth, Western Australia**

*This is an important document. Please read it carefully and in its entirety.
If you do not understand it please consult your professional advisers.*

*If you are unable to attend the Meeting, please complete the form of proxy enclosed and return
it in accordance with the instructions set out on that form.*

TIME AND PLACE OF MEETING AND HOW TO VOTE

The General Meeting of the Shareholders of PharmAust Limited will be held at:

Holiday Inn,
788 Hay Street, Perth
Western Australia

Commencing
at 9.30am (Western Standard Time)
on Friday 21st April 2006

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person you need to attend the meeting on the date and at the place set out above. The meeting will commence at 9.30am (Western Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- return the proxy form (by post or delivery) to the Company's office at Level 2, 45 Stirling Highway, Nedlands, Western Australia 6009, or
- send the proxy form by facsimile to facsimile number (08) 9284 8899 (International:+61 8 9284 8899)

so that it is received not later than 9.30am (Western Standard Time) on 19th April 2006.

Your proxy form is enclosed.

PHARMAUST LIMITED
ABN 35 094 006 023

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of the Shareholders of PHARMAUST LIMITED will be held at Holiday Inn, 788 Hay Street, Perth, Western Australia on 21st April 2006 at 9.30am (Western Standard Time) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

BUSINESS

Resolution 1 Ratification of Placement

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That for the purposes of Listing Rule 7.4 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, the Company approves and ratifies the allotment and issue of 2,400,000 fully paid ordinary shares in the capital of the Company at an issue price of 20 cents each and 2,400,000 free attaching options to acquire fully paid ordinary shares in the capital of the Company on or about 13 March 2006 to investors within the meaning of section 708 of the Corporations Act 2001 and otherwise on the terms and conditions and in the manner described in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 7.1 allows the Company to issue up to 15% of its ordinary share capital in any 12 month rolling period without shareholder approval. By obtaining ratification of shareholders under ASX Listing Rule 7.4 of the issue of shares and free attaching options to investors within the meaning of section 708 of the Corporations Act 2001 on or about 13 March 2006, the Company will obtain relevant approval for the purposes of ASX Listing Rule 7.1 and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold.

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| <p>The Company will disregard any votes cast on Resolution 1 by an allottee of the issue the subject of Resolution 1 ("allottee") and any associates of such an allottee. However, the Company need not disregard a vote cast on this Resolution if:</p> |
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- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2 – Approval to Issue Securities to Dr Paul D'Sylva

To consider and, if though fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes Listing Rule 10.11 of the Listing Rules of the Australian Stock Exchange Limited and for all other purposes, approval is given for the Company to allot and issue to Dr Paul D'Sylva or his nominee up to 2,500,000 fully paid ordinary shares in the capital of the Company and up to 2,500,000 free attaching options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 10.11 requires the Company to seek shareholder approval prior to the issue of securities to a related party. Dr Paul D'Sylva is a related party of the Company.

The Company will disregard any votes cast on Resolution 2 by Dr Paul D'Sylva or any of his associates or any person who may obtain a benefit if Resolution 2 is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on Resolution 2 if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 19th April 2006 at 9.30am (Western Standard Time).
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

BY ORDER OF THE BOARD



Mr Winton Willesee
Company Secretary
Dated: 16th March 2006

PHARMAUST LIMITED
ABN 35 094 006 023

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1.1 RESOLUTION 1 - RATIFICATION OF PLACEMENT

Under ASX Listing Rule 7.1, the Company is permitted to issue up to 15% of its securities within a 12 month period without the requirement to obtain shareholder approval.

Whilst shareholder approval for the issue of the ordinary shares was not required at the time of the issue, the effect of the issue is to reduce the Company's capacity to issue additional securities in the future without shareholder approval.

ASX Listing Rule 7.4 allows an issue made by the Company without shareholder approval under ASX Listing Rule 7.1, to be treated as having been made with approval for the purposes of ASX Listing Rule 7.1 if it is subsequently approved by shareholders and did not breach ASX Listing Rule 7.1 at the time of issue.

The Company wishes to seek approval for the purposes of ASX Listing Rules 7.1 and 7.4 by ratification in order to renew the Company's capacity to issue up to 15% of the securities of the Company on issue in a 12 month period.

The Company is requesting Shareholders to ratify the issue of 2,400,000 Shares and 2,400,000 free attaching Options on or about 13 March 2006 to investors within the meaning of section 708 of the Corporations Act.

For the purposes of ASX Listing Rule 7.5, the following information is provided to shareholders:

- (a) the number of securities issued was 2,400,000 Shares and 2,400,000 free attaching Options;
- (b) the Shares were issued at an issue price of 20 cents each and the Options were issued for nil consideration;

- (c) the Shares issued were fully paid ordinary shares in the Company and rank equally with the Company's existing issued Shares. The Options issued have an exercise price of 30 cents and an expiry date of 30 November 2007. The full terms and conditions of the Options issued are set out in Annexure 1;
- (d) the allottees of the Shares and Options were investors entitled to accept offers of securities under section 708 of the Corporations Act. None of the allottees are related parties or associates of the Company; and
- (e) the funds raised from the issue of Shares and free attaching Options was \$480,000 (before expenses) which has and will be used by the Company for general working capital purposes.

2. **RESOLUTION 2 – APPROVAL TO ISSUE SECURITIES TO DR PAUL D'SYLVA**

Resolution 2 seeks Shareholder approval for the issue of up to 2,500,000 Shares and 2,500,000 free attaching Options to Dr Paul D'Sylva (or his nominee). Dr D'Sylva is the Managing Director of the Company.

Shareholder approval is required for the purposes of ASX Listing Rule 10.11 because Dr D'Sylva as a Director is a related party of the Company.

The terms of the issue of Shares and free attaching Options to Dr D'Sylva (or his nominee) were negotiated at arms length. The Shares and the Options to be issued to Dr D'Sylva (or his nominee) are on exactly the same terms and conditions as the rights issue available to Shareholders between 18 November 2005 and 7 December 2005 and the subsequent placement which is the subject of Resolution 1. The terms of the Shares and Options to be issued and granted to Dr D'Sylva (or his nominee) are on reasonable arms length terms and therefore Shareholder approval in relation to Chapter 2E of the Corporations Act has not been sought.

The issue to Dr D'Sylva (or his nominee) will allow the Company to issue securities to the full extent of the rights issue which is in addition to the subsequent placement the subject of Resolution 1.

ASX Listing Rule 10.11

ASX Listing Rule 10.11 requires the Company to obtain Shareholder approval by ordinary resolution prior to the issue of securities to a related party of the Company.

For the purposes of ASX Listing Rule 10.11, Dr D'Sylva is a related party of the Company because he is a Director of the Company.

Accordingly, in order to issue the Shares and Options to Dr D'Sylva (or his nominee), the Company must obtain Shareholder approval pursuant to ASX Listing Rule 10.11.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the Shares and Options to Dr D'Sylva (or his nominee) as approval is being obtained under ASX

Listing Rule 10.11. Shareholders should therefore note that the issue of the Shares and the Options to Dr D'Sylva (or his nominee) will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to Resolution 2. This information is as follows:

- (a) the Shares will be issued and the Options will be granted to Dr D'Sylva or his nominee;
- (b) the maximum number of securities the Company will issue is 2,500,000 Shares and 2,500,000 free attaching Options to Dr D'Sylva or his nominee;
- (c) the Shares and the Options will be issued no later than one (1) month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Shares will be issued at an issue price of 20 cents per Share and the Options will be granted for nil consideration. The Shares will be fully paid ordinary shares in the Company and rank equally with the Company's existing issued Shares. The Options to be issued will have an exercise price of 30 cents and an expiry date of 30 November 2007. The full terms and conditions of the Options are set out in Annexure 1 of this Explanatory Statement; and
- (e) the funds raised from the issue of Shares to Dr D'Sylva (or his nominee) of \$500,000 will be used by the Company for general working capital purposes. There will be no funds raised from the issue of the Options to Dr D'Sylva (or his nominee).

PHARMAUST LIMITED
ABN 35 094 006 023

GLOSSARY

In this Explanatory Statement, the following expressions have the following meanings:

"**ASX**" means the Australian Stock Exchange Limited;

"**ASX Listing Rules**" or "**Listing Rules**" means the listing rules of the ASX;

"**Board**" means the board of directors of the Company;

"**Company**" or "**PharmAust**" means PharmAust Limited (ABN 35 094 006 023);

"**Constitution**" means the Constitution of the Company;

"**Corporations Act**" means the Corporations Act 2001 (Cth);

"**Directors**" means the directors of the Company from time to time;

"**Explanatory Statement**" means this explanatory statement;

"**Meeting**" means the meeting convened by this Notice;

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement;

"**Option**" means an option to subscribe for a Share;

"**Resolution**" means a resolution contained in the Notice;

"**Share**" means a fully paid ordinary share in the capital of the Company;

"**Shareholder**" means a registered holder of Shares in the Company; and

"**WST**" means Western Standard Time, Perth, Western Australia.

ANNEXURE 1

TERMS AND CONDITIONS OF OPTIONS

The terms and conditions of the Options to be issued under each of Resolutions 1 and 2 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.

PHARMAUST LIMITED
(ABN 35 094 006 023)

PROXY FORM

GENERAL MEETING

I/We (name and address)

being a Member of PharmAust Limited entitled to attend and vote at the Meeting, hereby

Appoint

Name of proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the General Meeting to be held at Holiday Inn, 788 Hay Street, Perth, Western Australia on 21st April 2006 at 9.30am (Western Standard Time) and at any adjournment thereof.

Voting on Business of the General Meeting

| | | FOR | AGAINST | ABSTAIN |
|--------------|---|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Ratification of Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Approval to Issue Securities to Dr Paul D'Sylva | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If the Chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the resolutions and that the votes cast by the Chair of the meeting for those resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the resolution and your votes will not be counted in calculating the required majority if a poll is called on the resolution.

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Please return this Proxy Form to the Company Secretary, PharmAust Limited, Level 2, 45 Stirling Highway, Nedlands, Western Australia 6009 or by fax to (08) 9284 8899 by 9.30am (Western Standard Time) on 19th April 2006.

Signed this _____ day of _____ 2006

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Company Secretary

Sole Director and Sole Company Secretary

PHARMAUST LIMITED
(ABN 35 094 006 023)

Instructions for Completing Proxy Form

1. A member of the Company who is entitled to attend and cast two or more votes at a general meeting of shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a company may execute a document without using its common seal if the document is signed by:
 - 2 directors of the company;
 - a director and a company secretary of the company; or
 - for a proprietary company that has a sole director who is also the sole company secretary – that director.

For the Company to rely on the assumptions set out in section 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with section 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole director and sole company secretary of the company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual shareholders from attending the Meeting in person if they wish. Where a shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that shareholder is suspended while the shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.