

PharmAust Limited

INVESTOR UPDATE



Overview

Strategy

PharmAust's strategy is to build a leading pharmaceutical company with diversified sources of revenue by focusing on the following drivers for continued and sustainable growth:

- Reduce costs
- Increase and diversify revenues
- Drive profitable growth
- Build reputation and recognition



Growth

In line with this strategy, PharmAust is positioning its three operating companies for increased growth and profitability going forward. PharmAust is ramping up its drug manufacturing business, PharmAust Manufacturing, and is well positioned for strong growth in the domestic consumer healthcare market. PharmAust's two pharmaceutical contract services businesses, Epichem and Mimotopes, have also grown rapidly, creating a solid foundation for increased revenue growth.

For financial year 2006

Results

PharmAust's key business results for FY06 were as follows:

Increased income by 110% to \$6.9m

Increased NTA by 97% to \$7.3m

Developed a strong export business with an international sales force in Australia, the US and the UK

Established a fully licensed drug manufacturing business

Established two pharmaceutical contract services companies

Forged partnerships with leading pharmaceutical and related companies including Genzyme Pharmaceuticals, Invitrogen Corporation and IPCA Pharmaceuticals

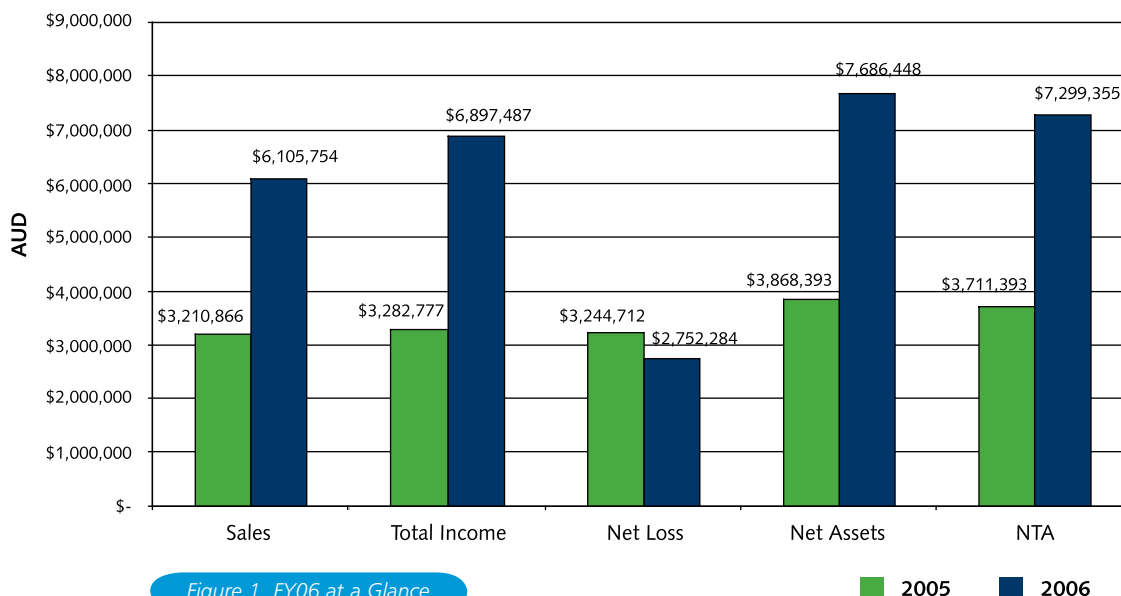


Figure 1. FY06 at a Glance

■ 2005 ■ 2006

Strategy for Growth

PharmAust will build on the foundation that has been established in FY06 to grow the Company into a profitable pharmaceutical business by focusing on the following key drivers (See Figure 2):

1. Reduce Costs

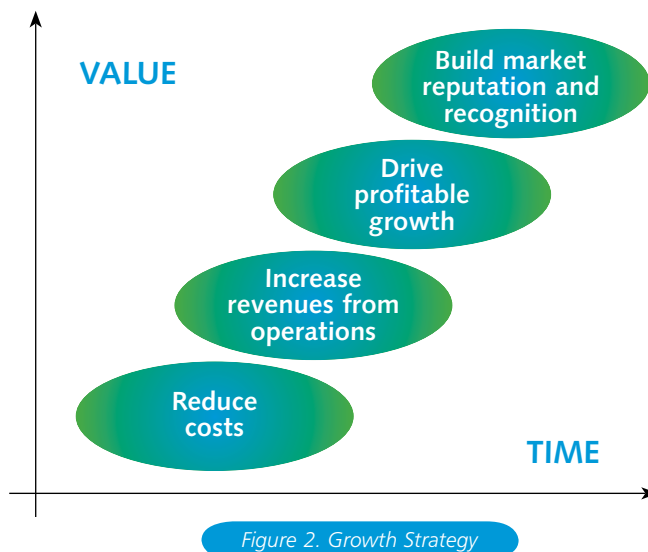
- Capitalise on administrative and technical synergies across the three businesses to achieve economies of scale and scope
- Minimise corporate overheads starting with the consolidation of headquarters into PharmAust's Welshpool facility (estimated saving \$100,000 per annum)
- Outsource high-volume low margin business to suppliers in low-cost jurisdictions

2. Increase and Diversify Revenues

- Ramp-up manufacturing to full capacity at PharmAust Manufacturing
- Increase sales of consumer healthcare products by supplementing sales, marketing and logistical capabilities at PharmAust Health
- Introduce the first suite of generic products to the market in FY07
- Increase peptide sales through existing and expanded partnerships and direct sales
- Increase sales in medicinal chemistry through catalogue and export product lines

3. Drive Profitable Growth

- Understand cost structures and enforce minimum margins rigidly
- Position PharmAust as the supplier of choice to leading clients based on high quality products and services, competitive pricing and timely delivery
- Position PharmAust as the option of choice for industry partners seeking to expand their product range or geographical reach



4. Build Reputation and Recognition

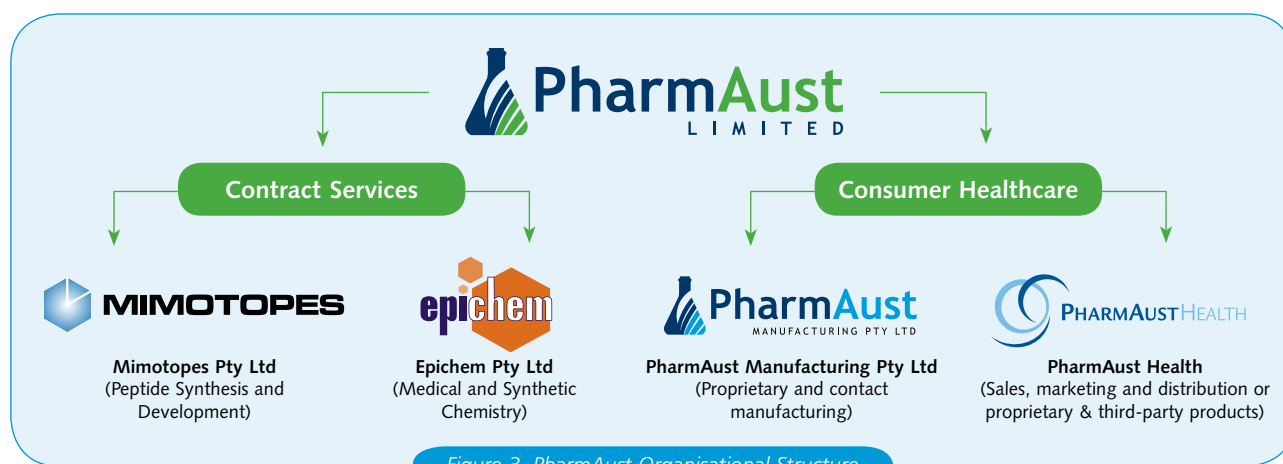
- Present to the market a Company with solid underlying business performance and strong growth prospects
- Increase market awareness of the Company's products, markets and key competitive advantages
- Increase market share and position across all key markets

Company Structure

PharmAust's company structure is aligned with its strategy to target two of the fastest growing segments of the pharmaceutical market - consumer healthcare and contract pharmaceutical services. (See Figure 3):

Consumer Healthcare

The generics market in Australia is currently estimated to be worth \$1.2 billion and is expected to grow at a compound annual rate of 20% until the end of the decade. This is being fuelled in part by the growth of the Pharmaceutical Benefits Scheme (PBS), an increase in the uptake of generics and the growth in the number of blockbuster medicines coming off patent. Around one in every four prescriptions presented to pharmacists in Australia was filled with generic medicines in 2005. By December 2008, 10 of the top 20 drugs will be patent expired and will therefore have PBS-listed generic alternatives. These 10 drugs currently represent 20% of the total dispensed cost of the PBS, a total of \$1.3 billion. At present only two of these drugs are



patent expired. PharmAust is addressing this market and the complimentary markets of over-the-counter (OTC) drugs, galenical products and personal healthcare products through the following businesses and business units:

- **PharmAust Manufacturing Pty Ltd:** manufactures a range of OTC medicines, hospital supplies and consumer healthcare products. A licensed and refurbished facility with manufacturing, sales and distribution underway. A growing portfolio of generic pharmaceutical products.
- **PharmAust Health:** is the newly established sales and marketing division of PharmAust that specialises in the sales, marketing and distribution of PharmAust Manufacturing's products and those of PharmAust's generic pharmaceutical partners. PharmAust Health sells into the following key markets: hospitals, retail and wholesale pharmacies, grocery and toll manufacturing.

Contract Services

The rapidly growing global market for drug discovery outsourcing services will increase 15% to reach US\$7 billion (AU\$9.3b) by 2009 (Kalorama Information, 2006). Outsourcing drug discovery services including chemistry, biology, screening and lead-optimisation are a critical part of doing business in today's pharmaceutical industry. The trend for outsourcing has become more widely accepted, with both large and small companies needing to supplement their own internal drug discovery efforts and/or utilise

technologies they can't afford in-house. PharmAust has two businesses addressing key segments of this market:

- **Epichem Pty Ltd:** provides synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries. The largest public pre-clinical medicinal chemistry laboratory in Australia.
- **Mimotopes Pty Ltd:** manufactures specialty pre-clinical custom peptides for the global drug discovery and development industries. Highly skilled staff, industry partnerships and global supply channels.

Key Achievements

Achievements Post June 30 2006 - PharmAust Manufacturing Pty Ltd and PharmAust Health

- In July 2006, most validation work was completed on PharmAust Manufacturing's leading ARTG products, which are now being made and sold into supply contracts.
- In July 2006, PharmAust Manufacturing recruited two industry executives from key-roles in a major pharmaceutical wholesaling and distribution business and appointed them to the following positions: Ms Jean Newby-Butt was appointed as Marketing & Sales Manager and Mr Troy Street was appointed as Distribution Manager.
- PharmAust Health was established as the sales, marketing and distribution arm for PharmAust's consumer healthcare products. PharmAust Health is now selling and distributing products to over 600 clients Australia wide.

- PharmAust Health has established a number of hospital tender agreements to supply its antiseptic and disinfectant products.
- PharmAust Health is currently supplying its products to major grocery chains, retail pharmacies and pharmacy wholesaling groups.
- The group is tendering with two of Australia's largest retailing groups for a range of OTC and personal care products.
- The Company has since entered into multiple supply contracts with marketing firms to develop and contract manufacture their products. PAM is currently servicing a range of contracts and continues to build on this part of its offering.

Achievements Post June 30 2006 - Epichem Pty Ltd

- In July 2006, Epichem was awarded contracts worth over \$500,000, including one \$350,000 contact with a leading international pharmaceutical company; and over \$150,000 worth of contracts from large Australian biotechnology companies.
- Management identified a new range of catalogue products in FY06 to supply pharmaceutical standards (used in quality control of pharmaceuticals), which it stocks to enable immediate dispatch. Early sales have exceeded expectations with revenues of close to \$100,000 in FY06 and it is envisaged this market will increase dramatically once the range is expanded and actively marketed.
- Epichem is working with Murdoch University to discover cures for a variety of other parasitic diseases. Recent experiments have confirmed the excellent in vitro activity of Epichem's lead compounds against cryptosporidium and these compounds have now been progressed to in vivo testing on cryptosporidium in mice. Epichem has recently added to its research portfolio a project directed towards the discovery of a new class of anticancer compounds. A small number of compounds have been made and preliminary in vitro results against a number of cancer cell lines have been promising.

Achievements Post June 30 2006 - Mimotopes Pty Ltd

- In July 2006, Mimotopes signed a Strategic Alliance & Client Referral Agreement with US-based Commonwealth Biotechnologies Inc. (NASDAQ Capital Market: CBTE) that will see the two companies co-market their combined services to provide a 'one-stop-shop' for the global drug discovery industry.
- In August 2006, PharmAust signed a Terms Sheet with Commonwealth Biotechnologies Inc. that will see CBTE acquire Mimotopes in a scrip based deal, which if and when complete, will see PharmAust become a significant shareholder in CBTE. The deal is set to bring Mimotopes closer to its key markets, clients and partners in the USA and confirm the underlying value in the business.

Pipeline Opportunities

Since listing, PharmAust has focused on building a solid foundation for future growth. As PharmAust moves into its next phase of growth, a number of exciting opportunities exist that if successful, will deliver significant revenues and earnings growth.

- PharmAust is at an advanced stage of negotiations to partner with one of two leading global generic pharmaceutical companies to take on the exclusive agency for their products in Australia and New Zealand.
- PharmAust has taken a strategic equity in Advanced Healthcare Group Limited, which owns pharmaceutical distribution companies Cottmans Pty Ltd and PharmEasy Pty Ltd
- PharmAust, through Epichem, has been approached by two major active pharmaceutical ingredient (API) developers to engage in an exclusive supply chain integration deal that would see Epichem partner with one of the two companies to provide a complete range of products and services across the supply chain from pre-clinical to clinical-grade and finished products.

Each of these opportunities stands to significantly enhance the revenue and/or asset growth of the Company. Moreover, they provide further evidence of the standing and value that PharmAust has created in each of its pharmaceutical franchises.