

11 October 2006



The Manager  
Company Announcements  
Australian Stock Exchange Limited  
Via Electronic Lodgement

Dear Shareholder,

### Invitation to Participate in Shareholder Share Purchase Plan

The Board of Directors of PharmAust Limited (ASX: PAA) has approved a Shareholder Share Purchase Plan (SPP). The SPP entitles Eligible Shareholders of PAA, irrespective of the size of their shareholding, an opportunity to purchase up to a maximum of A\$5000 (being 50,000 shares) of fully paid ordinary shares in PAA at a subscription price of 10 cents per share (Offer).

Details of the Offer are set out in this letter and in the SPP itself, a copy of which can be found on PAA's website at [www.pharmaust.com](http://www.pharmaust.com).

### Shareholders Eligible to Participate in the SPP

The right to participate in the Offer is available exclusively to Shareholders who are registered as holders of shares in PAA as at 5.00pm (WST) on Monday 9 October 2006 (Record Date) and whose registered address is in Australia or New Zealand (Eligible Shareholders).

### Price of Shares under the Offer

The subscription price of 10 cents per share (Subscription Price) represents a discount of 11% to the volume weighted average price of PAA's shares on the Australian Stock Exchange Limited (ASX), on the 5 trading days to 6 October 2006.

Shareholders should note that the market price of shares in PAA may rise or fall between the date of the Offer and the date that any shares are allocated to you as a result of your acceptance of this Offer. This means that the Subscription Price you pay for the shares may exceed the market price of the shares at the date of allotment of the shares. The Board of Directors of PAA recommends that you obtain your own financial advice in relation to the Offer and consider price movements of the shares in PAA prior to accepting the Offer.

### Purpose of the Offer

The purpose of the Offer is to give Eligible Shareholders of PAA the opportunity to participate in a capital raising on the same terms as the recent placement, increase their shareholdings to a marketable parcel without the costs of brokerage, and to provide working capital for PAA.

### Subscription and Application Procedure

If you would like to participate in the Offer, please return your completed Entitlement and Acceptance Form (enclosed), together with your cheque for the applicable subscription moneys, on or before 5.00pm (WST) on Friday 27<sup>th</sup> October 2006 (Closing Date) to the address shown in the Entitlement and Acceptance Form. Late applications will be accepted at PAA's discretion.

Under the Offer, an Eligible Shareholder may only elect to purchase shares as follows;

| Offer | Number of Shares | Subscription Amount |
|-------|------------------|---------------------|
| D     | 50,000           | A\$5,000            |
| C     | 40,000           | A\$4,000            |
| B     | 30,000           | A\$3,000            |
| A     | 20,000           | A\$2,000            |

The maximum investment any Eligible Shareholder may apply for is A\$5,000, even if an Eligible Shareholder receives more than one Offer (whether in respect of a joint holding or because the Eligible Shareholder has more than one holding under a separate account).

PAA has approximately 1,500 Eligible Shareholders, including over 400 shareholders holding unmarketable parcels of under A\$500. The maximum number of Shares that PAA is permitted to issue under the Offer by the ASX Listing Rules is 30% of the current number of Shares on issue. Thereby PAA has determined to issue only 12,500,000 shares under this Offer. In the event of oversubscription, shares will be issued on a first-in-first-served basis, so that no more than 12,500,000 additional shares are issued. If PAA rejects, or partially rejects, an application, PAA will promptly return to the Eligible Shareholder the relevant subscription moneys, without interest.

This Offer gives Eligible Shareholders holding unmarketable parcels an opportunity to increase their holding at a discount to the 5 day volume weighted average trading price on ASX for the period to 6 October 2006, without incurring the costs of brokerage.

The Offer is non-renounceable, which means that you cannot transfer your right to purchase shares under the Offer to anyone else.

Shares allotted under the Plan will be issued in stages throughout the Offer and in any event no later than 10 business days after the Closing Date. Application for quotation on the ASX of the allotted shares will be made immediately following the issue of all shares allotted under the Plan.

Any shortfall to the Offer may be placed at the discretion of the Board of Directors up to the number permitted under ASX Listing Rule 7.1.

Melbourne based Chimaera Capital Markets will underwrite the Offer and the conjunctional placement of A\$1.25M of shares on a pari passu basis to the Plan.

#### Indicative Timetable

|  |                 |
|--|-----------------|
| Announcement of Plan                         | 5 October 2006  |
| Record Date (5.00pm WST)                     | 9 October 2006  |
| Despatch of Entitlement and Acceptance Forms | 11 October 2006 |
| Opening Date of Offer                        | 11 October 2006 |
| Closing Date of Offer                        | 27 October 2006 |
| Allotment of shares under the Plan           | 2 November 2006 |
| Despatch date for holding statements         | 3 November 2006 |

These dates are indicative only. PAA may vary the date and times of the Offer (including extending the Closing Date) without notice. Accordingly, Eligible Shareholders are encouraged to submit their Entitlement and Acceptance Forms as early as possible.

#### ASX Listing Rules

The ASX Listing Rules provide an exception to Listing Rule 7.1, which effectively permits PAA to issue to Eligible Shareholders the shares under the Offer without shareholder approval. A similar exception from Listing Rule 10.11 permits PAA to issue shares under the Plan to the Directors of PAA in their capacity as Eligible Shareholders, without shareholder approval. The Board of Directors in their capacity as Eligible Shareholders, each intend to apply for the full A\$5,000 amount under the Offer.

If you wish to participate in the Offer please ensure that you return the completed Entitlement and Acceptance Form and your cheque for the subscription moneys prior to the Closing Date of the Offer.

If you have any questions in respect of the Plan, please contact PharmAust Limited on (08) 9284 8800.

Yours sincerely,



Winton Willesee  
Company Secretary  
PharmAust Limited

**A**

000001  
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SAM  
MR JOHN SMITH 1  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

Securityholder Reference Number (SRN)



I 1234567890 I N D

Use a black pen.  
Print in CAPITAL letters  
inside the grey areas.

|   |   |   |   |   |   |
|---|---|---|---|---|---|
| A | B | C | 1 | 2 | 3 |
|---|---|---|---|---|---|

## Share Purchase Plan Application Form

### IMPORTANT:

This is an important document which requires your immediate attention. If you are in any doubt as to how to deal with this form please consult a professional advisor.

Securityholders eligible to participate in the Share Purchase Plan ("SPP") may select one only of the following offers to purchase shares in PharmAust Limited ("Client Name")

### Offer Closes: 5.00pm WST on 27 October 2006

By making your payment, you agree to be bound by the Constitution of PharmAust Limited and agree that the submission of this payment constitutes an irrevocable offer to you by PharmAust Limited to subscribe for PharmAust Limited Shares on the terms of the SPP. In addition, by submitting this Application Form you certify that the aggregate of the application price paid by you for:

- the Shares the subject of this Application Form; and
- any other shares and interests in the class applied for by you under the Share Purchase Plan or any similar arrangement in the 12 months prior to the date of submission of this Application Form, does not exceed \$5,000.00.

### Securityholder Entitlement details

|             |                |
|-------------|----------------|
| Subregister | XXX,XXX,XXX    |
| Record Date | 9 October 2006 |

### To be completed by Securityholder

**B** I/We wish to apply for the value of shares set out below in accordance with the terms and conditions of the Share Purchase Plan, as set out in the accompanying letter dated 11 October 2006.  
Please mark one box only

|  |  |  |  |
|--|--|--|--|
| <b>Offer A</b><br><input checked="" type="checkbox"/> A \$2,000<br>OR<br>20,000 Shares | <b>Offer B</b><br><input checked="" type="checkbox"/> A \$3,000<br>OR<br>30,000 Shares | <b>Offer C</b><br><input checked="" type="checkbox"/> A \$4,000<br>OR<br>40,000 Shares | <b>Offer D</b><br><input checked="" type="checkbox"/> A \$5,000<br>OR<br>50,000 Shares |
|--|--|--|--|

I/We enclose my/our payment for the amount shown above being payment of A\$0.10 per new Share. I/We hereby authorise you to register me/us as the holder(s) of the Shares allotted to me/us, and I/we agree to be bound by the Constitution of the company.

### **C** Enter your contact details

|                      |   |
|----------------------|---|
| Contact Name         | Telephone Number - Business Hours / After Hours |
| <input type="text"/> | ( <input type="text"/> ) <input type="text"/>   |

### Cheque details - Make your cheque or bank draft payable to PharmAust Limited

|                      |                      |                      |                      |                          |
|----------------------|----------------------|----------------------|----------------------|--------------------------|
| <b>D</b> Drawer      | Cheque Number        | BSB Number           | Account Number       | Amount of cheque         |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |
| Drawer               | Cheque Number        | BSB Number           | Account Number       | Amount of cheque         |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | A\$ <input type="text"/> |

See back of form for completion guidelines



# How to complete this form

## Acceptance of the Share Purchase Plan offer

### **A** Registration Name(s)

Your name and address as it appears on the Register of PharmAust Limited.

### **B** The Offer

You can apply for shares to a maximum value of \$5,000 in the denominations provided.

### **C** Contacts Details

Enter your contact details. These are not compulsory but will assist us if we need to contact you.

### **D** Payment

Make your cheque or bank draft payable to PharmAust Limited in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.

Complete the cheque details in the boxes provided. The total amount must agree with your selection made in selection B.

**Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Share Purchase Plan Form being rejected. Pin (do not staple) your cheque(s) to the Share Purchase Plan Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.**

## Lodgement of Share Purchase Plan

Share Purchase Plan Forms must be received at the Perth office of Computershare Investor Services Pty Limited by no later than 5.00pm WST on 27 October 2006. Return the Share Purchase Plan Form:



### By Mail:

**PharmAust Limited**  
Computershare Investor Services Pty Limited  
GPO Box D182  
PERTH WA 6840

OR



### In Person:

**Computershare Investor Services Pty Limited**  
Level 2  
45 St Georges Terrace  
PERTH WA 6000

## Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail [privacy@computershare.com.au](mailto:privacy@computershare.com.au)

If you have any enquiries concerning the Share Purchase Plan Offer please contact CIS on telephone 1300 557 010.

This form may not be used to notify your change of address. For information, please contact CIS on 1300 557 010 or visit [www.computershare.com](http://www.computershare.com) (Certificated/Issuer Sponsored Holders Only).

**CHES holders must contact their controlling participant to notify a change of address.**

WIP\_280906

1 S P P

P A A

**Please return the completed form in the envelope provided or to the address opposite:**

Computershare Investor Services Pty Limited  
GPO Box D182  
Perth Western Australia 6840  
Australia

