

PHARMAUST LIMITED
ABN 35 094 006 023

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For the Annual General Meeting to be held on
Tuesday 28 November 2006 at 10.30am Western Standard Time
at the Senate Room, Bush Court, Murdoch University,
South Street, Murdoch, 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.*

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TIME AND PLACE OF ANNUAL GENERAL MEETING AND HOW TO VOTE

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

**The Senate Room
Bush Court, Murdoch University
South Street, Murdoch**

**Commencing
at 10.30 am (Western Standard Time)
on Tuesday 28 November 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 10.30am (Western Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual 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, or
- send the proxy by facsimile to facsimile number (08) 9284 8899

so that it is received not later than 9.00 am (Western Standard Time) on 26 November 2006.

Your proxy form is enclosed.

PHARMAUST LIMITED
ABN 35 094 006 023

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of PharmAust Limited will be held at The Senate Room, Bush Court, Murdoch University, South Street, Murdoch, Western Australia on 28 November 2006 at 10.30am (Western Standard Time) for the purpose of transacting the following business.

The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the financial reports of the Company and the consolidated entity for the financial year ended 30 June 2006 and the reports of the Directors and Auditors thereon.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

"That the Remuneration Report in the 2006 Annual Report of the Company be adopted."

Short Explanation: The Remuneration Report is in the Directors Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to a vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

Resolution 2 - Re-Election of Director – Mr Bryant McLarty

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

"That Mr Bryant McLarty, who retires by rotation in accordance with the Constitution of the Company, and being eligible, offers himself for re-election, is hereby re-elected as a Director of the Company."

Short Explanation: Mr Bryant McLarty has been a Director of the Company since 25 July 2003. Mr McLarty is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

Resolution 3 – Ratification of Previous Issue of Shares

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

“That, for the purpose of ASX Listing Rule 7.4 and all other purposes, the ordinary shareholders of the Company ratify the allotment and issue by the Company of 12,500,000 Shares, on the date and on the terms and conditions set out in the Explanatory Memorandum that accompanies this Notice of Meeting.”

Short Explanation: On 26th October 2006 the Company placed 12,500,000 shares to raise working capital. This resolution is put in order to ‘refresh’ the Company’s ability to place securities in accordance with Listing Rule 7.1 of the Listing Rules of ASX.

Voting Exclusion

For the purposes of ASX Listing Rule 7.4, the Company will disregard any votes cast on this resolution by a person who participated in the issue and any associate of such a person. However, the Company need not disregard a vote 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 26 November 2006 at 5.00pm (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: 26 October 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. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is in the Directors Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2006.

The Directors recommend that Shareholders vote in favour of Resolution 1. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this resolution is advisory only, however, and does not bind the Board or the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

2. RESOLUTIONS 2 – RE-ELECTION OF MR BRYANT MCLARTY AS A DIRECTOR

By clause 11.3 of the Company's Constitution, one third of the current Directors (not including Directors appointed as casual vacancies and excluding the managing director) must retire from office by rotation at each Annual General Meeting.

In accordance with clause 11.3, Mr Bryant McLarty is presented for re-election by Resolution 2. Mr McLarty has been a Director since 25 July 2003.

Details of the qualifications and experience of Mr Bryant McLarty is set out in the 2006 Annual Report for the Company.

3. RESOLUTION 3 – RATIFICATION OF PREVIOUS SHARE ISSUE.

Background

As detailed in a release to ASX on 5 October 2006 the Company undertook a Share Purchase Plan and conjunctional Placement of Shares. The Shares placed under the Placement were issued on 26 October 2006 and total 12,500,000 Shares.

ASX Listing Rules

ASX Listing Rule 7.1 provides that a company must not, subject to certain exceptions (which include Share Purchase Plans), issue during any 12 month period any equity securities or other securities with rights of conversion to equity (such as an option) if the number of those securities exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

This Ratification will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

ASX Listing Rule 7.3 requires that the following information be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.4:

- (a) The maximum number of Shares to be issued is 12,500,000 at an issue price of \$0.10 per Share
- (b) The Shares rank *parri pasu* with the existing ordinary fully paid Shares in the capital of the Company.
- (c) The Shares were issued and allotted on 26th October 2006
- (d) The Placement will provide the company with additional working capital
- (e) The Placement of Shares was made in accordance with Section 708 of the Corporations Act, to investors who qualify to apply for Shares without the issue of a disclosure document.

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GLOSSARY

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

"**ASIC**" means the Australian and Securities Investment Commission;

"**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;

"**Chairman**" means the chairman of the Company;

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

"**Consolidated Entity**" means the Company and all its subsidiaries;

"**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;

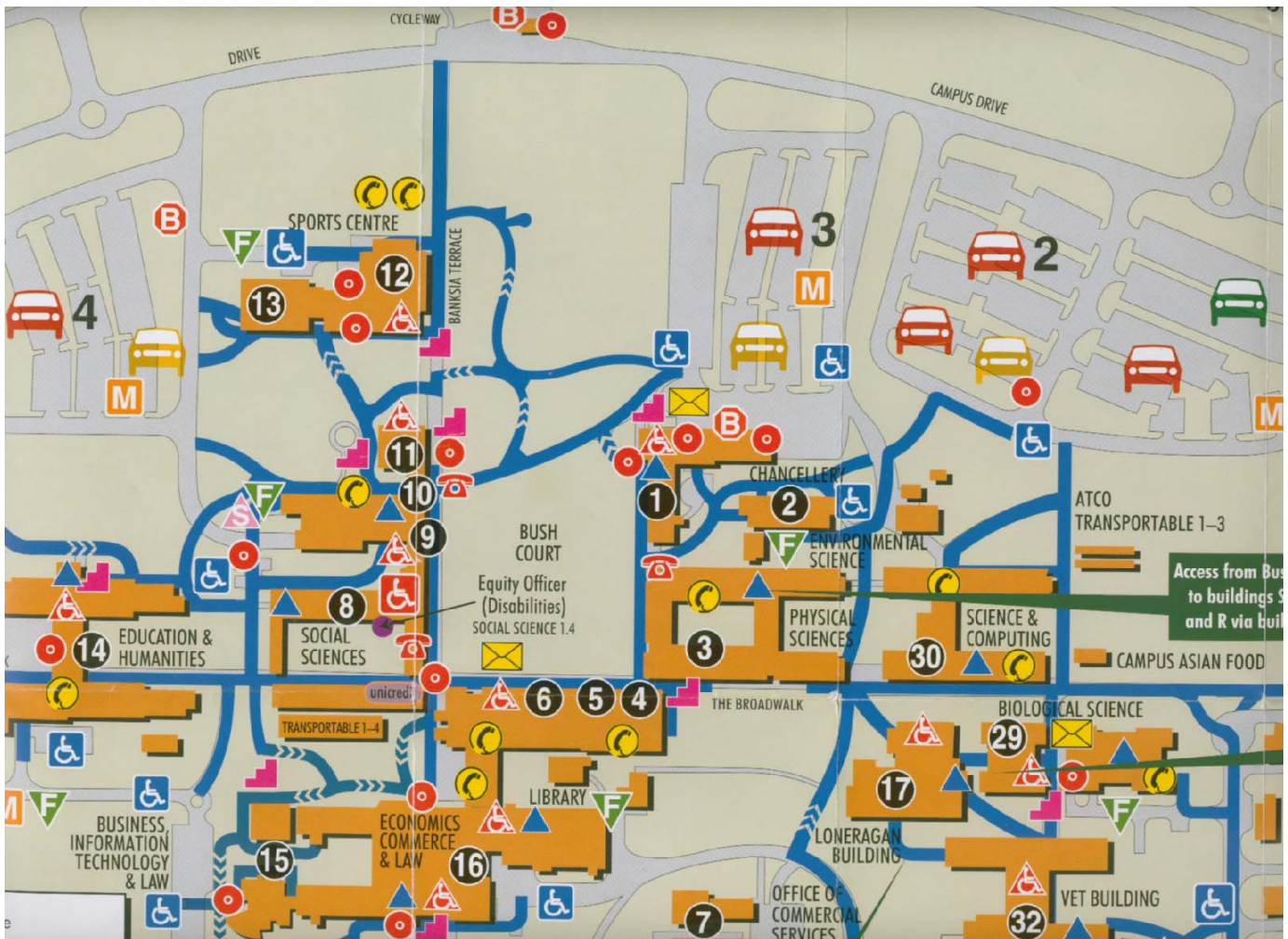
"**Shareholder**" means a registered holder of Shares in the Company; and

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

PHARMAUST LIMITED
ABN 35 094 006 023

DIRECTIONS

SENATE ROOM
BUSH COURT
MURDOCH UNIVERSITY
MURDOCH WA



Park in the Visitors Car Park in Car Park No.3 and take the footpath to Bush Court. The Senate Room is Number 10 on the Map (above). In Building Number 425, the entrance to the Senate Conference Room is next to the International Office.

PHARMAUST LIMITED
(ABN 35 094 006 023)

PROXY FORM

ANNUAL 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 Annual General Meeting to be held at The Senate Room, **Bush Court**, Murdoch University, South Street, Murdoch, Western Australia on 28 November 2006 at 10.30am (Western Standard Time) and at any adjournment thereof. **If no directions are given on how to vote, the Chairman will vote in favour of all of the Resolutions.**

Voting on Business of the Annual General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Mr Bryant McLarty	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Ratification of Share Issue	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

OR

If you do **not** wish to direct your proxy how to vote, please place a mark in this box

By marking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the Resolution and votes cast by him other than as proxy holder will be disregarded because of the interest. The Chairman will vote in favour of all of the Resolutions if no directions are given.

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 or fax to (08) 9284 8899 by 9.00am (Western Standard Time) on 26 November 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.