

**ASX**

AUSTRALIAN SECURITIES EXCHANGE

FAXED
15 January 2007

Mr Winton Willesee
Company Secretary
Pharmaust Limited
Level 2, 45 Stirling Highway
NEDLANDS WA 6909

By facsimile: 9284 8899

Dear Winton

Pharmaust Limited
(the "Company")

I refer to the Change of Director's Interest Notice ("Appendix 3Y") for Dr Paul D'Sylva, lodged with ASX Limited ("ASX") on 15 January 2007.

ASX considers that investors in a listed company, and the market in general, have a legitimate interest in the trading of securities by directors. However, for this information to be useful to the market, it is essential that information about directors' holdings must be clearly presented and up-to-date.

As you would be aware, section 205G of the Corporations Act requires that a director of an entity listed on ASX must notify ASX of their security interests, which includes relevant interests in securities and agreements to acquire securities, within 14 days after each of the following occasions:

- The director's appointment
- The listing of the company; or
- Any change in the director's holding or interest.

Furthermore, ASX listing rule 3.19A requires that disclosure of a change in a director's notifiable interests must be made within 5 business days of the change occurring. To ensure that this disclosure is made within the specified timeframe, listed companies are required by listing rule 3.19B to make arrangements with their directors that will gather the information needed to comply with the listing rules.

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On 19 October 2005, ASX issued a *Companies Update* to remind all listed entities of their obligation to notify ASX within 5 business days of the notifiable interests in securities held by each director. The *Update* also outlined the action that ASX would take in relation to breaches of listing rules 3.19A and 3.19B. At the same time, ASX also issued a media release in relation to this issue and wrote to the company secretaries of all listed companies asking that this matter be drawn to the attention of the board.

ASX has reviewed the Appendix 3Y that was lodged by the Company on 15 January 2007, advising of the change in Dr D'Sylva's holding as a result of acquisitions on the following dates; September 2006, November 2006, January 2007 and also the disposal of shares in October 2006 and November 2006. ASX is concerned that the Appendix 3Y in relation to the issue and disposal of shares on was not lodged within the timeframe required by listing rule 3.19A and that the lodgement of this document exceeded that timeframe set out in the listing rules.

Having regard to listing rules 3.19A and 3.19B and Guidance Note 22: "Director Disclosure of Interests and Transactions in Securities – Obligations of Listed Entities", ASX would like the Company to respond to the following questions.

1. Why was the Appendix 3Y lodged later than the timeframe set out in listing rule 3.19A?
2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure obligations under listing rule 3.19A?
3. If the current arrangements are inadequate or are not being enforced, what additional steps does the Company intend to take to comply with listing rule 3.19B?

Your response to this letter should be sent to me either by email to ben.donovan@asx.com.au or by fax to 9221 2020 no later than 5.00pm W.D.S.T on Tuesday 16 January 2007. It should not be sent to Company Announcements Office.

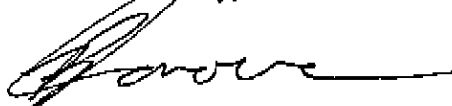
ASX reserves the right under listing rule 18.7A to release this letter and the Company's response to the market. Accordingly, the response should be prepared in a format suitable for release to the market and separately address each of the questions asked.

ASX has also written separately to Dr D'Sylva advising of the breach of the listing rules and notifying them of the various letters that ASX has issued in response to the breach.

Please note that ASX is required to record details of breaches of the listing rules as part of its own reporting requirements. Depending on the nature of any further breach of listing rule 3.19A, ASX may take steps to refer the breach to ASIC for further action.

If you have any queries in relation to this matter, or would like to discuss the issues raised in this letter, please do not hesitate to contact me.

Yours sincerely,



Ben Donovan
Adviser, Issuers (Perth)



16 January 2007

Mr Ben Donovan
Adviser, Issuers (Perth)
ASX Limited
Level 8
Exchange Plaza
2 The Esplanade
Perth WA 6000
by e-mail ben.donovan@asx.com.au

Dear Mr Donovan

PharmAust Limited - Director's Interests Notices

I refer to your letter dated 15 January 2007 in regard to the Change in Director's Interest Notice ('Appendix 3Y') lodged with ASX Limited ('ASX') on 15 January 2007.

The Company responds as follows;

1. Why was the Appendix 3Y lodged later than the timeframe set out in Listing Rule 3.19A?

As you will note from the Appendix 3Y, the changes in the Director's Interest in question related to changes in a trust fund and trading account in which Dr Paul D'Sylva is a co-trustee and co-member. Dr D'Sylva has advised that the other trustee of the Fund and member to the account had made the transactions detailed in the Appendix 3Y of January 15 and failed to notify Dr D'Sylva, as they were not aware of his obligations under Listing Rules 3.19A and 3.19B.

Dr D'Sylva has advised that on being made aware of these transactions, he has informed the co-trustee of his obligations under the relevant Listing Rules and put in place a mechanism by which he will be immediately informed in writing of any subsequent transactions upon their execution

2. What arrangements does the Company have in place with its directors to ensure that it is able to meet its disclosure requirements under listing rule 3.19A?

As part of its Corporate Governance Policies the Company has adopted a Trading Policy which details the requirements and processes for directors to follow to notify the Company of any trading in the Company's securities. This policy, as part of the full Corporate Governance manual, has been adopted by the Board, provided in hard copy to all directors and is continually available for reference.

At a Board meeting held on 17 February 2006, the directors were provided with a copy of ASX's Company Update (Update 11/05) issued on 19 October 2005 which provides information on Director's Interest Notification requirements.

The disclosure of changes in any interest director's may have in transactions involving the Company, including changes in share and optionholdings, is a recurring item on Board Meeting agendas.

3. If the current arrangements are inadequate or are not being enforced, what additional steps does the Company intend to take to comply with listing rule 3.19B?

The Company believes the current arrangements are adequate however, in addition to the current arrangements the Company will adopt a policy that requires directors to execute an agreement whereby the director agrees, amongst other things, to comply with listing rule 3.19A

Yours sincerely



**WINTON WILLESEE
COMPANY SECRETARY
PHARMAUST LIMITED**