14 September, 2007

The Manager
Company Announcements
Australian Stock Exchange Limited
Via Electronic Lodgement

Dear Shareholder

NON-RENOUNCEABLE ENTITLEMENT ISSUE

On 12 September 2007, Pharmaust Limited (**Company**) lodged a prospectus (**Prospectus**) with ASX Limited (**ASX**) and the Australian Securities & Investments Commission (**ASIC**) for a pro-rata non-renounceable entitlement issue of approximately 118,353,939 fully paid ordinary shares (**Share**) on the basis of one (1) Share for every one (1) Share held on 21 September 2007 (**Record Date**), to be issued at 3 cents each to raise approximately $3,550,618 (**Entitlement Issue**).

Fractional entitlements will be rounded down to the nearest whole number. Shares issued will rank equally with all Shares on issue. Shareholder approval is not required in relation to the Entitlement Issue.

A full copy of the Prospectus will be mailed to all Shareholders who held shares on the Record Date on or about 25 September 2007. However, the Prospectus will not constitute an offer in any place in which, or to any person to whom, it would be unlawful to make such an offer. Accordingly, it is the responsibility of non-resident applicants to obtain all necessary approvals for the allotment and issue to them of Shares pursuant to the Prospectus.

The Prospectus is available on the ASX website at www.asx.com.au

The Entitlement Issue is conditionally underwritten by Cardrona Capital Pty Ltd (**Underwriter**). In particular the obligation to underwrite is subject to the Underwriter entering into sub-underwriting agreements with unrelated sub-underwriters. In consideration for the underwriting, the Company has agreed to pay the Underwriter a fee equal to 5% of the amount raised under this Prospectus.

In addition, the Company has agreed to pay the Underwriter a management fee equal to 1% of the amount raised under the Prospectus, and an administration fee of $35,000. Upon termination for whatever reason the Underwriter is entitled to be paid the administration fee of $35,000

The purpose of the Offer is to raise approximately $3,550,618 (before expenses of the Offer). The funds raised from the Offer will be used to fund the Company’s activities including:

- payment of the Company’s hire purchase facilities;
- payment of working capital funding facility and associated costs and fees;
- operational and capital expenditure;
- corporate overheads; and
- costs of the Offer.

The quoted securities on issue in the Company following completion of the Entitlement Issue are as follows:

Number	Class
236,707,878	Fully paid ordinary shares
62,983,110	Listed options exerciseable at $0.30 each on or before 30 November 2007

The unquoted securities on issue in the Company following completion of the Entitlement Issue are as follows:

Number	Class
1,842,402	Options exercisable at 0.375 cents each on or before 30 June 2008
3,250,000	Options exercisable at 20 cents each on or before 31 December 2007
6,500,000	Options exercisable at 22 cents each on or before 31 December 2007
8,250,000	Options exercisable at 15 cents each on or before the date that is 3 years from the completion of a rights issue announced on 20 April 2007. NB the exercise price of these Options is to be varied in accordance with Listing Rule 6.22.2 upon the Company undertaking a pro rata issue to Shareholders (other than a bonus issue).

The Company will apply for official quotation by ASX of the Shares to be issued pursuant to the Entitlement Issue.

The timetable for the Entitlement Issue is as follows:

EVENT	DATE
Prospectus lodged with ASIC and ASX	12 September 2007
Appendix 3B lodged with ASX	12 September 2007
Day 0 for the purposes of Appendix 7A paragraph 3 of the ASX Listing Rules	13 September 2007
Notice to be sent to Shareholders with details of the timetable, Appendix 3B and a statement that the Prospectus has been lodged with the ASX, and is available on the ASX website	14 September 2007
"Ex" date	17 September 2007
Record date for determining entitlements to Options	21 September 2007
Despatch Prospectus	25 September 2007
Closing Date	10 October 2007
Options quoted on a deferred settlement basis	11 October 2007
Deferred settlement trading ends / Despatch date	18 October 2007

Note: These dates are determined based upon the current expectations of the Directors and may, subject to the Listing Rules, be changed without notice. The Directors may extend the Closing Date by giving at least 6 Business Days notice to ASX prior to the Closing Date. As such, the date the Shares are expected to commence trading on ASX may vary.

Yours faithfully

Simon Owen
Chairman