

## ASX Announcement

29 February 2008



### PharmAust Limited Company Update

**PharmAust Limited (ASX: PAA) provides its shareholders with an update on the Company's corporate and operational activities.**

As disclosed in the Half Yearly Report to 31 December 2007, PharmAust made a net loss after tax of \$3,796,820. However, the Company's trading activities are approximately \$1 million better than for the same period last year. This is mainly due to the sale of the Mimotopes business, recent improvements to operations at 100%-owned subsidiary PharmAust Manufacturing Pty Ltd and continued positive developments at 100%-owned subsidiary Epicchem Pty Ltd.

This progress however, has been offset by a significant write-down in relation to PharmAust's investment in US-based Commonwealth Biotechnologies Inc (CBI), which acquired the Mimotopes business from PharmAust in February 2007 in return for 2,150,000 shares in CBI.

PharmAust Chairman Simon Owen said: "The change to the carrying value of these CBI shares has resulted from a review that has been conducted in light of the Board's greater understanding of the restrictions attaching to the sale of the shares. The Board was not advised of these important sale restrictions at the time of entering the transaction, nor was it made aware of these factors subsequently.

"The circumstances giving rise to this situation and the subsequent relationship between the Company, CBI and PharmAust's former Managing Director will be the subject of further review by the Board.

"The revised carrying value has been based on an indicative off-market offer from an unrelated third party, which is currently being considered and negotiated by the Board. In the event that this transaction does not proceed, the Board will again review the carrying value based on the restrictions that apply to those shares and our ability to have those restrictions removed.

"This factor and the successful raising of urgently required capital has seen the Company's net tangible assets (NTA) per share fall from 6.6 cents to 3.1 cents over the period.

"The fall in the NTA per share should be balanced by the fact that PharmAust retains several valuable assets and successfully raised cash prior to the recent upheaval in the financial markets," Mr Owen said.

As previously stated, the Board has conducted an extensive, detailed assessment of the PharmAust businesses and their prospects. This review is close to being finalised and PharmAust expects to provide the market with further information in the near-term.

The assessment process has involved an investigation of the long-term value and future of all of the Company's assets, with a strong focus on the ability of those assets to create value for shareholders in the current market conditions.

## **Operations**

During the period, Epichem Pty Ltd recorded good revenues, with Total Revenue rising by 22% on the same period last year and strong demand for the Company's drug discovery services. Epichem's current facility is now operating at capacity and discussions are currently underway to procure additional laboratory space to allow the Company to continue to grow.

PharmAust Manufacturing Pty Ltd (PAM) also saw revenues increase significantly during the December 2007 half, with Total Revenue rising by 38% compared to the same period last year. In addition, significant cost reductions were achieved during the half, with monthly Net Loss figures decreasing by almost 50% from an average of \$200,000 per month in July, down to below \$100,000 in November and December, allowing for extraordinary items.

PharmAust has also commenced essential and long overdue capital investments in PAM's operational capacity and established a highly competent management team. All of this is consistent with the statements made by the Board at the time of the Rights Issue last year.

It is unfortunate that during the period, significant resources were diverted towards dealing with a number of actions brought about by a group of disaffected Shareholders. These funds and the Board's time could have been deployed far more profitably to the benefit of all shareholders. PharmAust's consistent advice is that this continued litigation is without legal merit or commercial rationale.

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