
PHARMAUST LIMITED

ABN 35 094 006 023

NOTICE OF GENERAL MEETING

TIME: 2:00 pm (WST)

DATE: Friday 11 July 2008

PLACE: Cliftons, Mezzanine Floor, Australia Place, Corner William Street and St Georges Terrace, Perth, WA 6000

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on (+61 8) 9380 6550.

Dear Shareholders,

As you will no doubt be aware, In October 2007, in conjunction with the Rights Issue, the Board undertook to review all aspects of PharmAust Limited's business and its assets with a view to restoring shareholder value.

Since that time a number of steps have been taken as that review progressed. In particular, and for a number of reasons, the Company's investment in Commonwealth Biotechnologies Inc (**CBI**) was identified as an asset that was unlikely to contribute any further benefit to shareholders. The principal reasons underlying this view were:

- the Company had no ability to draw upon CBI for any contribution to its operating finances;
- there seemed little prospect of ongoing interaction between the Company and the Board and senior management of CBI; and
- both regulatory and practical constraints on the liquidity of the asset.

With this in mind the Company reviewed the investment and the process by which a sale might be achieved. As you will already be aware, our holding in CBI was by way of unregistered shares. This is not a concept readily understood in Australia, but essentially means that our shares are not tradable on NASDAQ, though are free to be sold privately, subject to the Virginian State Company Legislation and the usual difficulties that are normally associated with identifying an appropriate private purchaser.

In order for the shares to be registered, and become far more liquid, the cooperation and sponsorship of CBI and its attorneys is required. This would be ostensibly provided by way of a Registration Agreement between the two companies that was entered into at the time of acquiring the shares. However, given the significant influence that our total investment represented, and the dislocation that arose between the two boards arising from the resignation of Paul D'Sylva as Managing Director of the Company, it became apparent that this cooperation had become problematic.

This left the Company with the prospect of a time-consuming and expensive process to achieve a position where its stake in CBI might be expected to be realised in the ordinary course of events.

All of these factors, to some degree or another, influenced the Board in writing down the value of its investment in its December 2007 accounts from the levels previously established notwithstanding no material variation in CBI's 'market value'.

Late last year the Company was approached by a China based, Hong Kong listed, chemistry services business that had entered into discussions with CBI with a view to developing extended commercial relations. Informal discussions began with Venturepharm Laboratories Limited (**VPI**) around November and continued through the early months of the New Year. These discussions, which developed into substantive negotiations were significantly complicated by their interdependence upon parallel negotiations between VPI and CBI which, on one level, were a condition precedent to the finalisation of any agreement between VPI and the Company.

Whilst this investment was the most significant asset comprising the Company's balance sheet, it contributed no demonstrable benefit to shareholders or to the future development of the Company.

In light of all the circumstances surrounding this transaction the Board is very pleased with the outcome that has been achieved and is confident that the realisation of this otherwise unproductive asset will open significant opportunities to the Company to deploy these funds to the advantage of shareholders.

Consequently, I encourage you to approve the proposed resolution and to provide the Board with the opportunity to put the funds realised to actively advancing the Company's value.

Yours faithfully

A handwritten signature in black ink, appearing to read 'S Owen', written in a cursive style.

Simon Owen
Managing Director

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TIME AND PLACE OF MEETING AND HOW TO VOTE

VENUE

The General Meeting of the Shareholders to which this Notice of Meeting relates will be held at 2:00 pm (WST) on 11 July 2008 at:

Cliftons
Mezzanine Floor
Australia Place
Corner William Street and St Georges Terrace
Perth WA 6000

YOUR VOTE IS IMPORTANT

The business of the General Meeting affects your shareholding and your vote is important.

VOTING IN PERSON

To vote in person, attend the General Meeting on the date and at the place set out above.

VOTING BY PROXY

To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) post to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne Vic 3001;
- (b) facsimile to the Computershare Investor Services Limited on facsimile number (+61 8) 9323 2033 or from outside Australia (+61 3) 9145 4000; or
- (c) in person to Computershare Investor Services Pty Limited at Level 2, 45 St Georges Terrace, Perth WA 6000,

so that it is received not later than 2:00 pm (WST) on 9 July 2008.

Proxy Forms received later than this time will be invalid.

NOTICE OF GENERAL MEETING

Notice is given that the General Meeting of Shareholders will be held at 2:00 pm (WST) on 11 July 2008 at Cliftons, Mezzanine Floor, Australia Place, Corner William Street and St Georges Terrace, Perth, WA 6000.

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting. The Explanatory Statement and the Proxy Form are part of this Notice of Meeting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the General Meeting are those who are registered Shareholders of the Company at 2:00 pm (WST) on 9 July 2008.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

AGENDA

RESOLUTION 1 – APPROVE SALE OF COMMONWEALTH BIOTECHNOLOGIES INC

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

"That, in accordance with Listing Rule 11.2 of the ASX Listing Rules, approval be given for the sale of 100% of the shares in Commonwealth Biotechnologies Inc held by the Company on the terms and conditions outlined in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast on this Resolution by Venturepharm Laboratories Limited, or any other person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associates of those persons.

By order of the Board



Sam Wright
Company Secretary

Perth, Western Australia
5 June 2008

Voting Exclusion Note

Where a voting exclusion applies, the Company need not disregard a vote if it is cast by a person as a proxy for a 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.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared for the information of the Shareholders in connection with the business to be conducted at the General Meeting to be held at 2:00 pm (WST) on 11 July 2008 at Cliftons, Mezzanine Floor, Australia Place, Corner William Street and St Georges Terrace, Perth, WA 6000.

This purpose of this Explanatory Statement is to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions in the Notice of Meeting.

1. RESOLUTION 1- APPROVAL OF SHARE SALE AGREEMENT

1.1 Background

Pharmaust Limited is listed on the Australian Securities Exchange and is therefore subject to the ASX Listing Rules. Listing Rule 11.2 provides that if a company proposes to make a significant change in the nature or scale of its activities involving the company disposing of its main undertaking, it must obtain the approval of Shareholders.

The Company has entered into an agreement (**Agreement**) for the sale of 100% of the shares held in its subsidiary company, Commonwealth Biotechnologies Inc (**CBI**), a company incorporated in the United States (which is the main undertaking of the Company) (**Transaction**). The Agreement is conditional (amongst other things) upon the approval of Shareholders of the Company, which is being sought under Resolution 1 of the Notice of Meeting.

1.2 Indicative Timetable

Subject to the ASX Listing Rules and Corporations Act requirements, the Company anticipates completion of the Transaction in accordance with the following timetable (which may be subject to change):

Event	Date
Announcement of Transaction	31 March 2008
Despatch of Notice of Meeting	12 June 2008
General Meeting to approve Transaction	11 July 2008
Satisfaction/waiver of all conditions in Agreement	11 July 2008
Settlement of Transaction	14 July 2008

1.3 Summary of the Share Sale Agreement

On 31 March the Company entered into the Agreement, pursuant to which the Company agreed to sell 100% of its interest in CBI to Venturepharm. The material terms of the Agreement are as follows:

- (a) Settlement of the Agreement is subject to and conditional on:
 - (i) the Company obtaining all necessary shareholder and regulatory approvals required to complete the transactions contemplated by the Agreement;
 - (ii) Venturepharm obtaining all necessary shareholder, regulatory and other relevant approvals required to complete the transactions contemplated by the Agreement;
 - (iii) Venturepharm and the Company entering into a registration agreement and a voting and lock-up agreement. This condition precedent has been satisfied;
 - (iv) there having been no breach of any of the warranties outlined in the Agreement;
 - (v) no notice, order, judgment, action or proceeding of any court, arbitrator, governmental authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Agreement or which may adversely affect the right of Venturepharm to own the legal and beneficial title to the Sale Shares, free of any security interest, following completion of the Transaction; and
 - (vi) the Company, Venturepharm and Allens Arthur Robinson, as the escrow agent, executing a 'Deposit Escrow Agreement' by no later than 7 days from the date of execution of the Agreement. This condition precedent has been satisfied.
- (b) The consideration payable by Venturepharm for the Sale Shares is US\$3,117,500.
- (c) The Consideration has been paid into the account of the escrow agent and will be held by the escrow agent pending satisfaction of the conditions precedent outlined in 1.3(a) above.
- (d) The Agreement is subject to the laws of Hong Kong.
- (e) The Agreement otherwise contains additional clauses which are considered standard for an agreement for the sale of a going concern business including standard warranties, confidentiality provisions, common default clauses and other general clauses.

1.4 Directors' interest in the Share Sale Agreement

No Director has any interest in Venturepharm and will not receive any payment or benefit of any kind following completion of the Agreement, other than as a Shareholder of the Company.

1.5 Information regarding CBI

The Company acquired its interest in CBI in February 2007. The value of the issued shares in CBI, the financial position and its contribution to the Company's earnings for the financial year ended 30 June 2007 and half year ended 31 December 2007 are set out below:

	31 December 2007	30 June 2007
	\$	\$
Commonwealth Biotechnologies Inc		
Opening Balance	5,721,773	-
Acquisition of associate	-	5,708,153
Share of loss of associate	(735,261)	(492,415)
Share of movement in reserves of associate	-	506,035
Impairment loss	(1,501,334)	-
	<hr/>	<hr/>
Closing balance	3,485,178	5,721,773

1.6 Use of funds

Proceeds from the Transaction will be retained by the Company as working capital and potentially to be applied to one or more strategic acquisitions.

1.7 Future of the Company

At this point in time the Board is not able to make any specific comments upon the future direction of the Company other than to reiterate the theme of previous statements that the Board will constantly look to build value for shareholders by:

- (a) developing assets that the Board believes can contribute materially to shareholder wealth; or
- (b) realising assets that the Board feels are under performing or will not return value and looking to re-deploy the proceeds on existing or new business opportunities.

As shareholders will be aware, in addition to the transaction proposed by this Notice, the Board has appointed administrators to its wholly owned subsidiary Pharmaust Manufacturing Pty Ltd (**PAM**).

Whilst the investment in CBI is the single largest asset comprising the Company's balance sheet, accounting for over two thirds of the total value, it was in all respects a passive undertaking. By far and away PAM represented the overwhelming majority of the Company's active undertaking and annual expenditure.

In the wake of both of these steps, Epichem remains the Company's sole business undertaking and that company is operating profitably.

1.8 Pro-Forma Balance Sheet

The Company's last audited balance sheet was prepared in conjunction with the 31 December 2007 accounts. Between that date and 11 July 2008, both the expenditure of the Group and, more particularly, the administration of PAM, will have had significant effects upon the Company's consolidated balance sheet as at the date of the proposed meeting.

In the Board's view, to attempt to represent the effect of the CBI Transaction in a pro-forma balance sheet as at 11 July 2008 would be misleading without taking into account these other matters.

Consequently the effect that the CBI Transaction will have on the balance sheet as of 11 July 2008 is represented below without any attempt to allow for any other changes, significant or otherwise, that will have occurred and will be set out in full in the Company's Final Accounts for the 2008 year.

Note: The consideration under the Transaction is payable in US Dollars, therefore the Pro-Forma represents the variation in the exchange rate between that currency and the Australian Dollar from 31 December 2007 to 4 June 2008, being the date of preparation of the Pro-Forma, whereupon the exchange rate was AU\$1.0464 per US\$.

	31 December 2007 \$	Pro-Forma Post sale \$
CURRENT ASSETS		
Cash and cash equivalents (attributable to CBI)	0	3,485,178
TOTAL CURRENT ASSETS (attributable to CBI)	<u>0</u>	<u>3,485,178</u>
Unrealised Loss – Gain Foreign Exchange		(222,113)
NON CURRENT ASSETS		
Investments accounted for using the equity method	<u>3,485,178</u>	
TOTAL NON CURRENT ASSETS	<u>3,485,178</u>	
TOTAL ASSETS	<u>3,485,178</u>	<u>3,263,065</u>

1.9 Advantages of the Transaction

The Directors believe that the following non-exhaustive list of advantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (a) the Transaction presents an opportunity for the Company to dispose of its interest in CBI which has made no contribution to the Group fiscally since its acquisition and has reported an increased loss for the last full financial year; and

- (b) the Transaction will provide additional funding for the Company to review and acquire interests in other business opportunities which will contribute value to shareholders.

1.10 Disadvantages of the Transaction

The Directors believe that the following non-exhaustive list of disadvantages may be relevant to a Shareholder's decision on how to vote on the proposed Transaction:

- (a) the proposed sale involves the Company disposing of its principal balance sheet asset. However, the Board is actively investigating other investment opportunities and will provide Shareholders with further information when an appropriate investment is identified;
- (b) there is a risk that future investment opportunities entered into by the Company may not prove to be successful ; and
- (c) the Company will be changing the scale of its activities by a significant extent, which may not be consistent with the investment objectives of all Shareholders.

1.11 Directors Recommendations

The Directors do not have any material interest in the outcome of the Resolution other than as a result of their interest arising solely in the capacity of Shareholders of the Company. The Directors have a relevant interest in the securities of the Company as set out in the following table:

Director	Shares	Options
Simon Owen	Nil	Nil
Bryant McLarty	7,550,548	5,000,000
Henry Gulev	Nil	Nil

Each of the Directors intend to vote their Shares in favour of the Resolution. Based on the information available, all of the Directors consider that the proposed Transaction is in the best interests of the Company and recommend that the Shareholders vote in favour of the Resolution. The Directors have approved the proposal to put the Resolution to Shareholders.

2. ENQUIRIES

Shareholders are invited to contact the Company on (61 8) 9380 6550 if they have any queries in respect of the Notice of Meeting and Explanatory Statement.

GLOSSARY

Agreement means the agreement dated 31 March 2008 between the Company and Venturepharm Laboratories Limited in respect of the Transaction.

ASX means ASX Limited.

ASX Listing Rules or **Listing Rules** means the Listing Rules of ASX.

Board means the Board of Directors.

CBI means Commonwealth Biotechnologies Inc.

Company means Pharmaust Limited (ABN 35 094 006 023).

Completion means completion of the Agreement and the sale and purchase of the Sale Shares in accordance with the terms of that agreement.

Director means a director of the Company.

Explanatory Statement means the explanatory statement accompanying this Notice.

Group means the Pharmaust group of companies.

Meeting or **General Meeting** means the meeting convened by the Notice.

Notice means the notice of meeting accompanying this Explanatory Statement.

Resolution means a resolution set out in the Notice of Meeting.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a shareholder of the Company.

Transaction means the proposed acquisition by Venturepharm of 100% of the issued shares in Commonwealth Biotechnologies Inc held by the Company on the terms set out in the Agreement.

Venturepharm means Venturepharm Laboratories Limited.

WST means Western Standard Time.

\$ means Australian dollars, unless indicated to the contrary.

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