Appendix 4C - Quarterly Report and Company Update for the period ended 30 September 2017

PharmAust Limited ("PharmAust") (ASX: PAA) is pleased to provide an update and review of its recent activities.

During the quarter, the Company achieved several milestones aimed at advancing its key anti-cancer product, monepantel ("MPL"), towards the clinic. The company also continued to invest in its wholly owned subsidiary, Epichem Pty Ltd, to facilitate further expansion of its laboratories. These efforts have helped Epichem continue to build contract sales and income activities over the quarter.

PharmAust finished the quarter with $2.3m cash, reflecting the company's disciplined approach to managing its finances while achieving key strategic milestones. Next quarter the company expects to receive a Research and Development Tax Refund that is forecast to be in-line with the amount received last year. The company is also forecasting strong revenues from Epichem, which last year generated a cash flow positive January-March quarter.

The company is fully funded to deliver on its 2017 Roadmap (see below) and to progress its strategic objective of preparing for clinical trials next year using reformulated monepantel.

PharmAust and Nihon Nohyaku Japan Enter Assignment Agreement of Joint Patents

During the quarter PharmAust announced it had entered an agreement with Nihon Nohyaku Co Ltd (NNC) to assign NNC's interests in a joint patent portfolio to PharmAust. In return NNC will receive royalties on sales.

The portfolio consists of two patent families entitled *Anticancer agent comprising aminoacetonitrile compound as active ingredient*. These patents relate to a library of novel aminoacetonitrile (AADs) compounds, originally patented jointly by Nihon Nohyaku and PharmAust, as anticancer agents.

Importantly, these AADs are related to but distinct from Monepantel, which PharmAust is developing for clinical trials in humans and dogs diagnosed with cancer.

PharmAust CEO Dr Richard Hopkins commented, "We are delighted that Nihon Nohyaku has agreed to assign its joint intellectual property rights to PharmAust. This means PharmAust

now fully owns rights to over 50 novel AAD compounds, which can potentially be used to develop a proprietary pipeline of anti-cancer compounds."

This complements our endeavours to develop Monepantel as a lead therapy to treat cancers in dogs and humans. PharmAust was recently granted patents covering "methods of use" for Monepantel in cancer and non-cancer fields. The company is also progressing licensing discussions with Elanco, which owns the rights to Monepantel and has registered the drug for use in animals. The recent agreement with NNC provides PharmAust with further scope to independently commercialise its intellectual property.

PharmAust has engaged its subsidiary Epichem to synthesise and optimise selected AAD candidates from the NNC library for screening in anti-cancer assays in order to create a pipeline of next generation drugs.

Dr Hopkins said "The ability to access the in-house medicinal chemistry expertise at Epichem is a key competitive advantage of PharmAust. Epichem has a proven track record of optimising drug candidates with a number of candidates currently in various stages of clinical trials. We expect to announce the outcome of these pilot studies later in this financial year."

PharmAust secures core Europe patent

During the quarter, PharmAust announced the issue of another core patent in Europe. This patent covers the use of its lead drug monepantel as a cancer therapy with protection until 2033. The patent (No. P021225EP) entitled "Kinase Inhibitors for the Treatment of Cancer", claims the use aminoacetonitrile derivatives as potent kinase inhibitors for the treatment of cancer.

Dr Richard Hopkins, PharmAust's CEO, commented, "Allowance of this Method of Use patent secures PharmAust's core intellectual property (IP) in another key world market. It joins the family of patents that have already been granted in important major markets including the US, Australia and China giving the company IP protection. We're delighted with this outcome as it adds to the breadth and commercial value to our patent portfolio."

Reformulation project achieves first milestones and is on-track

During the quarter, PharmAust announced the first milestones for its reformulation project with BRI Pharmaceutical Research had been successfully achieved. The aims are to overcome the unpleasant taste of the current formulation and to increase the dose of drug in each tablet or capsule to reduce overall pill burden.

BRI showed that MPL is amenable to reformulation as either liquid or dry powder. This means that MPL may be delivered as a capsule or a hard tablet depending on the route that best meets the company's commercial objectives.

BRI also identified formulations that can potentially deliver up to thirty times more drug per capsule. This is very encouraging as it is could exceed the company's target dose of 10 times more drug per capsule. We remain optimistic that this will be achieved with further optimisation.

BRI confirmed that all formulations that are currently being assessed offer multiple options for significantly improving taste. The project remains on-track to overcome the poor palatability and suboptimal dosing associated with the current formulation.

PharmAust remains on-track to complete roadmap of key activities in 2017

The company remains on-track to complete all the major milestones detailed in its 2017 Roadmap (Table 1 below).

Phase II Cancer Trial in Dogs Diagnosed with Lymphoma (Q3/Q4):

We continue to make steady progress to complete the Phase II trial in dogs diagnosed with lymphoma. The primary goal is to show that using MPL as a front-line therapy is associated with stable disease and/or tumour regression. A successful outcome to the studies is expected to catalyse commercial opportunities with companies such as Elanco and also to inform on the design of our follow-on clinical trials using reformulated MPL.

The company remains on-track to recruit up to 10 dogs, which should be sufficient to ensure the study can achieve statistical significance. The company expects to report on the outcome of the clinical trials in the next quarter.

Prepare for Clinical Trials using Reformulated MPL (Q4):

PharmAust is engaging with regulatory and clinical consultants to develop our clinical trial plans using the reformulated MPL. The company is also in discussions with key global opinion leaders to join our clinical advisory team. PharmAust expects to announce the first of these appointments and to reveal details of its clinical development plans in Q4 this year.

Elanco Option Agreement (Q4):

PharmAust is progressing several options with regards the option agreement with Elanco, with whom it has ongoing dialogue. The company expects to report on the outcome of these efforts in Q4, 2017.

Epichem (Q4):

In July PharmAust was delighted to announce that Epichem generated record revenues of $3.05m for the 2017 financial year (FY). Epichem has forecast revenues of $3.8-4m for 2018 FY.

In Q2, 2017 Epichem submitted its applications for both ISO17025 and ISO17034 Quality Accreditation, which represent the highest international standards for the production of reference standards. An outcome to the application processes is expected by Q4, 2017.

Table 1: Roadmap of major PharmAust activities for 2017

Activity	Details	Quarter
Complete Phase II compassionate use trial in lymphoma dogs	• Confirm safety • Show tumour regression and/or stable disease	**Q3/Q4**
Complete MPL reformulation	• Appoint reformulation CRO ✔ • Higher dose • Better taste • Ready for Phase I-II clinical trials	**Q4**
Prepare for human and dog clinical trials using reformulated MPL	• Identify clinical trial sites • Engage clinical advisors • Prepare for scaled production of reformulation MPL	**Q4**
Initiate preparations for human clinical trial	• Identify clinical centres • Engage clinical advisory team	**Q4**
Novartis/Elanco option agreement	• Progress discussions towards strategic partnership	**Q4**
Growth of Epichem business	• Phase 2 lab expansion ✔ • ISO 17025 accreditation • Expansion of high-margin catalogue business	**Q4**

About PharmAust (PAA):
PAA is a clinical-stage company developing targeted cancer therapeutics for both humans and animals. The company specialises in repurposing marketed drugs lowering the risks and costs of development. These efforts are support by PAA's subsidiary, Epichem, a highly successful contract synthetic drug manufacturer which is forecast to generate ~Aus$4m in revenues in the 2018 FY

PAA's lead drug candidate is monepantel (MPL), a novel, potent and safe inhibitor of the mTOR pathway - a key driver of cancer. MPL has been evaluated in Phase 1 clinical trials in humans and dogs. MPL treatment was well-tolerated and produced a significant reduction in key prognostic biomarkers. PAA is uniquely positioned to commercialise MPL for treatment of human and veterinary cancers as it advances the drug into Phase 2 clinical trial.

+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PharmAust Limited

ABN	**Quarter ended ("current quarter")**
35 094 006 023	September 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	777	777
1.2	Payments for		
	(a) research and development	(107)	(107)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(608)	(608)
	(f) administration and corporate costs	(369)	(369)
1.3	Dividends received (see note 3)		
1.4	Interest received	6	6
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (GST)	6	6
1.9	**Net cash from / (used in) operating activities**	**(294)**	**(294)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(20)	(20)
	(b) businesses (see item 10)		
	(c) investments		

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**0**	**0**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(94)	(94)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**(94)**	**(94)**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	2,684	2,684
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(289)	(289)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(94)	(94)

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (3 months) $A'000**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**2,316**	**2,316**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,306	1,674
5.2	Call deposits	1,000	1,000
5.3	Bank overdrafts		
5.4	Other (provide details)	10	10
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,316**	**2,674**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	170
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director's Salaries & Superannuation

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities	466	0
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

The lender is EFIC (Export Finance and Insurance Corporation), the term is four years, it is not secured, we are not expecting any additional loans in the foreseeable future, the interest rate is variable at 6.05% plus the Bank Bill Swap Rate.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	100
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	450
9.6	Administration and corporate costs	450
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**1,000**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 26 October 2017

(Director & Company Secretary)

Print name: Sam Wright

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.