PharmAust Appendix 4C and Shareholders Update

(Q3, 2018 FY)

Key Highlights

- Commercial agreement with Elanco to develop novel cancer treatment in dogs.
- Monepantel reformulation successfully increases dose and improves taste.
- On-track to commence clinical trials in dogs in late 2018.
- Collaboration with Olivia Newton John Cancer Research Institute.
- Epichem reports cash receipts of $1.3 million for March quarter.

30 April 2018 – Perth, Australia: PharmAust Limited (ASX:PAA), a clinical stage oncology company, is pleased to announce its Appendix 4C Quarterly Report and Shareholders' Update for the period ending 31 March 2018.

During the quarter, PharmAust successfully achieved several major milestones. Most recently the company announced it had entered into a licensing agreement with Elanco to develop monepantel as a novel therapy to treat cancer in dogs. As part of the agreement, Elanco will supply PharmAust with GMP-grade monepantel (MPL) for use in associated clinical trials.

The company has also identified a solid tablet formulation that delivers over ten times more drug and helps overcome the bad taste observed with the previous liquid formulation. Once the formulation has been fully optimised, the GMP-grade MPL provided by Elanco will be used to scale production of tablets for use in clinical trials.

The company is now well positioned to deliver on its goal of re-initiating clinical development of monepantel in dogs in the second half of 2018. Clinical trials in humans should be initiated shortly thereafter.

Cash Position:
PharmAust ended the quarter with approximately $2.9 million in cash.

Major Activities

Elanco Option Agreement

In a significant development, PharmAust announced it has entered into an Option Agreement with Elanco US Inc to develop monepantel as a novel therapy to treat cancer in dogs.

Under this agreement, Elanco will supply PharmAust with GMP-grade monepantel for use in clinical trials in dogs to determine the anti-cancer potential of the drug. Under the agreement, PharmAust has granted Elanco an option to negotiate for an exclusive, worldwide royalty bearing commercial licence to use PharmAust's intellectual property in the field of treatment of cancer in animals.

PharmAust will manage clinical trials that will assess the efficacy and safety of monepantel in dogs diagnosed with various cancers. PharmAust will also fund the costs of the clinical trials and will provide Elanco with regular updates including a final report at the end of the study.

This agreement enables PharmAust to build a relationship with a potential commercial partner and also secures a supply of GMP-grade monepantel for use in clinical trials.

Having access to the same source of GMP-grade monepantel, which has already been approved by the FDA for use in animals, will significantly reduce the costs of drug development and accelerate the path to potential registration.

Reformulation of Monepantel

In collaboration with BRI Pharmaceutical Research, PharmAust has shown that micronisation of monepantel successfully meets the company's minimal requirements for dosing and oral bioavailability.

Micronisation refers to a milling technique that grinds monepantel into a fine powder suitable for packing into capsules or tablets. This approach can deliver over 10 times more drug than the current formulation in an equivalent sized capsule/tablet. Further, micronised monepantel is amenable to a number of conventional taste-masking approaches that will be employed to improve palatability.

BRI is currently optimising the micronisation method to identify the final formulation. Once the formulation has been fully optimised, the GMP-grade MPL provided by Elanco will be used to scale production of tablets for use in clinical trials.

The next update from BRI is expected in the first week of May.

Preparations for Clinical Trial Using Reformulated Monepantel

Preparations for clinical trials in humans and dogs using reformulated monepantel have continued to progress. Sites for the first phase of the canine trials have been established and are ready to commence clinical development once production of the new tablet formulation has been completed. Clinical trials are expected to commence later in the second half of 2018. Further details will be released once the new formulation has been finalised.

Collaboration with Olivia Newton-John Cancer Research Institute

PharmAust was pleased to announce it has entered into a collaboration with Dr Doug Fairlie, a leading cancer researcher based at the prestigious Olivia Newton-John Cancer Research Institute (ONJCRI) in Victoria.

The aim of the collaboration is to better understand how PharmAust's leading clinical candidate, monepantel (MPL), is able to kill cancer cells. A further aim is to identify drug combinations that improve MPL potency against different types of cancers. These outcomes will be used to support and accelerate MPL's clinical development strategies in humans and dogs.

Further, the collaboration has been awarded a $50,000 Innovation Connections Grant from the Commonwealth Department of Industry, Innovation and Science, which recognises the commercial potential of this partnership.

Epichem

Epichem reported cash receipts from customers of $1.31m for the March quarter, which is in-line with the same period last year. Epichem's cash-on-hand increased by $288K after costs associated with the lab expansion, interest payments for the Efic loan and normal operating expenses were deducted from receipts.

Epichem is on-track to complete the 50% expansion of its new laboratory space by May 2018. A total of six new fume hoods will be brought on-line, bringing the total number to nineteen. All hoods will be fully committed once the commissioning phase is complete.

Epichem has continued to progress its applications for the ISO17025 and ISO17034 Quality Accreditations, which represent the highest international standards for the production of reference materials. The company has addressed some additional queries from the National Association of Testing Authority (NATA) and is now waiting for final approval to complete the accreditation process.

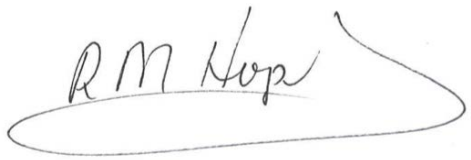
Epichem also announced that its co-founder Dr Wayne Best will transition from Managing Director of Epichem to Chairman of the Epichem Board. Dr Best will remain an independent Non-Executive Director of PharmAust. Dr Martine Keenan, previously Head of Discovery Services at Epichem, has been appointed as the new Chief Executive Officer of Epichem.

Looking forward

The next quarter is set to be one of significant progress with finalisation of the formulation expected to clear the path for clinical trials in dogs later in 2018. Further, Epichem is expected to reach full capacity following expansion of its facilities. We will continue to keep shareholders informed via our announcements, quarterly updates and investor forums we hold from time to time in Australia's capital cities.

Thank you for your continued support.

Yours faithfully



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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 supported by PAA's subsidiary, Epichem, a highly successful contract synthetic drug manufacturer which generated Aus$3.05m in revenues in the 2017 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	March 2018

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	1,309	2,492
1.2	Payments for		
	(a) research and development	(377)	(789)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		
	(e) staff costs	(690)	(2,055)
	(f) administration and corporate costs	(303)	(1,005)
1.3	Dividends received (see note 3)		
1.4	Interest received	12	28
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives	354	354
1.8	Other (GST)	(44)	(38)
1.9	**Net cash from / (used in) operating activities**	**261**	**(1,013)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(325)	(345)
	(b) businesses (see item 10)		
	(c) investments		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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**	**(325)**	**(345)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares	105	1,860
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		(107)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(113)	(207)
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**	**(7)**	**1,547**

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	2,946	2,684
4.2	Net cash from / (used in) operating activities (item 1.9 above)	261	(1,013)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(325)	(345)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(7)	1,547

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**2,875**	**2,875**

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	1,865	1,936
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)**	**2,875**	**2,946**

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	932	185
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	350
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	600
9.6	Administration and corporate costs	300
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**1,250**

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: 30 April 2018

(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.