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PharmAust Limited Investor Update

- **Successfully raised \$5.5 million**
- **Prospectus closed early oversubscribed**
- **Acquisition of Ramprie Laboratories completed**
- **Marketing & Distribution Agreement with Xepa-Soul Pattinson**
- **Stake in Epichem increased to 100%**

PharmAust Limited Overview

PharmAust Limited (ASX: PAA) is a new player in Australia's rapidly growing pharmaceutical industry. Following the launch of its prospectus in October 2004, PharmAust successfully raised \$5.5 million, closing early oversubscribed. No adviser options have been issued.

PharmAust is a unique vertically integrated pharmaceutical business that will take part in a range of activities, from contract drug discovery and development to product manufacturing, as well as sales and marketing of healthcare & pharmaceutical products.

PharmAust has an exclusive marketing and distribution agreement with pharmaceuticals manufacturer, Xepa-Soul Pattinson (Xepa), a subsidiary of Malaysia's largest healthcare company, Apex Healthcare. This agreement enables 100% owned subsidiary PharmAust Manufacturing to take advantage of patent arbitrage opportunities between Malaysia and Australia for the import and sale of patent expired medicines otherwise known as generics into Australia.

PharmAust Manufacturing has now also successfully acquired and renamed Ramprie Laboratories, a WA-based pharmaceutical manufacturer. This purchase allows PharmAust Manufacturing Pty Ltd (PAM), to also manufacture products from an existing base of 95 Australian registered and branded products along with the development, manufacture and marketing of other existing PharmAust Manufacturing brands along with the continuation of contract manufacturing services for others.

PharmAust's other key subsidiary, Epichem Pty Ltd currently provides contract chemistry services alongside its own intellectual property-generating research activities. Epichem continues to rapidly expand to keep pace with the influx of contracts, with five additional chemists having joined the company since it opened in February 2004.

In partnership with Xepa and through its 100%-owned subsidiaries, Epichem Pty Ltd and PharmAust Manufacturing Pty Ltd, PharmAust will take part in a range of activities, from drug discovery and contract synthesis, to the manufacture, marketing and distribution of healthcare and over the counter products, as well as low cost generic drugs available on the Pharmaceutical Benefit Scheme (PBS).

PharmAust's focus is on the manufacture of pharmaceuticals for the Australian and international market including:

- Generic prescription medication
- Over the counter medication
- Healthcare products
- Specialised hospital products

PharmAust will pursue a rapid growth strategy that will seek to diversify and expand its base of supply contracts, customers and markets so that it is not reliant on any one product, customer or market.

PharmAust Manufacturing Pty Ltd (PAA 100%)

Marketing & Distribution Agreement with Malaysia's Xepa-Soul Pattinson

In September 2004, PharmAust entered into an exclusive marketing and distribution agreement with Xepa-Soul Pattinson (Xepa), a wholly owned subsidiary of Apex Healthcare, Malaysia's largest pharmaceutical group, to register, market and distribute Xepa's ethical pharmaceutical products in Australia.

Under Malaysian law, patents expire a year earlier than in Australia, giving Xepa a head start with developing generic forms of patent protected products. Xepa is keen to gain access to the Australian market, which is five times the size of the Malaysian market in this area and it has chosen PharmAust as its Australian partner.

This Agreement gives PharmAust the opportunity to bring to the Australian pharmaceutical market high-value products currently manufactured and distributed by Xepa in Asia. This agreement also gives PharmAust access to the future product pipeline of generic prescription pharmaceuticals developed and manufactured by Xepa. The lower cost base and the early patent expiry period in Malaysia allows PharmAust to achieve significant cost savings over domestic competitors developing 'in-house' generics as blockbuster drugs come off patent.

Successful purchase of Ramprie Laboratories

PharmAust is pleased to announce that it has successfully purchased Ramprie Industries, a generic pharmaceutical manufacturer located in Welshpool, Western Australia.

In September 2003, Ramprie experienced an accidental fire that destroyed much of its manufacturing facility. PharmAust was thus able to purchase Ramprie's land, buildings and stock at cost with an agreement that all costs associated with re-establishing and re-licensing the facility for best operating practice will be met by the insurance settlement and made good by the vendor.

Renamed PharmAust Manufacturing (P.A.M), the new business will manufacture from its existing base of 95 products on the Australian Register of Therapeutic Goods and look to manufacture over 200 non-therapeutic products. P.A.M will focus on the manufacture and sale of high value products such as Over The Counter (OTC) generic products and specialised hospital lines, where margins are expected to be most favourable. The preliminary focus will be on a range of sunscreens including those formulations based on a broad spectrum UV blocking zinc oxide nano-technology.

A strategic review of the PAM business has been undertaken and key staff have been retained. PAM is on track to re-establish its TGA license in the near future, has several contracts already in place and is currently negotiating several major distribution deals with leading Australian companies.

Presently PAM's manufacturing facility is being re-established with a modern, pressurised clean room, which is expected to be ready for production in March 2005. In addition, PAM is

constructing a large warehouse on the site to store goods, including imported and third party products. Prior to July 2005, PAM will establish and document operating systems, quality control and prepare batches of product for inspection to enable registration of the facility and validation of each of the products it chooses to manufacture.

PharmAust acquired Ramprie for a sum of \$3,100,000, consisting of \$2,300,000 for the land and buildings including a new state of the art cleanroom facility, and \$800,000 for the business assets including over \$ 600,000 in stock.

Epichem Pty Ltd (PAA 100%)

PharmAust is also pleased to announce that it has increased its interest in Epichem to 100% ownership. Epichem, which provides contract chemistry services as well as developing its own intellectual property-generating research, has one of the best-equipped medicinal chemistry laboratories in the southern hemisphere.

With no competitors in WA and only two similar laboratories in the region, Epichem's highly skilled staff are already well regarded and well established within the industry.

Epichem is presently working on new drugs for a number of parasitic diseases in collaboration with Murdoch University's Centre for Biomolecular Control of Disease. A number of highly potent compounds, effective against the diseases have been identified and are undergoing toxicity tests.

After just nine months of operation, Epichem has been rapidly expanding to keep up with the increasing workflow and facilities are presently running at close to capacity. The company will examine duplicating its facilities or expanding into alliances where appropriate.

Epichem has recently completed the purchase of a new high performance liquid chromatograph and gas chromatograph mass spectrometer. These two state of the art pieces of equipment allow Epichem's existing PHD chemists and in turn the company to be much more efficient, effective and profitable.

Corporate

The Board of PharmAust is pleased to welcome Epichem Managing Director, Dr Wayne Best, as a Director of the Company. Dr Best has over 20 years' experience in synthetic and medicinal chemistry in academia, government and industry. He is an organic chemist who studied at Imperial College in the UK where he obtained a DIC, followed by a year as a postdoctoral fellow at the ANU in Canberra. Dr Best worked for over four years with ICI Australia's research group, followed by 10 years with the WA Government's Chemistry Centre where he formed and ran the Medicinal & Biological Chemistry Section, undertaking collaborative R&D into drug discovery and contract synthesis.

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