



13 September 2005

The Manager
Company Announcements
Australian Stock Exchange Limited
Via Electronic Lodgement

Dear Sir/Madam

Appendix 4E – Preliminary Final Report 2005

Please find attached the Preliminary Final Report 2005 – Appendix 4E for PharmAust Limited (ASX: PAA) for the year ended 30 June 2005.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Winton Willesee". The signature is fluid and cursive, with a long horizontal stroke at the end.

Winton Willesee
Company Secretary
PharmAust Limited



PharmAust Limited

ABN 35 094 006 023

Preliminary Final Report 2005

Appendix 4E

“Results for announcement to the market”

Result	Change	Amount
Revenue from Ordinary Activities	up 541% to	\$3,282,777
(Loss) from Ordinary Activities after Tax		
Attributable to Members	up 32% to	(\$3,363,712)
Net (Loss) Attributable to Members	up 32% to	(\$3,363,712)

The loss includes once-off write downs of \$1,276,721.

It is not proposed that a dividend be declared for this reporting period.

Reporting Period: Year Ending 30 June 2005

Previous Reporting Period: Year Ending 30 June 2004

REVIEW OF OPERATIONS

Revenues for the PharmAust Group of companies increased by over 540% for the year to \$3,282,777. Net tangible assets per share increased to 5.4 cents per share. Mimotopes revenues were only incorporated into the group accounts following PharmAust's acquisition of the company toward the end of the third quarter 2005.

The Company's operating losses after taxation for the year ended 30 June 2005 amounted to \$3,363,712 (\$2,547,863: 2004). Losses include significant once-off write downs totalling over \$1,270,000. These losses are related to the goodwill involved with the purchase of the final 20% of wholly-owned subsidiary, Epicchem Pty Ltd, and costs associated with improvements to the PharmAust Manufacturing Pty Ltd facilities. These renovations are to ensure PharmAust Manufacturing successfully meets Therapeutic Goods Administration (TGA) compliance and registration requirements.

Mimotopes Pty Ltd

The purchase of 100% of world-class chemistry business Mimotopes has been a significant boost for the PharmAust Group resulting in faster than expected revenue growth. Mimotopes was purchased for a nominal consideration as reflected in the group accounts, however it may be noted that Mimotopes buildings, plant and equipment are currently insured for more than \$17 mill. Mimotopes management has a clear goal to return company revenues and profitability to previously experienced levels.

Epicchem Pty Ltd

Perth-based Epicchem surpassed internal targets for the period in crucial areas of growth and new clients; whilst integration of the Mimotopes Discovery Chemistry Unit into

REVIEW OF OPERATIONS (Cont...)

Epichem has resulted in rapid expansion. The addition of the Mimotopes facilities has enabled Epichem to employ more PhD level chemists quickly without the usual large capital outlay for infrastructure associated with such growth. Epichem is focused on improving revenues and creating high-value intellectual property within a self-funding environment.

PharmAust Manufacturing Pty Ltd.

The start of the 2005 reporting period saw PharmAust Manufacturing created through the purchase of Ramprie Laboratories and the signing of an agreement with Malaysia's Xepa-Soul Pattinson to supply and distribute their generic pharmaceuticals in Australia. By March 2005 building renovations had been concluded at PharmAust Manufacturing with a focus on meeting statutory TGA compliance and registration requirements.

PharmAust Manufacturing has now secured a national distribution agreement with Cottman Australia Pty Ltd to create a broader and stronger market presence for all PharmAust Manufacturing products. These will include Xepa-Soul Pattinson generic pharmaceuticals and other products in areas such as personal care, cosmetics and galenicals.

Management at PharmAust Manufacturing are committed to rapidly achieving sustainable cash flow and strong sales growth by increasing customer numbers, growing and refining product ranges, improving profit margins on its range of products and meeting TGA compliance requirements to regain its license.

Ahead of securing the necessary TGA license, sales of PharmAust Manufacturing's exempt therapeutic and non-therapeutic products along with contract manufacturing services have continued, generating continuing revenues for the company.

Other

PharmAust Limited is committed to building high-value intellectual property within a self-funding environment. During and subsequent to the reporting period PharmAust Group companies have taken part in the following other transactions:

- Invested in specialist chemistry company Advanced Molecular Technologies Pty Ltd to develop and commercialise Intellectual Property and products;
- Signed a partnering deal between subsidiary Mimotopes Pty Ltd and Phylogica Ltd to develop next generation peptide drugs;
- Continued a major anti-parasitic drug research project between subsidiary Epichem Pty Ltd and Murdoch University that will see PharmAust receive a royalty from any future commercialisation; and
- Established a Co-marketing Agreement between subsidiary Epichem Pty Ltd and NeuroDiscovery Ltd to identify and exploit new business opportunities.

REVIEW OF OPERATIONS (Cont...)

The PharmAust Group now employs 52 full time equivalent people of which over 20 hold a PhD. These people have access to a large array of good quality plant, equipment and facilities which are currently insured for over \$21 mill. The PharmAust Group has built an excellent launching pad for the future, and executive management are focused on maximising the opportunities arising from this unique opportunity.

The three primary markets the PharmAust Group operates in are large and growing. As an example the peptide therapeutic market, within which Mimotopes operates, is currently estimated at US\$1b and growing at a annual average rate of 40%.

Earnings per security, returns to shareholders, segment reporting, and other factors affecting results are covered elsewhere in the report. (In accordance with point 14 of Appendix 4E)

STATEMENTS OF FINANCIAL PERFORMANCE
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Revenue from ordinary activities	3,282,777	511,743
Expenses		
Cost of sales	(1,317,746)	(138,969)
Amortisation	-	(154,000)
Depreciation	(99,127)	(53,734)
Loss on disposal of assets	(127,956)	(133,169)
Write-down in value of non current assets	(1,311,498)	(1,326,975)
Borrowing costs	(28,633)	(46,573)
Other expenses from ordinary activities	(3,761,529)	(1,243,042)
Loss from ordinary activities before income tax expense	(3,363,712)	(2,584,719)
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense	(3,363,712)	(2,584,719)
Net loss attributable to outside equity interests	-	(36,856)
Net loss attributable to members of the parent entity	(3,363,712)	(2,547,863)

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
CURRENT ASSETS		
Cash assets	784,990	182,288
Receivables	783,584	-
Inventory	304,291	-
Other assets	67,097	165,978
TOTAL CURRENT ASSETS	1,939,962	348,266
NON-CURRENT ASSETS		
Receivables	-	-
Other financial assets	77,800	8,500
Property, plant and equipment	3,099,903	429,119
Intangibles	157,000	119,000
TOTAL NON-CURRENT ASSETS	3,334,703	556,619
TOTAL ASSETS	5,274,665	904,885
CURRENT LIABILITIES		
Payables	1,037,739	125,960
Interest bearing liabilities	232,462	17,321
Provisions	79,457	-
TOTAL CURRENT LIABILITIES	1,349,658	143,281
NON CURRENT LIABILITIES		
Interest bearing liabilities	56,614	20,582
TOTAL CURRENT LIABILITIES	56,614	20,582
TOTAL LIABILITIES	1,406,272	163,863
NET ASSETS	3,868,393	741,022
EQUITY		
Contributed equity	17,653,481	11,080,254
Accumulated losses	(13,785,088)	(10,421,376)
Parent entity interest	3,868,393	658,878
Outside equity interest	-	82,144
TOTAL EQUITY	3,868,393	741,022

STATEMENTS OF CASH FLOWS
For the year ended 30 June 2005

	CONSOLIDATED	
	2005	2004
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	2,873,889	245,703
Payments to suppliers and employees	(4,712,932)	(1,392,401)
Interest received	49,463	31,043
Interest and other costs of finance	(29,552)	(46,573)
Net cash used in operating activities	(1,819,132)	(1,162,228)
Cash Flows From Investing Activities		
Payments for property, plant and equipment	(3,496,075)	(368,560)
Proceeds from sale of plant and equipment	-	41,790
Payments for other financial assets	(119,597)	(40,915)
Proceeds from sale of other financial assets	22,258	88,778
Payments for other financial assets	(167,000)	-
Loans to controlled entities	-	-
Net cash used in investing activities	(3,760,414)	(278,907)
Cash Flows From Financing Activities		
Proceeds from share issues	6,048,227	1,392,741
Repayment of borrowings	(20,816)	(393,674)
Net cash provided by financing activities	6,027,411	999,067
Net increase/(decrease) in cash held	447,865	(442,068)
Cash at the beginning of the financial year	182,287	624,355
Cash at the end of the financial year	630,152	182,287

RELEVANT NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2005

NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE

	CONSOLIDATED	
	2005	2004
	\$	\$
<u>REVENUE FROM ORDINARY ACTIVITIES</u>		
Sales	3,210,866	306,460
Interest received	49,469	31,043
Proceeds from sale of non-current assets	-	130,568
Other revenue	22,442	43,672
	<u>3,282,777</u>	<u>511,743</u>
<u>LOSS FROM OPERATING ACTIVITIES</u>		
Write-down in value of non current assets		
Receivables	-	-
Financial assets	34,777	16,999
Property, plant and equipment	703,813	-
Intangibles	572,908	1,309,976
	<u>1,311,498</u>	<u>1,326,975</u>
<u>OTHER EXPENSES FROM OPERATING ACTIVITIES</u>		
Employee benefits expense	1,966,503	247,475
Administration	1,667,070	678,581
Product development	-	53,249
Carrying value of non-current assets disposed	127,956	263,737
	<u>3,761,529</u>	<u>1,243,042</u>
<u>EXPENSES</u>		
Loss on disposal of non-current assets	<u>127,956</u>	<u>133,169</u>
Depreciation – plant and equipment	<u>99,127</u>	<u>53,734</u>
Amortisation - Intangible assets	<u>-</u>	<u>154,000</u>
Remuneration of auditor of the parent entity		
- audit and review of financial reports	38,765	28,000
- other services	31,927	15,000
	<u>70,692</u>	<u>43,000</u>

NOTES TO THE STATEMENT OF FINANCIAL PERFORMANCE (Cont...)

SIGNIFICANT EXPENSES

	2005	2004
	\$	\$
Write-down of buildings to independent valuation	703,813	-
Write-down of goodwill on consolidation	572,908	55,698
Write-down of other intangible assets	-	1,254,278
Write-down of loans due from controlled entities	-	-
Write-down of investments in controlled entities	-	-

NOTES TO THE STATEMENT OF CASH FLOWS

RECONCILIATION OF CASH

	CONSOLIDATED	
	2005	2004
	\$	\$
Cash at bank	784,990	182,288
Bank overdraft	(154,838)	-
	<u>630,152</u>	<u>182,288</u>

Reconciliation of net cash used in operating activities to loss from ordinary activities after income tax

Loss from ordinary activities after income tax	(3,363,712)	(2,584,719)
Amortisation	-	154,000
Depreciation	99,127	53,734
Loss on disposal of non-current assets	127,956	133,169
Write down in value of non-current assets	1,311,498	1,326,975
Movement in assets and liabilities:		
Receivables	(617,510)	(104,430)
Inventory	(304,291)	-
Other assets	(67,098)	-
Payables	915,442	(134,599)
Provisions	79,456	(6,358)
Net cash used in operating activities	<u>(1,819,132)</u>	<u>(1,162,228)</u>

NON-CASH INVESTING AND FINANCING ACTIVITIES

During the year ended 30 June 2005, the Company had the following non-cash transactions that are not disclosed in the Statement of Cash Flows:

- Plant and equipment purchased by way of finance leases for \$105,605; and
- 2,625,000 shares issued valued at \$525,000 as consideration for acquiring the remaining 20% shareholding in Epicchem Pty Ltd.

FURTHER INFORMATION – APPENDIX 4E

RETAINED EARNINGS

	CONSOLIDATED	
	2005	2004
	\$	\$
ACCUMULATED LOSSES		
Balance at beginning of the year	(10,421,376)	(7,873,513)
Net loss attributable to members of the company	(3,363,712)	(2,547,863)
	(13,785,088)	(10,421,376)
Balance at end of the year	(13,785,088)	(10,421,376)

NET TANGIBLE ASSETS

	2005	2004
Net Tangible Assets per share	5.4 cents	0.4 cents

CONTROLLED ENTITIES ACQUIRED DURING THE FINANCIAL PERIOD

On 5 August 2004, PharmAust Limited acquired a 100% interest in PharmAust Manufacturing Pty Ltd for a cash consideration of \$1. (PharmAust Manufacturing Pty Ltd later acquired the business and assets of Ramprie Laboratories)

On 30 November 2004, PharmAust Manufacturing Pty Ltd acquired a 100% interest in Animal Health Pharmaceuticals Pty Ltd for a cash consideration of \$10,000.

On 2 December 2004, PharmAust Limited acquired the remaining 20% interest in Epichem Pty Ltd for a consideration of \$525,000. This consideration was in the form of 2,625,000 shares issued in PharmAust Limited at 20 cents per share.

On 4 March 2005, PharmAust Limited acquired a 100% interest in Mimotopes Pty Ltd for a cash consideration of \$1.

CONTROLLED ENTITY	Contribution to Net Loss for the period
	\$
PharmAust Manufacturing Pty Ltd	652,421
Animal Health Pharmaceuticals Pty Ltd	2,256
Epichem Pty Ltd	174,857
Mimotopes Pty Ltd	Profit - (160,704)

No other associates of joint venture entities were acquired during the reporting period.

EARNINGS PER SHARE

EARNINGS PER SHARE	2005	2004
Basic earnings per share (cents per share)	(6.09)	(8.19)
Diluted earnings per share (cents per share)	(6.09)	(8.19)
EARNINGS PER SHARE		
Loss from ordinary activities	3,363,712	2,547,863
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share.	55,272,120	31,095,678

SEGMENT REPORTING

For periods during the reporting period the consolidated entity operated the following two business segments in one geographic area:

- Travel industry
- Pharmaceutical industry

	Travel		Pharmaceutical		Eliminations		Consolidated Entity	
	2005	2004	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$	\$	\$
REVENUE								
External sales revenue	184,272	176,630	3,026,594	129,830	-	-	3,210,866	306,460
Other external revenue	-	180,585	71,911	24,698	-	-	71,911	205,283
Total segment revenue	184,272	357,215	3,098,505	154,528	-	-	3,282,777	511,743
Unallocated revenue							-	-
Total revenue from ordinary activities							3,282,777	511,743
RESULT								
Total segment result	(29,527)	(2,400,439)	(3,334,185)	(184,280)	-	-	(3,363,712)	(2,584,719)
Unallocated expenses							-	-
Income tax expense							-	-
Profit from ordinary activities after income tax expense							(3,363,712)	(2,584,719)
ASSETS								
Segment assets	29,443	448,879	5,245,222	456,006	-	-	5,274,665	904,885
Unallocated assets							-	-
Total assets							5,274,665	904,885
LIABILITIES								
Segment liabilities	32,485	118,546	1,373,787	45,317	-	-	1,406,272	163,863
Unallocated liabilities							-	-
Total liabilities							1,406,272	163,863
OTHER								
Acquisitions of non current segment assets	-	-	3,601,680	366,835	-	-	3,601,680	366,835
Depreciation and amortisation of segment assets	-	188,517	99,127	19,217	-	-	99,127	207,734

FACTORS THAT MAY AFFECT RESULTS IN FUTURE PERIODS

IMPACT OF ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Company is in the process of transitioning its accounting policies and financial reporting from current Australian Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS) which will be applicable for the financial year ended 30 June 2006. Priority has been given to the preparation of an opening balance sheet in accordance with AIFRS at 1 July 2004 being the company's transition date to AIFRS. This will form the basis of accounting for AIFRS in the future, and is required when the Company prepares its first fully AIFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies are expected to change on adoption of AIFRS and the Company's best estimate of the known or reliably estimated impact of the changes on total equity as at the date of transition and 30 June 2005.

The figures disclosed are management's best estimates of the quantitative impact of the changes as at the date of preparing the 30 June 2005 financial report. The actual effects of the transition to AIFRS may differ from the estimates disclosed due to (a) ongoing work being undertaken by the Company, (b) potential amendments to AIFRS's and Interpretations thereof being issued by the standard-setters and IFRIC, and (c) emerging and accepted practice in the interpretation and application of AIFRS and UIG Interpretations.

i) Share-Based Payments

Under AASB 2: Share-based Payments, the Company will be required to determine the fair value of options issued to employees as remuneration and recognise an expense in the Statement of Financial Performance. AASB 2 is not limited to options and also extends to other forms of equity-based remuneration. It applies to all share-based payments issued after 7 November 2002 which have not vested as at 1 January 2005.

No options have been issued to directors or employees during the year ended 30 June 2005

ii) Non-current Investments

Under AASB 139: Financial Instruments: Recognition and Measurement, financial assets are required to be classified into four categories, which determines the accounting treatment of the item. The categories and various treatments are:

- held to maturity, measured at amortised cost;
- held for trading, measured at fair value with unrealised gains or losses charged to the profit and loss;
- loans and receivables, measured at amortised cost; and
- available for sale instruments, measured at fair value with unrealised gains or losses taken to equity.

The company's financial assets comprise available for sale financial instruments. Under AASB 139, the measurement of available for sale instruments at fair value differs to current accounting policy which measures non-current investments at cost with an annual review by directors to ensure the carrying amounts are not in excess of the recoverable value of the instrument. The impact of the change is likely to increase the value of non-current other financial assets in relation to available for sale instruments.

AASB 1 provides an election whereby the requirements of AASB 139 dealing with financial instruments are not required to be applied to the first AIFRS comparative year, and the first time adoption of this standard will apply from 1 July 2005. The company has decided that it will adopt this election and will not restate comparative information for the 30 June 2005 financial year.

iii) Impairment of Assets

Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash inflows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

Goodwill

On transition at 1 July 2004, an impairment loss of \$119,000 will be allocated against the goodwill recognised on consolidation. This will result in a corresponding decrease in retained earnings.

For the year ended 30 June 2005, the write-off of goodwill on consolidation recognised in the statement of financial performance prepared in accordance with Australian Accounting Standards will be reversed under IFRS as this asset was previously written-off on the transition to IFRS at 1 July 2004.

iv) Income Tax

Currently, the consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the accounting profit adjusted for any permanent differences. Timing differences are currently brought to account as either a provision for deferred income tax or future income tax benefit. Under AASB 112: Income Taxes, the entity will be required to adopt a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and accounting profit.

On transition, there is no expected financial impact on the parent or consolidated entity.

	Consolidated Entity 2005
Reconciliation of Net Loss	
Net loss reported under Australian Accounting Standards	3,363,712
Key transitional adjustments:	
— Reversal of write-down of goodwill (iii)	(119,000)
Total transitional adjustments	(119,000)
Net loss under AIFRS	3,244,712
Reconciliation of Equity	
Total equity reported under Australian Accounting Standards	3,868,393
Retrospective adjustments to equity at 1 July 2004:	
— Write-off capitalised goodwill (iii)	(119,000)
	3,749,393
Decrease in current year loss resulting from transition to AIFRS	119,000
Total equity under AIFRS	3,868,393

AUDIT STATUS

This report is based on accounts which are in the process of being audited.

A handwritten signature in black ink, appearing to read 'W. Willesee', with a long horizontal flourish extending to the right.

Winton Willesee
Company Secretary
13 September 2005