

PHARMAUST LIMITED

ABN 35 094 006 023

SHORT FORM PROSPECTUS

For the non-renounceable rights issue of two (2) Options for every three (3) Shares held by Shareholders as at 5.00pm WST on 1 February 2005 at an issue price of one cent (1 cent) per Option to raise up to approximately \$454,443.

IMPORTANT NOTICE

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act 2001. This Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type but refers to another document, the information of which is deemed to be incorporated in this Prospectus.

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IMPORTANT NOTICE

This Prospectus is dated 21 January 2005.

A copy of this Prospectus was lodged with the ASIC on 21 January 2005. The ASIC takes no responsibility for the contents of this Prospectus.

No Options will be issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus. Application will be made to ASX within seven (7) days after the date of this Prospectus for admission of the Options offered by this Prospectus to Official Quotation.

Applicants should read this document in its entirety and, if in any doubt, consult with their professional advisers before deciding whether to apply for Options. There are risks associated with an investment in the Company and the Options offered under this Prospectus must be regarded as a speculative investment. The Options offered under this Prospectus carry no guarantee with respect to return on capital investment or the future value of the Options.

Certain abbreviations and other defined terms are used throughout this Prospectus. Defined terms are generally identifiable by the use of an upper case first letter. Details of the definitions and abbreviations used are set out in Section 12 of this Prospectus.

Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type. Rather, the Prospectus incorporates by reference information contained in a document that has been lodged with the ASIC.

This Prospectus refers to the disclosure document lodged by the Company with the ASIC on 6 October 2004 for the offer of 27,500,000 Shares at an issue price of \$0.20 per Share (October 2004 Prospectus).

In referring to the October 2004 Prospectus, the Company:

- (a) identifies the October 2004 Prospectus as being relevant to the offer of Options under this Prospectus and containing information that will provide investors and their professional advisers information to assist them in making an informed assessment of:
 - (i) the rights and liabilities attaching to:
 - (A) the Options; and
 - (B) the underlying securities;
 - (ii) the capacity of the Company to issue the underlying securities; and

- (iii) the assets and liabilities, financial position and performance, profits and losses and prospectus of the Company;
- (b) refers investors and their professional advisers or analysts to Section 4 of this Prospectus which summarises the information in the October 2004 Prospectus deemed to be incorporated in this Prospectus;
- (c) informs investors and their professional advisers or analysts that they are able to obtain, free of charge, a copy of the October 2004 Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period; and
- (d) advises that the information in the October 2004 Prospectus will be primarily of interest to investors and their professional advisers or analysts.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website at www.pharmaust.com. Any person accessing the electronic version of the Prospectus within Australia or anywhere outside of Australia should not that this Prospectus does not constitute an offer of securities in any jurisdiction where, or to any person to whom, it would not be lawful to issue the Prospectus or make the Offer. It is the responsibility of any investor outside Australia to ensure compliance with all laws of any country relevant to their Application, and any such applicant should consult their professional advisers as to whether any government or other consents are required or whether any formalities need to be observed to enable them to apply for and be allotted any securities.

The Corporations Act prohibits any person passing onto another person an application form unless it is attached to a hard copy of the Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a copy of this Prospectus free of charge by contacting the Company.

1. CORPORATE DIRECTORY

DIRECTORS

Dr Paul D'Sylva
(Chairperson and Non-Executive Director)

Mr Bryant McLarty
(Managing Director)

Dr Stuart Gunzburg
(Non-Executive Director and Company Secretary)

Mr Thomas Picton-Warlow
(Non-Executive Director)

Dr Kee Kirk Chin
(Non-Executive Director)

Dr Wayne Best
(Non-Executive Director)

CORPORATE OFFICE

Suite 2, 33 Broadway Terrace
NEDLANDS WA 6009
Telephone: (08) 9284 8800
Facsimile: (08) 9284 8899
Website: www.pharmaust.com

SHARE REGISTRY

Computershare Registry Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9323 2000
Facsimile: (08) 9323 2033

SOLICITORS TO THE COMPANY

Fairweather & Lemonis
Level 9
172 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9420 5000
Facsimile: (08) 9420 5001

INDEPENDENT ACCOUNTANT

RSM Bird Cameron Corporate Pty Ltd
8 St Georges Terrace
PERTH WA 6000
Telephone: (08) 9261 9100
Facsimile: (08) 9261 9111

PATENT ATTORNEYS

Wray & Associates
Level 4, The Quadrant
1 William Street
PERTH WA 6000
Telephone: (08) 9216 5100
Facsimile: (08) 9216 5199

2. TIMETABLE AND IMPORTANT DATES

EVENT	DATE
Prospectus lodged with ASIC and ASX	21 January 2005
Record Date	2 February 2005
Dispatch of Prospectus and Opening Date	8 February 2005
Closing Date *	22 February 2005

*The Directors reserve the right to bring forward or extend the Closing Date at any time after the Opening Date without notice. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

3. DETAILS OF THE OFFER

3.1 Purpose of the Offer

The funds raised by the Offer of up to approximately \$454,443 will be used as additional working capital for the Company and also to meet Offer expenses of approximately \$15,000.

3.2 The Offer

The Company is making a pro-rata non-renounceable rights issue to Shareholders who are registered as at 5.00pm WST on 2 February 2005 (**Record Date**) of up to 45,444,294 Options at an issue price of one cent (1 cent) each to raise up to approximately \$454,443 (before costs of the Offer).

The Options will be offered on the basis of two (2) Options for every three (3) Shares then held.

The maximum number of Options which could therefore be issued under this Prospectus is 45,444,294.

In the calculation of any entitlement, fractions will be rounded down to the nearest whole number.

This Offer is made on a non-renounceable basis such that Shareholders who are registered as at the Record Date may not sell or transfer all or part of their entitlement to Options.

The Entitlement of each Shareholder is shown on the Entitlement and Acceptance Form accompanying this Prospectus.

3.3 Minimum Subscription

There is no minimum subscription. The reason that no minimum subscription has been set is because the Company has sufficient working capital available to meet its objectives as set out in the October 2004 Prospectus. Any capital raised pursuant to this Offer will be applied as additional working capital and will have no effect on the existing budgets and work programmes of the Company.

3.4 Oversubscriptions

Oversubscriptions will not be accepted.

3.5 Action Required

If you wish to take up **all** of your Entitlement, complete the enclosed Entitlement and Acceptance Form in accordance with the instructions set out and lodge the form together with your cheque for the amount shown on the form so that it reaches the Company's share registry:

Computershare Registry Services Pty Ltd
Level 2
Reserve Bank Building
45 St Georges Terrace
PERTH WA 6000

by no later than 5.00pm WST on 22 February 2005.

Cheques and drafts should be made payable to "PharmAust Limited – Option Offer Account" and crossed "Not Negotiable".

If you wish to take up **part** of your Entitlement, complete the enclosed Entitlement and Acceptance Form in respect of the Options you wish to take up in accordance with the instructions set out in the form and lodge the form together with your cheque for the relevant amount (being the number of Options you wish to take up multiplied by 1 cent per Option) so that it reaches the Company's share registry by no later than 5.00pm WST on 22 February 2005.

If you do not wish to take up any of your Entitlement, you do not need to take any action and your entitlement to the Options will lapse.

Those people applying for Shortfall Options at the instruction of the Directors should complete the Shortfall Application Form.

3.6 Underwriting

The Offer has not been underwritten.

3.7 Closing Date

The Closing Date for the Offer is 5.00pm WST on 22 February 2005. The Directors reserve the right to extend the Closing Date should it be considered by them necessary to do so. As such, the date the Options are expected to commence trading on ASX may vary with any change in the Closing Date.

3.8 Shortfall

Any Entitlement not accepted will form the Shortfall. The Directors reserve the right to grant any Options not taken up by the Shareholders pursuant to this Prospectus under their absolute discretion within 3 months of the Closing Date, on the same terms as are being offered to Shareholders pursuant to this Prospectus. Those persons applying for Shortfall Options at the invitation of Directors should complete the Shortfall Application Form.

3.9 Allotment

The Options will be allotted and issued as soon as practicable after the Closing Date.

Statements of holding for the Options will be mailed to applicants as soon as practicable after the Closing Date.

Prior to allotment of the Options, all application moneys will be held in trust for applicants. The Company will retain any interest earned on the application moneys.

No Options will be allotted and issued on the basis of this Prospectus later than thirteen (13) months after the date of this Prospectus.

3.10 ASX Quotation

Application to ASX for admission of the Options to Official Quotation will be made by the Company within seven (7) days of the date of this Prospectus.

If the Options are not admitted to Official Quotation on ASX within three (3) months after the date of this Prospectus, or such longer period as is permitted by the Corporations Act, none of the Options offered by this Prospectus will be granted. In that circumstance, all applications will be dealt with in accordance with Section 724 of the Corporations Act.

3.11 Overseas Shareholders

This Prospectus and the accompanying Application Form and Shortfall Application Form do not constitute an offer to subscribe for securities in any place in which, or to any person to whom, it would not be lawful to make such an offer.

The Directors have considered the number of overseas Shareholders and the number and value of Shares which would be offered and have decided that it is unreasonable to offer Shares to overseas Shareholders (other than New Zealand registered Shareholders) (**Foreign Shareholders**) given the cost of complying with the securities legislation of these jurisdictions.

Accordingly, this Offer is not being made and no securities will be issued to any Shareholder whose registered address is in a country in which the Prospectus must be registered or other requirements complied with before an offer of an Entitlement is permitted to be made. Therefore, no Entitlement and Acceptance Form or Shortfall Application Form will be sent to such Foreign Shareholders.

Pursuant to the Listing Rules, the Company will send to Foreign Shareholders the details of the Offer and advise Foreign Shareholders that no offer is being made to them.

3.12 Taxation Implications

The Directors do not consider it appropriate to give potential applicants advice regarding the taxation consequences of applying for Options as it is not feasible to provide a comprehensive summary of the possible taxation positions of potential applicants. The Company, its advisers and officers do not accept any responsibility or liability for any taxation consequences to potential applicants as a result of subscriptions for Options under the Offer. Potential applicants should, therefore, consult their own professional advisers in connection with the taxation implications of applying for Options.

3.13 Enquiries

If you have any questions concerning the Offer, please contact the Company on (61 8) 9284 8800 or facsimile (61 8) 9284 8899 or contact your professional adviser.

4. INFORMATION DEEMED TO BE INCORPORATED IN THIS PROSPECTUS

4.1 Short Form Prospectus

This Prospectus is a short form prospectus issued in accordance with Section 712 of the Corporations Act. This means that this Prospectus does not of itself contain all the information that is generally required to be set out in a document of this type, however it incorporates by reference information contained in a document that has been lodged with the ASIC.

The information to be incorporated by reference into this Prospectus is summarised below in Section 4.2 of this Prospectus and will primarily be of interest to investors and their professional advisers or analysts.

The Company informs investors and their professional advisers that they are able to obtain, free of charge, a copy of the October 2004 Prospectus by contacting the Company at its registered office during normal business hours during the Offer Period. The October 2004 Prospectus will also be available by searching ASIC's records in relation to the Company and at www.pharmaust.com.

4.2 Summary of Information Deemed to be Incorporated

Set out below is a summary of the information contained in the October 2004 Prospectus that is deemed to be incorporated in this Prospectus to assist investors and their professional advisers to determine whether, for the purposes of making an informed investment decision in relation to the Options, they should obtain a copy of the October 2004 Prospectus.

The Sections referred to below are a reference to sections in the October 2004 Prospectus.

Section 2 – Investment Overview

Section 2 gives a general summary of the Company's objectives and strategy as well as summaries of the Company's capital structure and intended application of funds raised.

Section 5 – Industry Overview

Section 5 gives an overview of how the Company, through its two subsidiaries PharmAust Manufacturing and Epichem, will operate respectively in the generic pharmaceutical industry and the drug discovery outsourcing industry. It includes summaries of the regulatory framework to supply generic pharmaceutical products, the drug discovery outsourcing industry, the global outsourcing market for chemistry and lead optimisation components, global customers and the Australian market of the global drug discovery outsourcing industry.

Section 6 – Business Description

Section 6 provides details of the corporate structure of the Company following acquisition of the assets of Ramprie Laboratories and the remaining 20% of Epichem. It provides background to the formation of the Company and an outline of the Company's objectives and strategy to be a vertically integrated developer, manufacturer and supplier of pharmaceuticals through its two subsidiaries PharmAust Manufacturing and Epichem.

Section 6 details the focus, objectives and strategies of PharmAust Manufacturing including regulatory reinstatement of the TGA Licence and projected milestones for the manufacture and distribution of PBS and over the counter pharmaceutical products.

Section 6 also details Epichem's current business and intended development to complement PharmAust Manufacturing including summaries of its marketing strategies for the global market and the Australian market and its facilities and equipment.

Section 7 – Directors, Management and Corporate Governance

Section 7 contains the information relating to each of the directors of the Company, the key management personnel of Epichem and PharmAust Manufacturing and the corporate governance policies and codes adopted by the Board.

Section 8 – Risk Factors

Section 8 notes that an investment in the Company has risks reasonably expected of an investment in a business of its type and details a number of factors that may impact on the success and future profitability of the Company. The factors referred to are general economic risks and business climate, additional requirements for capital, government and regulatory issues, TGA, PBS and other registrations, intellectual property rights, competition and competing products, key personnel and qualified staff, general contract risks and reliance on third party suppliers and distributors, product liability and uninsured risks, foreign exchange risks, uncertainty of future profitability and risks associated with potential acquisitions in complimentary companies.

Section 9 – Independent Expert's Report – Therapeutic Goods

This section comprises a summary report prepared by David Toner of the requirements necessary to allow the reinstatement of Ramprie Laboratories' TGA Licence to manufacture medicinal products.

Section 10 – Independent Property Valuer's Report

Section 10 comprises a summary of the valuer's report prepared by Kingsley Lewis of Burgess Rawson in relation to 71 Division Street, Welshpool and includes information on the zoning and town planning scheme, tenancy, the TGA Licence and a valuation summary.

Section 11 – Intellectual Property Reports

Section 11 comprises reports on Epichem's registered intellectual property by Wray & Associates and unregistered intellectual property by Manta IP Management Services Pty Ltd.

Section 12 – Independent Accountant's Report

Section 12 comprises the Independent Accountant's report prepared by RSM Bird Cameron Corporate Pty Ltd dated 13 September 2004. The report was included in the October 2004 Prospectus to assist investors and their financial advisers in making an assessment of the financial position of the Company as at 30 June 2004.

The Independent Accountant's Report contains the consolidated statements of financial performance of the Company for the two years ended 30 June 2004 and the consolidated statements of financial position as at 30 June 2004 adjusted for various transactions including the completion of the Ramprie acquisition agreements and the issue of Shares offered under the October Prospectus.

Section 13 – Summary of Material Contracts

Section 13 summarises the contracts to which the Company, Epichem and/or PharmAust Manufacturing are a party or parties and that were identified as material and relevant to potential shareholders.

Section 14 – Additional Information

Section 14 sets out additional information required to be disclosed in the October 2004 Prospectus including:

- (a) Interests of directors;
- (b) Interests of experts and advisors;
- (c) Consents of parties named in the October 2004 Prospectus;
- (d) Rights and liabilities attaching to Shares;
- (e) Rights attaching to Options;
- (f) Company tax status and financial year;
- (g) Dividend policy;
- (h) Expenses of the offer excluding broker or placement fees;
- (i) Placement fee and adviser options; and
- (j) Electronic prospectus availability.

5. COMPANY OVERVIEW

5.1 Overview and Reference to October 2004 Prospectus

A comprehensive overview of the Company is set out in the October 2004 Prospectus and that was lodged with ASIC on 6 October 2004 for the public offering of a total of 27,500,000 Shares. Persons considering subscribing for Options under this Prospectus should refer to Section 4 of this Prospectus for a summary of the information contained in the October 2004 Prospectus deemed to be incorporated in this Prospectus.

In November 2004, 27,500,000 Shares were allotted and issued at an issue price of 20 cents each pursuant to applications received under the October 2004 Prospectus.

The Company now has 68,166,441 Shares on issue.

Under the Listing Rules, 2,625,000 Shares are subject to escrow restrictions for a 12 month escrow period from the date of quotation.

5.2 Circumstances of Matters Subsequent to October 2004 Prospectus

The Shares of the Company were readmitted to quotation on the ASX on 1 December 2004.

Since October 2004, the Company has appointed each of Dr Kee Kirk Chin and Dr Wayne Best as non-executive directors to the Board. Dr Chin is group managing director of Apex Healthcare Berhad a Kuala Lumpur listed company with extensive pharmaceutical and health product interests in Malaysia. Dr Chin has led and implemented the recent expansion of Apex Healthcare Berhad into Australia and China. Dr Best has over 20 years experience in synthetic and medicinal chemistry in academia, government and industry. Dr Best is the managing director of Epicchem.

Additionally, on 16 December 2004 PharmAust Manufacturing entered into an agreement with Kmart Australia Limited in relation to Barezone range of sunscreens which is described in section 9.1 of this Prospectus.

Other than as stated in this Prospectus, the Company is not aware of any other material matter or circumstance that would impact on the contents of the October 2004 Prospectus or the activities and prospects of the Company and be relevant to assist investors or their professional advisers making an informed assessment of relevant matters.

6. EFFECT OF THE OFFER ON THE COMPANY

6.1 Effect of the Issue on the Capital Structure of the Company

Under the Offer up to 45,444,294 Options will be issued.

Upon completion of the Offer, the issued capital of the Company will comprise:

Shares	Number
Issued capital at the date of this Prospectus	68,166,441
Offered pursuant to this Prospectus	Nil
Post Completion of Offer	68,166,441

Options	Number
2005 Options	6,480,000
2008 Options	1,840,000
Options offered pursuant to this Prospectus	45,444,294

Note:

The terms of the 2005 Options and 2008 Options are set out in the October 2004 Prospectus.

The proceeds from the issue of the Options if fully subscribed will be approximately \$454,443. The Company intends to apply the funds raised under this Prospectus as set out in Section 3.1.

6.2 Pro Forma Consolidated Statement of Financial Position

The unaudited proforma consolidated statement of financial position has been prepared by adjusting the unaudited statement of financial position as at 30 September 2004 to reflect the financial effect of the following transactions as if they had occurred at 30 September 2004.

- (a) Consolidation of the issued capital of the Company on a one for five basis;
- (b) Issue of 2,625,000 fully paid ordinary shares at 20 cents each to Epicchem Staff Shareholders to acquire the remaining 20% shareholding of Epicchem not already held by the Company;
- (c) Issue of 27,500,000 fully paid ordinary shares at 20 cents each pursuant to the October 2004 Prospectus which raised \$5,500,000;

- (d) Estimated costs of \$390,000 associated with the October 2004 Prospectus capital raising set off against the share capital raised;
- (e) Acquisition of the land and buildings constituting the Ramprie land sale agreement for \$2,300,000 plus GST of \$230,000 and stamp duty allocated in accordance with the terms of the Ramprie land sale agreement of \$122,790;
- (f) Acquisition of the business assets of the Ramprie Laboratories for \$800,000 plus GST of \$80,000 and stamp duty allocated in accordance with the terms of the sale of business assets deed of Ramprie Laboratories of \$12,596;
- (g) Issue of 45,444,294 options at an issue price of 1 cent each in accordance with this Prospectus;
- (h) Costs of \$15,000 associated with the option issue in (g) above.

	Unaudited 30 September 2004 \$	Unaudited Proforma 30 September 2004 \$
Current Assets		
Cash assets	329,722	2,333,779
Receivables	237,864	237,864
Receivables – GST	-	310,000
Inventories	-	480,000
Total Current Assets	<u>567,406</u>	<u>3,361,463</u>
Non-Current Assets		
Other financial assets	25,499	25,499
Provision for Diminution	(16,999)	(16,999)
Property, plant & equipment	581,892	3,337,278
Intangibles	119,000	529,216
Total Non-Current Assets	<u>709,392</u>	<u>3,874,994</u>
TOTAL ASSETS	<u>1,276,798</u>	<u>7,236,457</u>
Current Liabilities		
Payables	252,979	252,979
Interest bearing liabilities	32,625	32,625
Other Loans	2,116	2,116
TOTAL LIABILITIES	<u>287,720</u>	<u>287,720</u>
NET ASSETS	<u>989,078</u>	<u>6,948,737</u>
Equity		
Contributing equity	11,680,254	17,754,697
Accumulated losses	(10,805,960)	(10,805,960)
Parent entity interest	874,294	6,984,736
Outside equity interest	114,784	-
TOTAL EQUITY	<u>989,078</u>	<u>6,948,737</u>

7. TERMS OF OPTIONS AND RIGHTS ATTACHING TO SHARES

7.1 Terms and Conditions of Options

The material terms and conditions of the Options are as follows:

- (a) each Option entitles the holder, when exercised, to one Share;
- (b) the Options will be issued at a price of one cent each;
- (c) the Company will apply to the ASX to list the Options on the ASX;
- (d) the Options are exercisable at anytime prior to 5.00pm WST on 30 November 2007;
- (e) the Option exercise price is \$0.30 per Option;
- (f) the Options are not transferable;
- (g) the Company will provide to each option holder a notice that is to be completed when exercising the Options (Notice of Exercise). Options may be exercised by the option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the Secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share;
- (h) all Shares issued upon the exercise of the Options will rank *pari passu* in all respects with the Company's issued Shares;
- (i) there are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues of capital to Shareholders during the currency of the Options. However, the Company will ensure, for the purposes of determining entitlements to any issue, that Option holders will be notified of a proposed issue after the issue is announced. This will give option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues;
- (j) in the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the option holder shall be reconstructed (as appropriate) in accordance with the Listing Rules; and
- (k) the Options will not give any right to participate in dividends, bonus issues or new issues until Shares are allotted pursuant to the exercise of the relevant Options. There is no right to change the exercise price of Options if the Company completes a bonus or new issue.

7.2 Rights Attaching to Shares Upon Conversion of Options

There is only one class of Share on issue in the Company being fully paid ordinary shares. The rights and liabilities attaching to Shares in the Company are:

- (a) set out in the Constitution of the Company, a copy of which can be inspected, free of charge, at the registered office of the Company during normal business hours; and
- (b) in certain circumstances, regulated by the Corporations Act, the Listing Rules and the general law.

The following is a summary of the more significant rights and liabilities attaching to the Shares. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice.

(a) **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of Shares, at a general meeting of members every member has one vote on a show of hands and one vote per Share on a poll. A person who holds a Share which is not fully paid shall be entitled to a fraction of a vote equal to that proportion of a vote that the amount paid on the relevant Share bears to the total issue price of the Share. Voting may be in person or by proxy, attorney or representative.

(b) **Dividends**

Subject to the rights of holders of Shares issued with any special rights (at present there are none), the profits of the Company which the Directors may from time to time determine to distribute by way of dividend are divisible among the holders of Shares equally, and among the holders of partly paid Shares in proportion to the amounts paid (including amounts credited) of the total amounts paid or payable (including amounts credited) on the Shares in respect of which the dividend is paid.

All Shares currently on issue are fully paid Shares.

(c) **Future Issues**

Subject to the Corporations Act and the Listing Rules, the Directors may allot, issue, grant Options over securities in the Company at the times and on the terms and conditions that the Directors think fit.

(d) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements and if the registration of the transfer does not result in a contravention of or failure to observe the provisions of a law of Australia and the transfer is not in breach of the Corporations Act or the Listing Rules.

(e) **Meetings and Notices**

Each shareholder is entitled to receive notice of, and to attend, general meetings for the Company and to receive all notices, accounts and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Shareholders may requisition meetings in accordance with the Corporations Act.

(f) **Election of Directors**

There must be a minimum of 3 Directors and a maximum of 10 Directors. The Company may by ordinary resolution alter the maximum number of Directors provided the minimum is not less than 3 Directors.

At every annual general meeting one third of the Directors must retire from office or, if the number is not 3 nor a multiple of 3, then the number nearest one-third. Further, any other Director not in such one-third who has held office for 3 years or more must retire from office. The Directors to retire at any annual general meeting must be those who have been longest in office since their last election.

(g) **Indemnities**

To the extent permitted by law the Company must indemnify each past and present Director and secretary against any liability incurred by that person as an officer of the Company and any costs incurred in defending an action in respect of such liability.

(h) **Changes to Capital Structure**

The Company may by ordinary resolution and subject to the Corporations Act and the Listing Rules, amongst other things:

- (i) increase its share capital by the issue of new shares of such amount as is specified in a resolution; and
- (ii) consolidate and divide all or any of its share capital into shares of larger amounts than its existing shares.

(i) **Winding Up**

Subject to the Corporations Act, the Listing Rules and rights and restrictions attached to any Shares, Shareholders will be entitled, in a winding up, to any surplus assets of the Company in proportion to the Shares held by them irrespective of the amount paid up or credited.

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Shareholders and subject to the Corporations Act, the Listing Rules and any rights or restrictions attached to a class of Shares:

- (i) divide among the Shareholders the whole or any part of the property of the Company; and
- (ii) determine how the division is to be carried out as between the Shareholders or different classes of Shareholders.

(j) **Shareholder Liability**

As the Shares under the Prospectus are fully paid Shares, they are not subject to any calls for money by the Directors and will therefore not become liable for forfeiture.

(k) **Alteration to the Constitution**

The Constitution can only be amended by a special resolution passed by at least 75% of the votes cast by Shareholders entitled to vote on the resolution. At least 28 days written notice specifying the intention to propose the resolution as a special resolution must be given.

(l) **ASX Listing Rules**

If the Company is admitted to trading on the Official List, then despite anything in the Constitution, if the Listing Rules prohibit an act being done, the act must not be done. Nothing in the Constitution prevents an act being done that the Listing Rules require to be done. If the Listing Rules require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be). If the Listing Rules require the Constitution to contain a provision and it does not contain such a provision, the Constitution is deemed to contain that provision. If the Listing Rules require the Constitution not to contain a provision and it contains such a provision, the Constitution is deemed not to contain that provision. If a provision of the Constitution is inconsistent with the Listing Rules, the Constitution is deemed not to contain that provision to the extent of the inconsistency.

8. ADDITIONAL INFORMATION

8.1 Market Price of Ordinary Shares

The Shares of the Company were reinstated to trading on the ASX on 1 December 2004 after a period of suspension and consolidation of the capital of the Company. Consequently, the trading history on ASX as at the date of this Prospectus is limited to the period on and from 1 December 2004.

The highest and lowest recorded market sale prices of the Shares quoted on ASX from 1 December 2004 to the date of this Prospectus were 30.5 cents on 1 December 2004 and 24.5 cents on 13 January 2005 respectively.

The last market sale price of the Shares on ASX on the last day that trading took place in these shares prior to the date of this Prospectus on 20 January 2005 was 28.5 cents.

8.2 Legal Proceedings

As at the date of this Prospectus, the Company, Epichem and PharmAust Manufacturing are not involved in any legal proceedings and the Directors are not aware of any legal proceedings pending or threatened against any of them.

8.3 Interests of Directors and Experts

A full disclosure of the interests of Directors, experts and promoters of and to the Company for the 2 year period prior to the date of issue of the October 2004 Prospectus are set out in section 14 of the October 2004 Prospectus and other than as set out below or elsewhere in this Prospectus, that information and disclosure remains current.

The relevant interests of the Directors in the securities of the Company at the date of this Prospectus are as follows:

Directors	Number of Shares and Options	
Paul D'Sylva	559,232 Shares	Nil Options
Bryant McLarty	2,411,011 Shares	Nil Options
Stuart Gunzburg	144,901 Shares	Nil Options
Thomas Picton-Warlow	129,340 Shares	Nil Options
Kee Kirk Chin	Nil Shares	Nil Options
Dr Wayne Best	1,340,510 Shares*	53,334 2008 Options

* 1,312,510 Shares held by Dr Wayne Best are subject to escrow until 1 December 2005.

Fairweather & Lemonis has acted as Solicitor to the Company in relation to the Offer. The Company estimates it will pay Fairweather & Lemonis \$5,000 (exclusive of goods and services tax) for these services. Subsequently, fees will be charged in accordance with normal charge out rates.

8.4 Expenses of the Offer

The total expenses of the Offer are estimated to be approximately \$15,000 including legal costs, accounting fees, ASX fees, printing and other administrative expenses.

8.5 Continuous Disclosure and Documents Available for Inspection

The Company is listed on ASX and its Shares are quoted on ASX.

The Company is a "disclosing entity" for the purposes of the Corporations Act. As such, it is subject to regular reporting and disclosure obligations, which require it to disclose to ASX any information of which it is or becomes aware concerning the Company and which a reasonable person would expect to have a material effect on the price or value of securities of the Company.

Copies of documents lodged with the ASIC in relation to the Company may be obtained from or inspected at, an office of the ASIC. This includes the October 2004 Prospectus referred to in Section 4 of this Prospectus.

The Company will provide a copy of all documents used to notify ASX of information relating to the Company under the provisions of the Listing Rules since the date of reinstatement of the trading of Shares on the ASX on 1 December 2004. As at the time of lodging this Prospectus the only such documents were:

Date	Details
1 December 2004	Investor Update
1 December 2004	Initial Director's Interest Notice – Dr Wayne Best
1 December 2004	Change of Director's Interest Notice – Mr Bryant McLarty
1 December 2004	Change of Director's Interest Notice – Dr Paul D'Sylva
1 December 2004	Change of Director's Interest Notice – Mr Thomas Picton-Warlow
1 December 2004	Change of Director's Interest Notice – Dr Stuart Gunzburg
1 December 2004	No Issue of Advisor Options
2 December 2004	Trading Halt
2 December 2004	Apex Healthcare managing director, Dr Kee Kirk Chin, joins Company's Board.
2 December 2004	Results of Annual General Meeting.
17 December 2004	PharmAust Manufacturing signs deal with Kmart.

9. MATERIAL CONTRACTS

9.1 Past Material Contracts

Section 13 of the October 2004 Prospectus which is referred to in Section 4 of this Prospectus, sets out contracts to which the Company, Epichem and/or PharmAust Manufacturing is a party or parties and that were considered by the Directors as being material to enable investors to make an informed assessment of the Shares being offered under the October 2004 Prospectus. Investors and their professional advisers are referred to that section of the October 2004 Prospectus in relation to material contracts.

A true copy of each of the material contracts referred to in the October 2004 Prospectus will be available for inspection at the Company's registered office during office hours.

9.2 Recent Material Contracts

In December 2004 PharmAust Manufacturing executed an initial and ongoing supply agreement with Kmart Australia Limited ("**Kmart**"). The supply agreement provides that Kmart may give orders for goods to PharmAust Manufacturing on Kmart's terms of contract. PharmAust Manufacturing is currently in the process of supplying the Barezone range of sunscreens to Kmart stores of up to the value of approximately \$25,000.

10. CONSENTS

The following persons have each consented to the inclusion of the following statements and statements identified in this Prospectus as being based on statements made by those persons, in the form and context in which they are included or referred, and have not withdrawn that consent before lodgement of this Prospectus with the ASIC:

- (a) RSM Bird Cameron Corporate Pty Ltd has given its written consent in relation to the Independent Accountant's Report in section 12 of the October 2004 Prospectus and the reference to that report in this Prospectus. RSM Bird Cameron Corporate Pty Ltd has also consented to being named in this Prospectus as Independent Accountant to the Company.
- (b) David Toner has given his consent in relation to the Independent Experts Report on therapeutic goods in section 9 of the October 2004 Prospectus and the reference to that report in this Prospectus.
- (c) Burgess Rawson has given its consent in relation to the Independent Property Valuer's Report in section 10 of the October 2004 Prospectus and the reference to that report in this Prospectus.
- (d) Wray & Associates has given its consent in relation to the Registered Intellectual Property Report in section 11 of the October 2004 Prospectus and the reference to that report in this Prospectus. Wray & Associates has also consented to being named in this Prospectus as Patent Attorneys to the Company.
- (e) Manta IP Management Services Pty Ltd has given its consent in relation to the Unregistered Intellectual Property Report in section 11 of the October 2004 Prospectus and the reference to that report in this Prospectus.
- (f) Fairweather & Lemonis has given its written consent to being named in this Prospectus as Solicitor to the Company in the form and context in which it is named.
- (g) Computershare Registry Services Pty Ltd has given its written consent to being named in the Prospectus as the Company's Share Registry in the form and context in which it is named; and

11. AUTHORITY OF DIRECTORS

This Prospectus is issued by the Company and in accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 21st day of January 2005.

Bryant McLarty
Signed for and on behalf of
PharmAust Limited

12. DEFINITIONS

ASIC means Australian Securities and Investments Commission.

ASX means Australian Stock Exchange Limited (ACN 008 624 691).

Board means the board of Directors unless the context indicates otherwise.

Closing Date means 5.00pm WST on 22 February 2005.

Company or **PharmAust** means PharmAust Limited (ABN 35 094 006 023).

Corporations Act means the Corporations Act 2001 (Cth).

Directors means the directors of the Company.

Dollar or \$ means Australian dollars unless otherwise stated.

Entitlement means the right of a Shareholder to subscribe for Options under the Offer.

Entitlement and Acceptance Form means the personalised entitlement and acceptance form attached to or accompanying this Prospectus.

Epichem means Epichem (ABN 70 106 769 902), which is a wholly owned subsidiary of the Company.

Listing Rules means the Listing Rules of ASX.

October 2004 Prospectus means the prospectus lodged by the Company with the ASIC on 6 October 2004.

Offer means the offer of Options pursuant to this Prospectus.

Offer Period means the period commencing on the Opening Date and ending on the Closing Date.

Official List means the Official List of ASX.

Official Quotation means official quotation by ASX in accordance with the Listing Rules.

Opening Date means the date on which the Offer opens.

Option means an option to acquire a fully paid ordinary share in the capital of the Company.

PBS means the Australian Federal Government's Pharmaceutical Benefits Scheme.

PharmAust Manufacturing means PharmAust Manufacturing Pty Ltd (ACN 110 375 294), a wholly owned subsidiary of the Company.

Prospectus means this prospectus dated 21 January 2005.

Record Date means 1 February 2005 being the date for determining the Shareholder's Entitlement to participate in this Offer.

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

Shareholder means a holder of a Share.

Shortfall means the Options forming Entitlements, or parts of Entitlements, not accepted by Shareholders.

Shortfall Application Form means the shortfall application form attached to or accompanying this Prospectus.

TGA means the Australian Therapeutic Goods Administration.

TGA Licence means the TGA manufacturing licence granted to the owner of Ramprie Laboratories, which is currently suspended.

WST means Western Standard Time, Perth, Western Australia.

2005 Options means a listed Option to subscribe for a Share at \$1.75 per Share on a post-consolidation basis at any time on or before 30 June 2005.

2008 Options means an unlisted Option to subscribe for a Share at 37.5 cents per Share on a post-consolidation basis at any time on or before 30 June 2008.

INSTRUCTIONS TO APPLICANTS

Please post or deliver the completed Shortfall Application Form together with a cheque to the share registry of the Company. If an Applicant has any questions on how to complete this Shortfall Application Form, please telephone the Share Registry on 1300 557 010. The Form must be received by the Registry no later than **21 February 2005**.

A. Application for New Options

The Shortfall Application Form must only be completed in accordance with instructions included in Prospectus.

B. Name of Applicant

Write the Applicant's FULL NAME. This must be either an individual's name or the name of a company. Please refer to the bottom of this page for the correct form of registerable title. Applications using the incorrect form of registerable title may be rejected.

C. Name of Joint Applicants or Account Designation

If JOINT APPLICANTS are applying, up to three joint Applicants may register. If applicable, please provide details of the Account Designation in brackets. Please refer to the bottom of this page for instructions on the correct form of registerable title.

D. Address

Enter the Applicant's postal address for all correspondence. If the postal address is not within Australia, please specify Country after City/Town.

E. Contact Details

Please provide a contact name and daytime telephone number so that the Company can contact the Applicant if there is an irregularity regarding the Shortfall Application Form.

F. CHESS HIN or existing SRN Details

The Company participates in CHESS. If the Applicant is already a participant in this system, the Applicant may complete this section with their existing CHESS HIN. If the applicant is an existing shareholder with an Issuer Sponsored account, the SRN for this existing account may be used. Otherwise leave the section blank and the Applicant will receive a new Issuer Sponsored account and statement.

G. Cheque Details

Make cheques payable to "PharmAust Limited – Option Offer Account" in Australian currency and cross them "Not Negotiable". Cheques must be drawn on an Australian Bank. The amount of the cheque should agree with the amount shown on the Shortfall Application Form.

H. Declaration

By completing the Shortfall Application Form, the Applicant will be taken to have made to the Company the declarations and statements therein. The Shortfall Application Form does not need to be signed.

If a Shortfall Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, it may still be accepted. Any decision of the Directors as to whether to accept a Shortfall Application Form, and how to construe, amend or complete it, shall be final. A Shortfall Application Form will not however, be treated as having offered to subscribe for more New Options than is indicated by the amount of the accompanying cheque.

Forward your completed application together with the application money to:

**PharmAust Limited – Rights Issue
C/- Computershare Investor Services Pty Ltd
GPO Box D182
PERTH WA 6840**

OR

**PharmAust Limited – Rights Issue
C/- Computershare Investor Services Pty Ltd
Level 2, Reserve Bank Building
45 St. George's Terrace
PERTH WA 6000**

CORRECT FORMS OF REGISTRABLE TITLE

Note that ONLY legal entities are allowed to hold securities. Shortfall Application Forms must be in the name(s) of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and the surname is required for each natural person. Shortfall Application Forms cannot be completed by persons under 18 years of age. Examples of the correct form of registerable title are set out below.

Type of Investor	Correct Form of Registration	Incorrect Form of Registration
Individual Use given names in full, not initials	Mr John Alfred Smith	A Smith
Company Use the company's full title, not abbreviations	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings Use full and complete names	Mr Peter Robert Williams & Ms Louise Susan Williams	Peter Robert & Louise S Williams
Trusts Use the trustee(s) personal name(s).	Mrs Susan Jane Smith <Sue Smith Family A/C>	Sue Smith Family Trust
Deceased Estates Use the executor(s) personal name(s).	Ms Jane Mary Smith & Mr Frank William Smith <Est John Smith A/C>	Estate of late John Smith or John Smith Decese
Minor (a person under the age of 18) Use the name of a responsible adult with an appropriate designation.	Mr John Alfred Smith <Peter Smith A/C>	Master Peter Smith
Partnerships Use the partners personal names.	Mr John Robert Smith & Mr Michael John Smith <John Smith and Son A/C>	John Smith and son
Long Names.	Mr John William Alexander Robertson-Smith	Mr John W A Robertson-Smith
Clubs/Unincorporated Bodies/Business Names Use office bearer(s) personal name(s).	Mr Michael Peter Smith <ABC Tennis Association A/C>	ABC Tennis Association
Superannuation Funds Use the name of the trustee of the fund.	Jane Smith Pty Ltd <Super Fund A/C>	Jane Smith Pty Ltd Superannuation Fund