



PharmAust Limited

ABN 35 094 006 023

Preliminary Final Report 2006

Appendix 4E

“Results for announcement to the market”

Result	Change	FY06	FY05
Revenue from Ordinary Activities	up 110%	\$6,897,487	\$3,282,777
(Loss) from Ordinary Activities after Tax Attributable to Members	down 15%	(\$2,752,284)	(\$3,244,712)
Net (Loss) Attributable to Members	down 15%	(\$2,752,284)	(\$3,244,712)

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

Reporting Period: Year Ending 30 June 2006
Previous Reporting Period: Year Ending 30 June 2005

REVIEW OF OPERATIONS

In its first full financial year since listing in December 2004, PharmAust Limited (ASX: PAA) has achieved some important milestones and set a foundation for growth.

PharmAust has experienced a 110% increase in top-line income to deliver a full year income result of \$6.9 million (2005: \$3.244m). In addition, PharmAust has demonstrated a 97% increase in Net Tangible Assets to \$7.3 million (2005: \$3.7m).

Establishment of PharmAust Manufacturing Pty Ltd

- Major refurbishment of manufacturing facility
- TGA license granted
- ARTG key product validation complete
- Production and sales underway

Expansion of Epicchem Pty Ltd

- Continued significant revenue growth through increased contracts
- Production of pharmaceutical standards = additional new revenue stream
- Rapid staffing expansion to cope with demand

Achievement of Mimotopes Pty Ltd

- Significant revenue growth through global contracts and sales alliances
- Cost savings and capacity expansion through successful outsourcing to China
- Proposed Purchase, if completed, would result in a significant increase in NTA for PharmAust Limited.

PharmAust is now well positioned for continued growth in its two key markets: (1) pre-clinical drug discovery and (2) consumer healthcare.

1. Consumer Healthcare

Highlights - PharmAust Manufacturing Pty Ltd

After major refurbishment, the new PharmAust Manufacturing facility was completed in January 2006, with the Therapeutic Goods Administration (TGA) granting a license in March 2006. Since the grant of the license, work focused on commissioning the new plant and validating the manufacture of its products to TGA requirements.

To date, validation work has been completed on leading products such as antiseptic, disinfectant and sunscreen products. PharmAust Manufacturing is now producing and selling products via a range of direct supply agreements.

PharmAust Manufacturing has also entered into new multiple supply contracts with marketing groups to develop and contract manufacture their products.

Sales and Marketing

Through newly established sales and marketing division, PharmAust Health, the company has developed a number of agreements to supply, and is now supplying its 600+ products to the hospital, retail grocery and retail and wholesale pharmacy sectors.

PharmAust Health has taken over PharmAust Manufacturing's existing supply agreements to supply into the Hospital and Pharmacy markets.

PharmAust Health has established relationships with several major retail grocery chains and is tendering to all of Australia's largest retailing groups for a range of OTC and personal care products.

The licensing, supply and distribution agreements that PharmAust has established to supply paracetamol, ibuprofen and simvastatin generic drugs to the retail grocery and pharmacy sectors will be delivered through PharmAust Health. Registration and licensing of these drugs are well advanced.

2. Drug Discovery & Development

Highlights - Epichem Pty Ltd

Epichem Pty Ltd provides synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries. Epichem enjoyed a particularly strong last half of FY05/06, rapidly expanding its client base - particularly in the USA. This growth saw the company employ five new synthetic chemists to cope with demand.

During the period Epichem signed a range of new contracts, including a deal to provide a major US-based multinational pharmaceutical company with contract services valued at \$340,000. A number of other significant contracts with Australian based drug discovery companies have also been signed.

Management identified a new opportunity in catalogue products in FY06. Epichem now supplies pharmaceutical standards (used in quality control of pharmaceuticals), which it stocks to enable immediate dispatch. Early sales have exceeded

expectations with revenues of some \$100,000 and it is envisaged this market will increase dramatically once the range is expanded and actively marketed.

Overall, export of Epichem's products and services increased dramatically during the FY05/06 with export revenues up 450% on the previous year.

Highlights - Mimotopes Pty Ltd

Acquired by PharmAust in March 2005, Mimotopes Pty Ltd manufactures specialty custom peptides for the global drug discovery and development industries.

Mimotopes demonstrated a significant turn-around in business performance under PharmAust management with an increase in sales, clients and capacity to cope with the increased demand for Mimotopes' products and services. Additional capacity was developed through the identification, evaluation and selection of an exclusive outsourcing partner in China.

In February 2006, Mimotopes entered a three-year exclusive worldwide supply contract with global life sciences company Invitrogen. Immediate sales were recognised from this contract and now represent approximately 20% of Mimotopes' total revenues.

In April 2006, Mimotopes entered an Exclusive Global Sales Alliance with US-based Genzyme Pharmaceuticals. A number of new clients, including one multi-national six-figure client, have been referred through this alliance. It is envisaged that the alliance will lead to a strong and growing contribution to Mimotopes' sales.

In May 2006, Mimotopes joined forces with Pure Vaccine Solutions (PVS) to market a suite of products and services for vaccine development. This collaboration offers pharmaceutical companies a platform to develop novel vaccines by shortening the route to commercialisation. This new service offering from Mimotopes and PVS has potential to tap into a market niche in global vaccine development.

Mimotopes and PVS are also working together on a fully-funded research collaboration to develop a novel vaccine to avian influenza (Bird Flu). Preliminary results are very encouraging and several previously unknown vaccine targets have already been identified.

3. Corporate

During the financial year, pursuant to a rights issue and placement, the Company issued 17,548,157 shares at 20c per share, along with one free attaching option for every share issued to raise \$3,509,631.40.

Following approval by the members at the Company's AGM in November 2005 the Company cancelled 800,000 shares held by ICSAT NV. The consideration for the share cancellation was the termination of a distributor agreement relating to the ACE travel software products. This marked the end of the Company's involvement in the travel industry and provided an increase in the proportional shareholdings for remaining shareholders.

Earnings per security, returns to shareholders, segment reporting, and other factors affecting results are covered elsewhere in the report.

INCOME STATEMENT
For the year ended 30 June 2006

	CONSOLIDATED	
	2006	2005
	\$	\$
Revenue	6,105,754	3,210,866
Other income	791,733	71,911
	6,897,487	3,282,777
Raw materials and consumables used	(1,841,035)	(1,317,746)
Employee benefits expense	(4,546,516)	(2,082,594)
Depreciation	(419,242)	(99,127)
Loss on disposal of assets	(1,383)	(127,956)
Impairment of non current assets	(150,000)	(1,192,498)
Finance costs	(77,253)	(28,633)
Other expenses	(2,614,342)	(1,678,935)
Loss from ordinary activities before Income tax expense	(2,752,284)	(3,244,712)
Income tax expense relating to ordinary activities	-	-
Loss from ordinary activities after income tax expense	(2,752,284)	(3,244,712)
Net loss attributable to members of the parent entity	(2,752,284)	(3,244,712)

BALANCE SHEET
As at 30 June 2006

	CONSOLIDATED	
	2006	2005
	\$	\$
CURRENT ASSETS		
Cash and cash equivalents	328,830	784,990
Trade and other receivables	936,042	783,584
Inventories	479,560	304,291
Other current assets	42,000	67,097
TOTAL CURRENT ASSETS	1,786,432	1,939,962
NON-CURRENT ASSETS		
Trade and other receivables	-	-
Financial assets	2,000	77,800
Property, plant and equipment	6,994,133	3,099,903
Intangible assets	387,093	157,000
TOTAL NON-CURRENT ASSETS	7,383,226	3,334,703
TOTAL ASSETS	9,169,658	5,274,665
CURRENT LIABILITIES		
Trade and other payables	879,814	1,037,739
Short-term borrowings	134,894	232,462
Short-term provisions	236,948	79,457
TOTAL CURRENT LIABILITIES	1,251,656	1,349,658
NON-CURRENT LIABILITIES		
Long-term borrowings	231,554	56,614
TOTAL NON-CURRENT LIABILITIES	231,554	56,614
TOTAL LIABILITIES	1,483,210	1,406,272
NET ASSETS	7,686,448	3,868,393
EQUITY		
Issued capital	21,137,855	17,653,481
Reserves	3,085,965	-
Accumulated losses	(16,537,372)	(13,785,088)
TOTAL EQUITY	7,686,448	3,868,393

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2006

CONSOLIDATED

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
As at 1 July 2004	11,080,254	(10,540,376)	-	82,144	622,022
Loss for the period	-	(3,244,712)	-	-	(3,244,712)
Sale of equity to parent entity	-	-	-	(82,144)	(82,144)
Shares issued (net)	6,573,227	-	-	-	6,573,227
As at 30 June 2005	17,653,481	(13,785,088)	-	-	3,868,393

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
As at 1 July 2005	17,653,481	(13,785,088)	-	-	3,868,393
Loss for the period	-	(2,752,284)	-	-	(2,752,284)
Revaluation of property, plant and equipment	-	-	3,085,965	-	3,085,965
Shares issued (net)	3,430,099	-	-	-	3,430,099
Share based payments	54,275	-	-	-	54,275
As at 30 June 2006	21,137,855	(16,537,372)	3,085,965	-	7,686,448

CASH FLOW STATEMENT
For the year ended 30 June 2006

	CONSOLIDATED	
	2006	2005
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	6,132,215	2,873,889
Payments to suppliers and employees	(9,152,499)	(4,712,932)
Interest received	47,807	49,463
Interest and other costs of finance	(77,253)	(29,552)
Net cash used in operating activities	(3,049,730)	(1,819,132)
 Cash Flows From Investing Activities		
Payments for property, plant and equipment	(275,612)	(3,496,075)
Payments for other financial assets	-	(119,597)
Proceeds from sale of other financial assets	74,417	22,258
Payments for intangible assets	(380,093)	(167,000)
Loans disbursed	(35,000)	-
Loans to controlled entities	-	-
Net cash used in investing activities	(616,288)	(3,760,414)
 Cash Flows From Financing Activities		
Proceeds from share issues	3,484,374	6,048,227
Repayment of borrowings	(119,678)	(20,816)
Net cash provided by financing activities	3,364,696	6,027,411
 Net increase/(decrease) in cash held	(301,322)	447,865
Cash at the beginning of the financial year	630,152	182,287
 Cash at the end of the financial year	328,830	630,152

RELEVANT NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2006

NOTES TO THE INCOME STATEMENT

	CONSOLIDATED	
	2006	2005
	\$	\$
REVENUE		
Sales	6,105,754	3,210,866
OTHER INCOME		
Interest received	47,807	49,649
Profit on sale of non current assets	6,417	-
Revaluation of non current assets	600,008	-
Rental income	-	-
Management fees	-	-
Other revenue	137,501	22,262
	<u>791,733</u>	<u>71,911</u>

FURTHER INFORMATION – APPENDIX 4E

NET TANGIBLE ASSETS

	2006	2005
Net Tangible Assets per share	8.6 cents	5.4 cents

CONTROLLED ENTITIES ACQUIRED DURING THE FINANCIAL PERIOD

On 28 April 2006, PharmAust Limited incorporated PharmAust Health Pty Ltd with issued capital of \$1.

DETAILS OF ASSOCIATES AND JOINT VENTURES

The company has no interest in any associates or joint ventures.

EARNINGS PER SHARE

EARNINGS PER SHARE	2006	2005
Basic earnings per share (cents per share)	(3.69)	(6.09)
Diluted earnings per share (cents per share)	(3.69)	(6.09)
EARNINGS PER SHARE	2006	2005
Loss from ordinary activities	<u>2,752,284</u>	<u>3,363,712</u>
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share.	<u>74,653,900</u>	<u>55,272,120</u>

FIRST TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The impact of adoption of AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 July 2005 ('AGAAP') are illustrated below.

(a) Reconciliation of total equity under AGAAP to that under AIFRS

Consolidated Entity

1 July 2004	Issued Capital	Retained Earnings	Outside Equity Interest
	\$	\$	\$
Balance under AGAAP	11,080,254	(10,421,376)	82,144
- Write-off of goodwill	-	(119,000)	-
Balance under AIFRS	<u>11,080,254</u>	<u>(10,540,376)</u>	<u>82,144</u>

FURTHER INFORMATION – APPENDIX 4E (Continued)

30 June 2005	Issued Capital \$	Retained Earnings \$	Outside Equity Interest \$
Balance under AGAAP	17,653,481	(13,785,088)	-
- Write-off of goodwill based on AIFRS adjustment at 1 July 2004	-	(119,000)	-
	<u>17,653,481</u>	<u>(13,904,088)</u>	-
Decrease in current year loss from transition to AIFRS	-	119,000	-
Balance under AIFRS	<u>17,653,481</u>	<u>(13,785,088)</u>	-

(b) Reconciliation of loss after tax under AGAAP to that under AIFRS

	Consolidated Entity \$
Year ending 30 June 2005	
Loss under AGAAP	(3,363,712)
Add-back of goodwill previously written off (i)	<u>119,000</u>
Loss under AIFRS	<u>(3,244,712)</u>

For the year ended 30 June 2005, the write-off of Goodwill recognised in accordance with AGAAP has been reversed under AIFRS as this intangible asset was previously written-off on the transition to AIFRS at 1 July 2004.

(c) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

AUDIT STATUS

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



Winton Willesee
Company Secretary
11 September 2006