



PharmAust Limited

ABN 35 094 006 023

Half Yearly Report – December 2007

“Results for announcement to the market”

Result	Change	Amount
Revenue from Ordinary Activities	Down 52%	\$1,630,679
Loss from Ordinary Activities after Tax Attributable to Members	Up 49%	\$3,796,820
Net Loss Attributable to Members	Up 49%	\$3,796,820

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

Reporting Period: Half Year Ending 31 December 2007

Previous Reporting Period: Half Year Ending 31 December 2006

This information is given to ASX in accordance with Listing Rule 4.2A.
The information should be read in conjunction with the 2007 Annual Financial Report of the Company.

**PHARMAUST LIMITED
ABN 35 094 006 023
AND ITS CONTROLLED ENTITIES**

**Interim Financial Report
for the half-year ended 31 December 2007**

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DIRECTORS' REPORT AND INTERIM RESULTS FOR SIX MONTHS TO 31 DECEMBER 2007

The directors of PharmAust Limited submit the financial report of the consolidated entity for the half year ended 31 December 2007.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Simon Owen	
Bryant McLarty	
Henry Gulev	
Wayne Best	Resigned 3 August 2007
Paul D'Sylva	Resigned 3 August 2007

INTERIM RESULTS

PharmAust Limited (ASX: PAA) announced a net loss after tax for the six months to 31 December 2007 of \$3,796,820.

A closer analysis of these results shows that the Company's trading activities are approximately \$1 million better than for the same period last year. This is predominantly attributable to the sale of the Mimotopes business, some recent improvement to the operations of PharmAust Manufacturing Pty Ltd and the continued positive development of Epichem Pty Ltd.

This improvement however, has been offset and overshadowed by a significant write-down in relation to PAA's investment in Commonwealth Biotechnologies Inc (CBI), which acquired the Mimotopes business from PharmAust in February 2007 in return for 2,150,000 shares in CBI.

The change to the carrying value of these CBI shares has resulted from a review that has been conducted in light of the Board's greater understanding of the restrictions attaching to the sale of the shares. The Board was not advised of these important sale restrictions at the time of entering the transaction, nor was it made aware of these factors subsequently.

The circumstances giving rise to this situation and the subsequent relationship between the Company, CBI and the Company's former Managing Director will be the subject of further review by the Board.

The revised carrying value has been based upon an indicative off-market offer from an unrelated third party. The offer is currently being considered and negotiated by the Board. In the event that this transaction does not proceed, the Board will again review the carrying value based upon the restrictions that apply to those shares and the ability of the Company to have those restrictions removed.

This factor and the successful raising of urgently required capital has seen the Company's net tangible assets (NTA) per share fall from 6.6 cents to 3.1 cents over the period.

The fall in the NTA per share should be balanced by the fact that PharmAust retains several valuable assets and successfully raised cash prior to the recent upheaval in the financial markets.

As previously stated, the Board has conducted an extensive, detailed assessment of the PharmAust businesses and their prospects. This review is close to being finalised and PharmAust expects to provide the market with further information in the near-term.

The assessment process has involved an investigation of the long-term value and future of all of the Company's assets, with a strong focus on the ability of those assets to create value for shareholders in the current market conditions.

During the period, Epichem Pty Ltd recorded good revenues, with Total Revenue rising by 22% on the same period last year and strong demand for the Company's drug discovery services. Epichem's current facility is now operating at capacity and discussions are currently underway to procure additional laboratory space to allow the Company to continue to grow.

DIRECTORS' REPORT AND INTERIM RESULTS FOR SIX MONTHS TO 31 DECEMBER 2007 (Cont.)

PharmAust Manufacturing Pty Ltd (PAM) also saw revenues increase significantly during the half-year ended December 2007, with Total Revenue rising by 38% compared to the same period last year. In addition, significant cost reductions were achieved during the half, with monthly Net Loss figures decreasing by almost 50% from an average of \$200,000 per month in July, down to below \$100,000 in November and December, allowing for extraordinary items.

PharmAust has also commenced essential and long overdue capital investments in PAM's operational capacity and established a highly competent management team. All of this is consistent with the statements made by the Board at the time of the Rights Issue last year.

It is unfortunate that during the period, significant resources were diverted towards dealing with a number of actions brought about by a group of disaffected Shareholders. These funds and the Board's time could have been deployed far more profitably to the benefit of all shareholders.

PharmAust's consistent advice is that this continued litigation is without legal merit or commercial rationale.

REVIEW OF OPERATIONS

PharmAust Limited (ASX: PAA) is an Australian-owned diversified business focused on the manufacture and distribution of pharmaceutical & healthcare products and the provision of contract chemistry and drug discovery services.

The following is an update in relation to PharmAust's operations for the six months to 31 December 2007.

Epichem Pty Ltd (PharmAust 100%)

Epichem provides contract chemistry services to the drug discovery and pharmaceutical industries, in addition to generating its own intellectual property through various in-house and collaborative research activities.

Epichem recorded good revenues and profits in the six months ending 31 December 2007, with the company experiencing strong demand for both its Discovery Services and Catalogue Sales. Epichem revenues increased significantly during the half-year ended 31 December 2007, with Total Revenue rising by 22% compared to the same period last year.

During the period, three new chemists were employed to cope with the increase in demand, bringing the total number of Epichem staff to 14.

These new positions mean that Epichem's current facility is now operating at capacity. Discussions are currently underway to procure additional laboratory space to allow the company to continue to grow in order to meet this increased demand.

During the period, Epichem was part of a successful grant application to iVEC - a joint venture between CSIRO, Central TAFE, Curtin University of Technology, the University of Western Australia (UWA) and Murdoch University. iVEC provides access to cutting edge high performance computers and visualisation laboratories. Epichem will provide synthetic and medicinal chemistry expertise to support the computational chemistry being undertaken at the universities.

Epichem's research project into new treatments for African Sleeping Sickness is progressing well. The project is a collaboration with Murdoch University and the Centre for Drug Candidate Optimisation with funding provided by the Drugs for Neglected Diseases *initiative*. Recent preliminary studies have shown that Epichem's lead compound is able to cure the disease in mice when given orally.

In November 2007, Epichem's Managing Director, Dr Wayne Best, was invited to present a seminar at the "New Chemical Technologies Workshop" held in Shanghai. The workshop was organised by the University of Sydney and the Shanghai Institute of Organic Chemistry and was sponsored by the Australian Department of Education, Science and Training. Participation was by invitation only with nine speakers from Australia and 10 from China. The title of Dr Best's presentation was "Efficient Production of Analogue Libraries" where he outlined some of the techniques and equipment used at Epichem to synthesise analogue libraries for drug discovery projects.

DIRECTORS' REPORT AND INTERIM RESULTS FOR SIX MONTHS TO 31 DECEMBER 2007 (Cont.)

PharmAust Manufacturing Pty Ltd (PharmAust 100%)

PharmAust Manufacturing (PAM) is a contract manufacturing business focusing on the development and production of low level therapeutic skincare, suncare and toiletry products as well as over-the-counter products for wholesale, retail and public health clients. PAM undertakes this for noble brands, generic suppliers and also manufactures a selection of own-brand products which are distributed through its sales and marketing division, PharmAust Health.

PAM revenues increased significantly during the half-year ended 31 December 2007, with Total Revenue rising by 38% compared to the same period last year.

In addition, significant cost reductions were achieved during the half, with PAM's monthly Net Loss figures decreasing by almost 50% from an average of \$200,000 per month in July, down to \$100,000 in November and December.

During the period, PAM commenced its largest ever order for Natural Instinct, an Australian natural skincare company. PAM's on-going relationship with Natural Instinct is an important element of its improved financial performance and is still to be finalised. This will partly depend on the Company's ability to develop new key products that fit the client's requirements.

A range of other contracts were also secured for a variety of nationally recognised brands to manufacture products including cosmetics, bodycare, cleaning products and pharmacy lines.

Several government tenders were also successful during the period, with PAM securing the contract to supply Lanolin to the NSW health system.

A number of new opportunities are currently under negotiation, including a major new manufacturing partnership with a growing pharmacy buying group.

It is to be noted however, that the business still needs to consolidate further substantial orders of a consistent nature to return to operational profit.

As previously announced, Mr Graeme Kibell commenced as the new CEO of PharmAust Manufacturing. Mr Kibell has strong manufacturing credentials and was most recently General Manager of Manufacturing for a West Australian subsidiary of a global corporation where he was responsible for managing all aspects of manufacturing, logistics, technical and finance.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307 of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors.

This report is signed in accordance with a resolution of the Board.



Simon Owen
Director

Signed at Perth this 29th day of February 2008

PHARMAUST LIMITED
INCOME STATEMENT
For the half-year ended 31 December 2007

	Consolidated	
	31 December 2007 \$	31 December 2006 \$
Revenue	1,630,679	3,390,329
Administration	(1,126,433)	(1,599,349)
Employee benefits expense	(1,354,824)	(2,739,878)
Borrowing costs	(83,419)	(41,036)
Cost of sales	(422,652)	(1,201,508)
Share based payments expense	(13,473)	(43,802)
Depreciation	(190,103)	(315,593)
Share of loss of associate	(735,261)	-
Impairment of investment in associate	(1,501,334)	-
Loss before income tax	(3,796,820)	(2,550,837)
Income tax expense	-	-
Net loss after income tax expense	(3,796,820)	(2,550,837)
Basic loss per share (cents per share)	(2.07)	(2.76)
Diluted loss per share (cents per share)	(2.07)	(2.76)

The accompanying notes form part of these financial statements