



9 April, 2008

The Manager
Company Announcements
Australian Stock Exchange Limited
Via Electronic Lodgement

Dear Sir/Madam

DISCONTINUANCE OF LEGAL ACTION

PharmAust Limited (ASX: PAA) is pleased to announce that the pending legal action instituted by Chimaera Capital Limited ("Chimaera") in September 2007 will be discontinued by an agreement between the parties reached yesterday on the following terms:

- That the action has been settled without admission of liability by either party on the basis that it be discontinued and each party bear its own costs
- That there is to be a deed of confidentiality

The Company's announcement dated 5 October, 2007 refers.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'Sam Wright', written in a cursive style.

Sam Wright
Company Secretary