PHARMAUST LIMITED
ACN 094 006 023

ENTITLEMENT ISSUE PROSPECTUS

For a pro-rata non-renounceable entitlement issue of one (1) new Option for every two (2) Shares held by Shareholders at an issue price of 0.2 cents per Option to raise up to approximately $254,708 (**Offer**).

The Offer will be managed by Alto Capital. Please refer to Section 4.7 of this Prospectus for further information.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Options being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Options offered by this Prospectus should be considered speculative.

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1. IMPORTANT DATES AND IMPORTANT NOTICES

TIMETABLE AND IMPORTANT DATES*

Lodgement of Prospectus with the ASIC	8 April 2010
Announcement of Offer and lodgement of Appendix 3B	8 April 2010
Notice sent to Shareholders	12 April 2010
Ex date	16 April 2010
Record Date for determining Shareholder entitlements	22 April 2010
Prospectus despatched to Shareholders and Opening Date	27 April 2010
Closing Date of Offer	12 May 2010
Securities quoted on a deferred settlement basis	13 May 2010
Notify ASX of under-subscriptions	17 May 2010
Despatch of holding statements and Options entered into Shareholders' security holdings	20 May 2010

* These dates are determined based upon the current expectations of the Directors. The Directors may extend the Closing Date by giving six Business Days' notice to ASX. Such an extension would have a consequential effect on subsequent dates.

IMPORTANT NOTICES

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 8 April 2010 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus. The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC (**Expiry Date**). No Options will be allotted or issued on the basis of this Prospectus after the Expiry Date.

Applications for Options offered pursuant to this Prospectus can only be submitted on an original Entitlement and Acceptance Form which accompanies this Prospectus.

This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. The distribution of this Prospectus in jurisdictions outside Australia and New Zealand may be restricted by law and persons who come into possession of this Prospectus should seek advice on, and observe, any of these restrictions. Failure to comply with these restrictions may violate applicable securities laws. Applicants who are resident in countries other than Australia and New Zealand should consult their professional advisers as to whether any governmental or other consents are required or whether any other formalities need to be considered and followed.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in this Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult. This Prospectus is being issued pursuant to Section 713 of the Corporations Act. Section 713 allows the issue of a more concise prospectus in relation to an offer of continuously quoted securities, or options to acquire continuously quoted securities. This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all information that would be included in a prospectus for an initial public offering of securities.

ELECTRONIC PROSPECTUS

A copy of this Prospectus can be downloaded from the Company's website at: www.pharmaust.com. The offer constituted by an electronic version of this Prospectus is only available to persons receiving an electronic version of this Prospectus within Australia. There is no facility for Entitlement and Acceptance Forms to be received electronically or by applying online. The Corporations Act prohibits any person passing onto another person an Entitlement and Acceptance Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

RISK FACTORS

Shareholders should read this Prospectus in its entirety and, in particular, before deciding whether to apply for Options under this Prospectus, consider the principal risk factors to which the Company is exposed, as summarised in Section 7 of this Prospectus.

2. CORPORATE DIRECTORY

Directors

Mr Bryant Mclarty – *Executive Chairman*
Mr Sam Wright – *Non-Executive Director*
Mr Henry Gulev – *Non-Executive Director*

Company Secretary

Mr Sam Wright

Registered Office

50 Derby Road
SUBIACO WA 6008

Contact information

Telephone: +61 8 9380 6550
Facsimile: +61 8 9381 4056

Website: www.pharmaust.com
Email: info@pharmaust.com

Manager to the Offer

Alto Capital
Level 17, Exchange Plaza
2 The Esplanade
PERTH WA 6000

Auditor*

RSM Bird Cameron Partners
8 St George's Terrace
PERTH WA 6000

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
PERTH WA 6000

Share Registry*

Computershare Investor Services Pty Ltd
Level 2
45 St George's Terrace
PERTH WA 6000

Telephone: +61 8 9323 2000
Facsimile: +61 8 9323 2033

* These parties have been included for information purposes only. They have not been involved in the preparation of this Prospectus.

3. LETTER FROM THE CHAIRMAN

8 April 2010

Dear Shareholder

On behalf of the Board of Directors of PharmAust Limited, I am pleased to offer you the opportunity to participate in a pro-rata non-renounceable entitlement issue of one new Option for every two Shares held by Shareholders at an issue price of 0.2 cents per Option, to raise up to approximately $254,708 (**Offer**). Each Option is exercisable at $0.10 each on or before 5.00 pm (WST) on 31 March 2012 and the Company will apply for quotation of the Options on ASX.

Shareholders registered at 5.00 pm (WST) on 22 April 2010 will be entitled to participate in the Offer under this Prospectus. The Closing Date for acceptances is 5.00 pm (WST) on 12 May 2010.

In conjunction with the Offer, the Company will, subject to Shareholder approval at a general meeting to be held on 30 April 2010, undertake a placement of up to 119,103,937 Options at an issue price of 0.2 cents each to sophisticated and institutional investors (**Placement**). The Options to be issued under the Placement will be equivalent in all respects with those offered under this Prospectus.

At the upcoming general meeting, Shareholders will be asked to approve the Placement and the Company making a significant change in the nature of its activities by acquiring an interest in an offshore oil and gas exploration project off the coasts of Italy and Tunisia. Additional information in respect of the Placement and the investment in the oil and gas exploration project is set out in the notice of meeting sent to Shareholders.

The Board recommends all Shareholders take up their entitlement under the Offer and advises that each of the Directors will take up their respective entitlements in full.

The Board takes this opportunity to thank all Shareholders for their support and looks forward to your continued support in the future.

Yours faithfully

Mr Bryant Mclarty
Executive Chairman
PharmAust Limited

4. DETAILS OF THE OFFER

4.1 Offer

By this Prospectus, the Company offers for subscription approximately 127,353,937 new Options pursuant to a pro-rata non-renounceable entitlement issue to Shareholders of one (1) new Option for every two (2) Shares held on the Record Date at an issue price of 0.2 cents per Option. Fractional entitlements will be rounded up to the nearest whole number.

Based on the capital structure of the Company, the maximum number of Options to be issued pursuant to the Offer is approximately 127,353,937. The Offer will raise up to approximately $254,708. The purpose of the Offer and the use of funds raised are set out in Section 5 of this Prospectus.

4.2 Terms of Options

Each Option issued under this Prospectus will give the holder the right to subscribe for one Share at an exercise price of $0.10 at any time up to 5.00 pm (WST) on 31 March 2012. The exercise price of the Options and the number of Shares issued may be adjusted in accordance with the terms and conditions of the Options.

The full terms and conditions on which the Options will be issued are set out in Section 6.1 of this Prospectus.

4.3 How to Accept the Offer

Your acceptance of the Offer must be made on the Entitlement and Acceptance Form accompanying this Prospectus. Your acceptance must not exceed your Entitlement as shown on that form. If it does, your acceptance will be deemed to be for the maximum Entitlement.

You may participate in the Offer as follows:

(a) if you wish to accept your Entitlement in full:

  (i) complete the Entitlement and Acceptance Form, filling in the details in the spaces provided; and

  (ii) attach your cheque for the amount indicated on the Entitlement and Acceptance Form; or

(b) if you only wish to accept part of your Entitlement:

  (iii) fill in the number of Options you wish to accept in the space provided on the Entitlement and Acceptance Form; and

  (iv) attach your cheque for the appropriate application monies (at 0.2 cents per Option); or

(c) if you do not wish to accept all or part of your Entitlement, you are not obliged to do anything.

All cheques must be drawn on an Australian bank or bank draft made payable in Australian currency to "PharmAust Limited – Option Issue Account" and crossed "Not Negotiable".

Your completed Entitlement and Acceptance Form and cheque must reach the Company's share registry no later than 5.00 pm (WST) on 12 May 2010.

4.4 Non-Renounceable Issue

The Offer is non-renounceable. Accordingly, a Shareholder may not sell or transfer all or part of their Entitlement.

4.5 Minimum Subscription

There is no minimum subscription in respect of the Offer.

4.6 Underwriting

The Offer is not underwritten.

4.7 Manager to the Offer

The Company has entered a mandate letter agreement with Alto Capital to act as manager to the Offer. In addition, Alto Capital will also manage the placement of Options referred to in Section 5.2 of this Prospectus.

The fee payable to Alto Capital under the mandate is $10,000 (plus GST).

4.8 Shortfall

Any Entitlement not taken up pursuant to the Offer will form the Shortfall Offer. The Shortfall Offer is a separate offer made pursuant to this Prospectus and will remain open for three months following the Closing Date. The issue price for each Option to be issued under the Shortfall Offer shall be 0.2 cents being the price at which Options have been offered under the Offer.

The Directors reserve the right to issue Shortfall Options at their absolute discretion. Accordingly, do not apply for Shortfall Options unless directed to do so by the Directors.

4.9 Allotment of Options

Options allotted pursuant to the Offer will be issued as soon as practicable after the Closing Date. Where the number of Options issued is less than the number applied for, or where no allotment is made, surplus application monies will be refunded without any interest to the Applicant as soon as practicable after the Closing Date.

Pending the allotment and issue of the Options or payment of refunds pursuant to this Prospectus, all application monies will be held by the Company in trust for the Applicants in a separate bank account as required by the Corporations Act. The Company will be entitled to retain all interest that accrues on the bank account and each Applicant waives the right to claim interest.

4.10 ASX Listing

Application for official quotation by ASX of the Options offered pursuant to this Prospectus will be made within seven days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of three months after the date of issue of the Prospectus (or such period as modified by the ASIC), the Company will not issue any Options and will repay all application monies for the Options within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant official quotation to the Options is not to be taken in any way as an indication of the merits of the Company or the Options now offered for subscription.

4.11 Overseas Shareholders

The Offer is only available for acceptance by Shareholders with a registered address as at the Record Date in Australia or New Zealand.

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

It is not practicable for the Company to comply with the securities laws of overseas jurisdictions having regard to the number of overseas Shareholders, the number and value of Options those Shareholders would be offered and the cost of complying with regulatory requirements in each relevant jurisdiction. Accordingly, the Offer is not being extended and Options will not be issued to Shareholders with a registered address which is outside Australia or New Zealand.

4.12 Offer in New Zealand

The Offer to Shareholders resident in New Zealand is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and the Corporations Regulations 2001. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

The Offer and the content of the Prospectus are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act sets out how the Offer must be made.

There are differences in how securities are regulated under Australian law. The rights, remedies, and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies, and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to the Offer. If you need to make a complaint about the Offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities. If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial or taxation adviser.

The Offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between the Australian dollar and the New Zealand dollar. These changes may be significant.

As stated at Section 4.10 of this Prospectus, the Company will apply to ASX for quotation of the Options offered under this Prospectus. If quotation is granted the Options offered under this Prospectus will be able to be tradeable on ASX. If you wish to trade the securities through ASX, you will have to make arrangements for a participant in that market to sell the securities on your behalf.

4.13 Taxation Implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Options under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Options offered pursuant to this Prospectus.

4.14 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing Option holding certificates. The Company will apply to ASX to participate in CHESS, for those investors who have, or wish to have, a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with a statement (similar to a bank account statement) that sets out the number of Options allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

4.15 Privacy Act

If you complete an application for Options, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as an Option holder, facilitate distribution payments and corporate communications to you as a Shareholder or Option holder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its share registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the *Privacy Act 1988* (Cth) (as amended), the Corporations Act and certain rules such as the ASTC Settlement Rules. You should note that if you do not provide the information required on the application for Options, the Company may not be able to accept or process your application.

4.16 Enquiries

This document is important and should be read in its entirety. Shareholders who are in any doubt as to the course of action to be followed should consult their stockbroker, solicitor, accountant or other professional adviser without delay.

Questions relating to the terms of the Offer can be directed to the Company at the contact details set out in the Corporate Directory.

Questions relating to the completion of the Entitlement and Acceptance Form can be directed to the Company's share registry at the contact details set out in the Corporate Directory.

5. EFFECT OF THE OFFER

5.1 Use of Funds

The Company will issue up to 127,353,937 Options under this Prospectus (assuming the Offer is fully subscribed, either by Shareholders accepting the Offer or by the placement of any Shortfall) at an issue price of 0.2 cents each to raise up to approximately $254,708 (before expenses). Funds raised from the Offer will be applied as follows:

Item	$
Expenses of the Offer[1]	33,271
Working Capital	221,437
Total	**254,708**

Note:

1. Refer to Section 8.5 of this Prospectus for further details regarding the estimated expenses of the Offer.

In the event the Company raises less than the full subscription under the Offer, it shall apply the proceeds first towards the estimated expenses of the Offer, with the balance, if any, applied towards working capital.

5.2 Effect of the Offer

The principal effect of the Offer (assuming the Offer is fully subscribed) will be to:

(a) increase the cash reserves of the Company by approximately $221,437 immediately after completion of the Offer after deducting the estimated expenses of the Offer; and

(b) increase the number of Options from zero (the existing Options on issue will have been exercised or lapse prior to the allotment of Options pursuant to the Offer) to 127,353,937 following completion of the Offer. (Subject to Shareholder approval at the upcoming general meeting, the Company will issue an additional 119,103,937 Options pursuant to the Placement.)

5.3 Pro-Forma Balance Sheet

The unaudited Balance Sheet as at 28 February 2010 and the unaudited Pro-Forma Balance Sheet as at 28 February 2010 set out on the following page have been prepared on the basis of the accounting policies normally adopted by the Company and reflect the changes to its financial position. They have been prepared on the assumption that all Options pursuant to the Offer in this Prospectus are issued.

The Balance Sheets have been prepared to provide Shareholders with information on the assets and liabilities of the consolidated Company and pro-forma assets and liabilities of the consolidated Company following completion of the Offer (assuming full subscription). The historical and pro-forma financial information is presented in an abbreviated form, in so far as it does not include all of the disclosures required by Australian Accounting Standards applicable to annual financial statements.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 28 February 2010

	Consolidated ($)	Pro-Forma Consolidated ($)
Current Assets		
Cash	5,387,629	5,609,066
Receivables	130,554	130,554
Other financial assets	131,450	131,450
Total Current Assets	5,649,633	5,871,070
Non-Current Assets		
Property, plant and equipment	623,681	623,681
Total Non-Current Assets	623,681	623,681
		-
TOTAL ASSETS	**6,273,314**	**6,494,751**
Current Liabilities		
Trade and other payables	180,038	180,038
Interest bearing liabilities	27,241	27,241
Provisions	74,733	74,733
Total Current Liabilities	282,012	282,012
Non-Current Liabilities		
Interest bearing liabilities	50,531	50,531
Total Non-Current Liabilities	50,531	50,531
TOTAL LIABILITIES	**332,543**	**332,543**
NET ASSETS	**5,940,771**	**6,162,208**
Equity		
Issued capital	28,042,905	28,264,342
Opening accumulated losses	(22,359,809)	(22,359,809)
Reserves	257,675	257,675
TOTAL EQUITY	**5,940,771**	**6,162,208**

Note: The above Pro-Forma Balance sheet does not include provision for the placement of 119,103,937 Options at 0.2 cents each to raise approximately $238,207 (gross of costs) which is subject to Shareholder approval at the general meeting of the Company to be held on 30 April 2010.

5.4 Effect on Capital Structure

A comparative table of changes in the capital structure of the Company as a consequence of the Offer is set out below, assuming that the Offer is fully subscribed.

Shares	Number
Shares on issue at date of Prospectus	254,707,873
Shares offered pursuant to this Prospectus	Nil
Total Shares on issue after completion of the Offer	**254,707,873**

Options	Number
Options on issue at date of Prospectus (exercisable at $0.15 on or before 23 April 2010[1])	8,250,000
Options offered pursuant to this Prospectus	127,353,937
Options offered pursuant to the Placement[2]	119,103,937
Total Options on issue after completion of the Offer and the Placement[3]	**246,457,874**

Notes:

1. The Options on issue at the date of this Prospectus are currently out of the money and will lapse (if not exercised) prior to the allotment of Options pursuant to the Offer.

2. The Placement is subject to Shareholder approval at the upcoming general meeting of Shareholders.

3. The total does not include the existing Options on issue at the date of this Prospectus for the reason set out in Note 1.

6. RIGHTS ATTACHING TO OPTIONS AND UNDERLYING SECURITIES

6.1 Rights Attaching to Options

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

(a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.

(b) The Options will expire at 5.00 pm (WST) on 31 March 2012 (**Expiry Date**). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(c) The amount payable upon exercise of each Option will be $0.10 (**Exercise Price**).

(d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.

(e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:

   (i) a written notice of exercise of Options specifying the number of Options being exercised; and

   (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,

   (**Exercise Notice**).

(f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.

(g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.

(h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares. The Company will apply for quotation of Shares issued on exercise of the Options on ASX.

(i) The Company will apply for quotation of the Options on ASX.

(j) The Options are transferable in accordance with the market rules of ASX, the Corporations Act and the constitution of the Company.

(k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

(m) An Option does not confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

6.2 Rights Attaching to Shares

The following is a summary of the more significant rights and liabilities attaching to Shares issued on exercise of the Options offered pursuant to this Prospectus. Full details of the rights attaching to Shares are set out in the Company's Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares issued on exercise of the Options can be summarised as follows:

(a) **Notice of Meetings**

Each Shareholder is entitled to receive notice of general meetings of the Company. Shareholders are entitled to be present in person, or by proxy, attorney or representative to speak or to vote at general meetings of the Company or to join in demanding a poll. Shareholders may requisition general meetings in accordance with the Corporations Act.

(b) **Voting Rights**

(i) Subject to any rights or restrictions attached to a class of shares, on a show of hands at a meeting of Shareholders, every Shareholder present has one vote.

(ii) Subject to any rights or restrictions attached to a class of shares, on a poll at a meeting of shareholders, every shareholder present has:

(A) one vote for each fully paid share (whether the issue price of the share was paid up or credited or both) that the shareholder holds; and

(B) for each partly paid share that the shareholder holds, a fraction of one vote equal to the proportion which the amount paid or credited on that share (excluding any amounts paid up in advance of the relevant due date for payment) bears to the total amount paid and payable (including amounts credited) on that share.

(c) **Dividends**

(i) Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, the Company may pay dividends as the Directors resolve but only out of profits of the Company.

(ii) The Directors may determine that a dividend is payable without a meeting of shareholders and may fix:

(A) the amount of the dividend;

(B) if the dividend is franked, the franking percentage and the franking class;

(C) the time for determining entitlements to the dividend; and

(D) the time for payment of the dividend and the method of payment of the dividend.

(d) **Winding Up**

(i) Subject to the Corporations Act, the ASX Listing Rules and any right or restrictions attached to a class of shares, on a winding up of the Company any surplus funds must be divided among the shareholders in the proportion which the amount paid (including amounts credited) on the shares of a shareholder bears to the total amount paid and payable (including amounts credited) on the shares of all shareholders.

(ii) Subject to the Corporations Act, the ASX Listing Rules and any rights or restrictions attached to a class of shares, on a winding up of the Company, the liquidator may, with the sanction of a special resolution of the shareholders:

(A) distribute among the shareholders the whole or any part of the property of the Company; and

(B) decide how to distribute the property as between the shareholders or different classes of shareholders.

(e) **Transfer of Shares**

(i) Subject to the Corporations Act and the ASX Listing Rules, the Directors may do anything they consider necessary or desirable to facilitate participation by the Company in CHESS or any other computerised or electronic share transfer registration or stock market settlement system introduced by, or acceptable to, ASX in respect of transfers of, or dealings in, marketable securities.

(ii) Shareholders may transfer any shares held by them by:

(A) a proper ASTC transfer or any other method of transferring or dealing in shares introduced by ASX or operated in accordance with the ASTC Settlement Rules or the ASX Listing Rules and, in such case, recognised under the Corporations Act; or

(B) an instrument in writing in any usual or common form or in any other form that the Directors, in their absolute discretion, approve from time to time.

(f) **Allotment of Shares**

Subject to the Corporations Act, the ASX Listing Rules and any rights attached to a class of shares, the Company (under control of the Directors) may:

(i) allot and issue unissued shares; and

(ii) grant options over unissued shares, on any terms, at any time and for any consideration, as the Directors resolve.

(g) **Variation of Rights**

Subject to the Corporations Act, the ASX Listing Rules and the terms of issue of shares in a particular class, the Company may:

(i) vary or cancel rights attached to shares in that class; or

(ii) convert shares from one class to another, by special resolution of the Company,

by special resolution passed at a meeting of shareholders holding shares in that class or with the written consent of shareholders with at least 75% of the votes in that class.

7. RISK FACTORS

7.1 Introduction

The Options offered under this Prospectus are considered speculative, and involve investors being exposed to risk. The Directors strongly recommend potential applicants examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Options pursuant to this Prospectus.

There are specific risks which relate directly to the Company's business. In addition, there are other general risks, many of which are largely beyond the control of the Company and the Directors. The risks identified in this section, or other risk factors, may have a material impact on the financial performance of the Company and the market price of the Options.

The following is not intended to be an exhaustive list of the risk factors to which the Company is exposed.

7.2 Change in Nature of Activities

As announced on 23 March 2010, the Company is proposing a change in the nature of its activities by acquiring an interest in two contiguous offshore oil and gas exploration permits located between Italy and Tunisia (the **Lambouka Prospect**) subject to obtaining Shareholder approval at a general meeting to be held on 30 April 2010.

Completion of the Offer is intended to occur after this Shareholder approval. In the event Shareholder approval for the change in nature of its activities is not obtained, the Company will not acquire an interest in the Lambouka Prospect and will retain its primary focus on its pharmaceutical development business. The Company notes, however, that after consultation with its major Shareholders, the Company considers it highly unlikely that Shareholder approval will not be obtained for the change in nature of activities at the general meeting. Consequently, the Company sets out risks specific to an investment in an oil and gas exploration project on the basis that Shareholder approval is obtained and the Company completes the acquisition of an interest in the Lambouka Prospect.

7.3 Risks Specific to Oil and Gas Exploration

(a) **Exploration and Development Risk**

The business of oil and gas exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;

- obtaining consents and approvals necessary for the conduct of oil and gas exploration, development and production; and

- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from the Lambouka Prospect depends on successful exploration and establishment of production facilities. Factors including costs, actual hydrocarbons and formations, flow consistency and reliability and commodity prices affect successful project development and operations.

Drilling activities carry risk and as such, activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, unanticipated reservoir problems which may affect field production performance, industrial disputes, unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment, mechanical failure or breakdown, blow outs, pipe failures and environmental hazards such as accidental spills or leakage of liquids, gas leaks, ruptures, discharges of toxic gases or geological uncertainty (such as lack of sufficient sub-surface data from correlative well logs and/or formation core analyses).

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of oil or gas. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

(b) **Contract Risk**

The Company's proposed interest in the Lambouka Prospect is held pursuant to a farm-in agreement with Audax Resources Limited (**Audax**). The Company is reliant on Audax complying with the terms and conditions of the farm-in agreement and the conditions attaching the Lambouka Prospect. Should Audax fail to comply with the terms of the farm-in agreement, the Company's interest in the Lambouka Prospect may be adversely affected.

(c) **Reserve and Resource Estimates**

Oil and gas reserve and resource estimates are expressions of judgement based on knowledge, experience and industry practice. Estimates that were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource and reserve estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional drilling and analysis the estimates are likely to change. This may result in alterations to development and production plans which may in turn, adversely affect the Company's interest in the Lambouka Prospect.

(d) **Oil and Gas Price Volatility**

The demand for, and price of, oil and natural gas is highly dependent on a variety of factors, including international supply and demand, the level of consumer product demand, weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, and global economic and political developments.

International oil and gas prices have fluctuated in recent years and may continue to fluctuate significantly in the future. Fluctuations in oil and gas prices and, in particular, a material decline in the price of oil or gas may have a material adverse effect on the Company's interest in the Lambouka Prospect.

(e) **Exchange Rate Risk**

International prices of oil and gas are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(f) **General Economic and Political Risks**

Changes in the general economic and political climate in Australia, Italy, Tunisia and on a global basis could impact on economic growth, the oil and gas prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any oil and gas activity that may be conducted by the Company.

(g) **Regulatory**

Changes in relevant taxes, legal and administration regimes, accounting practice and government policies may adversely affect the financial performance of the Company.

7.4 Risks Specific to the Pharmaceutical Business

(a) **Uncertainty of Future Profitability**

The Company's ability to operate both its pharmaceutical business and biotechnology/chemistry businesses profitably in the future and the extent to which it will do so will depend on its ability to commercialise its products or activities. This will depend on the ultimate demand for its products or activities by clients and/or consumers, which cannot be guaranteed.

Other factors that will determine the Company's profitability are its ability to manage its costs, to execute its development and growth strategies, economic conditions in the markets in which it operates, competitive factors and regulatory developments. Accordingly, the extent of future profits, if any, and the time required to achieve a sustained profitability is uncertain. Moreover, the level of any profitability cannot be predicted.

(b) **Government and Regulatory Issues**

The Company's operations and its products (both chemical and pharmaceutical) may be subject to numerous laws, regulatory restrictions, approvals and controls and certain government policy, directives, recommendations and guidelines, both in Australia and throughout the world, relating to, amongst other things, the manufacture of pharmaceutical and biotechnology products, occupational safety, laboratory practice, use and handling of hazardous materials, prevention of illness and injury and environmental protection.

The requirements referred to above may affect both the timing and the cost of bringing the Company's products or services to the market. Delays or failures in complying with these requirements or obtaining approvals may also have an adverse effect on the value of the Company and a consequential impact on its financial performance.

There can also be no assurance that future legislation will not impose further government regulation, or that current laws, regulations or policy may not change. This may adversely affect the business or financial condition of the Company. Like other businesses, changes in general political and governmental conditions in Australia and elsewhere could materially and adversely affect the financial and business prospects or the overall profitability of the Company. These political uncertainties include, but are not limited to, changes in government or political leadership, war or acts of terrorism.

(c) **Licences and Registrations**

The ability of the Company to offer its pharmaceutical products for sale depends on relevant licences and registrations being obtained by the Company and it receiving favourable audit reports from the regulatory authority of the country in which products are offered for sale. An unfavourable audit can impose unbudgeted costs, which may have a material adverse effect on the Company's ability to conduct its business. In extreme cases, the Company may have its licence revoked, which would prevent it from offering any products for sale.

Delays or failure to obtain registration, approval or validation of licences of products may have a material adverse effect on the financial performance of the Company.

(d) **Intellectual Property Rights**

Securing rights to intellectual property, and in particular to patents, is an integral part of securing potential product value arising out of pharmaceutical, biotechnical and chemical research and development. The Company's success depends in part, on its ability to obtain patents, protect trade secrets and operate without infringing third parties' proprietary rights.

The granting of a patent does not guarantee that the rights of other parties are not infringed or that competitors will not develop competing intellectual property that circumvents the patents. In addition, there can be no assurance that any patents that the Company may own or control or licence now or in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application.

Competition in obtaining, retaining and maintaining protection of intellectual property and the complex nature of intellectual property rights can also lead to expensive and lengthy disputes for which there can be no guaranteed outcome.

While the Company is not aware of any third party interests in its intellectual property rights and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in pharmaceutical, biotechnical and chemical discoveries and if any disputes arise, they could adversely affect the Company.

(e) **Competition**

The pharmaceutical manufacturing industry and the biotechnology and chemistry industry are each highly competitive and subject to rapid, significant technological change.

The Company can give no assurance in respect of its ability to compete in these markets. No assurances can be given that the actions of existing and future competitors will not have a material adverse impact on the Company's ability to implement its business plan and on the Company's operating and financial performance. In particular, there is no assurance that competitors will not succeed in developing products that are more effective or economic than the Company's current products or any of those being developed by the Company or which would render those products obsolete or otherwise uncompetitive.

(f) **General Contract Risks**

The Company and its subsidiaries operate through a series of contractual relationships with third parties through various contracts. All contracts carry risks associated with the performance by the parties of their obligations such as time commitments, achieving targets and quality of work performed.

Contracts will need to be negotiated with a number of third parties including for the sales, marketing and distribution of pharmaceutical products. The Company may become reliant on suppliers and distributors, the loss of whose services may materially adversely affect the Company and impede the achievement of its objectives.

(g) **Risk of Product Liability and Uninsured Risks**

The Company's pharmaceutical and biotechnology/chemistry businesses expose it to potential product liability risks inherent in development, manufacturing, marketing, quality and use of its products, as well as other related risks. The Company has insurances in place to cover certain of these risks in the course of operating its businesses.

However, there can be no assurance that any adverse event will necessarily be covered by the insurance or that any product liability or other claims will not materially and adversely affect the business or financial condition of the Company even if they are covered by insurances. The possibility also exists that the Company, its products or aspects of its business may be brought into disrepute through malicious interference or tampering with the Company's or a competitor's products.

(h) **Foreign Exchange Risks**

Revenue and expenditure in overseas jurisdictions are subject to fluctuations in international currency exchange markets and changes in foreign exchange laws or regulations. Foreign taxes, inflation, interest rates, limitation on the repatriation of earnings, compliance with foreign accounting and business laws and cultural differences also carry a certain amount of risk and may also have an impact on the performance of the Company.

7.5 General Risks

(a) **Additional Requirements for Capital**

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in the future. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, its interest in the Lambouka Prospect may be adversely affected.

(b) **Economic Risks**

General economic conditions, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's activities, as well as on its ability to fund those activities.

(c) **Market Conditions**

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(i) general economic outlook;

(ii) interest rates and inflation rates;

(iii) currency fluctuations;

(iv) changes in investor sentiment toward particular market sectors;

(v) the demand for, and supply of, capital; and

(vi) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

(d) **Reliance on Key Management**

The responsibility of overseeing the day-to-day operations and the strategic management of the Company depends substantially on its senior management and its key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more of these employees cease their employment.

7.6 Investment Speculative

The above list of risk factors should not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Options offered pursuant to this Prospectus. An investment in the Company should be considered speculative.

8. ADDITIONAL INFORMATION

8.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms "transaction specific prospectuses" are only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable from time to time throughout the 12 months before the issue of this Prospectus which required the Company to notify ASX of information about specified events or matters as they arise for the purpose of ASX making that information available to the stock market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

(a) it is subject to regular reporting and disclosure obligations;

(b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

(c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

    (i) the financial statements of the Company for the financial year ended 30 June 2009 being the last financial statements for a financial year of the Company lodged with the ASIC before the issue of this Prospectus;

    (ii) any half year financial statements of the Company lodged with ASIC since the lodgement of the last financial statements for the year ended 30 June 2009 lodged with ASIC before the issue of this Prospectus; and

(iii) any documents used to notify ASX of information relating to the Company in the period from lodgement of the financial statements referred to in paragraph (i) above until the issue of the Prospectus in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

The Company has lodged the following announcements with ASX since the lodgement of the 2009 audited financial statements on 29 September 2009:

Date	Description of Announcement
31/03/2010	Notice of Annual General Meeting/Proxy Form
30/03/2010	Change in substantial holding
24/03/2010	Capital Raising and Investment in Oil and Gas Project
24/03/2010	Change in substantial holding
23/03/2010	ADX: Farmin Agreement with PharmAust on Sicily Channel Permit
23/03/2010	PharmAust Finalises Investment in Oil and Gas Project
22/03/2010	Change in substantial holding
19/03/2010	Trading Halt
19/03/2010	Response to ASX Price Query
26/02/2010	Half Yearly Reports and Accounts
19/02/2010	Change in substantial holding
27/01/2010	Appendix 4C – quarterly
18/01/2010	Settlement on Property
27/11/2009	Results of Annual General Meeting
24/11/2009	Amendment to AGM
05/11/2009	Property Sale Unconditional
30/10/2009	Notice of Annual General Meeting/Proxy Form
30/10/2009	Annual Report to shareholders
30/10/2009	Appendix 4C - quarterly

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

The announcements are also available through the Company's website: www.pharmaust.com.

8.2 Directors' interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or

(c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or Offer pursuant to this Prospectus.

Directors' expected remuneration for the year ending 30 June 2010 (exclusive of superannuation) and their respective interests in securities of the Company at the date of this Prospectus are as follows:

Director	Shares	Entitlement to Options	Previous Financial Year Remuneration	Current Financial Year Remuneration
Mr Henry Gulev	0	0	$25,000	$18,750
Mr Bryant Mclarty	7,150,548	3,575,274	$153,166	$112,500
Mr Sam Wright	1,750,000	875,000	$72,000	$58,500

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors a sum not exceeding the maximum total amount determined by the Company in general meeting, or until so determined, as the Directors resolve, to be divided among the non-executive Directors and in default of agreement then in equal shares.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

8.3 Interests and Consents of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within two years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer of securities pursuant to this Prospectus; or

(c) the Offer pursuant to this Prospectus,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer pursuant to this Prospectus.

In accordance with Section 716 of the Corporations Act, Steinepreis Paganin has given, and has not withdrawn, its consent to being named as Solicitors to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Steinepreis Paganin has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Steinepreis Paganin has acted as solicitors to the Offer providing general advice to the Company and assisting in the preparation of this Prospectus and the due diligence process associated with the Prospectus. Steinepreis Paganin will be paid approximately $10,000 for these services. In the past two years, Steinepreis Paganin has been paid approximately $19,115 (excluding GST and disbursements) by the Company.

In accordance with Section 716 of the Corporations Act, Alto Capital has given, and has not withdrawn, its consent to being named as manager to the Offer in this Prospectus in the form and context in which it is named. Alto Capital has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

Alto Capital will act as manager to the Offer in respect of this Prospectus. Alto Capital will be paid approximately $10,000 (excluding GST) for services in relation to this Prospectus. In the past two years, the Company has not paid Alto Capital any fees for services provided to the Company.

In accordance with Section 716 of the Corporations Act, Computershare Investor Services Pty Ltd has given, and has not withdrawn, its consent to being named as the share registry to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. Computershare Investor Services Pty Ltd has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

In accordance with Section 716 of the Corporations Act, RSM Bird Cameron Partners has given, and has not withdrawn, its consent to being named as the auditor to the Company in the Corporate Directory of this Prospectus in the form and context in which it is named. RSM Bird Cameron Partners has not caused or authorised the issue of this Prospectus, does not make or purport to make any statement in this Prospectus and takes no responsibility for any part of this Prospectus.

8.4 Legal Proceedings

There is no litigation, arbitration or proceedings pending against or involving the Company as at the date of this Prospectus.

8.5 Estimated Expenses of Offer

In the event that the Offer is fully subscribed, the estimated expenses of the Offer will be as follows:

	$
ASIC fees	2,010
ASX fees	8,261
Corporate advisory	10,000
Legal expenses	10,000
Printing and miscellaneous expenses	3,000
Total	**33,271**

8.6 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the three months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Highest: $0.07 on 7 April 2010

Lowest: $0.037 on 2 and 3 March 2010

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was $0.065 on 7 April 2010.

8.7 Electronic Prospectus

Pursuant to Class Order 00/044, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic Prospectus and an electronic Entitlement and Acceptance Form on the basis of a paper Prospectus lodged with the ASIC, and the publication of notices referring to an electronic Prospectus, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Entitlement and Acceptance Form. If you have not, please contact the Company and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both. Alternatively, you may obtain a copy of this Prospectus from the Company's website at www.pharmaust.com.

The Company reserves the right not to accept an Entitlement and Acceptance Form from a person if it has reason to believe that when that person was given access to the electronic Entitlement and Acceptance Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

9. AUTHORITY OF DIRECTORS

9.1 Directors' Consent

Each of the Directors of PharmAust Limited has consented to the lodgement of this Prospectus with the ASIC in accordance with Section 720 of the Corporations Act.

Dated 8 April 2010.

Mr Bryant Mclarty
Executive Chairman
PharmAust Limited

10. DEFINITIONS

Alto Capital means ACNS Capital Markets Pty Ltd (ACN 088 503 208) ATF The ACNS Unit Trust T/A Alto Capital (AFSL 279099).

Applicant means a Shareholder who applies for Options pursuant to the Offer.

ASIC means the Australian Securities and Investments Commission.

ASTC Settlement Rules means the settlement rules of the securities clearing house which operates CHESS.

ASX means the ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

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

Business Day means a day on which trading takes place on ASX.

Closing Date means the closing date of the Offer, being 5.00 pm (WST) on 12 May 2010 (unless extended).

Company means PharmAust Limited (ACN 009 006 023).

Constitution means the Company's Constitution as at the date of this Prospectus.

Corporations Act means the *Corporations Act 2001*(Cth).

Directors means the directors of the Company at the date of this Prospectus.

Entitlement means the entitlement of a Shareholder who is eligible to participate in the Offer.

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

Listing Rules or **ASX Listing Rules** means the Listing Rules of the ASX.

Offer means the offer pursuant to the Prospectus of one (1) new Option for every two (2) Shares held by a Shareholder on the Record Date.

Option means an option to acquire a Share.

Placement means the placement of up to 119,103,937 Options at an issue price of 0.2 cents each subject to Shareholder approval at the general meeting to be held on 30 April 2010.

Prospectus means this prospectus.

Quotation and **Official Quotation** means official quotation on ASX.

Record Date means 5.00 pm (WST) on 22 April 2010.

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

Shareholder means a holder of a Share.

Shortfall means those Options under the Offer not applied for by Shareholders under their Entitlement.

Shortfall Offer means the offer of the Shortfall at an issue price of 0.2 cents per Shortfall Option.

Shortfall Options means those Options issued pursuant to the Shortfall.

WST means Western Standard Time.