

7 November 2016

Dear Optionholder,

NON RENOUNCEABLE RIGHTS OFFER

The Company on 7 November 2016, lodged a Prospectus with ASIC and ASX, seeking to raise up to approximately \$4,625,182 by a non-renounceable rights offer ("**Offer**") of up to approximately 92,503,645 shares and 30,834,549 options on the basis of 1 new share for every 1 share held at an issue price of 5 cents per share together with 1 free option for every 3 new shares subscribed for under the Prospectus. The options have an exercise price of 12 cents and an expiry date of 30 November 2019.

Optionholders are not entitled to participate in the Offer. Should optionholders with a registered address in Australia or New Zealand wish to participate in the Offer they should exercise their options in accordance with the terms and conditions of the options in a timely manner and in any event to ensure the exercise and issue of the shares is completed by the Record Date of 11 November 2016.

The funds raised under the Offer will be used at Minimum Subscription to continue and complete Phase II canine trials using the Company's MPL capsules, to fund the costs of preparing for the Company's Nasdaq listing, to prepare for a Phase II human trial using MPL, for working capital and to meet Offer expenses.

The Offer is not underwritten. However, each of the Directors will take up their full entitlement (together totalling \$440,326). Minimum Subscription under the Offer is \$750,000.

The timetable for the Offer is as follows:

Lodgement of Prospectus with ASIC	7 November 2016
Lodgement of Prospectus (pre-open) with ASX	8 November 2016
Application to ASX for quotation of shares under the Prospectus (pre-open)	8 November 2016
Notice to Shareholders	9 November 2016
Current Shares "Ex" the entitlements issue on the ASX	10 November 2016
Record Date to identify Shareholders and to determine Entitlements to shares and options under the Prospectus	11 November 2016
Despatch of Prospectus and Entitlement and Acceptance Form (Opening Date)	16 November 2016
Closing Date	5 December 2016
Deferred settlement trading	6 December 2016
ASX notified of undersubscriptions	8 December 2016
Issue Date and end of deferred settlement trading	12 December 2016

Subject to the Listing Rules, the above dates may be changed without notice.

The Offer will be made to the Company's shareholders with a registered address in Australia or New Zealand on the Record Date ("**Eligible Shareholders**").

The capital structure of the Company post-completion of the Offer at Minimum Subscription and Full Subscription will be as follows:

Shares	Minimum Subscription	Full Subscription
Existing Shares	92,503,645	92,503,645
New Shares issued under the Offer	15,000,000	92,503,645
Total Shares on issue after completion of the Offer	107,503,645	185,007,290

Options	Minimum Subscription	Full Subscription
Existing Options – unlisted (exercise price 16 cents expiring 3 September 2018)	675,000	675,000
New Options issued under the Offer (exercise price 12 cents expiring 30 November 2019)	5,000,000	30,834,549
Total Options on issue after completion of the Offer	5,675,000	31,509,549

It is anticipated that the Prospectus offering shares and options for subscription will be mailed to Eligible Shareholders on 16 November 2016. The Prospectus may be viewed on the Australian Securities Exchange's website at www.asx.com.au or alternatively on the Company's website at www.pharmaust.com.

Application will be made to ASX for official quotation of the shares. No application will be made for quotation of the New Options. In the calculation of any entitlement to New Options, fractions will be rounded up to the nearest whole number. No shareholder approval is required to the Offer.

If you have any questions please do not hesitate to contact the Company.

Yours faithfully



Sam Wright
Company Secretary and Non-Executive Director