

ASX Release

13th April 2017

Appendix 4C - Quarterly Report & Company Update for the period ended 31 March 2017

PharmAust Limited (“PharmAust”) (ASX: PAA) is pleased to provide an update and review of its recent activities.

During the quarter, the Company has achieved several milestones aimed at advancing its key anti-cancer product, Monepantel (“MPL”) towards the clinic. The company is also pleased that its wholly owned subsidiary, Epichem Pty Ltd, has continued to build contract sales and income activities over the quarter.

New Executive Appointments

In March 2017, PharmAust was delighted to announce the appointment of Dr Richard Hopkins as Chief Executive Officer (CEO) and Dr Richard Mollard as Chief Scientific Officer (CSO)

- Dr Hopkins is an experienced pharmaceutical executive with over 10 years of experience in corporate leadership roles. He has a strong background in corporate strategy, business development and intellectual property specialising in early-stage cancer drug development.
- Dr Mollard is an experienced pharmaceutical executive with over 15 years of experience in lead scientific roles in the Australian and International Biotechnology sectors. Dr Mollard has been a consultant to PharmAust for the past 2 years where he has played a key role in preparation, design and submission of regulatory and clinical documents for PharmAust’s human and canine trials.

Initiation of Internal Strategic Review

These appointments add significantly to PharmAust’s operational capabilities. Alongside its successfully completed capital raising, PharmAust is now well-placed to accelerate its clinical development plans in humans and dogs, which are designed to unlock significant value in the company. To facilitate this process, the PharmAust Board, along with its new executive team, have initiated an internal review to refine its previously stated goal of advancing MPL into clinical trials. The company expects to report on the outcome of this review in late May when it will provide a roadmap of the company’s developmental objectives and milestones.

Decision to Postpone Nasdaq Listing

As part of the review process, PharmAust has taken the strategic decision to postpone its Nasdaq listing. PharmAust considers that it now has sufficient funds to achieve several key technical and commercial milestones including reformulation of MPL into a solid powder and progression of its currently approved canine trial. If successful, these outcomes will provide better traction in PharmAust’s capital value and enable the company to explore the Novartis Animal Health position in regard to their “Collaborative Research and Option Agreement”. The postponement in pursuing a Nasdaq listing will also allow the Board and the new management team time to prepare the foundations for the next stage.

Accordingly, PharmAust has agreed with its New York-based investment bank, Joseph Gunnar & Co LLC, to delay the Registered Public Offering in the USA.

Dr Roger Aston, PharmAust’s Executive Chairman, said: “Terminating the current engagement with Joseph Gunnar will allow us to further strengthen the company’s value proposition before re-considering a listing on the Nasdaq in 2018”.

Phase II Canine Clinical Trial

Data recorded from the Phase I study showed suppression of the p70S6K cancer marker in canines with advanced cancer and receiving MPL. A combination of: (i) the advanced nature of these phase I canine cancers and (ii) poor medication compliance due to the poor palatability of the original liquid formulation, however, meant that the majority of enrolled dogs did not complete the designated Phase I end-point and the data could not be analysed.

PharmAust is now executing several programs to address the difficulties associated with examining drug effects in canines with advanced cancer cases and poor palatability. Initial observations suggest a slowing down of the progression of the disease. New to these programs is a recently approved alternative small-scale trial examining administration of MPL in capsules and as a first-line therapy for two weeks in dogs with newly diagnosed lymphoma. Following this two week period, these dogs may be switched to conventional chemotherapy. This study is exploratory and is intended to provide an indication of either tumour regression or progression-free survival to facilitate further Phase II work.

The company is pleased to report that a team led by our consulting veterinary oncologist, Dr Frimberger, has commenced recruiting for this study with initial results expected to be available by end May, 2017.

Epichem Pty Ltd

Epichem Pty Ltd has experienced its best quarter ever with revenues of \$1.27M, up 32% on the same period last year. Epichem's Managing Director, Dr Wayne Best, said "We are experiencing strong demand for both our reference standards and contract medicinal chemistry services, and are well on track to achieve total revenues in excess of \$3m for FY17."

With the benefit of its new facilities at Technology Park, the last 12 months has seen Epichem expand its client base to include customers outside its traditional drug discovery and pharmaceutical markets. New customers have come from a range of sectors including mining, materials science and diagnostics.

Significantly Epichem continues to expand operations and has secured a lease on a further 120m² of space at its current facility at Technology Park. This will enable the installation of an additional 6 fumehoods, increasing capacity by approximately 50%.

Rights Issue

During the quarter, PharmAust issued a further 10,674,650 fully paid ordinary shares and 1:3 attaching options in the final tranche of securities under the Company's Rights Issue raising \$534k. The total raised under the Rights Issue was \$3.24m.

PharmAust's new CEO, Dr Richard Hopkins, took-up \$50,000 of the shortfall, investing alongside each of the other Directors who took up their full Entitlement (together totalling \$490,326).

PharmAust Receives \$406K R&D Rebate from ATO

On 30 January 2017, PharmAust announced that it has received \$406,237.05 from the Australian Taxation Office in recognition of the innovation of the Research and Development being developed by wholly owned subsidiaries, Epichem and Pitney Pharmaceuticals.

For further details, please contact:

Dr Richard Hopkins
CEO
Tel: 0405 656 868
rhopkins@pharmaust.com

Dr Roger Aston
Executive Chairman
Tel: 0402 762 204
raston@pharmaust.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PharmAust Limited

ABN

35 094 006 023

Quarter ended ("current quarter")

March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,270	2,540
1.2 Payments for		
(a) research and development	(117)	(305)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets		(8)
(e) staff costs	(684)	(1,616)
(f) administration and corporate costs	(428)	(1,430)
1.3 Dividends received (see note 3)		
1.4 Interest received	7	10
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives	406	406
1.8 Other (GST)	22	23
1.9 Net cash from / (used in) operating activities	476	(381)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment		(38)
(b) businesses (see item 10)		
(c) investments		

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
(d) intellectual property		
(e) other non-current assets		
2.2 Proceeds from disposal of:		
(a) property, plant and equipment		
(b) businesses (see item 10)		
(c) investments		5
(d) intellectual property		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	0	(33)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	534	3,237
3.2 Proceeds from issue of convertible notes		
3.3 Proceeds from exercise of share options		
3.4 Transaction costs related to issues of shares, convertible notes or options	(79)	(81)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings	(75)	(123)
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	380	3,033

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	2,684	921
4.2 Net cash from / (used in) operating activities (item 1.9 above)	481	(381)
4.3 Net cash from / (used in) investing activities (item 2.6 above)		(33)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	375	3,033

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of quarter	3,540	3,540

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	931	839
5.2	Call deposits	2,599	1,835
5.3	Bank overdrafts		
5.4	Other (provide details)	10	10
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,540	2,684

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000

170

Director's Salaries & Superannuation

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000

8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

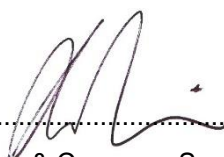
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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	100
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	450
9.6	Administration and corporate costs	450
9.7	Other (provide details if material)	
9.8	Total estimated cash outflows	1,000

10.	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 13 April 2017
(Director & Company Secretary)

Print name:
Sam Wright

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.