Appendix 4D
Half-Year Report for the period ended 31 December 2018

Results for announcement to the Market

Financial Performance

PharmAust Limited - Consolidated			
(AUD 000')	**Half-year ended 31 Dec 2018**	**Half-year ended 31 Dec 2017**	**Movement %**
Revenue	1,871	1,301	44%
(Loss) before tax attributable to members	(90)	(1,496)	(94%)
(Loss) after tax attributable to members	(90)	(1,496)	(94%)

Review of Operations

Refer to Directors' Report included in the attached half-year financial report.

Dividends

No Dividends were paid or declared for payment during the half-year period under review.

Earnings Per Share

	Half-year ended 31 Dec 2018		**Half-year ended 31 Dec 2017**
(Loss) per share (Basic & Diluted)	(0.05) cents		(0.93) cents

Net Tangible Asset Backing

	Half-year ended 31 Dec 2018		**Half-year ended 31 Dec 2017**
Net tangible asset backing	1.96 cents		2.37 cents

Entities Acquired and Disposed During the Period

There were no entities acquired or disposed of during the period.

Compliance Statement

The report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed in accordance with a resolution of Directors. On behalf of the Directors:

Sam Wright
Director

Signed at Perth this 28th day of February 2019

PHARMAUST LIMITED
ABN 35 094 006 023
AND ITS CONTROLLED ENTITIES

Interim Financial Report
for the half-year ended 31 December 2018

C O N T E N T S

PHARMAUST LIMITED
DIRECTORS' REPORT

The directors of PharmAust Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2018.

DIRECTORS

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

Dr Roger Aston
Mr Neville Bassett AM (appointed 2 October 2018)
Dr Wayne Best (resigned 2 October 2018)
Mr Robert Bishop
Mr Sam Wright

RESULTS

The operating loss for the consolidated entity for the half-year ended 31 December 2018 was $89,930 (2017: $1,496,443).

PRINCIPAL ACTIVITIES

The principal continuing activities constituted by PharmAust Limited and the entities it controlled during the half-year were to develop its own drug discovery intellectual property, namely two platforms for the treatment of different types of cancers in humans and animals, as well as providing highly specialised medicinal and synthetic chemistry services on a contract basis to clients.

REVIEW OF OPERATIONS

During the half-year, PharmAust successfully achieved several major milestones that have opened the path to clinical trial in 2019. PharmAust also further continued to build the contract sales and income activities of its wholly owned subsidiary, Epichem Pty Ltd.

PITNEY PHARMACEUTICALS PTY LTD – 100% OWNED SUBSIDIARY

PharmAust progresses Monepantel tablet program for cancer

PharmAust was delighted to announce that it has completed the testing of different monepantel tablet prototypes in healthy Beagle dogs in collaboration with BRI Biopharmaceutical Research Inc.

The levels tested represented those that PharmAust had nominated for the first stage of the dose escalation programs for both human and dog anti-cancer clinical trials.

The levels of monepantel in the blood using just one tablet exceeded the levels predicted to achieve anti-cancer activity. These anti-cancer activity levels had been calculated from PharmAust's: (i) *in vitro* work on cancer cell lines, (ii) *in vivo* work on cancer cell lines engrafted into mice and (iii) the earlier clinical trial in human patients with cancer. This type of blood work was not previously performed during PharmAust's earlier reported clinical pilot study in dogs with B-cell lymphoma due to ethical considerations surrounding the withdrawal of sufficient blood to perform these tests in such pilot studies.

Importantly, by extrapolation it appeared that monepantel levels in the blood of these healthy Beagle dogs, and using just one new tablet, more than reached those shown to give anti-cancer activity in the previous pilot study in dogs with B-cell lymphoma.

This meant that PharmAust now had sufficient data to take the best biologically performing and most financially economical tablet to manufacture through a scale up process to provide cGMP grade tablets using its cGMP grade monepantel.

It also meant that the tablets could be used in formal dose escalation studies in healthy Beagle dogs to determine the maximum dose that can be given and with what safety margin. This is a necessary part of the normal drug development process. From previous studies in dogs and sheep, it appeared that blood levels for anti-cancer activity already fall within a very acceptable safety margin, yet this must be formally proven to regulatory authorities before continuing to market, particularly since the tablet represents a completely new formulation to the liquid formulation which is on the market.

PharmAust Developed GMP Method for Monepantel Analogues

On 29 October 2018, PharmAust announced that it had, in collaboration with Syngene International Ltd, completed the development of a prototype Good Manufacturing Practice (GMP) method suitable for the scale up manufacture of aminoacetonitriles, such as monepantel and its analogues, for use in clinical trials.

GMP is a globally recognised standard that requires rigorous, controlled and continually documented processes to provide fully characterised drugs with very high levels of purity for safe and effective use when administered to patients.

PharmAust Commenced GMP Tablet Manufacture for Canine Clinical Anti-Cancer Trials

Following the earlier announcement of the development of a prototype Good Manufacturing Practice (GMP) method suitable for the scale up manufacture of monepantel, on 13 November 2018, PharmAust announced that it had reached an agreement with Catalent Pharma Solutions for the scaled-up manufacture of GMP-grade monepantel tablets suitable for use in the upcoming trials in dogs with cancer.

Catalent, the leading global provider of advanced delivery technologies and development solutions for drugs, biologics and consumer health products, was engaged to provide scaled GMP tablet formulation and manufacture for clinical trials from its facility in San Diego, USA.

This was important because the availability of GMP-tablets will not only provide a more palatable and easier-to-use product, it will also provide dogs, owners, veterinarians and PharmAust with the highest standards of product development.

The agreement provided for sufficient tablets to be made to undertake the required dose escalation Phase I study in healthy Beagle dogs. The Phase I clinical study is intended to determine the numbers of tablets and the optimal frequency of administration to ensure maximum safety and provide information on the optimum dosing levels for the upcoming efficacy studies.

The Company's intention is that Phase II studies will follow, with the aim of confirming the anti-cancer activity of monepantel tablets in dogs with B-cell lymphoma, as previously announced by PharmAust on 13 December 2017. That study had demonstrated that monepantel in capsules has significant anti-cancer activity and no demonstrable adverse side-effects.

Monepantel synthesised in accordance with scalable GMP process is active *in vitro*

On 3 December 2018, PharmAust announced that, in collaboration with the Olivia Newton-John Cancer Research Institute in Melbourne (ONJCRI), it had demonstrated anti-cancer activity for monepantel manufactured according to its recently developed aminoacetonitrile GMP production method with Syngene, as announced on 29 October 2018.

Researchers at the ONJCRI tested monepantel manufactured to this method *in vitro* upon human cancer cell lines and non-cancer cell lines. Cancer cell lines showed the expected sensitivity to treatment with the PharmAust monepantel, while non-cancer cells were relatively unaffected.

Cancer cell lines tested included those for cancers that PharmAust will be targeting in Phase II trials in humans.

This outcome will allow further preclinical work understanding exactly how monepantel kills cancer cells.

EPICHEM PTY LTD - 100% OWNED SUBSIDIARY

Epichem, PharmAust's wholly owned subsidiary, has continued to make strong progress towards key operational milestones as well as build the contract sales and income activities.

Epichem has been delivering synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries worldwide since 2003. Epichem offers a range of rare and hard to find pharmaceutical impurities, degradants and metabolites of active ingredients and excipients, particularly for OTC and generic drugs.

Epichem has been at the forefront of synthesizing new and difficult to obtain standards and many of these are exclusive to Epichem and not available elsewhere. This range is continually expanding in response to customer requests and developments in the industry. Epichem is globally competitive with clients in 32 countries and is rapidly expanding its reach.

Epichem also excels in custom synthesis and contract drug discovery, boasting a highly skilled team of scientists, most with a PhD and industry experience. This valuable investment in people allows Epichem to lead drug discovery programs, perform custom synthesis, conduct optimisation and method development for scale-up and engage in high-level problem solving.

Epichem has a long history of helping pharmaceutical companies identify trace impurities and has produced a range of pharmaceutical reference standards to aid the industry in detecting and measuring these impurities, ultimately assisting in the quality assurance and control of its clients' medicines.

Epichem's expert team of medicinal chemists is also supporting PharmAust's oncology programmes and has made a number of novel analogues of MPL. While still at the early pre-clinical research stage, if successful, this research could ultimately lead to a new drug with improved properties which is wholly owned by PharmAust.

During the half-year, Epichem gained accreditation from NATA (The National Association of Testing Authorities, Australia) to ISO17034:2016. Epichem is one of the first companies in Australia to achieve this internationally regarded standard of quality assurance for reference material production to support pharmaceutical drug manufacturing. Accreditation by NATA is highly regarded both locally and internationally and elevates Epichem's status, global market access and competitiveness in a growing world market.

Epichem's laboratory expansion works are completed and deliver an additional six fumehoods. In conjunction with the expanded facilities and the additional accreditation, we expect to see accelerating Epichem revenues in FY19.

On 8 November 2018, Epichem hosted the official opening of its laboratory expansion, following the earlier move to its new facility in September 2015. It is was an honour to have the Hon. Ben Wyatt MLA, the Treasurer of Western Australia, and Professors Robert Stick and Dieter Wege, whose names the laboratories carry, at the event.

Epichem was awarded an extension to its contract with a leading Californian biotechnology company, Unity Biotechnology, Inc.

Finally, Epichem was awarded another one year extension to its current contract with Drugs for Neglected Diseases *initiative* (DND*i*), extending that relationship to 11 years. The contract, which will see Epichem continue to provide synthetic & medicinal chemistry support to DNDi's drug discovery projects and will generate $1.24M in revenues during 2019.

CORPORATE

Neville Bassett AM appointed to PharmAust Board

Mr Bassett has spent more than 35 years working in accounting, finance and stockbroking. During that time, he has had considerable involvement in Australian financial markets including numerous public company listings and capital raisings, as well as mergers and acquisitions.

In 1991, he became a Director/Councillor of the Royal Flying Doctor Service (RFDS) in WA and he was Chairman of RFDS Western Operations for eight years until his retirement in 2017. He also served six years as Western Operations representative on the Board of the Australian Council of the Royal Flying Doctor Service of Australia. In 2015, Mr Bassett's decades of unwavering dedication to community service were recognised when he was awarded a Member of the Order of Australia (AM) in the Australia Day Honours.

Concurrently, Dr Wayne Best retired as a non-executive director of PharmAust. Dr Best will remain on the Board of Epichem and continue to act as Chairman of Epichem. PharmAust's Executive Chair and CEO Dr Roger Aston said, "We are delighted to welcome Neville to our Board at a particularly promising stage in the Company's growth and pleased that Wayne will remain as chair of Epichem, which he founded in 2003."

Annual General Meeting

The Annual General Meeting of the Shareholders of PharmAust Limited was held on 9 November 2018 at at RSM on Level 32, 2 The Esplanade, Perth, Western Australia. All resolutions that were put were unanimously passed on a show of hands.

SUBSEQUENT EVENTS

Since the end of the half-year, the Company has continued to make progress and has made various significant ASX announcements relating to:

- Phase I Dog Trial with New Monepantel Tablets Commences
- Monepantel's principal metabolite shows anti-cancer activity,
- Optimisation of monepantel uptake – beneficial impact of monepantel absorption in canines in specific dietary conditions, and
- PharmAust and Elanco execute Data Sharing Agreement.

On 18 February 2019, the Company advised that it seeking to raise up to approximately $2,003,007 by a pro-rata non-renounceable rights offer ("Offer") of up to approximately 80,120,266 shares on the basis of 2 new shares ("New Share") for every 5 shares held at an issue price of 2.5 cents per New Share. The Company lodged an offer document for the Offer ("Offer Document") with the ASX on 26 February 2019. At minimum subscription, the funds raised under the Offer will be used primarily to complete expenditures relevant to Phase I and Phase II canine trials using monepantel, as well as to meet Offer expenses. As funds are raised beyond minimum subscription the items of expenditure include progress towards a human clinical trial.

There have been no other significant events subsequent to the end of the reporting date.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included within this financial report.

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

Sam Wright
Director
Signed at Perth this 28th day of February 2019

PHARMAUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2018

	Note	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Revenue	7	1,871,053	1,300,871
Other income	7	681,221	369,263
Total revenue		2,552,274	1,670,134
Raw material and consumables used		(202,040)	(135,197)
Research and development expenses		(386,635)	(395,483)
Share-based payment expense		-	(708,070)
Administration expenses		(526,658)	(594,243)
Employee benefits expense		(1,414,848)	(1,254,984)
Borrowing costs		(25,799)	(18,283)
Depreciation		(86,224)	(60,317)
Loss before income tax		(89,930)	(1,496,443)
Income tax expense		-	-
Loss for the period		(89,930)	(1,496,443)
Other comprehensive income		-	-
Total comprehensive loss for the period		(89,930)	(1,496,443)
Basic and diluted loss per share (cents per share)		(0.05)	(0.93)

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2018

	Note	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
CURRENT ASSETS			
Cash and cash equivalents		961,976	1,875,431
Trade and other receivables		916,837	248,353
Other current assets		54,140	58,568
Inventories		611,816	574,015
TOTAL CURRENT ASSETS		2,544,769	2,756,367
NON CURRENT ASSETS			
Plant and equipment		2,525,995	2,494,154
Intangible assets		3,107,476	3,107,476
TOTAL NON CURRENT ASSETS		5,633,471	5,601,630
TOTAL ASSETS		8,178,240	8,357,997
CURRENT LIABILITIES			
Trade and other payables		471,387	616,825
Borrowings	8	312,134	424,634
Provisions		142,203	151,708
TOTAL CURRENT LIABILITIES		925,724	1,193,167
NON CURRENT LIABILITIES			
Borrowings	8	252,922	1,007
Provisions		-	25,605
TOTAL NON CURRENT LIABILITIES		252,922	26.612
TOTAL LIABILITIES		1,178,646	1,219,779
NET ASSETS		**6,999,594**	**7,138,218**
EQUITY			
Issued capital		49,371,354	49,371,354
Reserves	9	2,006,766	2,055,460 h
Accumulated losses		(44,378,526)	(44,288,596)
TOTAL EQUITY		**6,999,594**	**7,138,218**

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2018

	Issued Capital	Accumulated Losses	Share-Based Payment Reserve	Total
	$	$	$	$
As at 1 July 2017	**47,604,668**	**(41,766,917)**	**1,077,296**	**6,915,047**
Loss for the period	-	(1,496,443)	-	(1,496,443)
Total comprehensive loss for the period	**-**	**(1,496,443)**	**-**	**(1,496,443)**
Transactions with owners in their capacity as owners:				
Shares issued (net)	1,635,359	-	-	1,635,359
Share-based payments	-	-	708,070	708,070
As at 31 December 2017	**49,240,027**	**(43,263,360)**	**1,785,366**	**7,762,033**

	Issued Capital	Accumulated Losses	Share-Based Payment Reserve	Total
	$	$	$	$
As at 1 July 2018	**49,371,354**	**(44,288,596)**	**2,055,460**	**7,138,218**
Loss for the period	-	(89,930)	-	(89,930)
Total comprehensive loss for the period	**-**	**(89,930)**	**-**	**(89,930)**
Transactions with owners in their capacity as owners:				
Share-based payments	-	-	(48,694)	(48,694)
As at 31 December 2018	**49,371,354**	**(44,378,526)**	**2,006,766**	**6,999,594**

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2018

	Consolidated	
	31 December 2018 $	**31 December 2017 $**
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	1,202,539	599,186
Payments to suppliers and employees	(2,892,765)	(2,330,373)
Interest received	7,806	14,964
Other income	677,846	548,212
Finance costs	(25,799)	(18,283)
Net cash used in operating activities	(1,030,372)	(1,186,294)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(22,498)	-
Net cash used in investing activities	(22,498)	-
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issued (net)	-	1,635,360
Net proceeds/(repayment) of borrowings	139,415	(93,750)
Net cash provided by financing activities	139,415	1,541,610
Net movement in cash held	(913,455)	355,316
Cash at beginning of the financial period	1,875,431	2,590,330
Cash at end of the financial period	961,976	2,945,646

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2018

1. CORPORATE INFORMATION

The financial report of PharmAust Limited for the half-year ended 31 December 2018 was authorised for issue in accordance with a resolution of the Directors on 28 February 2019. PharmAust Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange. The nature of the operations and the principal activities of the Company are described in the Directors' Report.

2. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2018 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2018 and any public announcements made by PharmAust Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

COMPLIANCE STATEMENT

The financial report complies with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards ("AIFRS"). Compliance with AIFRS ensures that the financial report, comprising the financial statements and notes thereto, complies with International Financial Reporting Standards.

2. BASIS OF PREPARATION (continued)

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below:

NEW OR AMENDED ACCOUNTING STANDARDS AND INTERPRETATIONS ADOPTED

The company has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments
The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers
The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact on the financial performance and position of the consolidated entity from the adoption of the new or amended Accounting Standards and Interpretations was not material.

2. BASIS OF PREPARATION (continued)

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are initially recognised as deferred revenue in the form of a separate refund liability.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery.

Rendering of services
Revenue from a contract to provide services is recognised over time as the services are rendered based on either a fixed price or an hourly rate.

Interest
Interest revenue is recognised as interest accrues using the effective interest method.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Contract assets
Contract assets are recognised when the consolidated entity has transferred goods or services to the customer but where the consolidated entity is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

2. BASIS OF PREPARATION (continued)

Customer acquisition costs
Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the term of the contract.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year is immediately expensed to profit or loss.

Customer fulfilment costs
Customer fulfilment costs are capitalised as an asset when all the following are met: (i) the costs relate directly to the contract or specifically identifiable proposed contract; (ii) the costs generate or enhance resources of the consolidated entity that will be used to satisfy future performance obligations; and (iii) the costs are expected to be recovered. Customer fulfilment costs are amortised on a straight-line basis over the term of the contract.

Right of return assets
Right of return assets represents the right to recover inventory sold to customers and is based on an estimate of customers who may exercise their right to return the goods and claim a refund. Such rights are measured at the value at which the inventory was previously carried prior to sale, less expected recovery costs and any impairment.

2. BASIS OF PREPARATION (continued)

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted. Fair value movements are recognised in profit or loss.

Financial assets at fair value through other comprehensive income
Financial assets at fair value through other comprehensive income include equity investments which the consolidated entity intends to hold for the foreseeable future and has irrevocably elected to classify them as such upon initial recognition.

Impairment of financial assets
The consolidated entity recognises a loss allowance for expected credit losses on financial assets which are either measured at amortised cost or fair value through other comprehensive income. The measurement of the loss allowance depends upon the consolidated entity's assessment at the end of each reporting period as to whether the financial instrument's credit risk has increased significantly since initial recognition, based on reasonable and supportable information that is available, without undue cost or effort to obtain.

Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

For financial assets measured at fair value through other comprehensive income, the loss allowance is recognised within other comprehensive income. In all other cases, the loss allowance is recognised in profit or loss.

Contract liabilities
Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

2. BASIS OF PREPARATION (continued)

Refund liabilities
Refund liabilities are recognised where the consolidated entity receives consideration from a customer and expects to refund some, or all, of that consideration to the customer. A refund liability is measured at the amount of consideration received or receivable for which the consolidated entity does not expect to be entitled and is updated at the end of each reporting period for changes in circumstances. Historical data is used across product lines to estimate such returns at the time of sale based on an expected value methodology.

3. SEGMENT INFORMATION

The consolidated entity has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

	Corporate	Pharmaceutical	Total
	$	$	$
31 December 2018			
Revenue			
External sales	-	1,871,053	1,871,053
Other external revenue	597,889	83,332	681,221
Total revenue per statement of comprehensive income	597,889	1,954,385	2,552,275
Results			
Segment net profit (loss) before tax	(370,366)	280,436	(89,930)
Interest income	5,715	2,091	7,806
Interest expense	-	(25,799)	(25,799)
Depreciation and amortisation	-	(86,224)	(86,224)
Segment assets			
Segment operating assets	1,515,863	6,662,377	8,178,240
Segment liabilities			
Segment operating liabilities	(159,398)	(1,019,248)	(1,178,646)

3. SEGMENT INFORMATION (continued)

	Corporate	Pharmaceutical	Total
	$	$	$
31 December 2017			
Revenue			
External sales	-	1,300,871	1,300,871
Other external revenue	283,543	85,721	369,263
Total revenue per statement of comprehensive income			1,670,134
Results			
Segment net profit (loss) before tax	(1,387,632)	(108,811)	(1,496,443)
Interest income	14,902	64	14,966
Interest expense	-	(18,283)	(18,283)
Depreciation and amortisation	-	(60,317)	(60,317)
Segment assets			
Segment operating assets	3,203,961	5,819,523	9,023,484
Segment liabilities			
Segment operating liabilities	(344,421)	(917,030)	(1,261,451)

4. DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the half-year.

5. CONTINGENT LIABILITIES AND ASSETS

There has been no change in contingent liabilities or contingent assets since the last annual reporting date.

6. SUBSEQUENT EVENTS

On 7 February 2018, PharmAust issued 1,250,000 shares for nil consideration on conversion of Class A performance rights.

On 18 February 2019, the Company advised that it was seeking to raise up to approximately $2,003,007 by a pro-rata non-renounceable rights offer ("Offer") of up to approximately 80,120,266 shares on the basis of 2 new shares ("New Share") for every 5 shares held at an issue price of 2.5 cents per New Share. The Company lodged an offer document for the Offer ("Offer Document") with the ASX on 26 February 2019. At minimum subscription of $500,000, the funds raised under the Offer will be used primarily to complete expenditures relevant to Phase I and Phase II canine trials using monepantel, as well as to meet Offer expenses. As funds are raised beyond minimum subscription the items of expenditure include progress towards a human clinical trial.

There have been no other significant events subsequent to the end of the reporting date.

		CONSOLIDATED	
		31 DECEMBER 2018	31 DECEMBER 2017
		$	$
7.	REVENUES		
	Revenue from contracts with customers		
	Sale of goods	291,899	133,794
	Rendering of services	1,579,154	1,167,077
		1,871,053	1,300,871
	Other revenue		
	Research and development tax incentive	672,250	354,299
	Interest income	7,806	14,964
	Other revenue	1,165	-
		681,221	369,263
	Timing of revenue recognition		
	Goods transferred at a point in time	291,899	133,794
	Services transferred over time	1,579,154	1,167,077
		1,871,053	1,300,871
8.	BORROWINGS		
	CURRENT		
	EFIC Loan Facility 1*	168,750	281,250
	EFIC Loan Facility 2**	143,384	143,384
		312,134	424,634
	NON CURRENT		
	EFIC Loan Facility 1*	-	-
	EFIC Loan Facility 2**	252,922	1,007
		252,922	1,007
	TOTAL	565,056	425,641

	EFIC Loan Facility 1* $	EFIC Loan Facility 2** $	Total $
Movement in Borrowings			
At 1 July 2018	281,250	144,391	425,641
Proceeds	-	309,969	309,969
Repayments	(112,500)	(58,054)	(170,554)
At 31 December 2018	168,750	396,306	565,056

Terms and conditions:
* The EFIC Loan liability has a variable interest rate charged at the AFMA Bank Bill Average Bid Rate fix + 5% margin. At 30 June 2018 this rate was 6.86%.
** The EFIC Loan liability has a variable interest rate charged at the AFMA Bank Bill Average Bid Rate fix + 6.05% margin. At 30 June 2018 this rate was 7.91%.

	CONSOLIDATED	
	31 DECEMBER 2018 $	**30 JUNE 2018 $**
9. RESERVES		
Share-Based Payment Reserve	2,006,766	2,055,460

	# of Options	# of Performance Rights	Exercise Price $	$
Movement in Share-Based Payment Reserve				
At 1 July 2018	57,570,412	6,750,000		2,055,460
Expiry of options – 3 September 2018	(675,000)	-	0.160	-
Expiry of Class B performance rights – 31 December 2018 *	-	(2,500,000)	-	(40,578)
Expiry of Class C performance rights – 31 December 2018 *	-	(3,000,000)	-	(8,116)
At 31 December 2018	56,895,412	1,250,000		2,006,766

* The cumulative expense previously recognised for the grant of these performance rights was reversed upon failure to vest resulting from lack of satisfaction of certain other than market performance conditions. This reversal was recognised within profit and loss as administration expenses.

Unissued shares under option at 31 December 2018 were as follows:	Expiry Date	Exercise Price $	# of Options
Unlisted	30 Nov 2019	0.120	21,645,412
Unlisted	31 Mar 2020	0.075	3,750,000
Unlisted	31 Mar 2020	0.150	7,500,000
Unlisted	31 Mar 2020	0.230	9,000,000
Unlisted	31 Dec 2020	0.080	5,000,000
Unlisted	31 Jan 2022	0.090	10,000,000
			56,895,412

There were also 1,250,000 unissued shares through Class A performance rights at 31 December 2018. These performance rights were converted to ordinary shares subsequent to the reporting date. Refer to Note 6 for further details.

PHARMAUST LIMITED
DIRECTORS' DECLARATION

In the opinion of the directors of PharmAust Limited (the "company"):

1. The financial statements and notes, as set out within this financial report:

    a. complies with the *Corporations Act 2001,* Australian Accounting Standard AASB 134: Interim Financial Reporting, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

    b. gives a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year then ended.

2. There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Sam Wright
Director

Signed at Perth this 28th day of February 2019

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PHARMAUST LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of PharmAust Limited, which comprises the statement of financial position as at 31 December 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PharmAust Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of PharmAust Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PharmAust Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM AUSTRALIA PARTNERS

TUTU PHONG
Partner

Perth, WA
Dated: 28 February 2019

RSM Australia Partners

Level 32, Exchange Tower
2 The Esplanade Perth WA 6000
GPO Box R1253 Perth WA 6844

T +61 (0) 8 9261 9100
F +61 (0) 8 9261 9111

www.rsm.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PharmAust Limited for the half-year ended 31 December 2018, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

RSM AUSTRALIA PARTNERS

Perth, WA
Dated: 28 February 2019

TUTU PHONG
Partner