

PHARMAUST LIMITED
ACN 094 006 023

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

For the Annual General Meeting to be held
on Tuesday, 27 October 2015 at 12:00 noon (WST) at

Epichem Pty Ltd
Suite 5, 3 Brodie-Hall Drive
Bentley, Western Australia

This is an important document. Please read it carefully.

If you are unable to attend the Meeting, please complete the form of proxy enclosed and return it in accordance with the instructions set out on that form.

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TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of the Company will be held at:

Epichem Pty Ltd
Suite 5, 3 Brodie-Hall Drive
Bentley, Western Australia

Commencing
12:00 noon (WST)
Tuesday, 27 October 2015

How to Vote

You may vote by attending the Meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the Meeting on the date and at the place set out above. The Meeting will commence at 12:00 noon (WST) on Tuesday, 27 October 2015.

Voting by Proxy

To vote by proxy, please complete and sign the enclosed proxy form and return by:

- hand to the Company's office at Suite 7, 29 The Avenue, Nedlands, WA, 6009;
- post to PO Box 661, Nedlands, WA, 6009;
- email to sam@pharmaust.com or
- fax to facsimile number +61 9389 1464,

so that it is received not later than 12:00 noon (WST) on 25 October 2015.

PHARMAUST LIMITED
ACN 094 006 023
NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of PharmAust Limited will be held at Epichem Pty Ltd, Suite 5, 3 Brodie-Hall Drive, Bentley, Western Australia, at 12:00 noon on Tuesday, 27 October 2015 (WST) for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

ORDINARY BUSINESS

Financial Statements and Reports

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

Retirement of Professor David Morris

To note that Professor David Morris, a Director of the Company retires at the close of this Meeting.

RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purpose of Section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the remuneration report as contained in the Company's annual financial report for the financial year ended 30 June 2015."

Short Explanation: The Company is required to put a resolution to adopt the remuneration report of the Company at each annual general meeting. This is an advisory resolution only and does not bind the Directors or the Company.

Voting Exclusion:

A vote in respect of Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons (the "voter"):

- (a) a member of the key management personnel, details of whose remuneration are included in the remuneration report; or
- (b) a closely related party of such a member.

However, the voter may cast a vote on Resolution 1 as a proxy if the vote is not cast on behalf of a person described in paragraphs (a) or (b) and either:

- (c) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on Resolution 1; or
- (d) the voter is the chair of the meeting and the appointment of the chair as proxy:
 - (i) does not specify the way the proxy is to vote on the resolution; and
 - (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the entity.

RESOLUTION 2 – ELECTION OF DIRECTOR – MR SAM WRIGHT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of rule 7.3(a) of the Constitution and for all other purposes, Sam Wright, a Director who retires by rotation, and being eligible, is re-elected as a Director."

Short Explanation: Sam Wright is currently a Director and is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

RESOLUTION 3 – CONSOLIDATION OF CAPITAL

To consider, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 254H of the Corporations Act, the Company's Constitution and for all other purposes, approval is given for the consolidation of the Company's issued capital on the following basis:

- (a) every 20 Shares to be consolidated into 1 Share; and*
- (b) every 20 Options be consolidated into 1 Option and the exercise price of each Option to be amended in inverse proportion to this ratio in accordance with ASX Listing Rule 7.22.1, with the consolidation taking effect on the record date of 4 November 2015, and where this consolidation results in a fraction of a Share or Option being held by a Shareholder or Optionholder (as applicable), the Directors be authorised to round up to the nearest whole Share or Option."*

Short Explanation: Shareholder approval is required by section 254H(1) of the Corporations Act for the Company to convert Shares into a smaller number of Shares. Under the ASX Listing Rules, any Options must also be consolidated in the same ratio as the ordinary capital.

RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO DR WAYNE BEST

To consider, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and ASX Listing Rule 10.14 and for all other purposes, approval is given for the Company to issue to Dr Wayne Best or his nominee up to 250,000 Options on a post-Consolidation basis, or up to 5,000,000 Options if Resolution 3 is not passed, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting."

Short Explanation: The Company proposes to issue Options to Dr Wayne Best, a Director of the Company as part of his remuneration package. Shareholder approval is required under the ASX Listing Rules and the Corporations Act.

Voting exclusion:

The Company will disregard any votes cast on this Resolution by the Directors of the Company or any of their associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as a Shareholder. However, the Company will not disregard a vote cast on this Resolution if:

- (a) it is cast by an allottee as proxy for a person who is entitled to vote in accordance with the directions on the proxy form; or
- (b) it is cast by the Chair of the Meeting as a proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 5 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

To consider, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

"That, for the purposes of ASX Listing Rule 7.1A and for all other purposes, approval is given for the Company to issue Equity Securities up to 10% of the issued capital of the Company (at the time of issue) calculated in accordance with the formula prescribed in ASX Listing Rule 7.1A.2, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: ASX Listing Rule 7.1A permits eligible entities to obtain shareholder approval to issue an additional 10% of the entities' issued ordinary securities during a 12 month period. Shareholder approval must be given by a special resolution (at least 75% approval) at an annual general meeting.

Voting exclusion:

The Company will disregard any votes cast on this Resolution by a person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a Shareholder, if the Resolution is passed and any associates of those persons. However, the Company need not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. The Chairman will vote undirected proxies on, and in favour of, all of the proposed Resolutions (including Resolutions 1 and 4). In relation to Resolutions 1 and 4, the proxy form expressly authorises the Chairman to exercise the proxy even though the resolutions are connected directly or indirectly with the remuneration of a member of the key management personnel. Any undirected proxies held by a Director, any member of the key management personnel or

any of their closely related parties (who are not the Chairman) will not be voted on Resolutions 1 and 4.

4. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 25 October 2015 at 12:00 noon (WST).
5. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board



Mr Sam Wright
Non-Executive Director and Company Secretary

Dated: 16 September 2015

PHARMAUST LIMITED

ACN 094 006 023

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in this Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2015 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

The Company is not required to provide a hard copy of the Company's annual financial report to Shareholders unless a Shareholder has specifically elected to receive a printed copy.

Whilst the Company will not provide a hard copy of the Company's annual financial report unless specifically requested to do so, Shareholders may view the Company annual financial report on its website at <http://www.pharmaust.com>.

Shareholders will be offered the following opportunities:

- (a) discuss the Annual Financial Report for the financial period ended 30 June 2015;
- (b) ask questions and make comment on the management of the Company; and
- (c) ask the auditor questions about the conduct of the audit and preparation and content of the auditor's report.

2. INFORMATION RELATING TO RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the annual financial report of the Company for the financial year ending 30 June 2015.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

2.2 **Voting Consequences**

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "Spill Resolution") that another general meeting be held within 90 days at which all of the Directors (other than the Managing Director) must go up for re-election.

2.3 **Previous voting results**

At the Company's previous annual general meeting, the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Meeting.

2.4 **Proxy restrictions**

If you choose to appoint a proxy, you are encouraged to direct your proxy how to vote on Resolution 1 (Remuneration Report) by marking either "For", "Against" or "Abstain" on the Proxy Form for Resolution 1.

If you appoint a member of the key management personnel whose remuneration details are included in the Remuneration Report (who is not the Chairman) or a closely related party of that member as your proxy, and you do not direct that person on how to vote on this Resolution 1, the proxy cannot exercise your vote and your vote will not be counted in relation to this Resolution 1.

The Chairman intends to vote all undirected proxies in favour of Resolution 1. If the Chairman of the Meeting is appointed as your proxy and you have not specified the way the Chairman is to vote on Resolution 1, by signing and returning the proxy form you are giving express authorisation for the Chairman to vote the proxy in accordance with the Chairman's intention.

Key management personnel of the Company are the Directors and those other persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly. The Remuneration Report identifies the Company's key management personnel for the financial year to 30 June 2015. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

3. **INFORMATION RELATING TO RESOLUTION 2 – RE-ELECTION OF DIRECTOR – MR SAM WRIGHT**

Rule 7.3(a) of the Constitution requires that if the Company has three or more Directors, one third (rounded down to the nearest whole number) of those Directors (except a Managing Director) must retire at each annual general meeting. No Director (except a Managing Director) shall hold office for a period in excess of 3 years, or until the third annual general meeting following his or her appointment, whichever is the longer, without submitting himself or herself for re-election.

Sam Wright was last re-elected on 7 November 2012 and retires in accordance with these provisions and, being eligible, offers himself for re-election as a Director.

Sam Wright is a non-executive Director of the Company. Details of the qualifications and expertise of Mr Wright are set out in the 2015 Annual Report of the Company.

The Board recommends the re-election of Sam Wright as a Director.

4. INFORMATION RELATING TO RESOLUTION 3 – CONSOLIDATION OF CAPITAL

4.1 General

Resolution 3 seeks approval from Shareholders to consolidate the number of Shares and Options on issue on the basis of 1 new security for every 20 existing securities. Resolution 3 is an ordinary resolution.

Under section 254H of the Corporations Act, the Company may, by a resolution passed at a general meeting of Shareholders, convert all or any of its shares into a larger or small number of shares. ASX Listing Rule 7.22.1 provides that in a consolidation of capital, the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio.

This section of the Explanatory Statement provides the information required by Listing Rule 7.20 to be provided to Shareholders in relation to the Consolidation.

4.2 Purpose of Resolution

The Directors propose the Consolidation for the following reasons:

- (a) the Company currently has 1,840,069,106 Shares and 8,500,000 Options on issue; and
- (b) the Consolidation will result in a more appropriate and effective capital structure for the Company and a share price potentially more appealing to a wider range of investors.

4.3 Effect of the Consolidation

If Resolution 3 is passed:

- (a) the number of Shares on issue will be reduced on a 1 for 20 basis; and
- (b) the number of Options on issue will be reduced on a 1 for 20 basis, and the exercise price of those Options will be increased in inverse proportion to that ratio.

From the date of the Consolidation, all holding statements for Shares and Options (and any certificates) will cease to have any effect, except as evidence of entitlement to a certain number of Shares and Options (as the case may be) on a post-Consolidation basis.

After the Consolidation becomes effective, the Company will arrange for new holding statements for Shares and Options to be issued to holders of those securities.

It is the responsibility of each Shareholder and Optionholder to check the number of Shares or Options held prior to disposal.

4.4 Fractional entitlements and taxation

Not all Shareholders or Optionholders will hold that number of Shares or Options which can be evenly divided by 20. Where a fractional entitlement occurs, the fractional holding will be rounded up to the nearest whole Share or Option.

The Company does not consider that any taxation consequences will exist for Shareholders or Optionholders arising from the Consolidation. However, Shareholders or Optionholders are advised to seek their own tax advice on the effect of the Consolidation and neither the Company nor the Directors accept any responsibility for the individual taxation consequences from the Consolidation.

4.5 Effect on capital structure

The effect which the Consolidation will have on the capital structure of the following is as follows:

	Current	Post-Consolidation
	Number	Number
Shares	1,840,069,106	92,003,455
Options (unlisted)	8,500,000 exercise price of 0.8 cents expiry date 3 September 2018	425,000 exercise price 16 cents expiry date 3 September 2018

4.6 Timetable for the Consolidation

If approved by Shareholders, the proposed Consolidation will take effect on the Consolidation Record Date of 4 November 2015. The following is an indicative timetable (subject to change) of the key events:

Key Event	Indicative Date
General Meeting	27 October 2015
Notification to ASX that Consolidation is approved (Business Day 0)	27 October 2015
Last day for trading in pre-consolidated securities (Business Day 1)	28 October 2015
Trading in the consolidated securities on a deferred settlement basis commences (Business Day 2)	29 October 2015
Last day to register transfers on a pre-consolidation basis (Business Day 4)	2 November 2015
Notice to security holders and registration of securities on a post-consolidation basis (Consolidation Record Date) (Business Day 5)	4 November 2015
Issue of new holding statements. Deferred settlement trading ends (Business Day 9)	10 November 2015
Normal trading starts (Business Day 10)	11 November 2015

4.7 Directors' recommendation

The Directors recommend that Shareholders vote in favour of Resolution 3.

5. INFORMATION RELATING TO RESOLUTION 4 – APPROVAL TO ISSUE OPTIONS TO DR WAYNE BEST

Resolution 4 seeks Shareholder approval so that the Company may issue Options to Mr Wayne Best.

5.1 Chapter 2E of the Corporations Act – Related Party Transaction

The proposed issue of Options to Wayne Best as a Director is a financial benefit to a related party requiring Shareholder approval under the Corporations Act in the absence of a specified exception applying.

The following information is provided to Shareholders in relation to Resolution 4.

(a) **The Related Party to whom the Proposed Resolution would permit the Financial Benefit to be given**

The related party is Wayne Best or his nominees.

(b) **The Nature of the Financial Benefit**

The proposed financial benefit to be given is the issue of up to 250,000 Options on a post-Consolidation basis to Wayne Best or his nominees. In the event that Resolution 3 is not passed and the Consolidation does not occur, up to 5,000,000 Options will be issued to Wayne Best or his nominees (being the equivalent number of Options if the Consolidation does not occur).

The terms of the Options to be issued are set out in Schedule 1.

(c) **Reasons for giving the benefit and Directors' Recommendation**

The Board currently consists of Dr Roger Aston, Robert Bishop, Dr Wayne Best, Professor David Morris and Sam Wright.

Dr Wayne Best is a director of the Company and the managing director of the Company's wholly owned subsidiary, Epichem Pty Ltd. The number of Options to be issued to Wayne Best and the terms of the Options was negotiated by the Directors independent of Wayne Best. The Options are issued under the Option Plan that was approved at the 2014 annual general meeting of the Company and a pre-condition to the issue of the Options was Epichem Pty Ltd achieving audited revenue for the financial year ended 30 June 2015 of \$2,000,000 or more.

The issue of the Options to Wayne Best preserves the cash resources of the Company and is an incentive for performance that further aligns Wayne Best's interests with that of Shareholders. The independent Directors in each case consider that the particular number of Options to be issued is appropriate in light of that Director's skill and experience and their current remuneration as detailed below.

The Board considers the issue of the Options to be reasonable in the circumstances given the Company's size and stage of development and the importance of maintaining the Company's cash reserves.

The independent Directors in each case thereby recommend that Shareholders vote in favour of this Resolution.

Dr Best abstains from making a recommendation to Shareholders on this Resolution as he has a material personal interest in the outcome as the recipient of the Options.

(d) **Dilution**

Assuming the Consolidation occurs, the passing of this Resolution would have the effect of issuing up to 250,000 Options.

If any of the Options are exercised into Shares, the effect would be to dilute the shareholding of existing Shareholders. If all the 250,000 Options were exercised into Shares, the effect would be to dilute the shareholding of the existing Shareholders by approximately 0.27% based on the total number of Shares on issue after the date of the Meeting and the Consolidation.

The actual dilution will depend on the extent of further equity raised by the Company and whether any of the Options are exercised.

(e) **Total Remuneration Package of Related Party**

The current remuneration package received by Wayne Best is \$150,000 per annum as a salary plus statutory superannuation.

(f) **Existing Relevant Interest**

At the date of this Notice, Wayne Best and his associates have a relevant interest in securities of the Company of 2,874,290 Shares on a pre-Consolidation basis representing 143,715 Shares on a post-Consolidation basis.

(g) **Trading History**

The following table gives details of the highest, lowest and the latest closing price of the Company's Shares trading on the ASX over the last 12 months. This reflects pricing on a pre-Consolidation basis.

	Date	Closing Price
Highest Price	8 April 2015	1.5 cents
Lowest Price	29 & 30 January, 2 & 6 February, 24,26,27,28 & 31 August, 1,2,10 & 11 September 2015	0.6 cents
Latest Price	14 September 2015	0.7 cents

(h) **Valuation of Options**

The Options will not be quoted on ASX.

The Company's independent advisers, RSM Bird Cameron, have valued the Options by reference to a standard binomial option pricing model based on the following assumptions:

Input		Note
Underlying security spot price	0.7 cents	1
Dividend rate	0%	2
Volatility rate	100%	3
Risk free rate	1.85%	4
Expiry date	3 September 2018	5

Note 1 The underlying security spot price used for the purposes of this valuation is based on the closing price of Shares on the valuation date of 9 September 2015 which was 0.7 cents on a pre-Consolidation basis.

- Note 2 The Company does not have a history of paying dividends and no dividends are expected to be declared or paid over the life of the Options.
- Note 3 A volatility rate of 100% has been adopted and is reflective of the future volatility in the Company's Shares. This rate has been calculated by reference to the historical volatility of the Shares of the Company.
- Note 4 The risk free rate is 1.85% based on the yield of a Commonwealth Government 3 year bond, being the period which most closely corresponds to the maximum life of the Options. The bond rate is taken as the closing rate on the day prior to the valuation date.
- Note 5 The expiry date of the Options is 3 September 2018.

Based on the above assumptions the Options proposed to be issued to Dr Wayne Best or his nominees are valued at 0.41 cents per Option on a pre-Consolidation basis (total value - \$20,500). The total value of the Options will be the same if the Consolidation occurs.

(i) **Other Information**

The Directors do not consider that there are opportunity costs to the Company or benefits foregone by the Company in issuing the Options.

For accounting purposes, the Options will be recognised as an expense.

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass this Resolution.

5.2 **ASX Listing Rule 10.14**

ASX Listing Rule 10.14 provides that a company must not issue securities to a director of the company under an employee incentive scheme unless the issue has been approved by shareholders by ordinary resolution. If approval is given by shareholders under ASX Listing Rule 10.14, separate shareholder approval is not required under ASX Listing Rule 10.11.

Under this Resolution, the Company seeks approval from Shareholders for the issue of Options to Dr Wayne Best as a Director, who is a related party of the Company. The Options are to be issued under the Option Plan that was approved at the 2014 annual general meeting of the Company.

For the purposes of ASX Listing Rule 10.15, the following information is provided:

- (a) The Options will be issued to Dr Wayne Best (a Director) or his nominees. The terms of the Options to be issued are set out in Schedule 1.
- (b) The maximum number of Options that will be issued to Dr Wayne Best or his nominees is 250,000 Options on a post-Consolidation basis. In the event that Resolution 3 is not passed and the Consolidation does not occur, up to 5,000,000 Options will be issued to Dr Wayne Best or his nominees (being the equivalent number of Options if the Consolidation does not occur).
- (c) No monetary consideration is payable for the issue of the Options.

- (d) 8,500,000 Options (on a pre-Consolidation basis) to date have been issued under the Option Plan to various employees of a subsidiary of the Company for no cash consideration. Dr Best has not been issued with any of these Options. The terms of the Options are the same as the Options the subject of this Resolution.
- (e) All the Directors are entitled to participate in the Option Plan.
- (f) No loans will be provided to Directors.
- (g) The Options will be issued no later than 12 months after the date of Shareholder approval.

6. INFORMATION RELATING TO RESOLUTION 5 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

6.1 General

ASX Listing Rule 7.1 permits entities to issue 15% of its issued capital without shareholder approval in a 12 month period, subject to a number of exceptions.

ASX Listing Rule 7.1A permits eligible entities, which have obtained shareholder approval by special resolution, to issue Equity Securities up to an additional 10% of its issued capital by placements over a 12 month period after the annual general meeting ("Additional Placement Capacity").

The Company seeks Shareholder approval under this Resolution to be able to issue Equity Securities under the Additional Placement Capacity. The exact number of Equity Securities to be issued is not fixed and will be determined in accordance the formula prescribed in ASX Listing Rule 7.1A.2 (set out below).

6.2 Requirements of ASX Listing Rule 7.1A

(a) Eligible entities

An eligible entity for the purposes of ASX Listing Rule 7.1A is an entity that is not included in the S&P/ASX 300 Index and has a market capitalisation of \$300 million or less. The Company is an eligible entity.

(b) Shareholder approval

Shareholders must approve the Additional Placement Capacity by special resolution at the annual general meeting. A resolution under ASX Listing Rule 7.1A cannot be put at any other shareholder meeting.

(c) Equity Securities

Equity Securities issued under the Additional Placement Capacity must be in the same class as an existing class of Equity Securities of the Company that are quoted on ASX.

As at the date of this Notice, the Equity Securities that are quoted on ASX are fully paid ordinary Shares.

(d) Formula for calculating number of Equity Securities that may be issued under the Additional Placement Capacity

If this Resolution is passed, the Company may issue or agree to issue, during the 12 month period after this Meeting, the number of Equity Securities calculated in accordance with the following formula:

(AxD)-E

A	The number of shares on issue 12 months before the date of issue or agreement: <ul style="list-style-type: none">• plus the number of fully paid shares issued in the 12 months under an exception in ASX Listing Rule 7.2;• plus the number of partly paid shares that became fully paid in the 12 months;• plus the number of fully paid shares issued in the 12 months with the approval of shareholders under ASX Listing Rules 7.1 or 7.4;• less the number of fully paid shares cancelled in the 12 months.
D	10%
E	The number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of shareholders under ASX Listing Rules 7.1 or 7.4.

(e) **Interaction between ASX Listing Rules 7.1 and 7.1A**

The Additional Placement Capacity under ASX Listing Rule 7.1A is in addition to the Company's 15% placement capacity under ASX Listing Rule 7.1.

The Company has 1,840,069,106 Shares (pre-Consolidation) on issue as at the date of this Notice. If this Resolution is passed, the Company will be permitted to issue (as at the date of this Notice:

- 276,010,366 Equity Securities (pre-Consolidation) under ASX Listing Rule 7.1; and
- 184,006,911 Equity Securities (pre-Consolidation) under ASX Listing Rule 7.1A.

The actual number of Equity Securities that the Company will be permitted to issue under ASX Listing Rule 7.1A will be calculated at the date of issue or agreement to issue the Equity Securities in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out above).

The effect of this Resolution will be to allow the Company to issue securities under ASX Listing Rule 7.1A without using the Company's placement capacity under ASX Listing Rule 7.1.

6.3 Information for Shareholders as required by ASX Listing Rule 7.3A

(a) **Minimum price**

The issue price of the new Equity Securities will be no lower than 75% of the volume weighted average price (VWAP) for securities in the relevant quoted class calculated over the 15 trading days on which trades in that class were recorded immediately before:

- the date on which the price of the Equity Securities are to be issued is agreed; or
- if the Equity Securities are not issued within 5 trading days of the date above, the date on which the Equity Securities are issued.

(b) **Risk of economic and voting dilution**

If this Resolution is passed and the Company issues securities under the Additional Placement Facility, existing Shareholders' voting power in the Company will be diluted.

There is the risk that:

- the market price for the Company's existing Equity Securities may be significantly lower on the date of issue of the new Equity Securities than on the date of the Meeting; and
- the new Equity Securities may be issued at a price that is at a discount to the market price of the Company's existing Equity Securities on the issue date or the new Equity Securities may be issued as part of the consideration for the acquisition of a new asset,

which may have an effect on the amount of funds raised by the issue of the new Equity Securities.

The table below is on a pre-Consolidation basis and shows the dilution of existing Shareholders on the basis of the current market price of Shares and the current number of ordinary securities for variable "A" calculated in accordance with the formula in ASX Listing Rule 7.1A.2 as at the date of this Notice.

The table also shows:

- two examples where variable "A" has increased by 50% and 100%. Variable "A" is based on the number of ordinary securities the Company has on issue. The number of ordinary securities may increase as a result of issues of ordinary securities that do not require Shareholder approval (for example a pro-rata entitlement issue) or future placements under ASX Listing Rule 7.1 that are approved by Shareholders in the future;
- two examples of where the issue price of ordinary securities has decreased by 50% and increased by 100% as against the current market price.

Variable 'A' in ASX Listing Rule 7.1A.2		Dilution		
		0.35 cents 50% decrease in Issue Price	0.7 cents Issue Price	1.4 cents 100% increase in Issue Price
Current Variable A 1,840,069,106 Shares	10% Voting Dilution	184,006,911 Shares	184,006,911 Shares	184,006,911 Shares
	Funds raised	\$644,024	\$1,288,048	\$2,576,097
50% increase in current Variable A 2,760,103,659 Shares	10% Voting Dilution	276,010,365 Shares	276,010,365 Shares	276,010,365 Shares
	Funds raised	\$966,036	\$1,932,073	\$3,864,145
100% increase in current Variable A 3,680,138,212 Shares	10% Voting Dilution	368,013,821 Shares	368,013,821 Shares	368,013,821 Shares
	Funds raised	\$1,288,048	\$2,576,097	\$5,152,193

This table has been prepared on the following assumptions:

- (i) The Company issues the maximum number of Equity Securities available under the Additional Placement Capacity.
- (ii) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. This is why the voting dilution is shown in each example as 10%.
- (iii) The table does not show an example of dilution that may be caused to a particular Shareholder by reason of placements under the Additional Placement Capacity, based on that Shareholder's holding at the date of the Meeting.
- (iv) The table shows only the effect of issues of Equity Securities under ASX Listing Rule 7.1A, not under the 15% placement capacity under ASX Listing Rule 7.1.
- (v) The issue of Equity Securities under the Additional Placement Capacity consists only of Shares. If the issue of Equity Securities includes quoted Options, it is assumed that those Options are exercised into Shares for the purpose of calculating the voting dilution effect on existing Shareholders.
- (vi) The issue price is 0.7 cents, being the closing price of the Shares on ASX on 15 September 2015.

The Company's ability to issue securities under ASX Listing Rule 7.1A is in addition to its ability to issue securities under ASX Listing Rule 7.1.

(c) **Placement Period**

Shareholder approval of the Additional Placement Capacity under ASX Listing Rule 7.1A is valid from 27 October 2015 (the date of this Meeting) and expires on the earlier of:

- 27 October 2016, which is 12 months after this Meeting; or

- the date that Shareholders approve a transaction under ASX Listing Rule 11.1.2 (significant change to nature or scale of activities) or ASX Listing Rule 11.2 (disposal of the main undertaking),

or such longer period as allowed by ASX (the "**Placement Period**").

The Company will only issue and allot new securities during the Placement Period. The approval will cease to be valid in the event that shareholders' approve a transaction under ASX Listing Rules 11.1.2 or 11.2.

(d) **Purposes for which the new Equity Securities may be issued**

The Company may seek to issue new Equity Securities for the following purposes:

- cash consideration to raise funds for the acquisition of new assets or investments (including the expenses associated such acquisition), continued expenditure on the Company's current assets and for general working capital; or
- non-cash consideration for acquisition of new assets and investments or for the payment of goods or services provided to the Company. In such circumstances the Company will provide a valuation of the non-cash consideration as required by ASX Listing Rule 7.1A.3.

(e) **Allocation policy**

The Company's allocation policy for the issue of new Equity Securities under the Additional Placement Capacity will depend on the market conditions existing at the time of the proposed issue. The allottees will be determined at the relevant time having regard to factors such as:

- the methods of raising funds that are available to the Company, including but not limited to, a placement or a rights issue;
- the effect of the issue of new securities on the control of the Company;
- the financial situation and solvency of the Company;
- advice from corporate, financial and broking advisers (as relevant).

As at the date of this Notice the allottees are not known but may include existing substantial Shareholders and/or new Shareholders. No allottee under the Additional Placement Capacity will be a related party or associate of a related party. Existing Shareholders may or may not be entitled to subscribe for any Equity Securities issued under the Additional Placement Capacity and it is possible that their shareholding will be diluted.

If the Additional Placement Capacity is used to acquire new assets or investments then it is likely that the allottees will be the vendors of the new assets.

The Company will comply with the disclosure obligations under ASX Listing Rules 7.1A(4) and 3.10.5A on the issue of any new securities.

(f) **Details of Equity Securities issued in the 12 months preceding the date of Meeting**

The Company previously obtained Shareholder approval for the Additional Placement Capacity at its annual general meeting held on 24 October 2014. The Company has not issued any Equity Securities pursuant to this previous approval.

Pursuant to Listing Rule 7.3A.6 the following information is provided to Shareholders:

- The total number of Equity Securities issued in the 12 months before this Meeting (that is, since 27 October 2014) is 408,562,500 Equity Securities, which represents approximately 25.87% of the total number of Equity Securities on issue at 27 October 2014 (12 months before this Meeting). All these Equity Securities were issued under an exception in ASX Listing Rule 7.2 or with Shareholder approval.
- The details for the issue of Equity Securities issued during the 12 months preceding the date of the Meeting are set out in Schedule 2.

(g) **Voting exclusion**

At the date of this Notice, the Company has not approached any particular existing Shareholder or security holder or an identifiable class of existing security holder to participate in a proposed issue of Equity Securities under the proposed Additional Placement Capacity. No existing Shareholder's votes will therefore be excluded under the voting exclusion in the Notice.

ENQUIRIES

Shareholders may contact Sam Wright on (+ 61 8) 9386 4787 if they have any queries in respect of the matters set out in these documents.

PHARMAUST LIMITED
ACN 094 006 023

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

Additional Placement Capacity	the capacity to issue Equity Securities by way of placement approved by Shareholders under Listing Rule 7.1A.
Annual General Meeting and Meeting	the meeting convened by this Notice.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691).
ASX Listing Rules or Listing Rules	the listing rules of the ASX.
Board	the Board of Directors of the Company.
Business Day	has the same meaning as in the ASX Listing Rules.
Chairman	the chairman of the Meeting.
Company	PharmAust Limited (ACN 094 006 023).
Consolidation	the consolidation of Shares and Options referred to in Resolution 3.
Consolidation Record Date	4 November 2015 or such other date as determined by the Directors or ASX.
Constitution	the constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Directors	Directors of the Company from time to time.
Equity Securities	has the same meaning as in the Listing Rules.
Explanatory Statement	this Explanatory Statement.
Notice	notice of meeting that accompanies this Explanatory Statement.
Option	an option to acquire a Share.
Option Plan	PAA Employee Share Option Plan.
Optionholder	a registered holder of Options in the Company.
Resolution	a resolution referred to in the Notice.

Share	a fully paid ordinary share in the capital of the Company.
Shareholder	a registered holder of Shares in the Company.
WST	Western Standard Time, Perth, Western Australia.
\$	Australian dollars unless otherwise stated.

SCHEDULE 1
TERMS OF OPTIONS (Resolution 4)

1. Each Option entitles the holder to one Share.
2. The exercise price of the Options is \$0.16 (16 cents) per Option on a post-Consolidation basis (or \$0.008 (0.8 cents) if the Consolidation does not occur).
3. The expiry date of the Options is 5.00pm Western Standard Time on 3 September 2018.
4. The Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option provided that if Options are exercised in part they must be exercised in multiples of 1,000 on each occasion.
5. The Options are freely transferable. The Company will not apply for quotation of the Options on the ASX.
6. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
7. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company must apply to the ASX within 7 business days after the date of issue of all Shares pursuant to the exercise of Options to be admitted to quotation.
8. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised except in the event of a bonus issue or reconstruction. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
9. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("**Bonus Issue**"), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
10. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.

SCHEDULE 2

**ISSUES OF EQUITY SECURITIES SINCE 27 OCTOBER 2014
(Resolution 5)**

Date of Issue	Number of Equity Securities Issued	Class of Equity Securities issued and summary of that class	Names of allottees or basis on which allottees determined	Price at which Equity Securities issued and discount (if any) to market price	Total cash consideration	Amount of cash spent and use of cash and intending use of remaining cash	Non-cash consideration	Current value of non-cash consideration
20 March 2015	216,000,000	Fully paid ordinary shares	Sophisticated, professional and other investors exempt from disclosure requirements under Chapter 6D of the Corporations Act	0.785 cents per Share being a 21.5% discount to the market price on the date of issue	\$1,695,600	\$1,695,600 spent on human and animal clinical trials, fit out of new laboratory for Epichem and general working capital and nil remaining to be spent	N/A	N/A
1 June 2015	184,000,000	Fully paid ordinary shares	Sophisticated, professional and other investors exempt from disclosure requirements under Chapter 6D of the Corporations Act	0.785 cents per Share being a 28.6% discount to the market price on the date of issue	\$1,444,400	Nil spent and \$1,444,400 remaining to be spent on initiating a Phase II trial to investigate the use of PPL-1 in conjunction with chemotherapy "Standard of Care" in patients with cancer and	N/A	N/A

Date of Issue	Number of Equity Securities issued	Class of Equity Securities issued and summary of that class	Names of allottees or basis on which allottees determined	Price at which Equity Securities issued and discount (if any) to market price	Total cash consideration	Amount of cash spent and use of cash and intending use of remaining cash	Non-cash consideration	Current value of non-cash consideration
4 September 2015	62,500	Fully paid ordinary shares	Exercise of 2 cent Options by option holder	2 cents per Share being a premium to the market price on the date of issue	\$1,250	general working capital \$1,250 spent on general working capital	N/A	N/A
4 September 2015	8,500,000	Options – 0.8 cents exercise price and 3 September 2018 expiry date	Employees under Option Plan	Issued for no cash consideration	N/A	N/A	Options issued to employees under Option Plan	\$28,985 (at 0.341 cents per Option)

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**PHARMAUST LIMITED
ACN 094 006 023**

PROXY FORM

**APPOINTMENT OF PROXY
PHARMAUST LIMITED
ACN 094 006 023**

I/We

being a Member of PharmAust Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of Proxy

or failing the person so named or, if no person is named, the Chairman of the Meeting or the Chairman's nominee, to vote in accordance with the following directions or, if no directions have been given, as the proxy sees fit at the Annual General Meeting to be held at Epichem Pty Ltd, Suite 5, 3 Brodie-Hall Drive, Bentley, Western Australia on Tuesday, 27 October 2015 at 12:00 noon (WST) and at any adjournment thereof.

Important for Resolutions 1 and 4

If you appoint a member of the Company's key management personnel (other than the Chairman of the Meeting) or a closely related party of a member of the Company's key management personnel as your proxy, and you do not direct your proxy how to vote in respect of Resolutions 1 and 4 your proxy will NOT cast your vote on these Resolutions and your votes will not be counted.

If you appoint the Chairman of the Meeting as your proxy (or the Chairman of the Meeting becomes your proxy by default) and you do not direct your proxy how to vote in respect of Resolutions 1 and 4 your vote will be cast FOR this Resolution, and you hereby expressly authorise the Chairman of the Meeting to exercise your proxy even though Resolutions 1 and 4 are connected directly or indirectly with the remuneration of the members of the Company's key management personnel. **The Chair intends to vote any undirected proxies in favour of all Resolutions.**

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	Re-election of Director – Mr Sam Wright	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Consolidation of capital	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval to issue options to Dr Wayne Best	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

If you mark the abstain box for a particular item, you are directing your proxy not to vote on that item on a show of hands or on a poll and that your Shares are not to be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____ %

Please return this Proxy Form to the Company Secretary, PharmAust Limited, Suite 7, 29 The Avenue, Nedlands, WA, 6009 or PO Box 661, Nedlands, WA, 6009 or by fax to 08 9389 1464 by 12:00 noon (WST) on Sunday, 25 October 2015 .

Signed this _____ day of _____ 2015.

By:

Individuals and joint holders

Companies (affix common seal if appropriate)

Signature

Director

Signature

Director/Secretary

Signature

Sole Director and Sole Secretary

PHARMAUST LIMITED

ACN 094 006 023

Instructions for Completing Appointment of Proxy Form

1. In accordance with section 249L of the Corporations Act, a Shareholder of the Company who is entitled to attend and cast two or more votes at a general meeting of Shareholders is entitled to appoint two proxies. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes.
2. A duly appointed proxy need not be a member of the Company. In the case of joint holders, all must sign.
3. Corporate Shareholders should comply with the execution requirements set out on the Proxy Form or otherwise with the provisions of section 127 of the Corporations Act. Section 127 of the Corporations Act provides that a Company may execute a document without using its common seal if the document is signed by:
 - 2 Directors of the Company;
 - a Director and a Company Secretary of the Company; or
 - for a proprietary Company that has a sole Director who is also the sole Company Secretary – that Director.

For the Company to rely on the assumptions set out in sections 129(5) and (6) of the Corporations Act, a document must appear to have been executed in accordance with sections 127(1) or (2). This effectively means that the status of the persons signing the document or witnessing the affixing of the seal must be set out and conform to the requirements of section 127(1) or (2) as applicable. In particular, a person who witnesses the affixing of a common seal and who is the sole Director and sole Company Secretary of the Company must state that next to his or her signature.

4. Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. Where a Proxy Form or form of appointment of corporate representative is lodged and is executed under power of attorney, the power of attorney must be lodged in like manner as this proxy.

In accordance with section 250BA of the Corporations Act the Company specifies the following for the purposes of receipt of proxy appointments:

Registered Office: Suite 7, 29 The Avenue, Nedlands, WA, 6009
Postal address: PO Box 661, Nedlands, WA, 6009
Email address: sam@pharmaust.com
Fax Number: (08) 9389 1464

by at least 48 hours prior to the time of commencement of the Meeting.