

ASX Release

31st October 2016

## Appendix 4C - Quarterly Report & Company Update for the period ended 30 September 2016

**PharmAust Limited** ("PharmAust") (ASX: PAA) is pleased to provide an update and review of its activities.

During the quarter, the Company has continued to make progress with the development of its key anti-cancer product, Monepantel ("MPL") and has further continued to build the contract sales and income activities of its wholly owned subsidiary, Epichem Pty Ltd. Since completing its Phase I studies in man and canines with MPL during 2014 and 2015, where it was shown that MPL is active against tumours by suppressing tumour markers and that the safety profile of the drug is very satisfactory, the Company has focused its efforts in generating a first generation oral capsule to enable further studies without the palatability challenges encountered during the phase I stage. In August this year Juniper Pharma Services (UK) delivered first batches of capsules to enable canine studies to begin in Cambridge, Sydney and Brisbane.

PharmAust's clinical strategy with MPL is now focused on deriving evidence that the drug has a direct effect on tumours in terms of regression or stabilizing the tumour development (progression-free survival). The Board believes that deriving solid evidence that MPL can affect tumour regression and prolong survival will be a key inflection point for the Company.

### Phase II Canine Clinical Trial

Since receiving agreement from the University of Cambridge to begin canine cancer trials, as announced in the last quarterly report, PharmAust has begun recruiting and treating animals in a Phase II format, investigating not only safety and markers but also tumour regression and survival. PharmAust's strategy is to now to accelerate the recruitment of canine patients as the outcome of this trial is likely to be highly representative of what to expect in the human Phase II trial.

To date three dogs have been treated at the University of Cambridge in the UK, the Animal Research Unit in Homebush, NSW and the Queensland Veterinary Specialists. The Company can confirm that dosing of the pet dogs by the owners with the new capsules is substantially better than administering MPL solution. Furthermore, although it is early stages, some regression has been observed in canine recipients of MPL capsules. More will be announced when canines have been on treatment for long enough periods to judge its performance. MPL continues to be well tolerated from a safety perspective.

It should be noted that the current Phase II trial is exploratory, in that it is hoped that it will not only provide evidence for tumour regression and longer patient survival but also provide pointers as to which cancers are particularly susceptible to MPL treatment. It should furthermore be recognized that many of the pet dogs being treated will have failed standard treatments and as such will be very progressed at the time of recruitment.

### Epichem revenues up 28% - best ever start to a financial year

Epichem Pty Ltd has experienced its best ever start to a financial year with revenues up 28% on the same period last year. Total revenues for the July – September 2016 quarter were \$733,514 compared to \$574,057 for the July to September 2015 quarter.

Epichem's Managing Director, Dr Wayne Best, said "We are experiencing strong demand for both our reference standards and contract medicinal chemistry services, and are well on track to achieve total revenues in excess of \$3m for FY17."

## **Epichem achieves ISO 9001:2015 certification**

Epichem Pty Ltd was certified to the international standard for quality ISO 9001:2015 on 14 September 2016. This certification covers Epichem's Quality Management System (QMS) for the synthesis and distribution of fine chemicals, reference standards, technical services and provision of contract research and consulting.

The certification, conducted by the accreditation body ECAAS, elevates Epichem to a select group of companies who have demonstrated a commitment to quality at the highest level. The QMS ensures that robust procedures and practices are in place for all aspects of Epichem's operations and is the basis for reliably providing customers with products and services of consistently high quality.

Epichem's Managing Director, Dr Wayne Best, said "We are delighted to have been recognised by certification to ISO 9001:2015. It is a reflection of our commitment to quality, continuous improvement and customer focus." Dr Best added "Many of Epichem's clients operate in the highly regulated pharmaceutical sector and our certification will be seen as a significant development in our relationship with them."

## **GenScript Pre-Clinical Validation for Phase II Trial**

PharmAust's contract with Genscript has now been completed, although we may still use them to assist in the determination of cancer markers in dog and human trials in the future. Following PharmAust's demonstration that combinations of chemotherapy and monepantel result in synergy with respect to anticancer activity, Genscript has confirmed that cancer-bearing mice receiving MPL respond by both tumour regression and suppression of marker p70S6K.

## **Nasdaq Listing**

PharmAust continues to work towards completing preparative work for its US\$10m fully underwritten Nasdaq listing. It should be noted that the requirement to undertake a re-audit of our end of year accounts for 2014, 2015 and 2016 to comply with PCAOB auditing standards as well as the mandatory 60-day review period of the Nasdaq offer document (F1) by the SEC means that the roadshows and listing process will not begin until Q1 2017.

## **Annual General Meeting**

The Annual General Meeting of the Shareholders of PharmAust Limited will be held at Spruson & Ferguson, Level 35, St Martins Tower, 31 Market Street, Sydney, New South Wales, at 11:00 am (EDST) on Friday, 11 November 2016.

**For further details, please contact:**

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## Appendix 4C

### Quarterly report for entities subject to Listing Rule 4.7B

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

**Name of entity**

PharmAust Limited

**ABN**

35 094 006 023

**Quarter ended ("current quarter")**

September 2016

<b>Consolidated statement of cash flows</b>	<b>Current quarter \$A'000</b>	<b>Year to date (3 months) \$A'000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	720	720
1.2 Payments for		
(a) research and development	(134)	(134)
(b) product manufacturing and operating costs		
(c) advertising and marketing		
(d) leased assets	(8)	(8)
(e) staff costs	(473)	(473)
(f) administration and corporate costs	(535)	(535)
1.3 Dividends received (see note 3)		
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (GST)	(1)	(1)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(428)</b>	<b>(428)</b>

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

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

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of shares		
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings	(38)	(38)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	<b>Net cash from / (used in) financing activities</b>	<b>(38)</b>	<b>(38)</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of quarter/year to date	921	921
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(428)	(428)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(33)	(33)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(38)	(38)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>423</b>	<b>423</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	412	874
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)	10	10
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>423</b>	<b>884</b>

**6. Payments to directors of the entity and their associates**

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

**Current quarter  
\$A'000**

170

Director's Salaries & Superannuation

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

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

**Current quarter  
\$A'000**

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

9. <b>Estimated cash outflows for next quarter</b>	\$A'000
9.1 Research and development	120
9.2 Product manufacturing and operating costs	
9.3 Advertising and marketing	
9.4 Leased assets	10
9.5 Staff costs	350
9.6 Administration and corporate costs	420
9.7 Other (provide details if material)	
<b>9.8 Total estimated cash outflows</b>	<b>900</b>

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

### Compliance statement

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

Sign here:

  
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(Director & Company Secretary)

31 October 2016

Date: .....

Sam Wright

Print name:

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### Notes

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