

Epichem enters voluntary liquidation

1 August 2023 – Perth, Australia: PharmAust Limited (ASX: PAA & PAAO) confirms that David Hodgson and Andrew Hewitt, of Grant Thornton Australia Limited, have been appointed as joint and several liquidators for the administration of the creditor's voluntary winding-up proceedings for the Company's 100% owned subsidiary, Epichem Pty Ltd (Epichem) (ACN 106 769 902).

A large contributing factor to Epichem's success over the years has been its long-standing relationship and research contract with DNDi. This contract funded Epichem to do research into developing new treatments for neglected diseases.

The contract with DNDI was not renewed past March of 2023 and as a result, Epichem is currently operating at a loss with the shortfall being funded by PharmAust.

Epichem, as a CRO relies heavily on the pharmaceutical sector which has been significantly impacted by COVID-19 and other movements in the industry.

The Australian pharmaceutical industry has experienced a significant shift towards overseas operation in recent years. This trend can largely be attributed to the cost of running a CRO in Australia. Many CRO's have elected to shift or expand their manufacturing facilities, research and development centres, and clinical trial operations in countries with lower production costs or emerging markets with high growth potential.

It follows that this shift has led to a decline in local opportunities for contracts and a reduction in domestic employment opportunities within the industry. While Epichem has remained operational through these times, the increasing overseas presence raises challenges in terms of securing ongoing contracts when competing against overseas CRO's who can operate at a lower cost.

This can be seen through the loss of Epichem's longstanding contract with DNDi. Funding for the research in this sector has dried up in Australia with much of the work being awarded to overseas CRO's who can produce similar work for a reduced cost.

Despite Epichem's best endeavours, key long term contracts to replace the DNDi contract could not be secured.

PharmAust engaged external advisors to conduct a review of the Epichem business and provide an independent report setting out the options available to PharmAust on how to restructure, recapitalise or exit the business of Epichem, the consequences of each option and what each option practically entails. Following review of this report, the Company has determined that it will not provide any further funding to Epichem.

The decision to wind up Epichem has been made in in the best interests of PharmAust shareholders. The voluntary liquidation of Epichem is not expected to impact upon the rest of PharmAust's operations and this decision will furthermore enable the Company to focus all its resources on the clinical development of monepantel in human diseases and the canine anti-cancer and licensing activities.

This announcement is authorised by the Board.

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