

PHARMAUST LIMITED
ACN 094 006 023

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

For the Annual General Meeting to be held
on Friday 24 October 2014 at 12:00 pm/noon (Western Standard Time) at

Steve's Wine Cellar
30 The Avenue
Nedlands, 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.

TIME AND PLACE OF GENERAL MEETING AND HOW TO VOTE

Venue

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

Steve's Wine Cellar
30 The Avenue
Nedlands, Western Australia

Commencing
12:00 pm/noon (WST)
Friday, 24 October 2014

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 pm/noon (WST) on Friday, 24 October 2014.

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 pm/noon (WST) on 22 October 2014.

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 Steve's Wine Cellar, 30 The Avenue, Nedlands, Western Australia, at 12:00 pm/noon on 24 October 2014 (Western Standard Time) 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 2014 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

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 2014."

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 – PROFESSOR DAVID MORRIS

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, Professor David Morris, a Director who retires by rotation, and being eligible, is re-elected as a Director."

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

RESOLUTION 3 – ELECTION OF DIRECTOR – DR WAYNE BEST

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 7.2(c) of the Constitution and for all other purposes, Dr Wayne Best offers himself for election, and is hereby elected as a Director of the Company from the date of the Meeting in accordance with the Constitution."

Short Explanation: Dr Best is presented for election in accordance with the Company's Constitution.

RESOLUTION 4 – 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.

RESOLUTION 5 – APPROVAL OF EMPLOYEE INCENTIVE PLAN

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

"That, for the purposes of ASX Listing Rule 7.2 Exception 9(b) and for all other purposes Shareholders approve the issue of securities under the "PAA Employee Share Option Plan" for a period of 3 years commencing on the date of this Meeting on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company is seeking to rely on ASX Listing Rule 7.2 exception 9(b) which provides that ASX Listing Rules 7.1 and 7.1A do not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders and the issue of securities is within 3 years from the date of shareholder approval.

Voting exclusion:

The Company will disregard any votes cast on this resolution by the Directors of the Company and any of their associates. However, the Company need not disregard a vote cast on this Resolution if:

- (a) it is cast by a person as a 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.

Restriction on proxy voting by key management personnel or closely related parties: A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:

- (a) the proxy is either:
 - (i) a member of key management personnel; or
 - (ii) a closely related party of such a member; and
- (b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

- (c) the proxy is the chair of the meeting; and
- (d) the appointment expressly authorises the Chairperson 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.

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 Resolution 1 (Adoption of Remuneration Report)). In relation to Resolution 1, 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 (Adoption of Remuneration Report). 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 ended 30 June 2014. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

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 18 October 2014 at 12.00 pm/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

A handwritten signature in black ink, appearing to read 'S. Wright', with a small star-like mark at the end of the signature.

Mr Sam Wright
Non-Executive Director and Company Secretary

Dated: 18 September 2014

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

In accordance with the Constitution, 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 2014 together with the declaration of the directors, the directors' report, the remuneration report and the auditor's report.

In accordance with amendments to the Corporations Act the Company is no longer 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 2014;
- (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

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 2014.

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

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.

The Company encourages all Shareholders to cast their votes on Resolution 1 (Remuneration Report). 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.

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 2014. Their closely related parties are defined in the Corporations Act, and include certain of their family members, dependants and companies they control.

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.

3. INFORMATION RELATING TO RESOLUTION 2 – RE-ELECTION OF DIRECTOR – PROFESSOR DAVID MORRIS

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.

Professor David Morris was last re-elected on 12 August 2013 and retires in accordance with these provisions and, being eligible, offers himself for re-election as a Director.

The Board recommends the re-election of Professor Morris as a Director.

4. INFORMATION RELATING TO RESOLUTION 3 – ELECTION OF DIRECTOR – DR WAYNE BEST

It is intended that Dr Wayne Best be elected as a Director of the Company, pursuant to clause 7.2(c) of the Company's Constitution.

Wayne is the Managing Director of PharmAust's wholly owned subsidiary, Epichem Pty Ltd and has almost 30 years' experience in synthetic and medicinal chemistry both in academia, government and industry. Wayne obtained his BSc (Hons) and PhD in Organic Chemistry from The University of Western Australia. He then spent two years at Imperial College in the UK where he obtained a DIC, followed by a year at the Australian National University in Canberra.

Wayne then took up a position with ICI Australia's Research Group in Melbourne where he spent over four years designing and synthesizing a range of biologically active compounds, particularly agrochemicals. During this time Wayne was seconded for six months to ICI Agrochemicals' Jealott's Hill Research Station in the UK to work on the rational design of a novel herbicide target.

Following ICI, Wayne returned to Western Australia and spent the ten years preceding Epichem at the Chemistry Centre (WA) where he was responsible for the formation and running of the Medicinal & Biological Chemistry Section which undertook collaborative R&D into drug discovery and contract synthesis for the drug discovery and pharmaceutical industries.

Wayne is a Fellow of the Royal Australian Chemical Institute and has held appointments as an Adjunct Associate Professor at both Murdoch University and The University of Western Australia. He is also a Graduate Member of the Australian Institute of Company Directors.

The Board recommends the election of Dr Best as a Director.

5. INFORMATION RELATING TO RESOLUTION 4 – APPROVAL OF ADDITIONAL PLACEMENT CAPACITY

5.1 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 Resolution 4 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).

5.2 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 and listed Options (exercise price of 2 cents, expiry date 31 August 2015).

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

If Resolution 4 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	<p>The number of shares on issue 12 months before the date of issue or agreement:</p> <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 1,440,006,606 Shares on issue as at the date of this Notice. If Resolution 4 is passed, the Company will be permitted to issue (as at the date of this Notice:

- 216,000,991 Equity Securities under ASX Listing Rule 7.1; and
- 144,000,661 Equity Securities 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 Resolution 4 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.

5.3 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 Resolution 4 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 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		
		0.5 cents 50% decrease in Issue Price	1.0 cents Issue Price	2.0 cents 100% increase in Issue Price
Current Variable A 1,440,006,606 Shares	10% Voting Dilution	144,000,661 Shares	144,000,661 Shares	144,000,661 Shares
	Funds raised	\$720,003	\$1,440,007	\$2,880,013
50% increase in current Variable A 2,160,009,909 Shares	10% Voting Dilution	216,000,991 Shares	216,000,991 Shares	216,000,991 Shares
	Funds raised	\$1,080,005	\$2,160,010	\$4,420,020
100% increase in current Variable A 2,880,013,212 Shares	10% Voting Dilution	288,001,321 Shares	288,001,321 Shares	288,001,321 Shares
	Funds raised	\$1,440,007	\$2,880,013	\$5,760,026

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 1.0 cent, being the closing price of the Shares on ASX on 17 September 2014.

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 24 October 2014 (the date of this Meeting) and expires on the earlier of:

- 24 October 2015, 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, rights issues or other issues in which existing security holders can participate;
- 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 has previously obtained Shareholder approval for the Additional Placement Capacity. 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 29 October 2013) is 2,000,000 Options. The total number of Equity Securities on issue at 29 October 2013 was 1,440,006,606 Shares and 137,500,001 Options. The total number of Equity Securities issued in the 12 months since 29 October 2013 is 0.13% of the total number of Equity Securities on issue at 29 October 2013.
- The details for the issue of Equity Securities issued during the 12 months preceding the date of the Meeting are:

Date of issue:	15 November 2013
Number of Equity Securities:	2,000,000
Summary of terms:	Listed Options exercisable at 2 cents each expiring 31 August 2015.
Names of persons or basis on which allottees were determined:	Peloton Capital was issued with the Options under a corporate advisory mandate agreement.
Price:	The Options issued for no consideration.
Discount to market price:	Not applicable.
Current value of the non-cash consideration:	The Company has valued the Options as at 17 September 2014 at \$0.004 cents per Options using a quoted market price valuation as the Options are listed. The last trading price of the Options was \$0.004 cents on 17 September 2014. Therefore, the current value of the 2,000,000 Options is \$8,000.

(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.

6. INFORMATION RELATING TO RESOLUTION 5 – APPROVAL OF EMPLOYEE INCENTIVE PLAN

6.1 Background

The Board has adopted the PAA Employee Share Option Plan ("**Option Plan**") to enable the Company to issue Options to eligible participants being employees and directors.

The Option Plan is intended to provide an opportunity to eligible participants to participate in the Company's future growth.

A copy of the Option Plan will be made available for inspection at the Meeting. A summary of the Option Plan is set out in Schedule 1.

No securities have yet been issued under the Option Plan.

It is intended to issue approximately 16 million options under the Plan to staff of wholly owned subsidiary, Epichem Pty Ltd, subject to the achievement of a performance hurdle.

6.2 Regulatory Requirements

Shareholder approval is not required under the Corporations Act or the ASX Listing Rules for the establishment or operation of the Plan. However, Shareholder approval is being sought to allow the Company to rely on an exception to the calculation of the placement limits imposed by ASX Listing Rule 7.1 on the number of securities that may be issued without shareholder approval. ASX Listing Rule 7.2 exception 9(b) provides that ASX Listing Rules 7.1 and 7.1A do not apply to an issue of securities under an employee incentive scheme that has been approved by shareholders and the issue of securities is within 3 years from the date of shareholder approval of the issue of securities under the employee incentive scheme.

If an offer is made to a Director to participate in the Option Plan then separate Shareholder approval will need to be obtained.

6.3 Recommendation

The Board recommends that Shareholders approve the Option Plan. It will allow the Company to issue securities for the benefit of participants of the Option Plan whilst preserving the Company's placement limits of issuing securities and provide flexibility in the manner in which the Option Plan is managed.

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.
Chairman	the chairman of the Meeting.
Company	PharmAust Limited (ACN 094 006 023).
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.
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

SUMMARY OF THE TERMS OF THE EMPLOYEE INCENTIVE PLAN (Resolution 5)

- 1. Purpose**

The purpose of the Option Plan is to provide an incentive for eligible participants to participate in the future growth of the Company and to offer Options to assist with reward, retention, motivation and recruitment of eligible participants.
- 2. Eligible Participants**

Eligible participants are a full or part-time employee, or a director of the Company or a subsidiary and any nominee of such a person ("**Eligible Participants**").
- 3. Offers**

Subject to any necessary Shareholder approval, the Board may offer Options to Eligible Participants for nil consideration.
- 4. Exercise Price**

The exercise price of Options will be determined by the Board in its discretion provided that the exercise price will not be less than either any minimum price prescribed by the ASX Listing Rules or the weighted average closing sale price of Shares on ASX over the 5 trading days on which sales of Shares were recorded immediately preceding the date of the offer.
- 5. Expiry Date**

The expiry date of Options will be determined by the Board but will be no longer than 5 years from the date of issue of an Option.
- 6. Vesting, Performance Criteria and Lapse**

An Option may only be exercised after that Option has vested and before its expiry date. The Board may determine the vesting period and any performance criteria or restrictions upon the exercise of Options.

Notwithstanding any performance/vesting criteria, all Options may be exercised during the offer period of a takeover bid or, in the Board's discretion, in the event of the death or permanent disablement of an Eligible Participant.

If the holder of Options ceases to be an Eligible Participant, the Options held will automatically lapse unless the Board otherwise determines within 30 days after the relevant person ceases to be an Eligible Participant. The Board may further determine that any unexercised Options will lapse if an Eligible Participant acts fraudulently or dishonestly or is in material breach of his or her obligations to the Company.
- 7. Shares issued on exercise of Options**

Each Option entitles the holder to one fully paid ordinary share on exercise of the Option.
- 8. Transferability and quotation**

Options may not be transferred without the prior written approval of the Board. Quotation of the Options on the ASX will not be sought.

However, the Company will apply for official quotation of Shares issued on exercise of Options.

9. Limitation on number of Options

Shares to be received on the exercise of all Options under the Option Plan when aggregated with the number of Shares issued during the previous 5 years under any employee share plan of the Company must not exceed 5% of the total number of Shares on issue at the time of the relevant offer. Various excluded offers may be disregarded so as to not count for the 5% limit.

10. Administration of the Plan

The Option Plan will be administered under the directions of the Board and the Board may determine procedures for the administration of the Option Plan as it considers appropriate.

11. Operation

The operation of the Plan is subject to the ASX Listing Rules and the Corporations Act.

**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 Steve's Wine Cellar, 30 The Avenue, Nedlands, Western Australia on 24 October 2014 at 12:00 pm/noon (WST) and at any adjournment thereof.

Important for Resolutions 1 and 5

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 5 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 5 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 5 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 – Prof David Morris	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3	Election of Director – Dr Wayne Best	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4	Approval of Additional Placement Capacity	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5	Approval of Employee Incentive Plan	<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 pm/noon (WST) on 22 October 2014 .

Signed this _____ day of _____ 2014.

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.