



PharmAust Limited

ABN 35 094 006 023

**Half Yearly Report – December
2005**

“Results for announcement to the market”

Result	Change	Amount
Revenue from Ordinary Activities	up 475% to	\$3,213,129
(Loss) from Ordinary Activities after Tax Attributable to Members	up 26% to	(\$1,256,133)
Net (Loss) Attributable to Members	up 26% to	(\$1,256,133)

It is not proposed that a dividend be declared for this reporting period.

Reporting Period: Half Year Ending 31 December 2005

Previous Reporting Period: Half Year Ending 31 December 2004

This information is given to ASX in accordance with Listing Rule 4.2A.
The information should be read in conjunction with the 2005 Annual Financial Report of the Company.

**PHARMAUST LIMITED
ABN 35 094 006 023
AND ITS CONTROLLED ENTITIES**

**Interim Financial Report
for the half-year ended 31 December 2005**

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PHARMAUST LIMITED DIRECTORS' REPORT

The directors of the company submit the financial report of the consolidated entity for the half-year ended 31 December 2005.

DIRECTORS

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

John Thompson (appointed 4 July 2005)
Bryant McLarty
Paul D'Sylva
Wayne Best

The directors have been in office since the beginning of the interim period to the date of this report unless otherwise stated.

ADOPTION OF AUSTRALIAN EQUIVALENT TO IFRS

This interim financial report has been prepared under Australian equivalents to IFRS. A reconciliation of differences between previous GAAP and Australian equivalents to IFRS has been included in Note 8 of this financial report.

REVIEW OF OPERATIONS

Key features of the half year results include:

- Sales up to \$3.21 million, a 475% increase on the prior corresponding period
- Loss of \$1.26 million. (Corresponding period: Loss of \$998,000)
- \$3.08 million revaluation of Mimotopes' assets contributes to an increase in Net Assets to \$7.15 million. (Approx 9.5c per share).
- Strong sales growth across the key markets in the U.S, Europe and Australia

The growth in sales and assets demonstrate that significant progress has been made in expanding the business and developing a capacity to service it. PharmAust's balance sheet has been strengthened and its operating revenue increased \$2.65 million over the previous corresponding period to reach \$3.21 million.

The underlying growth of the business during the period has reinforced the Company's strategy to focus its operations on two fast growing segments of the pharmaceutical production chain, namely pre-clinical discovery chemistry and generic pharmaceuticals.

FINANCING SUMMARY

During the period, PharmAust Limited lodged a Prospectus seeking to raise approximately \$3,029,631 via a non-renounceable rights issue to fund the accreditation of the GMP manufacturing facility, the registration of new generic products and the expansion of Mimotopes Pty Ltd. PharmAust received acceptances from shareholders and applications for 7,351,071 new ordinary shares and 7,351,071 attaching options to raise \$1,470,214 in the Rights Issue, which closed on 7 December 2005.

Additionally the Company has in place with its banker National Australia Bank, a line of credit facility with a limit of \$1.35 million

PHARMAUST LIMITED DIRECTORS' REPORT

INVESTMENTS SUMMARY

In July 2005 PharmAust made an investment in specialist chemistry company Advanced Molecular Technologies Pty Ltd (AMT). AMT is focused on the development and commercialisation of new Intellectual Property and bioactive nucleoside analogs. In return for PharmAust Group companies providing AMT with facilities and in-kind support, PharmAust Limited received a 15% equity stake in the company. AMT and PharmAust subsidiary Epichem have agreed to establish a joint product sales catalogue.

OPERATIONS SUMMARY

Mimotopes Pty Ltd

This was a significant period for Mimotopes, with strong revenue growth through sales of peptide products, an R&D partnering deal with Phylogica Ltd to expedite development of improved peptide-based therapeutics and two major alliances with global life science companies. In November 2005, Mimotopes was selected as the preferred global supplier of research-grade peptides for the biotechnology group Invitrogen Corporation (NASDAQ: IVGN). In December, Mimotopes signed a letter of intent with Genzyme Pharmaceuticals, a division of Genzyme Corporation (NASDAQ: GENZ), to offer a co-branded suite of research and clinical peptides to both companies' significant customer bases. These deals have enabled Mimotopes to expand its production capacity locally, as well as enhance its production capabilities offshore by way of strategic out-sourcing arrangements.

Epichem Pty Ltd

During the period Epichem expanded its operations with the establishment of a Melbourne-based medicinal chemistry arm. Together with Murdoch University and the Centre for Drug Candidate Optimisation, Epichem was granted funding from the 'Drugs for Neglected Diseases Initiative' to progress its anti-parasitic lead compounds to a number of potential drug candidates for the treatment of trypanosome infections. Epichem also began a collaboration with NeuroSolutions Ltd to assist with the development of several pain drug candidates.

PharmAust Manufacturing Pty Ltd

PharmAust Manufacturing continued the refurbishment of its Welshpool plant during the period with a focus on establishing compliance and validation for the facility. PharmAust Manufacturing is on track to establish its Therapeutic Goods Administration (TGA) licence and a TGA site audit was completed in February 2006. Instatement of the TGA licence will allow manufacture of PharmAust Manufacturing's full suite of TGA registered products, as well as manufacture of therapeutic goods on behalf of third parties.

AUDITOR'S INDEPENDENCE DECLARATION

In accordance with section 307 of the Corporations Act 2001, the Directors have obtained a declaration of independence from RSM Bird Cameron Partners, the consolidated entity's auditors.

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



Dr Paul D'Sylva
Director

Signed at Perth this 13th day of March 2006

PHARMAUST LIMITED
INCOME STATEMENT
For the half-year ended 31 December 2005

	Consolidated	
	31 December 2005 \$	31 December 2004 \$
Revenue from ordinary activities	<u>3,213,129</u>	<u>558,554</u>
Administration	(3,062,569)	(1,316,078)
Amortisation	-	(28,903)
Borrowing costs	(53,395)	(1,173)
Cost of sales	(1,227,786)	(196,077)
Depreciation	<u>(125,512)</u>	<u>(14,439)</u>
Loss before income tax	(1,256,133)	(998,111)
Income tax expense relating to ordinary activities	<u>-</u>	<u>-</u>
Net loss after income tax expense	<u>(1,256,133)</u>	<u>(998,111)</u>
Basic loss per share (cents per share)	(1.835)	(2.354)
Diluted loss per share (cents per share)	(1.835)	(2.354)

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
BALANCE SHEET
As at 31 December 2005

	Consolidated		
	31 December 2005 \$	30 June 2005 \$	31 December 2004 \$
CURRENT ASSETS			
Cash and cash equivalents	212,684	630,152	1,530,520
Trade and other receivables	1,600,078	783,584	518,646
Inventories	413,734	304,291	542,765
Other assets	3,320	67,097	
TOTAL CURRENT ASSETS	<u>2,229,816</u>	<u>1,785,124</u>	<u>2,591,931</u>
NON CURRENT ASSETS			
Available-for-sale financial assets	5,800	77,800	8,500
Property, plant and equipment	6,480,484	3,099,903	3,081,895
Intangible assets	387,725	157,000	690,763
TOTAL NON CURRENT ASSETS	<u>6,874,009</u>	<u>3,334,703</u>	<u>3,781,158</u>
TOTAL ASSETS	<u>9,103,825</u>	<u>5,119,827</u>	<u>6,373,089</u>
CURRENT LIABILITIES			
Trade and other payables	1,519,196	1,037,739	311,577
Interest bearing liabilities	121,130	77,624	27,347
Provisions	132,443	79,457	
TOTAL CURRENT LIABILITIES	<u>1,772,769</u>	<u>1,194,820</u>	<u>338,924</u>
NON CURRENT LIABILITIES			
Interest bearing liabilities	171,142	56,614	105,605
TOTAL NON CURRENT LIABILITIES	<u>171,142</u>	<u>56,614</u>	<u>105,605</u>
TOTAL LIABILITIES	<u>1,943,911</u>	<u>1,251,434</u>	<u>444,529</u>
NET ASSETS	<u>7,159,914</u>	<u>3,868,393</u>	<u>5,928,560</u>
EQUITY			
Contributed equity	19,115,170	17,653,481	17,348,047
Asset revaluation reserve	3,085,965	-	-
Accumulated losses	(15,041,221)	(13,785,088)	(11,419,487)
TOTAL EQUITY	<u>7,159,914</u>	<u>3,868,393</u>	<u>5,928,560</u>
Net Tangible Assets per Share	9.06c		7.68c

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2005

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
As at 1 July 2004	11,080,254	(10,540,376)	-	82,144	622,022
Loss for the period	-	(998,111)	-	-	(998,111)
Sale of equity to parent entity	-	-	-	(82,144)	(82,144)
Shares issued (net)	6,267,793	-	-	-	6,267,793
As at 31 December 2004	17,348,047	(11,538,487)	-	-	5,809,560

	Issued Capital	Accumulated Losses	Asset Revaluation Reserve	Outside Equity Interest	Total Equity
	\$	\$	\$	\$	\$
As at 1 July 2005	17,653,481	(13,785,088)	-	-	3,868,393
Loss for the period	-	(1,256,133)	-	-	(1,256,133)
Shares issued (net)	1,461,689	-	-	-	1,461,689
Net increase in reserve	-	-	3,085,965	-	3,085,965
Net tax effect of reserve	-	-	-	-	-
As at 31 December 2005	19,115,170	(15,041,221)	3,085,965	-	7,159,914

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
CASH FLOW STATEMENT
For the half-year ended 31 December 2005

	Consolidated	
	31 December 2005	31 December 2004
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	2,301,789	184,056
Payments to suppliers and employees	(3,948,177)	(1,763,494)
Interest received	11,467	24,673
Interest and other costs of finance paid	(53,395)	(1,173)
Net cash used in operating activities	<u>(1,688,316)</u>	<u>(1,555,938)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for plant and equipment	(200,367)	(2,674,067)
Proceeds from sale of plant and equipment	-	2,996
Payments for intangibles	-	(157,002)
Proceeds from sale of investments	71,253	-
Net cash used in investing activities	<u>(129,114)</u>	<u>(2,828,073)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue	1,461,689	5,742,799
Payments of borrowings	(61,727)	(10,556)
Net cash provided by financing activities	<u>1,399,962</u>	<u>5,732,243</u>
Net increase/(decrease) in cash held	(417,468)	1,348,232
Cash at beginning of the financial period	<u>630,152</u>	<u>182,288</u>
Cash at end of the financial period	<u>212,684</u>	<u>1,530,520</u>

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 "Interim Financial Reporting". Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 "Interim Financial Reporting".

The half-year financial report should be read in conjunction with the Annual Financial Report of PharmAust Limited as at 30 June 2005. It is also recommended that the half-year financial report be considered together with any public announcements made by PharmAust Limited and controlled entities during the half-year ended 31 December 2005 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

As this is the first half-year financial report prepared under Australian equivalent to IFRS, the accounting policies applied are inconsistent with those applied in the 30 June 2005 Annual Report as this financial report was presented under previous Australian GAAP. Accordingly, a summary of the significant accounting policies under Australian equivalents to IFRS has been included below. A reconciliation of equity and profit and loss between previous GAAP and Australian equivalents to IFRS has been prepared as per Note 8.

(a) Basis of accounting

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

The financial report covers the consolidated entity of PharmAust Limited and controlled entities. PharmAust Limited is a listed public company domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

(b) Going Concern

The financial report has been prepared on the basis of accounting principles applicable to a going concern, which assumes the commercial realisation of the future potential of the Company's and consolidated entity's assets and the discharge of their liabilities in the normal course of business.

The Board considers that the Company and consolidated entity are going concerns for the twelve month period from the date of this financial report due to the additional share capital of \$2,089,417 that has been raised subsequent to 31 December 2005, as disclosed on Note 7, and the ability of the Company and consolidated entity to derive increased operating revenues and cash-flows, as a consequence of the other matters that are also disclosed in Note 7 and as has occurred in the half-year ended 31 December 2005, as disclosed in the income statement and cash flow statement. Further funding, if required, can be derived from either one or a combination of the following:

- The further placement of securities under ASX Listing Rule 7.1;
- An excluded offer pursuant to the Corporations Act 2001; or
- A further prospectus issued pursuant to the Corporations Act 2001.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

1. BASIS OF PREPARATION OF HALF-YEAR FINANCIAL STATEMENTS (Cont.)

(b) Going Concern (cont.)

Accordingly, the Directors believe that the Company will obtain sufficient funding to enable it and the consolidated entity to continue as going concerns and that it is appropriate to adopt that basis of accounting in the preparation of the financial report.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Principles of Consolidation

A controlled entity is any entity controlled by PharmAust Limited. Control exists where PharmAust Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with PharmAust Limited to achieve the objectives of PharmAust Limited.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profit or losses, have been eliminated on consolidation.

Where controlled entities have entered or left the consolidated entity during the period, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The consolidated entity adopts the liability method of tax-effect accounting whereby the income tax expense is based on the profit from ordinary activities adjusted for any non-assessable or disallowed items.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property, plant and equipment are measured on the cost basis less depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against fair value reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings.

Depreciation

The depreciable amount of all fixed assets including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Buildings	2.5%
Leasehold improvements	5%
Plant and equipment	5-33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the consolidated entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the consolidated entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(e) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets held for trading

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Available-for-sale financial assets

A financial asset not held for trading are classified as available-for-sale financial assets and are stated at their fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the directors assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(f) Intangibles

Patents and trademarks

Patents and trademarks are recognised at cost of acquisition. Patents and trademarks have an indefinite life and are carried at cost less any impairment losses.

Licences

Patents and trademarks are recognised at cost of acquisition. Licences have a definite life and are carried at cost less any accumulated amortisation and any impairment losses. Licences are amortised on a straight-line basis from the grant date of the licence to its expiry date.

(g) Acquisition of Assets

All assets acquired, including property, plant and equipment and intangibles other than goodwill, are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

When equity instruments are issued as consideration, their market price at the date of acquisition is used as fair value, except where the notional price at which they could be placed in the market is a better indication of fair value.

Transaction costs arising on the issue of equity instruments are recognised directly in equity subject to the extent of proceeds received, otherwise expensed.

(h) Impairment of Assets

At each reporting date, the directors assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the directors makes a formal estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. It is determined for an individual asset, unless the asset's value in use cannot be estimated to be close to its fair value less costs to sell and it does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

2. SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(j) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, net of bank overdrafts.

(j) Revenues

Revenue from the sale of goods is recognised upon delivery of goods to the customer.

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

3 CONTRIBUTED EQUITY

	31 December 2005 \$	30 June 2005 \$
Issued Capital		
Ordinary shares – fully paid	<u>19,115,170</u>	<u>17,653,481</u>
 Movement in ordinary shares on issue	Number	\$
Balance at beginning of period	68,166,707	17,653,481
Shares cancelled – November 2005	(800,000)	-
Rights issue – December	7,409,406	1,481,881
Share transaction costs	<u>-</u>	<u>(20,192)</u>
Balance at end of period	<u>74,776,113</u>	<u>19,115,170</u>

4 NON CASH INVESTING AND FINANCING ACTIVITIES

During the financial period, the company had the following non cash transactions that are not disclosed in the Cash Flow Statement:

- Plant and equipment purchased on a hire purchase agreement for \$219,761.

5 SEGMENT INFORMATION

Business Segments	Travel and Tourism		Pharmaceutical		Consolidated	
	2005	2004	2005	2004	2005	2004
	\$	\$	\$	\$	\$	\$
Segment revenue						
Sales to customers outside the consolidated entity	-	71,115	3,132,536	465,609	3,132,536	536,724
Other revenues from customers outside the consolidated entity	-	-	80,593	21,830	80,593	21,830
Unallocated revenue	-	-	-	-	-	-
Total segment revenue	<u>-</u>	<u>71,115</u>	<u>3,213,129</u>	<u>487,439</u>	<u>3,213,129</u>	<u>558,554</u>
Segment result	<u>(3,951)</u>	<u>(6,662)</u>	<u>(1,252,182)</u>	<u>(991,449)</u>	<u>(1,256,133)</u>	<u>(998,111)</u>
Consolidated entity loss before income tax expense					<u>(1,256,133)</u>	<u>(998,111)</u>

6 CONTINGENT LIABILITIES

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

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

7 EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the reporting period, the Company have taken part in the following transactions:

- On 27 January 2006, the Company and Genzyme Corporation signed an exclusive and global Strategic Alliance Agreement to provide the peptide market with a total suite of products and services.
- From 31 January to 2 February 2006, the Therapeutic Goods Administration (TGA) conducted their site audit registration of PharmAust Manufacturing Pty Ltd's manufacturing site in Welshpool, WA for compliance with the code of GMP for Medicinal Products. On 9 March 2006, the TGA issued the relevant licence to manufacture therapeutic goods.
- On 14 February 2006, the Company signed a new three-year contract with global biotechnology group, Invitrogen Corporation, to exclusively supply research-grade peptides to Invitrogen's worldwide customer base.
- On 7 March 2006, the Company completed the placement of the November 2005 Rights Issue shortfall placing 7,797,086 shares and 7,797,086 options to raise \$1,559,417. Of this amount, \$500,000 is to be placed to a related party of the Company and is subject to shareholder approval.
- On 13 March 2006, the Company placed 2,400,000 shares and 2,400,000 options to raise an additional \$480,000 on identical terms to the November 2005 Rights Issue to exempt investors.

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2005

8. FIRST-TIME ADOPTION OF AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

The impact of adoption of AIFRS on the total equity and profit after tax as reported under Australian Accounting Standards applicable before 1 July 2005 ('AGAAP') are illustrated below.

(a) Reconciliation of total equity under AGAAP to that under AIFRS

	1 July 2004	31 Dec 2004	30 June 2005
	\$	\$	\$
Total equity under AGAAP	741,022	5,928,560	3,868,393
Adjustments to equity			
Write-off of goodwill (i)	(119,000)	(119,000)	-
Total equity under AIFRS	622,022	5,809,560	3,868,393

(i) On transition at 1 July 2004, an impairment loss of \$119,000 has been recognised against Goodwill.

(b) Reconciliation of loss after tax under AGAAP to that under AIFRS

	Half-year ended 31 Dec 2004	Year ended 30 June 2005
	\$	\$
Loss after tax as previously reported	(998,111)	(3,363,712)
Adjustments to loss after tax		
Add-back of goodwill previously written off (i)	-	119,000
Loss after tax under AIFRS	(998,111)	(3,244,712)
Basic loss per share (cents per share)	(2.35)	(5.87)
Diluted loss per share (cents per share)	(2.35)	(5.87)

(i) For the year ended 30 June 2005, the write-off of Goodwill recognised in accordance with AGAAP has been reversed under AIFRS as this intangible asset was previously written-off on the transition to AIFRS at 1 July 2004.

(c) Explanation of material adjustments to the cash flow statements

There are no material differences between the cash flow statements presented under AIFRS and those presented under AGAAP.

**PHARMAUST LIMITED
DIRECTORS' DECLARATION**

The directors of the company declare that:

- 1) The financial statements and notes set out on pages 2 to 15 are in accordance with the Corporations Act 2001 and:
 - (a) comply with the Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001;
 - (b) give a true and fair view of the consolidated entity's financial position as at 31 December 2005 and of its performance, as represented by the results of its operations and cash flows for the half-year ended 31 December 2005.
- 2) At the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts when they become due and payable.

This statement is made in accordance with a resolution of the Board of Directors.



Dr Paul D' Sylva
Director

Signed at Perth this 13th day of March 2006

RSM Bird Cameron Partners

Chartered Accountants

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INDEPENDENT REVIEW REPORT TO THE MEMBERS OF PHARMAUST LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity and cash flow statement, accompanying notes to the financial statements, and the directors' declaration for PharmAust Limited (the Company) and the consolidated entity, for the half-year ended 31 December 2005.

The consolidated entity comprises both the company and the entities it controlled during the half-year.

The directors of the company are responsible for preparing a financial report that gives a true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Review approach

We conducted an independent review of the financial report in order to make a statement about it to the members of the company, and in order for the company to lodge the financial report with the Australian Stock Exchange and the Australian Securities and Investments Commission.

Our review was conducted in accordance with Australian Auditing Standards applicable to review engagements, in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with the Corporations Act 2001, Accounting Standard AASB 134 "Interim Financial Reporting" and other mandatory financial reporting requirements in Australia, so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and of its performance as represented by the results of its operations and cash flows.

A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Independence

In conducting our review, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the financial report.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the financial report of the consolidated entity, comprising of PharmAust Limited and the entities it controlled during the half-year is not in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the consolidated entity at 31 December 2005 and of its performance for the half-year ended on that date; and
 - (ii) complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 13 March 2006

RSM Bird Cameron Partners

Chartered Accountants

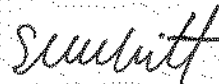
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AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF PHARMAUST LIMITED

In relation to our review of the financial report of PharmAust Limited for the half-year ended 31 December 2005, to the best of our knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



S C CUBITT
Partner

Perth, WA
Dated: 13 March 2006