

PHARMAUST LIMITED

ABN 35 094 006 023

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

**For the Shareholders General Meeting to be held
on 12 July 2011 at 12 noon (Western Standard Time) at
Macedonian Community Centre of WA, 51 Albert Street, North Perth, 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 General Meeting of the Company will be held at:

Macedonian Community Centre of WA
51 Albert Street
North Perth, Western Australia

on 12 July 2011 at 12 noon (Western Standard Time)

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 noon (WST).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of General Meeting as soon as possible and either:

- send the proxy form by hand to the Company's office at 50 Derby Road, Subiaco WA 6008;
- send the proxy form by post to PO Box 9028, Subiaco, WA 6008; or
- send the proxy form by facsimile to facsimile number +61 8 9381 4056,

so that it is received not later than 12 noon (WST) on 10 July 2011.

Your proxy form is enclosed.

PHARMAUST LIMITED

ABN 35 094 006 023

NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of PharmAust Limited will held at the Macedonian Community Centre of WA, 51 Albert Street, North Perth, Western Australia, on 12 July 2011 at 12 noon (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

SPECIAL BUSINESS

Resolution 1 – Approval to Change of Nature and Scale of Activities

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

"That, subject to Resolutions 2 to 3 being passed, for the purposes of Listing Rule 11.1 and for all other purposes, approval is given for the Company to change the nature and scale of its activities by undertaking the Pela Transaction on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 11.1 to allow the Company to undertake the Pela Transaction and thereby make a significant change to the nature and scale of its activities.

The Company will disregard any votes cast on this Resolution by a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need not disregard a vote 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 a 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 2 – Approval to issue securities to Vendors

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

"That, subject to Resolutions 1 and 3 being passed, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 150,000,000 Shares to the Vendors pursuant to the terms of the Share Sale Agreement and otherwise on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Shareholder approval is sought under Listing Rule 7.1 to allow the Company to issue a number of securities that is more than 15% of its ordinary share capital on issue at the commencement of the previous 12 month period.

The Company will disregard any votes cast on this Resolution by Vendors, any 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 holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need not disregard a vote 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 a 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 3 – Election of Director – Gregory Cunnold

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

"That, subject to the passing of Resolutions 1 and 2, Gregory Cunnold offers himself for election, and is hereby elected as a Director of the Company in accordance with the Constitution and from completion of the Pela Transaction."

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

Resolution 4 – Ratification of the placement of securities

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

"That for the purpose of ASX Listing Rule 7.4 and for all other purposes, approval is given to the ratification of the allotment and issue of 24,000,000 Shares and 24,000,000 Options in the capital of the Company on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: On 2 May 2011 the Company issued 24,000,000 Shares and 24,000,000 free attaching Options to raise \$600,000. Shareholder approval is sought under Listing Rule 7.4 to ratify the issue of the Shares and Options and thereby refresh the Company's capacity to make future issues of securities up to the 15% threshold under Listing Rule 7.1.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary shares, if this Resolution is passed and any associate of those persons. However, the Company need not disregard a vote 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 a 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 Share Placement Facility

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

"That for the purpose of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 100,000,000 Shares in the capital of the Company at an issue price that is at least 80% of the average market price calculated over the last 5 days on which sales of securities were recorded before the day on which the issue is made, or, if there is a prospectus issued relating to the issue, over the last 5 days on which sales

of the Company's Shares are recorded before the date of the prospectus and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under ASX Listing Rule 7.1, the Company may not issue or agree to issue equity securities in any 12 month period representing more than 15% of its ordinary share capital on issue at the commencement of that period without Shareholder approval. By obtaining the prior approval of Shareholders for the issue of securities proposed under this Resolution, the Company retains the flexibility to make future issues of securities up to that threshold.

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 holder of ordinary securities, if this Resolution is passed, and any associate of those persons. However, the Company will not disregard a vote 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 a person chairing that meeting as a proxy for a person who is entitled to vote in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. 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 10 July 2011 at 4 pm (WST).
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.

By order of the Board

Mr Bryant McLarty
Executive Chairman
Dated: 10 June 2011

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.

PART A – INFORMATION ABOUT THE PELA TRANSACTION

1. INTRODUCTION

As announced on 9 February 2011, PharmAust has entered into an agreement to acquire Pela Resources Pty Ltd (**Pela**) in consideration of the issue of 150,000,000 Shares (**Pela Transaction**). Pela Resources Pty Ltd has the rights to an 80% downstream interest in a European high grade precious and base metal advanced exploration project “Luke River”.

Further details of the Luke River Project are set out in Section 2 below.

On completion of the Pela Transaction Mr Gregory Cunnold will join the Board. Further details of Mr Cunnold are set out in section 0 below.

Completion of the Pela Transaction is conditional upon the satisfaction of various conditions including Shareholder approvals by the Company and completion of due diligence and the Company becoming entitled to acquire 100% of Pela as a result of the Pela Shareholders accepting offers to be made to them by the Company.

The ASX reserves the right to impose escrow upon the PharmAust securities issued to the Vendors as part of the Pela Transaction.

2. LUKE RIVER PROJECT

Luke River is an advanced exploration project located in northeast Macedonia. Extensive historical exploration and limited exploration has delineated numerous hydrothermal vein structures reporting high grade precious and base metal mineralisation.

Historical resource estimates and feasibility studies completed over the Luke River project area were completed predominantly by the Yugoslav government in compliance with the Russian classification systems. The mineralisation is not JORC compliant and cannot be reported here, however, rock chip samples taken from mullock dumps and outcrop, carried out as part of the due diligence, support the stated grades. The highest assay values returned for the elements of interest are tabulated below: -

Element	Grade
Gold	16.30 g/t
Silver	91.50 g/t
Lead	3.7 %
Zinc	4.0 %

Notes

- [1] Analysis carried out by SGS
- [2] Au FAS, AAS, 50g
- [3] Ag Pb Zn AAS after DIG
- [4] All others ICP – OES after Aqua Regia Digest.

The Luke River Project consists of the Luke River Tenement. The project area of 29.33 km² in the Kriva Palanka district is well serviced with sealed roads, reticulated power from the national grid and an abundant water supply. The border with Serbia defines the northern margin of the concession and the border crossing into Bulgaria is within 20 kilometres of the project area to the south east.

Some 12 hydrothermal vein structures have been delineated within the project area, interpreted to be related to a sub volcanic (dacite) intrusive to the north. The area is characterized by very good outcrop and the structures have a mapped strike length of up to 3 kilometres. Limited drilling and underground development has confirmed the down dip extension of mineralisation and the structures remain open at depth.

Pela has advised that its exploration program at the Luke River project is well advanced. Drilling has commenced, the first phase of geophysics is nearing completion and all access agreements and site works are completed.

One of the two drilling rigs contracted to execute the diamond drilling program is on site and has commenced operations. Drilling aims to test historical drilling initially and subsequently extend any mineralisation encountered. Diamond drilling will be utilised in order to determine the geometry of the mineralisation and its structural controls.

The first phase of the geophysical survey initiated during March 2011, is nearing completion. A ground traverse of induced polarisation and resistivity analysis was commissioned in order to better delineate the hydrothermal vein structures known to host the precious and base metal mineralisation at Luke River. The first phase has been centred on the area to be drill tested and its immediate surrounds. The preliminary reports suggest that the survey has been effective in differentiating the veins from their host rocks although it is envisaged that the drilling will definitively ground truth the survey in the following weeks. The second phase of the survey, which will extend over nearly 3 kilometres of strike will be contingent on the results of the first phase.

All of the access agreements and site works pertaining to the drilling program have been completed. Pela has enjoyed the full cooperation of the authorities for its operations on both a local and national government level.



Figure 1 : Luke River Location

The information in this Explanatory Statement that relates to Exploration Results is based on information compiled by Mr Greg Cunnold who is a member of the Australasian Institute of Mining and Metallurgy. Mr Cunnold is a self-employed geologist and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to be qualified as a Competent Person as defined by the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg Cunnold consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

3. PELA TRANSACTION DOCUMENTS

The key transaction document for the Pela Transaction is a share sale deed made between the Vendors, Pela and the Company. By the deed the Company agrees to buy all the shares in Pela free from encumbrances in consideration for the issue of a total of 150,000,000 Shares to be issued to the Vendors.

The Vendors have covenanted in favour of the Company that their relevant interests will be less than 20%. The Vendors have provided warranties consistent with a share sale agreement including warranties as to Pela, RI Energetika and the Luke River Tenement.

The conditions for completion under the deed are the Company completing due diligence in respect of the transaction and the Company obtaining all necessary shareholder approval by this Notice.

RI Energetika (of which Pela holds 80%) will at completion have assets and liabilities that are unrelated to the Luke River Project. These assets and liabilities are intended to be transferred to a newly created company after completion of the Pela Transaction. The Company will have no interest in this newly created company. The Vendors have

warranted that RI Energetika will suffer no loss or claim by reason of the assets and liabilities that are not related to the Luke River Project.

In order to facilitate current drilling of, and expenditure on, the Luke River Project pending completion of the Pela Transaction, the Company has loaned approximately \$290,000 to Pela. Interest is payable at the RBA Cash Rate plus 2% and is repayable on completion of the Pela Transaction.

Additionally, Pela (as the 80% shareholder of RI Energetika) is a party to a contract with the 20% shareholder of RI Energetika by which Pela will have decision making power in relation to the Luke River Project.

4. **PROPOSED PELA TRANSACTION TIMETABLE**

General meeting of Shareholders	12 July 2011
Completion of the Pela Transaction – issue of Shares to the Vendors	13 July 2011

These dates are indicative only and may change without notice.

5. **EFFECT OF TRANSACTION ON THE COMPANY**

5.1 **Pro forma capital structure**

The pro-forma capital structure of the Company by reason of completion of the Pela Transaction under this Notice is as follows:

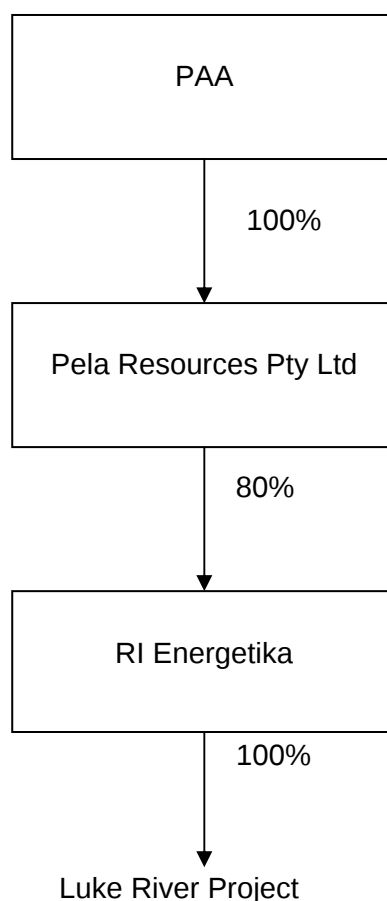
Shares	Number
Shares	316,914,937
Issue of Shares to Vendors (Resolution 2)	150,000,000
Total	466,914,937
Options	Number
Options at the date of this Notice ¹	270,457,060

Note:

The table above assumes no Options are exercised.

1. The existing Options have an exercise price of 10 cents and an expiry date of 31 March 20120.

5.2 Post Pela Transaction Corporate Structure Diagram



5.3 Pro forma Statement of Financial Position

The pro-forma Statement of Financial Position of the Company by reason of the Pela Transaction and the Resolutions under this Notice is set out below.

Unaudited Proforma Consolidated Statement of Financial Position As At 31 May 2011

	31 May 2011 \$	Consolidated 31 May 2011 \$
CURRENT ASSETS		
Cash and cash equivalents	433,846	433,846
Trade and other receivables	51,549	51,549
Financial assets	4,450	4,450
TOTAL CURRENT ASSETS	<u>489,845</u>	<u>489,845</u>
NON CURRENT ASSETS		
Property, plant and equipment	590,716	590,716
Lambouka Exploration & evaluation expenditure	5,048,481	5,048,481
Investment in Pela Resources		3,000,000
TOTAL NON CURRENT ASSETS	<u>5,639,197</u>	<u>8,639,197</u>

TOTAL ASSETS	6,129,042	9,129,042
CURRENT LIABILITIES		
Trade and other payables	159,094	159,094
Short-term borrowings	36,787	36,787
Short-term provisions	38,989	38,989
TOTAL CURRENT LIABILITIES	234,870	234,870
NON CURRENT LIABILITIES		
Long-term borrowings	20,988	20,988
TOTAL NON CURRENT LIABILITIES	20,988	20,988
TOTAL LIABILITIES	255,858	255,858
NET ASSETS	5,873,184	8,873,184
EQUITY		
Issued capital	29,983,900	32,983,900
Reserves	622,090	622,090
Accumulated losses	-24,732,806	-24,732,806
TOTAL EQUITY	5,873,184	8,873,184

The Statement of Financial Position of the Company as at 31 May 2011 has been adjusted to allow for the issue of 150,000,000 Shares to the Vendors at a deemed issue price of 2 cents per Share for a total of \$3,000,000. The Vendor Shares will ultimately be valued at the date of Shareholder approval in accordance with Accounting Standards.

6. CHANGE TO BOARD OF DIRECTORS

The Board of Directors currently comprises of:

- (a) Mr Bryant McLarty (Executive Chairman);
- (b) Mr Henry Gulev (Non Exec. Director); and
- (c) Mr Sam Wright (Non Exec. Director).

On completion of the Pela Transaction Gregory Cunnold will be appointed to the Board.

Mr Greg Cunnold is a geologist with over 18 years experience in the international exploration industry. His expertise extends from project definition and acquisition, through grass roots exploration and delineation, to resource definition and bankable feasibility. During his career Greg has worked on a range of precious metal, base metal and industrial mineral projects throughout the world.

Greg was the first geologist to Romania for Gabriel Resources, where he resided for 5 years working as project manager on the Rosia Montana gold project, culminating in the completion of a BFS on the 14 million ounce gold deposit defined there. More recently Greg was the Exploration Manager for Reward Minerals, during which time the company discovered and delineated Australia's first potash resource of over 20 million tonnes of potassium sulphate at Lake Disappointment.

Greg holds a Bachelor of Science (Geology) degree from the University of Western Australia. He is also a member of the Australian Institute of Geoscientists (MAIG) and the Australian Institute of Mining and Metallurgy.

7. RISKS

The Pela Transaction will provide the Company with an opportunity to expand its resource interests to include a European high grade precious and base metal advanced exploration project. In addition to the general risks applicable to all investments in listed companies, some of the material risks associated with developing the Macedonia projects include:

- (a) Exploration and Development Risks – The Luke River Project is still in the exploration and evaluation phase. Exploration, by its nature, is a high-risk undertaking. There can be no assurance that the Company's exploration will result in the delineation or discovery of a significant mineral resource. Even if a significant mineral resource is identified, there can be no guarantee that it can be economically exploited.
- (b) Sovereign Risk - There is a sovereign risk involved with investing in foreign countries, including the risk that mining concessions may be revised or cancelled by new laws or changes in direction by the government in question. Any of these factors may in the future adversely affect the Company's interests in Macedonia. The political risk is also increased as the Republic of Macedonia is surrounded of some historically unstable countries.
- (c) Commodity and Currency Price Volatility - The Company's ability to benefit from any future mining operations will depend on market factors, some of which may be beyond its control. Commodities are principally sold throughout the world in US dollars. The Company's cost base will be payable in various currencies including Australian dollars and Macedonian denar. As a result, any significant and/or sustained fluctuations in the exchange rate between these currencies and US dollars and/or adverse movements in commodity prices, could have a materially adverse effect on the Company's operations, financial position (including revenue and profitability) and performance.
- (d) Title – The Luke River Tenement will be subject to renewal. The renewal of tenements is at the discretion of the relevant government authority. Additionally, tenements are subject to a number of government specific legislative conditions. The inability to meet these conditions could affect the standing of a tenement or restrict its ability to be renewed. If a tenement or licence is not renewed or granted, the Company may suffer significant damage through loss of the opportunity to develop and discover any mineral resources on that tenement
- (e) Transaction liability risks – After the completion of the Pela Transaction the Company will own 100% of Pela which in turn owns 80% of RI Energetika. The Company faces the risk that RI Energetika will have liabilities prior to the transfer of such liabilities. This risk has been minimised but not eliminated by the inclusion of a number of warranties in the Share Sale Agreement.
- (f) Insurance risks - Insurance coverage of all risks associated with mineral exploration and production is not always available and, where available, the costs can be prohibitive. The Company, where economically feasible, may insure its operations in accordance with industry practice. However, even if insurance is taken out, in certain circumstances the Company's insurance may not be of a nature or level to provide adequate insurance cover. The occurrence of an event

that is not covered, or fully covered, by insurance could have a material adverse effect on the business, financial condition and results of the Company.

- (g) **Reliance on Key Management** - The responsibility of overseeing the day-to-day operations and the strategic management of the Company and the Luke River Project will depend substantially on its senior management and its key personnel. The Company's ability to develop the Luke River Project depends, in part, on its ability to attract and retain key personnel. There can be no assurance given that there will be no detrimental impact on the Company if one or more employees cease their employment. Additionally, the inability to continue to attract and retain appropriately qualified personnel could have a material adverse effect on the Company's business.
- (h) **Additional Requirements for Capital** - The Company's ability to raise capital including for the Luke River Project depend on many factors, including the results of exploration and any subsequent development. Any equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programs as the case may be.

8. **EXISTING COMPANY PROJECTS**

The Company currently has 2 existing projects, being:

- (a) an epichem drug discovery and development business in the pharmaceutical and biotechnology market sector (**Epichem**); and
- (b) a Lambouka oil and gas project where the Company is entitled to earn a 10% interest in two contiguous offshore exploration petroleum permits (**Lambouka**).

The Company will continue to focus on expanding the Epichem business and, in particular, the export market. Further expenditure of up to approximately \$500,000 may be incurred on expanding laboratory space.

In relation to Lambouka, assuming that re-drilling occurs in late 2011, the Company will have a number of alternatives including:

- (a) contributing to drill expenditure to maintain its interest;
- (b) selling its interest before the expenditure election; or
- (c) withdrawing from the project and losing its interest.

9. **ESTIMATED EXPENDITURE BUDGET**

The Company intends to fund its existing projects and the Luke River Project as follows:

Project	Expenditure over the next 12 months
Epichem	\$2,200,000
Lambouka	\$2,000,000
Luke River	\$620,000

The actual use of funds may vary from the above estimates. Amongst other things, expenditure will depend upon revenues from Epichem and any future capital raisings. The Board reserves the right to vary the use of funds dependent on circumstances and other opportunities.

10. OTHER INFORMATION

10.1 Conditionality of Resolutions

Resolutions 1 to 3 are conditional upon the passing of each other, so that each will not have effect unless and until the other is passed.

10.2 Plans for the Company if the Resolutions are not passed

If the Resolutions are not passed and the Pela Transaction is not completed, the Company will continue to focus on its existing Epichem and Lambouka Projects and may look to acquire other projects with the ability to create shareholder value.

10.3 Directors' recommendation

The Pela Transaction constitutes a change in the nature and scale of activities undertaken by the Company. The proposed restructure will position the Company with rights in respect of an European high grade precious and base metal advanced exploration project.

The Directors unanimously consider that the Pela Transaction is in the best interests of the Company and recommend that Shareholders vote in favour of all Resolutions.

The Directors have agreed to put the Resolutions to Shareholders and, separately, have approved the information contained in this Explanatory Statement.

Each of the Directors intend to vote their Shares in favour of each of the Resolutions.

PART B – RESOLUTIONS AND REGULATORY REQUIREMENTS

11. RESOLUTION 1 – APPROVAL TO CHANGE OF NATURE AND SCALE OF ACTIVITIES

ASX Listing Rule 11.1 provides that where an entity proposes to make a significant change, either directly or indirectly, to the nature or scale of its activities, it must provide full details to ASX as soon as practicable. ASX Listing Rule 11.1.2 provides that, if ASX requires, the entity must get the approval of Shareholders and must comply with any requirements of ASX in relation to the Notice of Meeting.

Completion of the Pela Transaction will constitute a significant change in the nature and scale of the Company's activities. ASX has determined that Shareholder approval is required under Listing Rule 11.1.

Shareholders should refer to the information at sections 1 to 10 for information about the Pela Transaction and its impact on the Company.

12. RESOLUTION 2 – APPROVAL TO ISSUE SECURITIES TO VENDORS

Resolution 2 seeks Shareholder approval to allow the Company to issue up to 150,000,000 Shares to the Vendors pursuant to the terms of the Share Sale Agreement.

Listing Rule 7.1 provides, subject to certain exceptions, a listed company must not issue equity securities where the number of equity securities proposed to be issued represents more than 15% of the company's shares then on issue without the approval of Shareholders.

The issue of Shares to the Vendors will exceed the Company's 15% capacity under Listing Rule 7.1. The purpose of Resolution 2 is to seek Shareholder approval to issue Shares to the Vendors as the consideration payable for the acquisition of Pela.

Listing Rule 7.3 sets out the matters which must be included in the notice of meeting convened to seek Shareholder approval under Listing Rule 7.1. For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to this Resolution.

- (a) The maximum number of securities to be issued to the Vendors by the Company is 150,000,000 Shares.
- (b) The securities will be allotted and issued no later than 3 months after the date of this Meeting (or a later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The Shares will be issued for a deemed issue price of 2 cents each.
- (d) The allottees of the securities will be the Vendors. None of the allottees are related parties of the Company other than entities related to Gregory Cunnold who is a proposed Director and thereby a related party pursuant to section 228(6) of the Corporations Act. The Company is relying upon exception 6 in ASX Listing Rule 10.12 for not seeking separate Shareholder approval for the issue of securities to this related party.
- (e) The Shares issued will be fully paid ordinary shares of the Company that rank equally with the Company's current issued Shares.
- (f) No funds will be raised by issue of these securities. The securities are part of the consideration payable by the Company for the acquisition of Pela.
- (g) It is intended that all the securities will be allotted on one date.

13. RESOLUTION 3 – ELECTION OF DIRECTOR – MR GREGORY CUNNOLD

On completion of the Pela Transaction it is intended that Mr Cunnold be elected as a Director of the Company, pursuant to clause 7.2(c) of the Company's Constitution,

Details of the qualifications and experience of Mr Cunnold are set out in section 6 of Part A of this Explanatory Statement.

14. RESOLUTION 4 – RATIFICATION OF THE PLACEMENT OF SECURITIES

On 2 May 2011 the Company issued 24,000,000 Shares at an issue price of 2.5 cents per Share and 24,000,000 free attaching Options.

The Shares and Options were not issued to related parties of the Company.

Resolution 4 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares and Options.

Details about the ASX Listing Rule requirements regarding Listing Rule 7.1 is set out in section 12 above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with Shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution:

- (a) The number of securities allotted was:
 - (i) 24,000,000 Shares; and
 - (ii) 24,000,000 Options;
- (b) The securities were issued at the following prices:
 - (i) 2.5 cents for the Shares; and
 - (ii) the Options were free;
- (c) The securities were issued on the following terms:
 - (i) the Shares are all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
 - (ii) the Options are exercisable at 10 cents and expiry on 31 March 2012 and otherwise on the terms outlined in Annexure 1;
- (d) The Shares were allotted and issued to institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act, none of whom were related parties of the Company (for the purposes of Section 708 of the Corporations Act).
- (e) The Company intends to use the funds raised from the issue of the Shares to fund exploration on the Luke River Project and for working capital.

15. **RESOLUTION 5 – APPROVAL OF CAPITAL RAISING**

Resolution 5 seeks Shareholder approval for a Share placement facility to allow the issue of up to 100,000,000 Shares.

The Company seeks to have the flexibility to issue securities to allow this number of securities not to be included in the calculation under ASX Listing Rule 7.1. This will enable the Company to have the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain prior Shareholder approval.

Details about the ASX Listing Rule requirements regarding Listing Rule 7.1 is set out in section 12 above.

ASX Listing Rule 7.3 requires that the following information to be provided to Shareholders when seeking an approval for the purposes of ASX Listing Rule 7.1:

- (a) The maximum number of securities to be issued is 100,000,000 Shares.
- (b) The Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules).
- (c) The Shares will be issued at a price that is at least 80% of the average market price of Shares calculated over the last 5 days on which sales of the Shares were recorded before the day on which the issue is made, or, if there is a prospectus relating to the issue, over the 5 days on which sales of Shares are recorded before the date of the prospectus.
- (d) The names of the proposed allottees are not known and the quantity of the Shares to be issued to each allottee is not known. The Company intends (but without limitation) to issue the Shares to institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act. The Shares will not be issued to Directors or other related parties.
- (e) The Shares issued will be fully paid ordinary shares in the Company and will rank equally with the Company's current issued Shares.
- (f) The Company intends to use the funds raised from the issue of the Shares to assist funding the exploration and development of the Luke River Project and for general working capital which may also be applied towards the Epichem and Lambouka Projects.
- (g) It is intended that the Shares will be allotted on one date.

PHARMAUST LIMITED
ACN 094 006 023

GLOSSARY

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

"**ASX**" means the ASX Limited (ABN 98 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Chairman**" means the chairman of the Company.

"**Company**" or "**PharmAust**" means PharmAust Limited (ACN 094 006 023).

"**Constitution**" means the constitution of the Company.

"**Corporations Act**" means the *Corporations Act 2001* (Cth).

"**Directors**" mean the directors of the Company from time to time.

"**Explanatory Statement**" means this Explanatory Statement.

"**Luke River Project**" means the polymetallic exploration project in Macedonia consisting of the Luke River Tenement.

"**Luke River Tenement**" means Macedonian concession number 24-2569/1.

"**Meeting**" or "**General Meeting**" means the meeting convened by this Notice.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for a Share in the Company.

"**Pela**" means Pela Resources Pty Ltd (ABN 74 146 734 401), a company incorporated in Australia.

"**Pela Shareholders**" means a holder of a fully paid ordinary share in the capital of Pela.

"**Pela Transaction**" means the transaction by which the Vendors sell all their securities in Pela to the Company.

"**Resolution**" means a resolution referred to in the Notice.

"**RI Energetika**" means RI Energetika DOO Skopje, a company incorporated in Macedonia.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Share Sale Agreement**" means the Share Sale Agreement between Goran Momircevski, Newco 6014 Pty Ltd (ACN 145 718 270), Gregory Cunnold and Lara Cheryl Groves as Trustees for Stratford Trust, Trevor Ennis John as Trustee for the Planet Nominees Trust, Pela and the Company dated 9 June 2011.

"**Shareholder**" means a registered holder of a Share.

"Vendors" means the 100% of the Pela Shareholders being Goran Momircevski, Newco 6014 Pty Ltd (ACN 145 718 270), Gregory Cunnold and Lara Cheryl Groves as Trustees for Stratford Trust and Trevor Ennis John as Trustee for the Planet Nominees Trust.

"WST" or **"Western Standard Time"** means Western Standard Time, Perth, Western Australia.

"\$" or **"A\$"** means Australian dollars unless otherwise stated.

Annexure 1

Terms of Options under Resolution 4

The Options entitle the holder to subscribe for Shares on the following terms and conditions:

- (a) Each Option gives the Optionholder the right to subscribe for one Share. To obtain the right given by each Option, the Optionholder must exercise the Options in accordance with the terms and conditions of the Options.
- (b) The Options will expire at 5.00 pm (WST) on 31 March 2012 ("**Expiry Date**"). Any Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.
- (c) The amount payable upon exercise of each Option will be \$0.10 ("**Exercise Price**").
- (d) The Options held by each Optionholder may be exercised in whole or in part, and if exercised in part, multiples of 1,000 must be exercised on each occasion.
- (e) An Optionholder may exercise their Options by lodging with the Company, before the Expiry Date:
 - (i) a written notice of exercise of Options specifying the number of Options being exercised; and
 - (ii) a cheque or electronic funds transfer for the Exercise Price for the number of Options being exercised,("Exercise Notice").
- (f) An Exercise Notice is only effective when the Company has received the full amount of the Exercise Price in cleared funds.
- (g) Within 10 Business Days of receipt of the Exercise Notice accompanied by the Exercise Price, the Company will allot the number of Shares required under these terms and conditions in respect of the number of Options specified in the Exercise Notice.
- (h) All Shares allotted upon the exercise of Options will upon allotment rank pari passu in all respects with other Shares. The Company will apply for quotation of Shares issued on exercise of the Options on ASX.
- (i) The Company will apply for quotation of the Options on ASX.
- (j) The Options are transferable in accordance with the market rules of ASX, the Corporations Act and the Constitution.
- (k) If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.
- (l) There are no participating rights or entitlements inherent in the Options and Optionholders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options. However, the Company will ensure that for the purposes of determining entitlements to any such issue, the record date will be at least six Business Days after the issue is announced. This will give Optionholders the opportunity to exercise their Options prior to the date for determining entitlements to participate in any such issue.

- (m) An Option does to confer the right to a change in exercise price or a change in the number of underlying securities over which the Option can be exercised.

PHARMAUST LIMITED
ACN 094 006 023
PROXY FORM

APPOINTMENT OF PROXY

PharmAust Limited

ACN 094 006 023

I/We

being a Shareholder of PharmAust Limited entitled to attend and vote at the 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 General Meeting to be held at the Macedonian Community Centre of WA, 51 Albert Street, North Perth, Western Australia on 12 July 2011 at 12 noon (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Approval to change of nature and scale of activities	☐	☐	☐
Resolution 2	Approval to issue Shares to Vendors	☐	☐	☐
Resolution 3	Election of Director – Gregory Cunnold	☐	☐	☐
Resolution 4	Ratification of the placement of securities	☐	☐	☐
Resolution 5	Approval of Share Placement Facility	☐	☐	☐

If the chair of the meeting is appointed as your proxy, or may be appointed by default and you do not wish to direct your proxy how to vote as your proxy in respect of a Resolution, please place a mark in the box. By marking this box, you acknowledge that the Chair of the meeting may exercise your proxy even if he has an interest in the outcome of the Resolutions and that the votes cast by the Chair of the meeting for those Resolutions other than as proxy holder will be disregarded because of that interest. **The Chair intends to vote any such undirected proxies in favour of all Resolutions.** If you do not mark this box, and you have not directed your proxy how to vote, the Chair will not cast your votes on the Resolutions and your votes will not be counted in calculating the required majority if a poll is called on the Resolutions.

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, 50 Derby Road, Subiaco WA 6008, or by post to PO Box 9028, Subiaco WA 6008 or by fax to + 61 8 9381 4056 by 12 noon (WST) on 10 July 2011.

Signed this day of 2011.

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

Registered Office: 50 Derby Road, Subiaco WA 6008

Fax Number: + 61 8 9381 4056

Postal Address: PO Box 9028, Subiaco WA 6008

by no later than 48 hours prior to the time of commencement of the Meeting.