

PHARMAUST LIMITED
ACN 094 006 023

**NOTICE OF GENERAL MEETING
AND
EXPLANATORY STATEMENT**

For the General Meeting to be held
on 5 August 2013 at 12:00 pm (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 General Meeting of the Company will be held at:

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

Commencing
12:00 pm (WST)
5 August 2013

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 (WST) on 5 August 2013.

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@straightlines.net.au or
- facsimile to facsimile number +61 9389 1464,

so that it is received not later than 12:00 pm (WST) on 3 August 2013.

PHARMAUST LIMITED
ACN 094 006 023
NOTICE OF GENERAL MEETING

Notice is hereby given that the General Meeting of the Shareholders of PharmAust Limited will held at Steve's Wine Cellar, 30 The Avenue, Nedlands, Western Australia, at 12:00 pm on 5 August 2013 (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

RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SHARES

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 7.4 and for all other purposes, Shareholders ratify the issue of 50,000,000 Shares at an issue price of 1 cent each to unrelated parties on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company issued 50,000,000 Shares under a placement to raise funds and seeks Shareholder approval to refresh its placement capacity.

The Company will disregard any votes cast on this Resolution by a person who participated in the issue and any associates of such a person. 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 a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 2 – APPROVAL TO ISSUE SHARES AND OPTIONS UNDER CAPITAL RAISING

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 7.1 and for all other purposes, approval is given for the Company to issue up to 250,000,000 Shares at an issue price of 1 cent each and up to 62,500,000 Options to unrelated parties on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks Shareholder approval to issue Shares and Options to raise funds of up to \$2,500,000.

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 Shares, if the Resolution is passed and any associates of such a person. 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 a proxy for a person who is entitled to vote in accordance with the directions on the proxy form to vote as the proxy decides.

RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES TO PITNEY VENDORS

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

"That, subject to Resolutions 4, 5 and 6 being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 450,000,000 Shares and 50,000,000 Options to the Pitney Vendors or their nominees pursuant to the terms of the Pitney Transaction Documents and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks Shareholder approval to issue Shares and Options to the Pitney Vendors on settlement of the Pitney Transaction being part consideration for the acquisition of Pitney.

The Company will disregard any votes cast on this Resolution by the Pitney 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 4 – APPROVAL TO ISSUE SHARES TO PITNEY VENDORS ON SATISFACTION OF MILESTONES

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

"That, subject to Resolutions 3, 5 and 6 being passed, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to 150,000,000 Shares to the Pitney Vendors or their nominees upon the satisfaction of the Milestones and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks Shareholder approval to issue Shares to the Pitney Vendors upon the satisfaction of Milestones being part consideration for the acquisition of Pitney.

The Company will disregard any votes cast on this Resolution by the Pitney 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 5 – ELECTION OF DIRECTOR – DR ROGER ASTON

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

"That, subject to Resolutions 3, 4 and 6 being passed, Dr Roger Aston offers himself for election, and is hereby elected as a Director of the Company in accordance with the Constitution with effect on and from the date of settlement of the Pitney Transaction."

Short Explanation: Dr Roger Aston is presented for election in accordance with the Constitution.

RESOLUTION 6 – 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, subject to Resolutions 3, 4 and 5 being passed, Professor David Morris offers himself for election, and is hereby elected as a Director of the Company in accordance with the Constitution with effect on and from the date of settlement of the Pitney Transaction."

Short Explanation: Professor David Morris is presented for election in accordance with the Company's Constitution.

RESOLUTION 7 – APPROVAL TO ISSUE SHARES TO PELOTON CAPITAL

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 7.1 and for all other purposes, approval is given for the Company to issue up to 22,500,000 Shares to Peloton Capital Pty Ltd or its nominee on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks Shareholder approval to issue Shares to the Company's corporate advisors, Peloton Capital, on settlement of the Pitney Transaction being part payment of a success fee.

The Company will disregard any votes cast on this Resolution by Peloton Capital Pty Ltd, 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 8 – APPROVAL TO ISSUE SHARES TO PELOTON CAPITAL ON SATISFACTION OF MILESTONES

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 7.1 and for all other purposes, approval is given for the Company to issue up to 7,500,000 Shares to Peloton Capital Pty Ltd or its nominee upon the satisfaction of the Milestones and otherwise on the terms set out in the Explanatory Statement accompanying this Notice."

Short Explanation: The Company seeks Shareholder approval to issue Shares to the Company's corporate advisors, Peloton Capital, upon the satisfaction of Milestones being part payment of a success fee.

The Company will disregard any votes cast on this Resolution by Peloton Capital Pty Ltd, 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.

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 3 August 2013 at 12.00pm (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



Mr Sam Wright
Non-Executive Director and Company Secretary

Dated: 4 July 2013

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. PITNEY PHARMACEUTICALS PTY LTD

1.1 Background

The Company is undertaking a transaction to acquire 100% of the issued share capital of Pitney Pharmaceuticals Pty Ltd ("**Pitney**"). Pitney is an Australian company, which is in the business of developing therapeutic cancer products. It has exclusive rights to three oncology technology platforms, which are being developed with an aim to improve the outcomes of patients with cancer.

1.2 The technology platforms

- (a) Undisclosed Anthelmintic Drug (Platform 1): Pitney is undertaking further research of an anthelmintic active to determine the clinical scope and application of this active in oncology. Pitney has entered into a Collaborative Research and Option Agreement setting out the terms of the research program including ownership of intellectual property and results, an option to licence granted by Pitney over its intellectual property ownership, and other standard commercial terms associated with agreements of this type for the uses in veterinary oncology. In addition to the work to develop a veterinary product with a leading global animal health company, Pitney also intends to separately clinically evaluate this anthelmintic in human cancers.
- (b) Albendazole (Platform 2): Albendazole is an anthelmintic drug used extensively in human and veterinary practice and has been shown to be a potent Vascular Endothelial Growth Factor inhibitor. It has been evaluated in humans at the St George Hospital in Sydney for the treatment of "ascites", a condition affecting approximately 10% of many abdominal cancers.
- (c) Diseases involving mucin (Platform 3): This third product area involves the use of specific enzymes to challenge the ability of certain tumours to have resistance to chemotherapy. This platform involves a mucolytic formulation to enhance treatment and therapy of abdominal tumors. Some abdominal cancers are characterized by the presence of large amounts of mucin, a gelatinous substance that reduces the efficacy of anti-cancer drugs. Removal of the tumor associated mucin has provide a challenge and Pitney has the licence to a formulation that dissolves the mucin in situ and potentially allows for more effective chemotherapy.

1.3 Intellectual property and licences for the platforms

The intellectual property for all three platforms has been developed during the past 10 years at the University of New South Wale's St George's Hospital in Sydney and is being commercialised by NewSouth Innovations Pty Ltd (the commercialisation arm of the

University of New South Wales). Pitney has been granted three exclusive worldwide royalty-free non-transferable licences (one for each platform) to use, make, develop, sell and commercially exploit the technology in any way it deems appropriate. Each licence has a specific "Statement of Intent", which sets out how the technology for each platform is to be developed. Under the terms of each licence agreement, NewSouth Innovations Pty Ltd may terminate the licence if Pitney does not use the technology in accordance with each Statement of Intent within 3 years of the effective date of the licence agreement.

2. PITNEY TRANSACTION

2.1 Transaction Documents

The Company will enter into binding share sale agreements with the shareholders of Pitney (the "**Pitney Vendors**") to acquire 100% of the issued capital of Pitney (the "**Pitney Transaction Documents**"). The Pitney Transaction Documents comprise:

- (a) Share Sale Agreement with the three major shareholders of Pitney (the "**Key Vendors**"), which was executed 28 June 2013. Under this agreement, the Company has agreed to buy and the Key Vendors have agreed to sell their shares and options in Pitney. The Key Vendors provide warranties in favour of the Company concerning Pitney, its asset and business. This agreement gives Pitney the right to nominate two directors to the Company on settlement of the transaction (see paragraph 2.5 below).
- (b) separate Share Sale Agreements with each of the other shareholders of Pitney. Under each agreement, the Company agrees to buy and the shareholders agree to sell their shares and options in Pitney. These shareholders provide basic warranties in favour of the Company concerning their shares and options. As at the date of this Notice, the share sale agreements have not been executed by all of the other shareholders of Pitney. Pitney and the Key Vendors have agreed to use reasonable endeavours to procure each of the other shareholders to enter into these agreements.
- (c) Settlement of each Share Sale Agreement is conditional on the contemporaneous settlement of all of the other Share Sale Agreements to ensure that the Company acquires 100% of the issued capital in Pitney.
- (d) Settlement is subject to a number of conditions precedent. The outstanding conditions precedent (at the date of this Notice) are Shareholder approval (the subject of this Meeting), execution of all of the other share sale agreements with the Pitney Vendors (which are the agreements referred to in paragraph (b) above), a third party consent, and the Company completing the Capital Raising (see paragraph 2.4 below).

2.2 Consideration

The total consideration payable by the Company to acquire Pitney is 600,000,000 Shares and 50,000,000 Options. The Pitney Transaction Documents provide for the consideration to be issued in four tranches as shown in the table below. The majority of the Shares (450,000,000) and all of the Options will be issued on settlement of the Pitney Transaction, at which time all of the shares and options in Pitney will be transferred to the Company. The balance of the Shares (150,000,000) will be deferred and will only be issued if commercial milestones are satisfied within 5 years of settlement. The consideration will be apportioned between each of the Pitney Vendors.

Shares	Number	Time of issue
Tranche 1 Shares	450,000,000	At settlement of the Pitney Transaction
Tranche 2 Shares	50,000,000	Within 5 days of satisfaction of Milestone 1
Tranche 3 Shares	50,000,000	Within 5 days of satisfaction of Milestone 2
Tranche 4 Shares	50,000,000	Within 5 days of satisfaction of Milestone 3
Total Shares	600,000,000	
Options	Number	Time of issue
Options	50,000,000	At settlement

The Options will have an exercise price of 2 cents each and an expiry date of 31 August 2015. The full terms of the Options are set out in Annexure 1 to this Explanatory Statement.

Shareholder approval for the issue of the Tranche 1 Shares and the Options is the subject of Resolution 3. The Key Vendors agreed to voluntary escrow arrangements in relation to Tranche 1 Shares and Options that will be issued to them on settlement of the Pitney Transaction. A total of 329,879,968 Shares and 2,422,975 Options will be escrowed for a period of 12 months from the date of issue. During this period, the holder of the escrowed securities is restricted from disposing of, creating any security interest in, transferring ownership or control of the escrowed securities or participating in a return of capital by the Company. The power to exercise or control the exercise of a right to vote attached to the escrowed securities is not affected during the escrow period.

Shareholder approval for the issue of the Tranches 2, 3 and 4 Shares is the subject of Resolution 4.

2.3 Milestones

The milestones must be achieved by Pitney within five years of settlement of the Pitney Transaction. The milestones relate to the development of the three oncology products. They are set out in Annexure 2 to this Explanatory Statement.

2.4 Capital Raising

Under the Pitney Transaction Documents, the Company is required, as a condition precedent to settlement to complete a capital raising for a minimum of \$2,000,000 by the issue of 200,000,000 Shares at an issue price of 1 cent each. In addition, the Company proposes to raise at least a further \$500,000. It is intended that the funds raised will be used to develop the Pitney products and for general working capital.

The Company proposes to raise the funds by:

- (a) Placement of 200,000,000 Shares at an issue price of 1 cent each to subscribers introduced by Peloton Capital to raise \$2,000,000 (and thereby satisfy the condition precedent to settlement of the Pitney Transaction). Each subscriber will receive 1 free

Option for every 4 Shares subscribed for. It is intended that this placement will be completed immediately after obtaining Shareholder approval at this Meeting; and

- (b) Following settlement of the Pitney Transaction, the Company will seek to raise further funds of at least \$500,000. It is intended that the Company will make an offer to Shareholders under a share purchase plan. Subject to regulatory requirements, the Company intends to offer Shares under the share purchase plan at 1 cent each. Each Shareholder subscribing under the share purchase plan will receive 1 free Option for every 4 Shares subscribed for. The Company will send the share purchase plan offer document and a prospectus for the bonus Options to Shareholders after completion of the Pitney transaction. The record date to determine eligible Shareholders entitled to participate in the share purchase plan will be before completion of the placement described in paragraph (a) and before settlement of the Pitney Transaction. To the extent that the share purchase plan does not raise a minimum of \$500,000, the Company will seek to issue Shares at 1 cent each by way of placement so that the moneys raised under this placement together with the share purchase plan total at least \$500,000.

Resolution 2 seeks Shareholder approval to allow the Company to issue the Shares and Options under the Capital Raising under the initial placement described in paragraph (a) and under any further placement after the completion of the share purchase plan as described in paragraph (b).

The effect of the Pitney Transaction on the capital structure of the Company is as follows:

	Number of Shares	Number of Options
At Settlement		
Current shareholders	617,506,606	0
Capital Raising	250,000,000	62,500,000
Pitney Vendors	450,000,000	50,000,000
Peloton Capital	22,500,000	0
Total	1,340,006,606	112,500,000
If all Milestones are satisfied		
Pitney Vendors	150,000,000	Nil
Peloton Capital	7,500,000	Nil
Total	1,497,506,606	112,500,000

Note: this table also shows the issue of Shares to the Company's corporate advisors, Peloton Capital, which is the payment of a success fee on completion of the Pitney Transaction (see paragraph 3 below).

Subject to satisfying the relevant Listing Rule requirements, the Company will apply for quotation of the Options on ASX.

2.5 New Directors

It is proposed that the Company will appoint Dr Roger Aston (the subject of Resolution 5) and Professor David Morris (the subject of Resolution 6) to the board of directors of the Company on settlement of the Pitney Transaction. They will join the existing directors, Sam Wright and Henry Gulev. It is anticipated that Bryant McLarty will stand down from the board on or about settlement of the Pitney Transaction.

Therefore, from settlement, the new Board will comprise:

Dr Roger Aston (Executive Chairman)
Professor David Morris (Non-Executive Director)
Sam Wright (Non-Executive Director)
Henry Gulev (Non-Executive Director)

The profiles of Dr Aston and Professor Morris are set out below. They are the two largest shareholders in Pitney.

Dr Roger Aston BSc (Hons), PH.D

Dr Aston currently serves as Chief Executive Officer of Pitney. Dr Aston served as Chief Executive Officer of Mayne Pharma Group until 15 February 2012. During his career, he has been closely involved in start-up companies and major pharmaceutical companies. Aspects of his experience include FDA and EU product registration, clinical trials, global licensing agreements, fundraising through private placements, and a network of contacts within the pharmaceutical, banking and stock broking sectors. Dr Aston is both a scientist and seasoned biotechnology entrepreneur, with a successful track record in both fields.

Dr Aston has been an Executive Chairman of Neurodiscovery Limited since 7 February 2013 and holds a B.Sc. (Hons) and Ph.D. degrees from the University of Manchester from 1975 to 1981.

Professor Morris, MB, ChB, FRCS, MD, PhD, FRACS

Professor Morris is the Head of Department of Surgery, Faculty of Medicine at St George's Hospital Sydney, University of NSW. Professor Morris is Academic Surgeon, Head of UNSW Department for greater than 20 years with almost 700 peer review publications. Professor Morris has maintained a basic cancer research laboratory for over 20 years and has a demonstrable successful track record in commercialising outcomes of research. Currently, Professor Morris is an active surgical oncologist concentrating on metastatic diseases of liver, lung and peritoneum.

2.6 Interdependent Resolutions

Resolutions 3 to 6 are interdependent. They are conditional upon the passing of each other, so that each will not have effect unless and until the other is passed. If Resolutions 3, 4, 5 or 6 are not passed and the Pitney Transaction is not completed, the Company will continue to develop its Epichem business and consider other acquisition or investment opportunities.

3. CORPORATE ADVISOR MANDATE

By agreement dated 6 February 2013, the Company appointed Peloton Capital Pty Ltd ("**Peloton Capital**") to provide corporate advisory and capital raising services ("**Mandate Agreement**"). The fees payable to Peloton Capital for providing those services includes a success fee.

The success fee is payable in the event that a transaction (relevantly, the Pitney Transaction) is completed. The fee is equal to 5% of the total value of the transaction and is to be satisfied by the issue of fully paid ordinary shares at a deemed issue price equal to the capital raising associated with the transaction.

The Company is therefore required under the terms of the Mandate Agreement to issue the following Shares to Peloton Capital:

- (a) 22,500,000 Shares to be issued if the Tranche 1 Shares are issued to the Pitney Vendors;
- (b) 2,500,000 Shares to be issued if the Tranche 2 Shares are issued to the Pitney Vendors (which is contingent on Pitney satisfying Milestone 1);
- (c) 2,500,000 Shares to be issued if the Tranche 3 Shares are issued to the Pitney Vendors (which is contingent on Pitney satisfying Milestone 2); and
- (d) 2,500,000 Shares to be issued if the Tranche 4 Shares are issued to the Pitney Vendors (which is contingent on Pitney satisfying Milestone 3).

Shareholder approval for the issue of the success fee Shares to Peloton Capital is the subject of Resolutions 7 and 8.

4. RESOLUTION 1 – RATIFICATION OF PLACEMENT OF SHARES

4.1 Background

On 14 May 2013 the Company issued 50,000,000 Shares at 1 cent each to raise funds of \$500,000 ("**Placement**"). These funds were used to meet the costs associated with due diligence investigations of Pitney and for general working capital.

Resolution 1 seeks Shareholder approval pursuant to ASX Listing Rule 7.4 to ratify the issue of the 50,000,000 Shares under the Placement.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 provides that an issue of securities made without the approval under ASX Listing Rule 7.1 is treated as having been made with approval if the issue of securities did not breach ASX Listing Rule 7.1 (that is, the issue was within the Company's 15% capacity) and Shareholders subsequently approve it.

4.2 Information required under the ASX Listing Rules

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 issued was 50,000,000 Shares.
- (b) The Shares were issued at an issue price of 1 cent each.
- (c) The Shares are fully paid ordinary shares in the Company and rank equally with the Company's current issued Shares.
- (d) The Shares were issued to institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act and were introduced by Peloton Capital. None of these persons are related parties of the Company.
- (e) The funds raised under the Placement were used to meet the costs to conduct costs associated with due diligence investigations of Pitney and for general working capital.

5. RESOLUTION 2 – APPROVAL TO ISSUE SHARES AND OPTIONS UNDER CAPITAL RAISING

5.1 Background

Resolution 2 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 250,000,000 Shares and 62,500,000 Options under the Capital Raising (see paragraph 2.4 above).

The number of Shares and Options to be issued under the Capital Raising exceeds the Company's 15% placement capacity and so, the Company seeks Shareholder approval to issue the Shares and Options (see paragraph 4.1 above for a summary of ASX Listing Rule 7.1).

5.2 Information required under the ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution.

- (a) The maximum number of securities to be issued is 250,000,000 Shares and 62,500,000 Options.
- (b) The Shares and Options will be issued and 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 issue price is 1 cent per Share. The Options will be issued for no consideration.
- (d) The Shares and Options will be issued to institutional, sophisticated and professional investors who are exempt from the disclosure requirements of Chapter 6D of the Corporations Act and will be introduced by Peloton Capital. The names of these persons are not known as at the date of this Explanatory Statement. None of them will be related parties of the Company.
- (e) The Shares issued will be fully paid ordinary shares of the Company and will rank equally with the Company's current issued Shares. The Options will be issued on the basis of 1 Option for every 4 Shares subscribed for under the Capital Raising.

The Options will have an exercise price of 2 cents and an expiry date of 31 August 2015. The full terms of the Options are set out in Annexure 1 to this Explanatory Statement.

- (f) The intended use of the funds raised under the Capital Raising is for the further development of the cancer products of Pitney and general working capital.
- (g) It is intended that the Shares and Options will be issued in two tranches. 200,000,000 Shares and 50,000,000 Options under the initial placement will be issued on one date immediately after this Meeting. Any additional Shares (up to a maximum of 50,000,000) and Options (up to a maximum of 12,500,000) will be issued on one date under a further placement after the share purchase plan is completed.

6. RESOLUTION 3 – APPROVAL TO ISSUE SECURITIES TO PITNEY VENDORS

6.1 Background

Resolution 3 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 450,000,000 Shares and 50,000,000 Options to the Pitney Vendors or their nominees as part consideration for the Pitney Transaction (see sections 1 and 2).

The number of Shares to be issued to the Pitney Vendors under this Resolution exceeds the Company's 15% placement capacity and so, the Company seeks Shareholder approval to issue the Shares and Options (see paragraph 4.1 above for a summary of ASX Listing Rule 7.1).

This Resolution is conditional on the passing of Resolutions 4 (issue of Shares to Pitney Vendors as part consideration for the Pitney Transaction), 5 and 6 (election of Dr Aston and Professor Morris as directors).

6.2 Information required under the ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution.

- (a) The maximum number of securities to be issued is 450,000,000 Shares and 50,000,000 Options.
- (b) The securities will be 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 1 cent each. The Options will be issued for free.
- (d) The Shares will be issued to the Pitney Vendors or their nominees. None of the Pitney Vendors are related parties of the Company other than Dr Roger Aston and Professor David Morris who are each proposed Directors and thereby related parties pursuant to section 228(6) of the Corporations Act. The Company is not seeking separate Shareholder approval for the issue of securities to these related parties by reason of exception 6 in ASX Listing Rule 10.12.

- (e) The Shares issued will be fully paid ordinary shares of the Company and will rank equally with the Company's current issued Shares. The Options will be issued with an exercise price of 2 cents and an expiry date of 31 August 2015. The full terms of the Options are set out in Annexure 1 to this Explanatory Statement.
- (f) No funds will be raised by issue of these securities. The securities are part consideration payable by the Company for the acquisition of Pitney.
- (g) It is intended that all the securities will be issued on the one date, which will be on settlement of the Pitney Transaction.

7. RESOLUTION 4 – APPROVAL TO ISSUE SHARES TO PITNEY VENDORS ON SATISFACTION OF MILESTONES

7.1 Background

Resolution 4 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of up to 150,000,000 Shares to the Pitney Vendors or their nominees as part consideration for the Pitney Transaction. These Shares will only be issued if the Milestones are satisfied by Pitney (see section 2 above).

The Company seeks pre-approval to issue these Shares so that they do not count towards the Company's 15% placement capacity (see paragraph 4.1 above for a summary of ASX Listing Rule 7.1).

This Resolution is conditional on the passing of Resolutions 3 (issue of Shares and Options to Pitney Vendors as part consideration for the Pitney Transaction), 5 and 6 (election of Dr Aston and Professor Morris as directors).

7.2 Information required under the ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution.

- (a) The maximum number of securities to be issued is 150,000,000 Shares.
- (b) The Shares will be issued no later than 5 years from the date of settlement of the Pitney Transaction and in any event no later than 31 October 2018. ASX has granted a waiver to allow this Notice to state that the Shares may be issued more than 3 months after the after the date of this Meeting.
- (c) The Shares will be issued for a deemed issue price of 1 cent each.
- (d) The Shares will be issued to the Pitney Vendors or their nominees. None of the Pitney Vendors are related parties of the Company other than Dr Roger Aston and Professor David Morris who, as at the date of this Meeting, are each proposed Directors and thereby related parties pursuant to section 228(6) of the Corporations Act. The Company is not seeking separate Shareholder approval for the issue of securities to these related parties by reason of exceptions 6 and 9 in ASX Listing Rule 10.12.
- (e) The Shares issued will be fully paid ordinary shares of the Company and will rank equally with the Company's current issued shares.
- (f) No funds will be raised by the issue of these Shares. In the event that the Shares

are issued, they are part consideration payable by the Company for the acquisition of Pitney.

- (g) It is intended that the Shares will be issued progressively. The Shares will be issued in three tranches on a date that is 5 business days after a Milestone is satisfied by Pitney to the satisfaction of the Company.

8. RESOLUTION 5 – ELECTION OF DIRECTOR – DR ROGER ASTON

Under the terms of the Pitney Transaction Documents, Pitney has nominated Dr Roger Aston to the Board of Directors of the Company. Clause 7.2(c) of the Constitution provides for the election of additional directors by Shareholders.

It is intended that Dr Aston will undertake the role of Executive Chairman. The profile of Dr Aston is set out at paragraph 2.5 of this Explanatory Statement.

This Resolution is conditional on the passing of Resolutions 3 and 4 (issue of Shares and Options to the Pitney Vendors by way of consideration for the Pitney Transaction) and 6 (election of Professor Morris as director).

9. RESOLUTION 6 – ELECTION OF DIRECTOR – PROFESSOR DAVID MORRIS

Under the terms of the Pitney Transaction Documents, Pitney has nominated Professor David Morris to the Board of Directors of the Company. Clause 7.2(c) of the Constitution provides for the election of additional directors by Shareholders.

It is intended that Professor Morris will undertake the role of Non-executive Director. The profile of Professor Morris is set out at paragraph 2.5 of this Explanatory Statement.

This Resolution is conditional on the passing of Resolutions 3 and 4 (issue of Shares and Options to the Pitney Vendors by way of consideration for the Pitney Transaction) and 5 (election of Dr Aston as director).

10. RESOLUTION 7 – APPROVAL TO ISSUE SHARES TO PELOTON CAPITAL

10.1 Background

Resolution 7 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 22,500,000 Shares to Peloton Capital or its nominee as part of the success fee payable by the Company in the event that the Pitney Transaction is settled (see section 3 above).

The Company seeks pre-approval to issue these Shares so that they do not count towards the Company's 15% placement capacity (see paragraph 4.1 above for a summary of ASX Listing Rule 7.1).

10.2 Information required under the ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution.

- (a) The maximum number of securities to be issued is 22,500,000 Shares.
 - (b) The securities will be 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 1 cent each.
 - (d) The Shares will be issued to Peloton Capital or its nominee. Peloton Capital is not a related party of the Company.
 - (e) The Shares issued will be fully paid ordinary shares of the Company and will rank equally with the Company's current issued shares.
 - (f) No funds will be raised by issue of these Shares. The Shares are part of the success fee payable by the Company under the Mandate Agreement on settlement of the Pitney Transaction.
 - (g) It is intended that the Shares will be issued on the one date, following settlement of the Pitney Transaction.
-

11. RESOLUTION 8 – APPROVAL TO ISSUE SHARES TO PELOTON CAPITAL ON SATISFACTION OF MILESTONES

11.1 Background

Resolution 8 seeks Shareholder approval pursuant to ASX Listing Rule 7.1 for the issue of 7,500,000 Shares to Peloton Capital or its nominee as part of the success fee payable by the Company in the event that the Tranche 2, 3 or 4 Shares are issued to the Pitney Vendors. These Shares will only be issued if the Milestones are satisfied by Pitney (see section 3 above).

The Company seeks pre-approval to issue these Shares so that they do not count towards the Company's 15% placement capacity (see paragraph 4.1 above for a summary of ASX Listing Rule 7.1).

11.2 Information required under the ASX Listing Rules

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to this Resolution.

- (a) The maximum number of securities to be issued is 7,500,000 Shares.
- (b) The Shares will be issued no later than 5 years from the date of settlement of the Pitney Transaction and in any event no later than 31 October 2018. ASX has granted a waiver to allow this Notice to state that the Shares may be issued more than 3 months after the after the date of this Meeting.
- (c) The Shares will be issued for a deemed issue price of 1 cent each.
- (d) The Shares will be issued to Peloton Capital or its nominee. Peloton Capital is not a related party of the Company.
- (e) The Shares issued will be fully paid ordinary shares of the Company and will rank

equally with the Company's current issued shares.

- (f) No funds will be raised by the issue of these Shares. In the event that the Shares are issued, they will constitute part of the success fee payable by the Company under the Mandate Agreement in relation to the transaction with Pitney.
- (g) It is intended that the Shares will be issued progressively. The Shares will be issued in three tranches on a date that is 5 business days after a Milestone is satisfied by Pitney to the satisfaction of the Company

ENQUIRIES

Shareholders may contact Sam Wright on (+ 61 8) 9386 8767 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:

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.
Capital Raising	the capital raising by the Company of up to 250,000,000 Shares at 1 cent each to raise up to \$2,500,000.
Chairman	the chairman of the Company.
Company or PharmAust	PharmAust Limited (ACN 094 006 023).
Constitution	the constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Directors	the directors of the Company .
Explanatory Statement	this Explanatory Statement.
Mandate Agreement	the agreement between the Company and Peloton Capital dated 6 February 2013 for the provision of capital raising and corporate advisory services.
Meeting or General Meeting	the meeting convened by this Notice.
Milestones	the milestones for the issue of Shares under Resolutions 4 and 8 as set out in Annexure 2.
Notice	notice of meeting that accompanies this Explanatory Statement.
Option	an option to subscribe for a Share in the Company.
Peloton Capital	Peloton Capital Pty Ltd (ACN 149 540 018) (AFSL 406040).
Pitney	Pitney Pharmaceuticals Pty Ltd (ACN 156 228 705), a company incorporated in Australia.
Pitney Transaction	the transaction by which the Pitney Vendors sell all their securities in Pitney to the Company.

Pitney Transaction Documents	the share sale agreements between the Company and the Pitney Vendors.
Pitney Vendors	100% of the Pitney shareholders being the vendors under the Pitney Transaction.
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 or Western Standard Time	Western Standard Time, Perth, Western Australia.
\$ or A\$	Australian dollars unless otherwise stated.

ANNEXURE 1

TERMS OF OPTIONS UNDER RESOLUTIONS 2 AND 3

1. Each Option entitles the holder to one Share.
2. The exercise price of the Options is 2 cents per Option.
3. The expiry date of the Options is 5.00pm Western Standard Time on 31 August 2015.
4. The Options may be exercised at any time prior to the expiry date, in whole or in part, upon payment of the exercise price per Option provided that if Options are exercised in part they must be exercised in multiples of 1,000 on each occasion.
5. The Options are freely transferable. Subject to meeting the requirements of the Listing Rules, the Company will apply for quotation of the Options on the ASX.
6. The Company will provide to each Option holder a notice that is to be completed when exercising the Options ("**Notice of Exercise**"). Options may be exercised by the Option holder in whole or in part by completing the Notice of Exercise and forwarding the same to the secretary of the Company to be received prior to the expiry date. The Notice of Exercise must state the number of Options exercised, the consequent number of Shares to be allotted and the identity of the proposed allottee. The Notice of Exercise by an Option holder must be accompanied by payment in full for the relevant number of Shares being subscribed, being an amount of the exercise price per Share.
7. All Shares issued upon the exercise of the Options will rank equally in all respects with the Company's then issued Shares. The Company must apply to the ASX within 7 business days after the date of issue of all Shares pursuant to the exercise of Options to be admitted to quotation.
8. There are no participating rights or entitlements inherent in the Options and the holders will not be entitled to participate in new issues or pro-rata issues of capital to Shareholders during the term of the Options. Thereby, the Option holder has no rights to a change in the exercise price of the Option or a change to the number of underlying securities over which the Option can be exercised except in the event of a bonus issue or reconstruction. The Company will ensure, for the purposes of determining entitlements to any issue, that Option holder will be notified of a proposed issue after the issue is announced. This will give Option holders the opportunity to exercise their Options prior to the date for determining entitlements to participate in such issues.
9. If from time to time on or prior to the Expiry Date the Company makes a bonus issue of securities to holders of Shares in the Company ("**Bonus Issue**"), then upon exercise of his or her Options a holder will be entitled to have issued to him or her (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise) the number of securities which would have been issued to him or her under that Bonus Issue if the Options had been exercised before the record date for the Bonus Issue.
10. In the event of any reconstruction (including consolidation, subdivisions, reduction or return) of the authorised or issued capital of the Company, all rights of the Option holder shall be reconstructed (as appropriate) in accordance with the ASX Listing Rules.

ANNEXURE 2

MILESTONES FOR THE ISSUE OF SHARES UNDER RESOLUTIONS 4 AND 8

The milestones for the issue of Shares under Resolutions 4 and 8 are:

Milestone 1	-	One of the Pitney Products being granted investigational new drug (IND) status from the US Food and Drug Administration and Pitney receiving an IND number issued by the US Food and Drug Administration within 5 years of the date of settlement of the Pitney Transaction.
Milestone 2	-	Commencement of treatment of the first patient under a Phase II Trial with the product Albendazole within 5 years of the date of settlement of the Pitney Transaction.
Milestone 3	-	Commencement of treatment of the first patient under a Phase II Trial using the product Monepantel within 5 years of the date of settlement of the Pitney Transaction.

For the purposes of the Milestones, the words have the following meanings:

Products mean the therapeutic drug products being either Albendazole or Monepantel.

Phase II Trial means the treatment of one or more humans suffering from cancer with a view to determining the safety and efficacy of a drug on a target population conducted in accordance with a protocol that has been approved by either a hospital ethics committee or a Government Agency.

For the purposes of Resolution 4:

The Company will issue 50,000,000 Shares to the Pitney Vendors or their nominees upon the satisfaction of each of the Milestones. Thereby a total of 150,000,000 Shares will be issued if all Milestones are satisfied.

For the purposes of Resolution 8:

The Company will issue 2,500,000 Shares to Peloton Capital or its nominee upon the satisfaction of each of the Milestones by Pitney. Thereby a total of 7,500,000 Shares will be issued if all of the Milestones are satisfied.

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 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 Steve's Wine Cellar, 30 The Avenue, Nedlands, Western Australia on 5 August 2013 at 12:00 pm (WST) and at any adjournment thereof.

Voting on Business of the General Meeting

		FOR	AGAINST	ABSTAIN
Resolution 1	Ratification of Placement of Shares	☐	☐	☐
Resolution 2	Approval to issue of Shares and Options under Capital Raising	☐	☐	☐
Resolution 3	Approval to issue securities to Pitney Vendors	☐	☐	☐
Resolution 4	Approval to issue Shares to Pitney Vendors on satisfaction of Milestones	☐	☐	☐
Resolution 5	Election of Director – Dr Roger Aston	☐	☐	☐
Resolution 6	Election of Director – Professor David Morris	☐	☐	☐
Resolution 7	Approval to issue Shares to Peloton Capital	☐	☐	☐
Resolution 8	Approval to issue Shares to Peloton Capital on satisfaction of Milestones	☐	☐	☐

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, 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 (WST) on 3 August 2013.

Signed this day of 2013.

By:

Individuals and joint holders

Signature

Signature

Signature

Companies (affix common seal if appropriate)

Director

Director/Secretary

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@straightlines.net.au
Fax Number: (08) 9389 1464

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