ASX Release **31 July 2017**

Appendix 4C - Quarterly Report & Company Update for the period ended 30 June 2017

PharmAust Limited ("PharmAust") (ASX: PAA) is pleased to provide an update and review of its recent activities.

During the quarter, the Company has achieved several milestones aimed at advancing its key anti-cancer product, Monepantel ("MPL") towards the clinic. The company is also pleased that its wholly owned subsidiary, Epichem Pty Ltd, has continued to build contract sales and income activities over the quarter.

Epichem Pty Ltd

Wholly owned subsidiary, Epichem has generated a record $3.05m in revenues for the 2017 financial year, a 30% increase over the previous year (subject to final audit sign-off). Epichem is targeting $4m in revenues for the 2018 financial year.

Growth occurred in all of Epichem's business divisions. These included Epichem's Drug Discovery Services arm, which benefitted from a significant new customer based in the USA. Growth in Epichem's Fine Chemicals & Technical Services business, which includes the company's catalogue of pharmaceutical reference standards, was assisted by Epichem's certification to the ISO9001 Quality Management System in 2016.

Epichem was pleased to announce that in July 2017 it applied for both ISO17025 and ISO17034 Quality Accreditation, which represent the highest international standards for the production of reference standards. Successfully achieving these accreditation standards will facilitate access to further major global partners and is expected to drive significant growth in the high-margin catalogue business. A positive outcome to these application processes is expected in Q4, 2017.

Finally, Epichem announced it will be expanding its existing laboratory space and hood capacity by a further 50 per cent. This expansion will be part-funded by a $466K loan from the Export Finance Insurance Commission (Efic) to be repaid over four years.

Epichem's Managing Director, Dr Wayne Best, said: "Our existing laboratories, which were expanded in 2015, are now running at full capacity. The new laboratories are needed to meet current and forecast demand." Dr Best added: "The time could not be better for a further expansion. The current Australian dollar and the ongoing improvements to our quality accreditation levels are expected to continue driving significant revenue growth for the company and shareholders".

BRI Pharmaceutical Research Inc to reformulate monepantel

During the quarter PharmAust announced that it had appointed Canadian-based BRI Pharmaceutical Research Inc to reformulate monepantel (MPL) for its clinical trial studies. BRI will evaluate a range of well validated platforms to determine the optimal formulation for oral delivery of MPL. This work will build-on initial efforts from Juniper who successfully reformulated liquid MPL in the form of Zolvix into capsules. These capsules are now being used in an ongoing phase II clinical trial to treat dogs diagnosed with lymphoma. Encouraging preliminary data have recently been recorded from these trials. However, it has also become apparent the current capsule formulation is not suitable for more advanced clinical trials due to the low dosing of monepantel as Zolvix, even when encapsulated. Further, and although improved, palatability of the product remains suboptimal.

To address these issues, we have selected BRI to prepare a fully optimised MPL formulation that meets the exacting requirements for scaled manufacture, late-stage clinical trials and ultimately registration. BRI will address the taste issues associated with Zolvix, and increase the amount of MPL contained in each tablet or capsule to facilitate higher dosing.

Phase II Canine Trial

PharmAust was delighted to announce preliminary results from our Phase II pilot trial being undertaken in dogs diagnosed with lymphoma, where MPL is being used as a front-line therapy. Preliminary analysis showed 3 of 4 (75%) dogs achieved stable disease and tumour reduction when dosed daily with MPL over the designated 2 week trial period. Given that dogs would typically show progressive disease over this time, we believe these data provide strong evidence for MPL clinical efficacy.

When considered alongside results from previous Phase I/II MPL clinical trials undertaken in dogs, the company believes it has now achieved all key clinical endpoints relating to safety and efficacy. To our knowledge, this is also the first report of an mTOR inhibitor, such as MPL, showing clinical activity against lymphoma in dogs. As lymphoma is one of the more common types of cancer diagnosed in dogs, this outcome has positive implications for our ability to impact the veterinary oncology market, particularly when one considers the very low toxicity of MPL.

A successful outcome to the Phase II pilot trial will also meet one of the key requirements to progress discussions with Novartis Animal Health/Elanco regarding the Option Agreement.

PharmAust secures core patent in China & Japan

During the quarter PharmAust announced the grant of core patents in China and Japan. The patents entitled "Kinase Inhibitors for the Treatment of Cancer", claim the use of aminoacetonitrile derivatives as potent kinase inhibitors for the treatment of cancer.

'Aminoacetonitrile derivatives' include the Novartis Animal Health/Elanco compound MPL, which PharmAust has patented for cancer applications and is being evaluated in clinical trials.

Dr Richard Hopkins, PharmAust's CEO commented, "We are delighted with the allowance of this "Method of Use" patent that further extends PharmAust's core intellectual property in these key markets. We have now secured granted patents for this family in Australia, China, the US and Japan, providing us with strong strategic protection for this class of molecule."

PharmAust secures broad European patent for non-cancer applications

During the quarter PharmAust announced the grant of a new patent in Europe covering the use of its lead drug for non-cancer applications including neurodegenerative diseases, diabetes and age-related disorders. The patent (EP2880014) entitled "Compounds For The Treatment Of mTOR Pathway Related Diseases", relates to the use of aminoacetonitrile derivatives (AADs) for the treatment of mTOR pathway-related diseases and provides the company with protection for this IP until 2033.

'Aminoacetonitrile derivatives' include the Novartis animal health compound MPL.

PharmAust CEO Dr Richard Hopkins commented, "We are delighted with the grant of this Method of Use patent for non-cancer applications of MPL in Europe. This patent provides coverage for our intellectual property in a major market that expands our commercial opportunities."

"PharmAust has shown that MPL acts via the mTOR pathway, which is increasingly recognised as playing a major role in non-cancer indications such as neurodegenerative diseases, diabetes and age-related disorders. The company is assessing potential applications of MPL in these fields along with its core focus on developing MPL as a cancer therapy."

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+Rule 4.7B

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

PharmAust Limited

ABN	**Quarter ended ("current quarter")**
35 094 006 023	June 2017

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	453	2,993
1.2	Payments for		
	(a) research and development	(85)	(390)
	(b) product manufacturing and operating costs		
	(c) advertising and marketing		
	(d) leased assets		(8)
	(e) staff costs	(668)	(2,284)
	(f) administration and corporate costs	(649)	(2,077)
1.3	Dividends received (see note 3)		
1.4	Interest received	14	24
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		406
1.8	Other (GST)	(11)	12
1.9	**Net cash from / (used in) operating activities**	**(947)**	**(1,324)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire:		
	(a) property, plant and equipment		(38)
	(b) businesses (see item 10)		
	(c) investments		

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(d) intellectual property		
	(e) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment		
	(b) businesses (see item 10)		
	(c) investments		5
	(d) intellectual property		
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	**Net cash from / (used in) investing activities**	**0**	**(33)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of shares		3,237
3.2	Proceeds from issue of convertible notes		
3.3	Proceeds from exercise of share options		
3.4	Transaction costs related to issues of shares, convertible notes or options		(81)
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		(123)
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	**Net cash from / (used in) financing activities**	**0**	**3,033**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of quarter/year to date	3,540	921
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(947)	(1,324)
4.3	Net cash from / (used in) investing activities (item 2.6 above)		(33)
4.4	Net cash from / (used in) financing activities (item 3.10 above)		3,033

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
4.5	Effect of movement in exchange rates on cash held		
4.6	**Cash and cash equivalents at end of quarter**	**2,597**	**2,597**

5.	**Reconciliation of cash and cash equivalents** at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	**Current quarter $A'000**	**Previous quarter $A'000**
5.1	Bank balances	1,587	931
5.2	Call deposits	1,000	2,599
5.3	Bank overdrafts		
5.4	Other (provide details)	10	10
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**2,684**	**3,540**

6.	**Payments to directors of the entity and their associates**	**Current quarter $A'000**
6.1	Aggregate amount of payments to these parties included in item 1.2	170
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director's Salaries & Superannuation

7.	**Payments to related entities of the entity and their associates**	**Current quarter $A'000**
7.1	Aggregate amount of payments to these parties included in item 1.2	
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	

7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

8.	**Financing facilities available** *Add notes as necessary for an understanding of the position*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
8.1	Loan facilities		
8.2	Credit standby arrangements		
8.3	Other (please specify)		

8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.

9.	**Estimated cash outflows for next quarter**	**$A'000**
9.1	Research and development	100
9.2	Product manufacturing and operating costs	
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	450
9.6	Administration and corporate costs	450
9.7	Other (provide details if material)	
9.8	**Total estimated cash outflows**	**1,000**

10.	**Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)**	**Acquisitions**	**Disposals**
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Sign here: ..... Date: 31 July 2017

(Director & Company Secretary)

Print name: Sam Wright

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.