

**PHARMAUST LIMITED
ACN 094 006 023**

**OFFER DOCUMENT
RIGHTS ISSUE**

Non-renounceable pro-rata entitlement to 2 New Shares for every 5 Shares held at an issue price of 2.5 cents per New Share to raise up to approximately \$2,003,007

Offer closes at 5.00pm WST on 19 March 2019

This Offer Document is not a prospectus. It does not contain all of the information that an investor would find in a prospectus or which may be required to make an informed decision regarding, or about the rights attaching to, the New Shares.

You should read the entire document before deciding whether to accept the offer of New Shares. If you have any questions about the Offer or the action you should take, you should speak to your professional adviser.

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IMPORTANT NOTICE

This Offer Document has been prepared by PharmAust Limited and is issued pursuant to the requirements of section 708AA of the Corporations Act, as modified, for the offer of New Shares without disclosure to investors under Part 6D.2 of the Corporations Act. This Offer Document is dated 26 February 2019 and was lodged with ASX on this date.

This document is not a prospectus under the Corporations Act and has not been lodged with ASIC. It does not contain all of the information that an investor would find in a prospectus or which may be required by an investor in order to make an informed investment decision regarding, or about the rights attaching to, New Shares. Nevertheless this document contains important information and requires your immediate attention. It should be read in its entirety. If you are in any doubt as to how to deal with this Offer Document, you should consult your professional adviser as soon as possible.

Information about the Company

The Company is listed on ASX, and our Shares are granted official quotation by ASX. In preparing this Offer Document, we have had regard to the fact that we are a disclosing entity for the purposes of the Corporations Act and that certain matters may reasonably be expected to be known to investors and professional advisers who investors may consult. Information about the Company is publicly available and can be obtained from ASIC and ASX. This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company. You should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to subscribe for New Shares. See Section 3.11 concerning continuous disclosure obligations.

Not investment or financial product advice

The information in this document is not investment or financial product advice, does not purport to contain all the information that you require in evaluating a possible acquisition of New Shares in the Company and has been prepared without taking into account the investment objectives, financial situation, tax position and needs of you or any particular investor.

Before deciding whether to apply for New Shares, you should conduct your own independent review, investigation and analysis of the Company and New Shares in light of your personal circumstances (including financial and taxation issues). You should obtain any professional advice you require to evaluate the merits and risks of an investment in the Company before making any investment decision based on your investment objectives.

Overseas shareholders

The Company has reviewed the register of Shareholders of the Company and has determined that this document will only be sent to Shareholders with a registered address in Australia or New Zealand on the Record Date. This document may not be distributed and does not constitute an offer in any other jurisdiction unless otherwise determined by the Company.

Disclaimer of representatives

No person is authorised to give any information or to make any representation, in connection with the Rights Issue that is not contained in this Offer Document. Any information or representation that is not in this Offer Document may not be relied on as having been authorised by the Company or its related bodies corporate in connection with the Rights Issue.

Except as required by law, and only to the extent so required, none of the Company, or any other person, warrants or guarantees the future performance of the Company or any return on the investment made pursuant to this Offer Document.

Financial data

All dollar values are in Australian dollars (\$).

Defined terms

Terms used in this Offer Document are defined in the Glossary. The words "we", "our" and "us" refer to the Company. The words "you" or "your" refer to Shareholders.

CORPORATE DIRECTORY

DIRECTORS

Dr Roger Aston (Executive Chairman)
Mr Robert Bishop (Executive Director)
Mr Sam Wright (Non-Executive Director)
Mr Neville Bassett, AM (Non-Executive Director)

COMPANY SECRETARY

Mr Sam Wright

REGISTERED OFFICE

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Claremont, Western Australia, 6010

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Website: www.pharmaust.com

SOLICITORS

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe, Western Australia, 6011

LEAD MANAGER*

Alto Capital
Ground level
16 Ord Street
West Perth, Western Australia, 6005

Tel: +61 8 9223 9888
AFSL No. 279099

SHARE REGISTRY*

Computershare Investor Services Pty Limited
Level 11
172 St George's Terrace
Perth, Western Australia, 6000

Tel: 1300 850 505
Fax: +61 3 9473 2500

* The names of the Share Registry and Lead Manager are included for information purposes only. They have not been involved in the preparation of this Offer Document.

If you have any questions about the Rights Issue or how to complete your Entitlement Form, please contact the Company Secretary (phone +61 8 6161 7412 or sam@straightlines.net.au).

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CHAIRMAN'S LETTER

Dear PharmAust Shareholder,

On behalf of the Board, I am pleased to present you with a Rights Issue Offer for the Company's non-renounceable pro-rata entitlement offer. Each Eligible Shareholder is being offered the right to acquire additional fully paid ordinary shares in the Company (New Shares) at an issue price of 2.5 cents per New Share, which if fully subscribed would raise up to \$2,003,007 (Rights Issue). This has been determined on the basis of 2 New Shares for every 5 Shares registered in your name as at the Record Date for the Rights Issue.

The price represents a discount of 47.9% from the last price traded on 15 February 2019 and a 45.5% discount on the five day weighted average price of 4.59 cents. The number of New Shares to which you are entitled is specified in your enclosed personalised Entitlement Form.

The funds to be raised will be used by the Company for a number of purposes, depending on the total amount raised. In part, the funds will be used for the purpose of carrying out Phase I and Phase II clinical trials in canines suffering from lymphoma and other cancers. PharmAust has entered into an Option Agreement with Elanco US Inc. to develop monepantel (MPL) as a novel therapy to treat cancer in dogs. Under this agreement, Elanco receives an option to negotiate for a licence to use PharmAust's intellectual property covering the use of MPL to treat cancer in veterinary applications. Elanco has previously supplied PharmAust with Good Manufacturing Practice (GMP)-grade MPL for use in its clinical trials.

Progress towards completion of clinically material trials to provide clear evidence of commercial viability in canines and man has been at the forefront of PharmAust's endeavours during the past 18 months. To this end, PharmAust has achieved the following milestones during the past 18 months:

- Phase II canine lymphoma pilot study has successfully achieved its key primary endpoints of safety and efficacy. This outcome gives the Board confidence in the performance of MPL in the current proposed trial in canines.
- Development of a method to manufacture MPL and its related aminoacetonitrile derivatives, to GMP qualification with Syngene International Ltd.
- Independent confirmation that MPL manufactured by Elanco displays anti-cancer activity *in vitro* by researchers at the Olivia Newton-John Cancer Research Institute (ONJCRI) in Melbourne.
- Independent confirmation of MPL's anticancer activity *in vitro* following the manufacture of MPL by a different company and according to a different method.
- Independent confirmation of the anticancer activity *in vitro* of the investigational new drug MPL's major metabolite, monepantel sulfone by ONJCRI.
- Agreement with Canadian-based BRI Pharmaceutical Research Inc to reformulate MPL and identify the optimal formulation for oral delivery for its clinical trial studies in both dogs and humans.
- Successful reformulation of MPL to a new tablet with a 15 x higher relative dose than the historic liquid formula, thus reducing tablet/capsule burden for patients.
- Demonstration of better than expected absorption using these new tablets from PharmAust and BRI.

- For personal use only
- Confirmation in a pilot study in dogs that the tablets do not have a poor taste, a problem encountered with the historic liquid formula and which previously limited dose escalation.
 - Successful scaled manufacture of these tablets to quantities sufficient to undertake clinical trials in both dogs and humans.
 - Elanco has previously supplied PharmAust with GMP-grade MPL for use in its clinical trials.
 - PharmAust commenced Phase I Trials in Dogs on 19 February 2019.
 - Notice of acceptance for patents for the use of the MPL drug family in cancer in the US and Europe.
 - Appointment of Mr Neville Bassett, AM to the PharmAust Board bringing a wealth of experience.
 - In 2019, Epichem Pty Ltd (Epichem), has been awarded another one year extension to its current contract with Drugs for Neglected Diseases *initiative* (DNDi), extending that relationship to 11 years.
 - Epichem has been awarded an extension to its contract with a leading Californian biotechnology company, Unity Biotechnology, Inc. (Unity).
 - Epichem has gained accreditation from NATA (The National Association of Testing Authorities, Australia) to ISO17034:2016 an internationally recognised standard of competence and capability for the production of Reference Materials.

As moneys are raised beyond the Minimum Subscription, these funds are intended to be used to progress development towards a human clinical trial, improving the MPL product and undertaking market analysis as well as being applied as further operational expenses (general working capital).

The Company has engaged Alto Capital to act as our Lead Manager to this issue to place any shortfall shares on a best endeavours basis.

This Offer Document contains information about the Offer and the key risks associated with investing in the Company's Shares and is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX.

Your Board believes that PharmAust has met several substantial milestones in the last 18 months paving the way to commercialisation of MPL and the profitable expansion of Epichem.

This fundraising, if fully subscribed, will place the Company in the best position it has enjoyed in recent times to achieve outcomes in its commercial objectives.

I can advise Shareholders that I and the other Directors of PharmAust will be taking up their rights in the Offer in full.

Yours sincerely



Dr Roger Aston

1. KEY INFORMATION

SUMMARY OF RIGHTS ISSUE OFFER

Offer	2 New Shares for every 5 Shares held on the Record Date. See Section 3.1.
Issue Price	2.5 cents per New Share. See Section 3.1.
Number of New Shares to be issued	<p>Up to approximately 80,120,266 New Shares will be issued at Full Subscription.</p> <p>The precise number of New Shares to be issued is not known and will vary depending on the number of Shares applied for under the Offer. See Section 3.3.</p>
Funds raised	<p>Up to approximately \$2,003,007 will be raised by the Rights Issue at Full Subscription.</p> <p>The precise amount of funds that will be raised is not known and will vary depending on the number of Shares applied for under the Rights Issue. See Section 3.1.</p>
Minimum Subscription	<p>Minimum Subscription is \$500,000.</p> <p>See Section 3.7.</p>
Use of funds	<p>At Minimum Subscription, funds (including existing funds) are intended to be used primarily to complete expenditures relevant to Phase I and Phase II canine trials using MPL, as well as to pay the costs of the rights issue process.</p> <p>The intended application of funds as moneys are raised beyond Minimum Subscription and up to Full Subscription includes progress towards a human clinical trial and are as set out in the Use of Funds Table in Section 3.2 and is intended to be on a pro-rata basis for the relevant items.</p> <p>See Section 3.2.</p>
Entitlement to participate in Rights Issue	<p>All Eligible Shareholders on the Record Date are entitled to participate in the Rights Issue.</p> <p>Optionholders are not entitled to participate in the Offer unless they exercise their Options before the Record Date. See Section 3.4.</p>
Not underwritten	<p>The Rights Issue is not underwritten.</p> <p>See Section 3.8.</p>
Shortfall and Lead Manager to place Shortfall	<p>Any New Shares not applied for by Eligible Shareholders under the Rights Issue will form the Shortfall.</p> <p>The Company has appointed the Lead Manager to place any Shortfall on a best endeavours basis. The Lead Manager will be paid a fee of 6% plus GST on the value of any such Shortfall that is placed. Upon full completion of the placement of any Shortfall, the Company will issue 1,000,000 Options (exercise price 6.5 cents, expiry date 30</p>

SUMMARY OF RIGHTS ISSUE OFFER

June 2022) to the Lead Manager.

The Lead Manager's role and the discretion in placing Shortfall is set out in Sections 3.9 and 3.10.

See Sections 3.9 and 3.10.

Risks

The Rights Issue should be considered speculative as the Company is developing cancer treatment products. The Company's subsidiary, Epichem, delivers synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries. Some of the specific risks to an investment in the Company are commercialisation of the key anti-cancer product, clinical validation and regulatory risk, future capital needs and additional funding, dependence on key personnel, intellectual property risk, Epichem subsidiary risk and general contract risk.

See Section 5.

The effect of the Rights Issue on control of the Company

The Company is of the view that the Rights Issue will not materially affect the control of the Company. By reason of existing shareholdings in the Company and the structure of the Rights Issue, no Shareholder can increase their voting power beyond 20% by reason of the Rights Issue.

The Company will not issue any New Shares by reason of Shortfall to Eligible Shareholders or others so they can increase their voting power beyond 20%.

See Section 4.1.

2. TIMETABLE

Event	Date
Pro-rata Offer announced	(pre-open) 18 February 2019
Shares quoted on an "ex" basis (date from which the Shares commence trading without the entitlement to participate in the Offer).	20 February 2019
Record Date (date for identifying Shareholders entitled to participate in the Offer).	21 February 2019
Offer Document with Entitlement Form sent to Eligible Shareholders	26 February 2019
Offer opens	26 February 2019
Closing Date (last date for lodgement of Entitlement Forms and Application Money)	19 March 2019
Trading of New Shares commences on a deferred settlement basis	20 March 2019
Company to notify ASX of the Shortfall (if any)	22 March 2019
Issue of New Shares and end of deferred settlement trading	26 March 2019

The timetable outlined above is indicative only and is subject to change. The Directors reserve the right to vary these dates including the Closing Date (subject to the Listing Rules and the Corporations Act). The Directors also reserve the right in its absolute discretion not to proceed with the Rights Issue at any time prior to the issue of New Shares. In that event, the Application Money will be returned without interest.

3. DETAILS OF THE RIGHTS ISSUE

3.1 The Rights Issue

Eligible Shareholders are invited to participate in a non-renounceable pro-rata entitlements rights issue on the basis of 2 New Shares for every 5 Shares (2:5) held as at the Record Date (5.00pm WST on 21 February 2019), at an issue price of 2.5 cents per New Share.

The Company currently has 200,300,664 Shares and 56,895,412 unlisted Options on issue. Based on the current capital structure of the Company, up to approximately 80,120,266 New Shares will be issued under the Offer at Full Subscription to raise up to \$2,003,007 (before the costs of the issue). If any of the Options are exercised before the Record Date then the number of New Shares that may be issued under the Offer could increase.

The New Shares will rank equally in all respects with existing Shares.

3.2 Purpose and use of proceeds

The Company has current funds of approximately \$625,000. This does not include the \$680,000 claimed under the research and development tax incentive scheme (see note 4 below). The Rights Issue will increase the total number of Shares on issue and increase our cash reserves by up to \$2,003,007 (before costs).

The table below sets out the proposed application of existing funds and funds raised under the Rights Issue assuming both Minimum Subscription and a full take-up of Entitlements.

Funds Available	Minimum Subscription (\$)	Full Subscription (\$)
Current cash on hand at 15 February 2019	625,000	625,000
Funds raised under the Offer	500,000	2,003,007
Total funds available	\$1,125,000	\$2,628,007

Use of Funds	Amount (\$)	Amount (\$)
Finalise MPL tablet production for canine trials	515,000	515,000
Undertake Phase I canine trial	442,000	442,000
Undertake Phase II canine trials	88,000	88,000
Improvements to MPL product and market analysis	0	150,000
Progress towards human clinical trial	0	540,000
General working capital ¹	44,000	852,357
Cash costs of the Offer ²	36,000	40,650
Total	\$1,125,000	\$2,628,007

Notes:

1. General working capital includes operating costs (including renewal of intellectual property), corporate administration and may be applied to directors' fees, ASX and share registry fees, legal, tax, compliance, audit and corporate advisory fees, insurance and travel costs.
2. Cash costs of the Offer include the legal, share registry, printing and ASX expenses. A fee to the Lead Manager is not included in the costs of the Offer as it is uncertain what

Shortfall will be available and the extent of any placement of Shortfall. The cash fee payable to the Lead Manager is 6% plus GST on the value of any Shortfall that is placed. Any fee payable to the Lead Manager will be paid from general working capital.

3. In the event that moneys are received beyond Minimum Subscription (\$500,000) but less than Full Subscription, the Company intends to apply the additional funds (after the additional costs of the Offer) to the following activities:

- (a) Progress human clinical trial – up to \$540,000;
- (b) Improvements to MPL product and market analysis – up to \$150,000 and
- (c) General working capital – up to \$808,357.

As net funds (after the additional expenses of the Offer) are raised beyond Minimum Subscription, it is intended to apply these funds pro-rata to the activities in (a) to (c) above in accordance with the above amounts.

4. The Company has accessed research and development tax incentive funding to date from the Australian Commonwealth Government to assist funding the cancer treatment studies. Currently, a research and development tax incentive scheme provides a refundable tax offset for certain eligible research and development activities for an entity whose aggregated turnover is less than \$20 million. Any such funding by way of receiving a refundable tax offset is intended to be applied to general working capital. Any such funding is uncertain and has therefore not been included in the table above, although the Company has recently lodged a claim for \$680,000.
5. This table is a statement of our proposed application of the funds raised as at the date of this Offer Document. As with any budget, unexpected events and new circumstances have the potential to affect our decisions and we reserve the right to vary the way the funds are applied.

3.3 Capital structure

Assuming that no Options are exercised before the Record Date, the effect of the Offer on the Company's issued share capital at Minimum Subscription and Full Subscription is shown in the following table:

Shares	Minimum Subscription	Full Subscription
Existing Shares	200,300,664	200,300,664
New Shares issued under Rights Issue	20,000,000	80,120,266
Total Shares on issue after completion of the Rights Issue	220,300,664	280,420,930

In addition to Shares, the Company has on issue:

- (a) 21,645,412 unlisted Options (exercise price 12 cents, expiry date 30 November 2019);
- (b) 3,750,000 unlisted Options (exercise price 7.5 cents, expiry date 31 March 2020);
- (c) 7,500,000 unlisted Options (exercise price 15 cents, expiry date 31 March 2020);
- (d) 9,000,000 unlisted Options (exercise price 23 cents, expiry date 31 March 2020);
- (e) 5,000,000 unlisted Options (exercise price 8 cents, expiry date 31 December 2020); and

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(f) 10,000,000 unlisted Options (exercise price 12 cents, expiry date 31 January 2022).

As set out in Section 3.9, the Lead Manager may be issued with 1,000,000 Options (exercise price 6.5 cents, expiry date 30 June 2022).

3.4 Eligible Shareholders

The Rights Issue is available to all Shareholders whose registered address on the Record Date is situated in Australia or New Zealand. As a non-renounceable offer, Eligible Shareholders may not sell or otherwise dispose of their rights to apply for New Shares under the Offer.

The holders of Options are not eligible to participate in the Rights Issue unless they exercise their Options before the Record Date.

3.5 Entitlements

Only Eligible Shareholders may apply for New Shares under the Offer. The Entitlement to participate will be determined on the Record Date. The number of New Shares to which you are entitled is shown on the personalised Entitlement Form which accompanies this Offer Document. Fractional Entitlements will be rounded up to the nearest whole number.

You are encouraged to apply for New Shares as early as possible. To apply for the New Shares under the Offer, you must complete your Entitlement Form and lodge it together with payment for the New Shares by no later than the Closing Date (5pm WST on 19 March 2019). Please see Section 6 of this Offer Document for further information regarding the acceptance of the Offer.

The Offer will lapse if you do not accept your Entitlement by the Closing Date.

3.6 Closing Date

We will accept applications from the Opening Date until 5pm (WST) on 19 March 2019 or such other date as the Directors may determine, subject to the requirements of the Corporations Act and the Listing Rules.

3.7 Minimum Subscription

Minimum Subscription is \$500,000.

3.8 Not Underwritten

The Rights Issue is not underwritten.

3.9 Lead Manager

The Company has appointed the Lead Manager to place any Shortfall (any New Shares not applied for by Eligible Shareholders) on a best endeavours basis. The Lead Manager will be paid a fee of 6% plus GST on the value of any such Shortfall that is placed. Upon full completion of the placement of any Shortfall, the Company will issue 1,000,000 Options (exercise price 6.5 cents, expiry date 30 June 2022) to the Lead Manager.

3.10 **Shortfall**

Any New Shares not applied for by Eligible Shareholders under the Rights Issue will form the Shortfall.

The Directors reserve the right to place any Shortfall Shares at their discretion within 3 months of the Closing Date. The Lead Manager has been appointed to place this Shortfall and will be paid a fee as set out in Section 3.9. Such Shortfall may be placed to non-Shareholders. The Lead Manager and the Directors will consult concerning the placement of any Shortfall.

Eligible Shareholders who are not related parties and that have subscribed for their full Entitlement may apply for Shortfall Shares by contacting the Lead Manager which will seek to place the Shortfall on a best endeavours basis. Application by Eligible Shareholders for Shortfall does not guarantee any issue of Shortfall.

The Company will not issue Shortfall Shares so that any party's voting power in the Company would exceed 20%.

Shortfall Shares will be issued at the same price as the New Shares offered under the Rights Issue. The offer of Shortfall Shares is an offer under this Offer Document.

Directors cannot be issued Shortfall Shares without prior shareholder approval.

3.11 **Continuous Disclosure Obligations**

The Company is a "*disclosing entity*" (as defined in Section 111AC of the Corporations Act) for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX and, as such, the Company is subject to regular reporting and disclosure obligations under the Corporations Act and the Listing Rules.

Specifically, the Company is required to notify ASX of information about specific events and matters as they arise for the purposes of the ASX making that information available to the securities markets conducted by the ASX. In particular, the Company has an obligation under the Listing Rules (subject to certain exceptions) to notify the ASX immediately of any information of which it is or becomes aware which a reasonable person would expect to have a material effect on the price or value of its securities.

This Offer Document is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include information that would be included in a disclosure document or which investors ought to have regard to in deciding whether to subscribe for Shares under the Offer. Investors should therefore have regard to all other publicly available information in relation to the Company before making a decision whether or not to invest.

All announcements made by the Company are available from its website www.pharmaust.com or the ASX www.asx.com.au.

4. EFFECT OF RIGHTS ISSUE ON CONTROL AND DIRECTORS' INTERESTS

4.1 Effect on Control

The effect of the Rights Issue on the control of the Company, and the consequences of that effect, will depend upon a number of factors, including the level of take up from Eligible Shareholders. The primary consequences will be as follows:

- (a) If all Eligible Shareholders as at the Record Date take up their full Entitlement, the Rights Issue will have no effect on the control of the Company and all Shareholders will hold the same percentage interest in the Company subject only to changes resulting from Excluded Shareholders being unable to participate in the Rights Issue.
- (b) In the more likely event that not all Eligible Shareholders subscribe for their full Entitlement (ie there is a Shortfall), Eligible Shareholders who do not subscribe for their full Entitlement under the Rights Issue and Excluded Shareholders unable to participate in the Rights Issue will be diluted relative to those Shareholders who subscribe for some or all of their Entitlement. The extent of the dilution will depend on the degree to which Eligible Shareholders take up their Entitlement. The maximum dilution if you do not take up your Entitlement will approach 28.57% if nearly all Eligible Shareholders other than you take up their full Entitlement.
- (c) By reason of existing shareholdings in the Company and the structure of the Rights Issue, no Shareholder can increase their voting power beyond 20% by the Rights Issue. The Company will not issue any New Shares under the Shortfall so a party can increase their voting power beyond 20%.

By reason of the above, the Company is of the view that the Rights Issue will not materially affect the control of the Company.

4.2 Directors' Interests

The relevant interest of each of the Directors in the securities of the Company as at the Record Date is set out in the table below.

Director	Shares	Options
Dr Roger Aston	10,746,296	1,791,050 ¹
Mr Robert Bishop	6,579,328	913,222 ¹
Mr Sam Wright	2,000,000	166,668 ¹
Mr Neville Bassett, AM	5,000	0

Notes:

1. The Options have an exercise price of 12 cents and an expiry date of 30 November 2019.
2. The table above does not include any Entitlement which may be taken up by a Director. Each of the Directors have advised the Company they intend to subscribe for their full Entitlement.

5. RISK FACTORS

5.1 Introduction

Applicants should be aware that an investment in the Company is speculative. The Company is developing cancer treatment products and a subsidiary, Epicchem, delivers synthetic and medicinal chemistry services to clients in the drug discovery and pharmaceutical industries.

The activities of the Company are subject to various risks that may impact on the future performance of the Company. The following is a non-exhaustive list of the risks that may have a material effect on the financial position and performance of the Company and the value of its securities.

5.2 Specific risks

Commercialisation of key anti-cancer product

The Company's future success depends on its ability to develop its key anti-cancer product, monepantel (MPL), and any subsequent commercialisation of this product. No assurances can be given of the successful development and commercialisation of this anti-cancer product.

Clinical validation and regulatory risk

A core component of the Company's strategy is the commercialisation and registration of existing and potentially new related products for the treatment of cancer in companion animals and humans. Successful clinical trials will be required in order for the Company to gain regulatory approval for its products.

The Company's products will be regulated by government bodies such as the Therapeutic Goods Administration in Australia. The Company is required to seek regulatory approval to commercialise and distribute its products. Due to the inherent uncertainty involved in obtaining regulatory approval, there is a risk that the Company's products may not satisfy the requirements for approval, or that the approval process takes longer than expected and therefore delays commercialisation.

Future capital needs and additional funding

The Company's ability to implement its business strategy will depend in part on its ability to continue to raise additional funds. The Company's ability to raise further capital (equity or debt) within an acceptable time, of a sufficient amount and on terms acceptable to it will vary according to a number of factors, including the success of the development of current products and industry conditions. No assurance can be given that future funding will be available, or that it will be available on terms favourable to the Company. If only Minimum Subscription is raised by this Offer, how the Company intends to use the funds is set out in Section 3.2. Further funds beyond Minimum Subscription will be needed in order to fund certain matters as set out in Section 3.2.

Dependence on key personnel

The Company's success depends on the core competencies of its Directors and key management which includes the Executive Chairman, Dr Roger Aston and Mr Richard Mollard, Chief Scientific Officer. The expertise and availability of the Company's scientific staff will be instrumental in the development of products as well as the success and evaluation of clinical trials. Loss of key personnel would adversely affect the Company.

Intellectual property risk

Securing and protecting rights to intellectual property, and in particular to patents, is an integral part of securing potential product value arising out of pharmaceutical, biotechnical and chemical research and development. The Company's success depends in part, on its ability to obtain patents, protect trade secrets and operate without infringing third parties' proprietary rights.

The granting of a patent does not guarantee that the rights of other parties are not infringed or that competitors will not develop competing intellectual property that circumvents the patents. In addition, there can be no assurance that any patents that the Company may own or control or licence now or in the future will afford the Company commercially significant protection of its intellectual property or its projects or have commercial application.

Competition in obtaining, retaining and maintaining protection of intellectual property and the complex nature of intellectual property rights can also lead to expensive and lengthy disputes for which there can be no guaranteed outcome.

The Company has intellectual property rights to the use of MPL in the treatment of cancer in animals and humans. Elanco US Inc is the owner of MPL and the Company has granted Elanco US Inc an option to negotiate for a licence to use the Company's intellectual property in the field of treatment of cancer in animals (see ASX announcement of 18 April 2018). There is no guarantee that this option will be exercised. The Company has entered into an agreement with Nihon Nohyaku Co Ltd (NNC) to assign to the Company NNC's interests in a patent portfolio to the Company by which NNC will receive royalties on sales (see ASX announcement of 4 September 2017). Other than this, the Company is not aware of any third party interests in its intellectual property rights and has taken steps to protect and confirm its interest in these rights, there is always a risk of third parties claiming involvement in pharmaceutical, biotechnical and chemical discoveries and if any disputes arise, they could adversely affect the Company.

Epichem subsidiary risks

Epichem is a wholly owned subsidiary of the Company and has been delivering synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries since 2003. It also provides custom synthesis and contract drug discovery. Epichem's success is dependent on a number of factors including the ability to retain its managing director and its team of scientists, the state of the industries in which it operates, the ability to compete with competitors in other countries and the ability to obtain future contracts from clients.

General contract risk

The Company and its two subsidiaries operate through a series of contractual relationships with third parties through various contracts. All contracts carry risks associated with the performance by the parties of their obligations such as time commitments, achieving targets and quality of work performed.

In the future, contracts will need to be negotiated with a number of third parties including for the sales, marketing and distribution of pharmaceutical products. The Company may become reliant on suppliers, manufacturers and distributors, the loss of whose services may materially adversely affect the Company and impede the achievement of its objectives.

Future product development

The Company faces a number of product related risks inherent in the development of its new drug for clinical markets. These range from clinical trial risk as noted above, an active market to support the development of new products as well as distribution and manufacturing risk.

The success of projects and product commercialisation depends on partnering with collaborators interested in the Company's platform and the appointment and co-operation of distributors to market and sell products to target segments. Although arrangements can be confirmed in agreements and undertakings given for the completion of work to be done and activities to perform, there is a risk that the performance of distributors and the delivery of contracted outcomes by collaborators will not occur due to a range of unforeseen factors relating to environment, technology, counterparty risk and market conditions.

Competition in development of cancer products

The Company faces competition in the development of cancer treatment products, which may include organisations with greater capital resources and expertise. The ability of a current or new competitor to introduce an improved product may adversely impact on the Company's financial performance. Such competition and new technologies can have the effect of rendering costly research and development obsolete, decreasing the financial value of products or research projects and reducing pricing and profit margins.

Product liability risk

The Company's business of development of cancer treatment products exposes it to potential product liability claims. The Company may seek to obtain adequate product liability insurance at the appropriate time in order to minimise its liability to such claims however there can be no assurance that adequate insurance coverage will be available at an acceptable cost. If the Company is unable to obtain sufficient product liability insurance then claims of this nature may adversely affect the Company's profitability.

Liquidity risk

There is no guarantee that there will be an ongoing liquid market for Shares (including the New Shares under this Offer Document). Accordingly, there is a risk that, should the market for Shares become illiquid, Shareholders will be unable to realise their investment in the Company.

Legal proceedings

Legal proceedings may arise from time to time in the course of the Company's business. As at the date of this Offer Document, there are no material legal proceedings affecting the Company and the Directors are not aware of any legal proceedings pending or threatened against or affecting the Company.

Foreign exchange risk

Revenue and expenditure in overseas jurisdictions are subject to fluctuations in international currency exchange markets and changes in foreign exchange laws or regulations. Foreign currency exchange rates, withholding taxes, inflation, interest rates, limitation on the repatriation of earnings, compliance with foreign accounting and business laws and cultural differences also carry a certain amount of risk and may also have an impact on the performance of the Company.

5.3 General investment risks

Securities investments and share market conditions

There are risks associated with any securities investment. The trading prices of securities trade fluctuate in response to a number of factors.

Furthermore, the stock market, and in particular the market for life sciences and pharmaceutical companies may experience extreme price and volume fluctuations that may be unrelated or disproportionate to the operating performance of such companies. These factors may materially adversely affect the market price of the securities of the Company regardless of the Company's operational performance. Neither the Company nor the Directors warrant the future performance of the Company, or any return of an investment in the Company.

Economic risk

Changes in both Australia and world economic conditions may adversely affect the financial performance of the Company. Factors such as inflation, currency fluctuations, interest rates, industrial disruption and economic growth may impact on future operations and earnings.

Legislative

Changes in relevant taxes, legal and administration regimes, accounting practices and government policies may adversely affect the financial performance of the Company.

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6. ACTION REQUIRED BY SHAREHOLDERS TO PARTICIPATE

6.1 Acceptance of Offer

The number of New Shares to which you are entitled is shown on the Entitlement Form accompanying this Offer Document. If you are an Eligible Shareholder, you may:

- Take up your Entitlement in full or in part; or
- Allow your Entitlement to lapse.

Acceptance of the Offer must not exceed the Entitlement as shown on the Entitlement Form. However, you may apply for Shortfall Shares in accordance with Section 3.10 if you take up your Entitlement in full. The Directors reserve the right to reject any applications for New Shares that are not made in accordance with the terms of this Offer Document or the instructions on the Entitlement Form. Fractional Entitlements to Shares will be rounded up.

6.2 Taking up your Entitlement in full or in part

If you wish to accept your Entitlement in full or in part either:

- Complete the Entitlement Form for the number of New Shares you wish to take up in accordance with the instructions on the form. Return your completed form, together with the Application Money to the Company's share registry (see Section 6.5 below). It must be received by no later than the Closing Date (5pm WST on 19 March 2019).

OR

- Make a payment of 2.5 cents for each New Share you wish to apply for by BPAY in accordance with the instructions on the Entitlement Form by no later than the Closing Date (5pm WST on 19 March 2019).

If you take up your Entitlement in full, you may apply for further New Shares as part of the Shortfall in accordance with Section 3.10.

6.3 Allowing your Entitlement to lapse

If you do not wish to take up any of your Entitlement under the Offer, then you do not need to take any action. If you do nothing then your Entitlement will lapse. The New Shares not subscribed for will form part of the Shortfall.

Although you will continue to own the same number of Shares, your percentage shareholding in the Company will be diluted.

6.4 Payment for New Shares

The issue price of 2.5 cents per New Share is payable in full on application.

All payments are to be made in Australian currency by cheque or by BPAY.

Cheques should be drawn on an Australian branch of a financial institution, made payable to "*PharmAust Limited*" and crossed "*Not Negotiable*".

BPAY payments should be made in accordance with the instructions on the Entitlement Form using the BPAY Biller Code and Customer Reference Number shown on the form. You are not required to return the Entitlement Form if you use BPAY to pay the Application Money. You should be aware that your own financial institution may implement earlier cut-off times

with regard to electronic payment. You should take this into consideration when making payment. It is your responsibility to ensure that funds submitted through BPAY are received by the Closing Date. The Customer Reference Number is used to identify your holding. If you have multiple holdings you will receive multiple Customer Reference Numbers. You must use the Customer Reference Number shown on each Entitlement Form to pay for each holding separately. If you pay by BPAY and do not pay your full Entitlement, your remaining Entitlement will lapse. Your completed BPAY acceptance, once paid, cannot be withdrawn. We do not accept any responsibility for incorrectly completed BPAY payments.

6.5 **Address details and enquiries**

Completed Entitlement Forms and cheques for the Application Money (if not paying by BPAY) should be mailed to the postal address set out below by no later than the Closing Date (5pm WST on 19 March 2019):

Postal address: PharmAust Limited
c/- Computershare Investor Services Pty Limited
GPO Box 505
Melbourne Victoria 3001

You should ensure that your Entitlement Form (and Application Money) is sent early to ensure that they arrive at the postal address specified above by the Closing Date. If we receive your Entitlement Form after the Closing Date, the Directors may, at their discretion, accept or reject your Application. If we reject your Application, we will refund your Application Money in full without interest

If you have any questions about the Rights Issue or how to complete your Entitlement Form, please contact the Company Secretary (phone +61 8 6161 7412 or sam@straightlines.net.au).

6.6 **Issue of New Shares and quotation on ASX**

New Shares under the Rights Issue will be issued as soon as practicable after the Closing Date. It is expected that New Shares will be allotted and that transaction confirmation statements will be sent to you on or about 26 March 2019. However, if the Closing Date is extended then the date for allotment and posting may also be extended.

Application for official quotation by ASX of the New Shares offered under this Offer Document has been made. If permission for quotation is not granted by ASX, the New Shares will not be allotted and Application Money will be refunded (without interest) as soon as practicable.

It is your responsibility to confirm your holdings before trading in New Shares. Any person who sells New Shares before receiving confirmation of their holding will do so at their own risk. The Company and the share registry disclaim all responsibility to any person who trades in New Shares before receiving their confirmation statement.

Application Money will be held in trust in a separate bank account on behalf of each Eligible Shareholder until the New Shares are issued. If necessary, Application Money will be refunded as soon as reasonably practicable, without interest. Interest earned on the Application Money will be retained by the Company, regardless of whether New Shares are issued under the Offer.

The Directors may at any time decide to withdraw this Offer Document and the offers made under the Rights Issue, in which case the Company will return all Application Money (without interest) as soon as practicable.

6.7 Excluded Shareholders

The Offer under the Rights Issue is not extended to Excluded Shareholders (any Shareholder whose registered address on the Record Date is situated outside Australia or New Zealand). The Rights Issue does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

In making this decision, the Directors have taken into account the small number of Excluded Shareholders and the cost and administrative complexity of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

The New Shares are not being offered or sold to the public within New Zealand other than to existing Shareholders of the Company with registered addresses in New Zealand.

This Offer Document has not been registered, filed with or approved by any New Zealand regulatory authority. This Offer Document is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Eligible Shareholders holding Shares on behalf of persons who are resident outside Australia or New Zealand (including nominees, custodians and trustees) are responsible for ensuring that any dealing with their Entitlement and any New Shares issued do not breach the laws and regulations in the relevant overseas jurisdiction, and should seek independent professional advice and observe any applicable restrictions relating to the taking up of Entitlement or the distribution of this Offer Document or the Entitlement Form.

The making of an Application (whether by the return of a duly completed Entitlement Form or the making of a BPAY payment or otherwise) will constitute a representation that there has been no breach of such laws or regulations. Shareholders who are nominees, custodians or trustees are therefore advised to seek independent advice as to how they should proceed.

6.8 Taxation

There may be taxation implications in relation to the Rights Issue and subscribing for New Shares. These taxation implications vary depending on your individual circumstances.

You should seek and rely on your own taxation advice regarding an investment in the Company. Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility with respect to the taxation consequences connected with the Rights Issue or the New Shares.

7. GLOSSARY

Where the following terms are used in this Offer Document they have the following meanings:

Applicant	A person who makes an Application.
Application	An application to subscribe for New Shares under this Offer Document.
Application Money	Money payable by Eligible Shareholders in respect of New Shares applied for under this Offer Document.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as applicable.
Board	The board of directors of the Company.
Closing Date	The last day for payment and return of Entitlement Forms, being 5.00pm (WST) on 19 March 2019 or such other date as may be determined by the Directors.
Company	PharmAust Limited (ACN 094 006 023).
Constitution	The constitution of the Company.
Corporations Act	Corporations Act 2001 (Cth).
Director	A director of the Company.
Eligible Shareholder	Shareholders with a registered address in Australia or New Zealand as at the Record Date.
Entitlement	The number of New Shares that an Eligible Shareholder may apply for under the Offer, as determined by the number of Shares held on the Record Date.
Entitlement Form	The entitlement and acceptance form accompanying this Offer Document.
Epichem	Epichem Pty Ltd (ACN 106 769 902).
Excluded Shareholder	A Shareholder whose registered address is not in Australia or New Zealand.
Full Subscription	The maximum amount to be raised under the Offer being the sum of \$2,003,007 assuming no existing Options are exercised.
Issue Price	2.5 cents per New Share.

Lead Manager	ACNS Capital Markets Pty Ltd (ACN 008 503 208) as trustee for the ACNS Unit Trust trading as Alto Capital.
Listing Rules	The official listing rules of ASX, as amended or waived by ASX from time to time.
Minimum Subscription	The sum of \$500,000.
New Share	A Share to be issued under this Offer Document.
Offer	The offer to Eligible Shareholders of New Shares under the Rights Issue.
Offer Document	This offer document.
Option	An option to acquire a Share.
Record Date	5.00pm (WST) on 21 February 2019.
Rights Issue	The pro-rata non-renounceable offer conducted pursuant to this Offer Document under which up to approximately 80,120,266 New Shares will be offered to Eligible Shareholders on the basis of 2 New Shares for every 5 Shares held at the Record Date at the Issue Price.
Share	A fully paid ordinary share in the Company.
Shareholder	A registered holder of Shares.
Shortfall	The number of New Shares not applied for under the Rights Issue before the Closing Date.
WST	Western Standard Time.

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