



PharmAust

L I M I T E D



# PRELIMINARY FINAL REPORT

2010 · APPENDIX 4E

ABN 35 094 006 023

## Corporate Directory

### DIRECTORS

Mr Bryant Mclarty	Executive Chairman
Mr Henry Gulev	Non-Executive Director
Mr Sam Wright	Non-Executive Director

### COMPANY SECRETARY

Mr Sam Wright

### PRINCIPAL PLACE OF BUSINESS AND REGISTERED OFFICE

50 Derby Road  
Subiaco WA 6008

### CONTACT DETAILS

Website: [www.pharmaust.com](http://www.pharmaust.com)  
Email: [info@pharmaust.com](mailto:info@pharmaust.com)  
Ph: + 61 (8) 9380 6550  
Fax: + 61 (8) 9381 4056

50 Derby Road  
Subiaco WA 6008

### SOLICITORS TO THE COMPANY

Fairweather & Lemonis  
Ground Floor  
1 Havelock Street  
West Perth WA 6005

### AUDITORS

RSM Bird Cameron Partners  
8 St Georges Terrace  
Perth WA 6000

### STOCK EXCHANGE

Australian Securities Exchange  
Exchange Plaza  
2 The Esplanade  
Perth WA 6000

### SHARE REGISTRY

Computershare Investor Services  
45 St Georges Terrace  
Perth WA 6000  
Ph: +61 (8) 9323 2000

**Results for announcement to market**

<b>Result</b>	<b>Change (%)</b>	<b>FY10</b>	<b>FY09</b>
Revenue	Down 48%	1,941,341	3,731,514
Loss after Tax	Up 144%	438,600	179,596
Net Loss Attributable to Members	Up 144%	438,600	179,596

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

Reporting period: Year ending 30 June 2010

Previous reporting period: Year ending 30 June 2009

**BRIEF EXPLANATION OF RESULTS**

The PharmAust Board continued to focus on reduction of costs, current and potential investments and the profitable operation of Epichem. Analysis of the P & L shows that revenues have increased through Epichem and that administrative expenses have reduced with other expenses being nil.

**EPICHEM**

While contract research is still the mainstay of Epichem's business, the sale of analytical standards continues to perform well despite the GFC and the high value of the Australian dollar. Revenues from analytical standards grew by 18% to \$200k in FY2010 and efforts are now underway to support this growing business with a dedicated marketing campaign.

In recognition of its growing focus on the export market (74% of sales in FY2010) Epichem has substantially increased Trademark protection on its name over the last year. Registered Trademarks have now been secured in Australia, New Zealand, USA, UK and Singapore, with applications pending in France, Germany, Japan and Switzerland. In addition, Epichem has acquired the internet domain name for Epichem in France, Germany and India, and these now automatically redirect to our Australian site epichem.com.au.

Epichem continues to undertake a modest amount of research in drug discovery with collaborators to generate potentially valuable intellectual property for its shareholders. The two most significant projects are a collaboration with Curtin University to find an oral treatment for diabetes to replace insulin injections, and a collaboration with Murdoch University to discover new anti-parasitic drugs, primarily for the animal health market.

In March 2010 Epichem signed a MOU for a strategic alliance with New Zealand's Industrial Research Limited (IRL). The alliance brings IRL's world class expertise in carbohydrate chemistry and cGMP manufacturing capabilities to the range of services Epichem can offer its clients. Epichem and IRL are currently working towards a Joint Venture to produce and market a new product line, "compound libraries", to the drug discovery sector.

## LAMBOUKA OIL & GAS PROSPECT

PharmAust announced on the 23rd of March 2010 that it had agreed to farm in to two contiguous offshore Exploration Permits, located offshore the island of Pantelleria southwest of Sicily in Italian waters and the Kerkouane northeast Tunisia collectively known as the Lambouka oil and gas prospect.

PharmAust entered into an agreement with Audax Resources Limited (ASX: ADX) to acquire a working interest in Lambouka whereby PharmAust would be entitled to earn a 10% interest in the Lambouka prospect area of both permits by paying a “promoted” proportion of the costs of the drilling of an exploration well due to commence drilling in mid June, 2010.

Lambouka lies in 400m water depth and straddles the Italian and Tunisian international boundary. It is a large tilted horst block with a combined prospective mean resource of 270 MMBOE, targeting three prospective and regionally proven hydrocarbon objectives in politically stable producing offshore oil and gas areas close to facilities and ready to drill. Lambouka was one of the largest undrilled structures in the Mediterranean.

Acquisition of the interest in Lambouka was subject to shareholder approval. On the 30 April 2010 shareholders voted to approve to pursue the Investment in Oil & Gas.

On the 12th of April 2010 AuDAX announced that the Geostreamer 3D seismic acquisition in the Sicily Channel, was approximately a week ahead of schedule and that the acquisition of the 3D seismic fast track cube over the Lambouka prospect was already being processed for the selection of the location for the Lambouka well.

On the 7th June an AIM listed company with oil and gas production, exploration and development activities in Syria, Iraq and the U.S.A. exercised its option to increase its working interest in the project from 20% to 30% following review of the 3D seismic program.

Rig Mobilisation for Lambouka-1 Well of the Atwood Southern Cross semi submersible drilling rig was announced on the 17th June 2010.

## RIGHTS ISSUE, CAPITAL RAISING and GENERAL MEETING

PharmAust Limited undertook a pro-rata non renounceable entitlement issue of one (1) new option for every two (2) Shares held by shareholders at an issue price of 0.2 cents per option to raise up to approximately \$254,708. The company said it would apply for official quotation of the Options issued under the Rights Issue on ASX. Full details of the Rights Issue was contained in a Prospectus which was lodged with ASIC and mailed to all shareholders registered on the record date.

On the 30 April 2010 at the General Meeting shareholders voted both to approve to pursue the Investment in Oil & Gas and to issue options to both new and existing shareholders. Both resolutions were passed on a show of hands with votes and proxies overwhelmingly in favour of both resolutions.

## CORPORATE

On 18 January 2010, the company announced that settlement had been completed on the sale of the property located at 71 Division Street Welshpool for \$2,700,000. PharmAust repaid the mortgage held against the property, resultant in PharmAust being mainly debt free.

## AFTER BALANCE DATE EVENTS

On the 11th of July 2010 at 11.40 am GMT the Atwood Southern Cross semisubmersible drilling rig spudded the Lambouka well by drilling a 36 inch surface hole to casing depth following which 30 inch conductor casing was run and cemented.

Audax has provided Lambouka-1 Well - Operations updates to the market commencing on the 13th of July 2010 with #1 through # 8 on the 31st August 2010.

Lambouka-1 Well - Operations Update #4 indicated progress during the week was delayed due to 53 hours of bad weather preventing the installation of the Blow Out Preventer ("BOP") on the wellhead located on the sea floor. Further difficulties were experienced when trying to latch the BOP onto the wellhead.

Modifications of the BOP to wellhead connection were necessary. The BOP stack was subsequently reinstalled and successfully pressure tested and the rig commenced drilling out of the 20" casing shoe in 16" hole. It noted that during repair work a zero rig rate is incurred by ADX and its partners and that during wait on weather a significantly reduced rig rate applied.

On the 16th August 2010 Lambouka-1 Well Results from the First Target Formation were released and the MWD logs indicated that the first Birsa sandstones encountered were water bearing and on the 19th August 2010 ADX Energy advised that this was also the case with the Ain Grab section Lambouka-1 Well - Operations Update #8 released to the market by the operator on the 31<sup>st</sup> August 2010 stated that a 8 ½" section was successfully drilled from 2,219 meters through the main target section (Abiod formation) to a current measured depth of 2,785 meters.

Further to the Update #7 by ADX provided on the 27th August which described preliminary positive indications in the Abiod reservoir section Update #8 confirmed further drilling fluid losses were encountered throughout the entire 8 ½" section, and that those losses were managed in a safe and efficient manner. The combination of drilling fluid losses, high resistivity on MWD (Measurement While Drilling) logs, increase in background gas and oil shows had led to a decision to run a comprehensive set of wireline logs to provide the basis for a reliable dataset for the evaluation of reservoir properties and the presence of hydrocarbons.

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the year ended 30 June 2010**

		<b>CONSOLIDATED</b>	
		<b>2010</b>	<b>2009</b>
Revenue	2	1,629,715	1,564,920
Other income	2	311,626	2,166,594
		1,941,341	3,731,514
Raw materials and consumables used		(209,462)	(193,723)
Employee benefits expense		(1,442,231)	(1,079,561)
Depreciation expense		(62,184)	(58,732)
Finance costs		(105,334)	(143,354)
Share of loss of associate		-	(1,389,834)
Administration expenses		(560,730)	(833,968)
Other expenses		-	(211,938)
		(438,600)	(179,596)
<b>Loss before income tax expense</b>		(438,600)	(179,596)
Income tax expense		-	-
		(438,600)	(179,596)
		(438,600)	(179,596)
		(438,600)	(179,596)
<b>Other comprehensive income</b>			
Revaluation of property plant		(55,020)	(230,000)
Income tax relating to components of other comprehensive income for the period		-	-
		-	-
<b>Other comprehensive income for the period</b>		(55,020)	-
		(55,020)	-
<b>Total comprehensive loss for the period</b>		(493,620)	(409,596)

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	2,752,539	3,800,313
Trade and other receivables	236,180	348,531
Non current assets held for sale	-	2,700,000
Other current assets	1,034,462	-
Financial assets	131,450	78,451
Exploration and valuation	2,064,362	-
<b>TOTAL CURRENT ASSETS</b>	<b>6,218,993</b>	<b>6,927,295</b>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	608,629	642,935
<b>TOTAL NON-CURRENT ASSETS</b>	<b>608,629</b>	<b>642,935</b>
<b>TOTAL ASSETS</b>	<b>6,827,622</b>	<b>7,570,230</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	863,595	275,606
Short-term borrowings	28,123	1,376,060
Short-term provisions	92,698	61,953
<b>TOTAL CURRENT LIABILITIES</b>	<b>984,416</b>	<b>1,713,619</b>
<b>NON-CURRENT LIABILITIES</b>		
Long-term borrowings	35,965	-
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>35,965</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>	<b>1,020,381</b>	<b>1,713,619</b>
<b>NET ASSETS</b>	<b>5,807,241</b>	<b>5,856,611</b>
<b>EQUITY</b>		
Issued capital	28,487,155	28,042,905
Reserves	-	312,695
Accumulated losses	(22,679,914)	(22,498,989)
<b>TOTAL EQUITY</b>	<b>5,807,241</b>	<b>5,856,611</b>

**STATEMENT OF CHANGES IN EQUITY**  
**For the year ended 30 June 2010**

**CONSOLIDATED**

	Issued Capital \$	Accumulated Losses \$	Asset Revaluation Reserve \$	General Reserve \$	Total Equity \$
As at 1 July 2008	27,690,944	(22,825,428)	542,695	506,035	5,914,246
Loss for the period	-	(179,596)	-	-	(179,596)
Revaluation of land and buildings	-	-	(230,000)	-	(230,000)
Transfer upon disposal of associate	-	506,035	-	(506,035)	-
Total comprehensive loss for the period	-	326,439	(230,000)	(506,035)	409,596
Shares issued (net)	342,000	-	-	-	342,000
Share based payments	9,961	-	-	-	9,961
As at 30 June 2009	28,042,905	(22,498,989)	312,695	-	5,856,611
	Issued Capital \$	Accumulated Losses \$	Asset Revaluation Reserve \$	General Reserve \$	Total Equity \$
As at 1 July 2009	28,042,905	(22,498,989)	312,695	-	5,856,611
Loss for the period	-	(438,600)	-	-	(438,600)
Revaluation of land and buildings	-	-	(55,020)	-	(55,020)
Transfer upon disposal of land and buildings	-	257,675	(257,675)	-	-
Total comprehensive loss for the period	-	(180,925)	(312,695)	-	(493,620)
Shares issued (net)	444,250	-	-	-	444,250
As at 30 June 2010	28,487,155	(22,679,914)	-	-	5,807,241

**STATEMENT OF CASH FLOWS**  
**For the year ended 30 June 2010**

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
<b>Cash Flows From Operating Activities</b>		
Receipts from customers	1,767,189	1,704,500
Payments to suppliers and employees	(2,304,377)	(2,502,343)
Dividends received	3,026	19,300
Interest received	164,766	149,640
Interest and other costs of finance	(105,334)	(143,354)
Exploration expenditure	(2,374,676)	-
<b>Net Cash Used In Operating Activities</b>	<b>(2,849,406)</b>	<b>(772,257)</b>
<b>Cash Flows From Investing Activities</b>		
Payments for property, plant and equipment	(42,879)	(41,749)
Proceeds from sale of investments accounted for using the equity method	-	3,689,012
Proceeds from sale of land and buildings	2,659,980	-
Proceeds from sale of financial assets	181,372	700,260
Payments for financial assets	(129,120)	(934,314)
<b>Net Cash Provided By Investing Activities</b>	<b>2,669,353</b>	<b>3,413,209</b>
<b>Cash Flows From Financing Activities</b>		
Proceeds from share issues	444,250	342,000
Proceeds from borrowings	86,379	-
Repayment of borrowings	(1,398,350)	-
<b>Net Cash Provided By/(Used In) Financing Activities</b>	<b>(867,721)</b>	<b>342,000</b>
<b>Net Increase/(Decrease) In Cash Held</b>	<b>(1,047,774)</b>	<b>2,982,952</b>
Cash at the beginning of the financial year	3,800,313	817,361
<b>Cash at the end of the financial year</b>	<b>2,752,539</b>	<b>3,800,313</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2010**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Statement of Compliance**

The Appendix 4E preliminary final report has been prepared in accordance with ASX listing rules and the recognition and measurement criteria of Australian Accounting Standards (including the Australian Accounting Interpretations). Accounting Standards include Australian equivalents to International Financial Reporting Standards.

**Basis of Preparation**

The Appendix 4E has been prepared on the basis of historical cost. The accounting policies and methods of computation adopted in the preparation of the Appendix 4E are consistent with those adopted and disclosed in the Company's half yearly financial statements as at 31 December 2009.

	<b>CONSOLIDATED</b>	
	<b>2010</b>	<b>2009</b>
	\$	\$
<b>NOTE 2. REVENUE</b>		
<b>Sales revenue</b>		
Sales	1,629,715	1,564,920
<b>Other revenue</b>		
Reversal of prior period impairment loss	-	776,735
Gain on disposal of associate	-	613,099
Foreign exchange gain on disposal of associate	-	301,849
Interest received	178,226	159,765
Gain on disposal of financial assets	58,251	8,696
Revaluation of shares	47,000	-
Rental income	14,000	96,448
Dividend income	3,026	19,300
Other revenue	11,123	190,702
<b>Total revenue</b>	<b>1,941,341</b>	<b>3,731,514</b>

**NOTE 3. DISPOSAL OF ASSOCIATES**

On 15 September 2008, PharmAust Limited successfully completed the sale of its 39.5% shareholding in Commonwealth Biotechnologies Inc for an amount of \$3,689,012.

**FURTHER INFORMATION – APPENDIX 4E**  
**For the year ended 30 June 2010**

**NET TANGIBLE ASSETS**

	<b>2010</b>	<b>2009</b>
Net Tangible Assets per share (cents per share)	2.3	2.3

**EARNINGS PER SHARE**

	<b>2010</b>	<b>2009</b>
<b>EARNINGS PER SHARE</b>		
Basic earnings per share (cents per share) - loss	0.17	0.07
Diluted earnings per share (cents per share) - loss	0.17	0.07
Loss for the year	438,600	179,596
Weighted average number of ordinary shares outstanding during the year used in the calculation of earnings per share	254,707,875	242,265,255

This report is based on accounts which are in the process of being audited by RSM Bird Cameron Partners.



Sam Wright  
 Director & Company Secretary