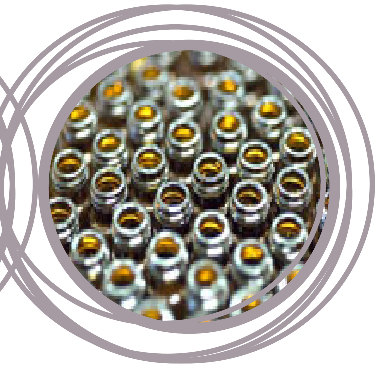
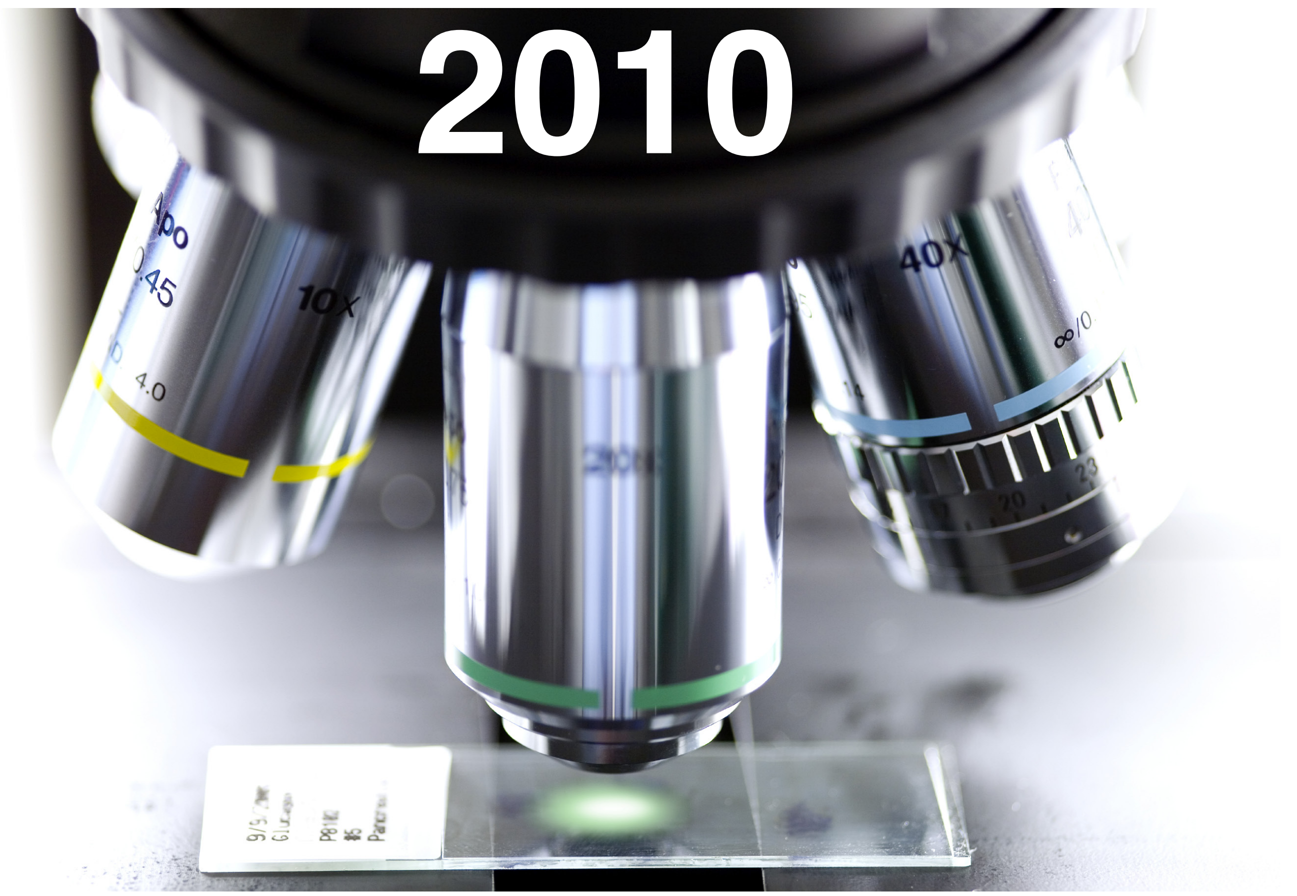
PharmAust
LIMITED



ANNUAL REPORT 2010



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CORPORATE DIRECTORY

Principal Place of Business

50 Derby Road
Subiaco, Western Australia 6008
Tel +61 (8) 9380 6550
Fax +61 (8) 9381 4056
www.pharmaust.com
ASX CODE: PAA

Registered Office

50 Derby Road
Subiaco, Western Australia 6008
Tel +61 (8) 9380 6550 Fax +61 (8) 9381 4056

Directors

Mr Bryant Mclarty
Mr Sam Wright
Mr Henry Gulev

Company Secretary

Mr Sam Wright

Share Registry

Computershare Investor Services Pty Limited
Level 2 Reserve Bank Building
45 St George's Terrace
Perth, Western Australia 6000

Solicitors

Fairweather & Lemonis
Level 9, 172 St Georges Terrace
Perth, Western Australia 6805

Auditors

RSM Bird Cameron Partners
8 St Georges Terrace
Perth, Western Australia 6000

Stock Exchange

Australian Stock Exchange
Exchange Plaza
2 The Esplanade
Perth, Western Australia 6000

DIRECTORS' REPORT

Your Directors present their report on the Company and the entity it controlled for the financial year ended 30 June 2010.

Directors

The following persons held office as directors of PharmAust Limited during the financial year and up to the date of this report:

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

Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

Principal Activities

The principal continuing activity constituted by PharmAust Limited and the entity it controlled during the year, focused on contract drug discovery and development.

Operating Results

The results of the consolidated entity for the year ended 30 June 2010 was a loss, after income tax expense, of $438,600 (2009: loss of $179,596).

Financial Position

The net assets of the consolidated entity are $5,807,239 as at 30 June 2010 (2009: $5,856,611).

BRIEF EXPLANATION OF RESULTS

The Board continued to focus on current and potential investments and the profitable operation of Epichem. Analysis of the statement of comprehensive income shows that revenues have increased through Epichem and that administrative expenses have reduced with other expenses now being nil.

EPICHEM – 100% OWNED SUBSIDIARY

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 redirected to our Australian site www.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

Review of Operations

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.

In August 2010, Epichem appointed Barry Epstein as VP Marketing. A number of marketing initiatives are now well underway. Revenues from analytical standards for the first quarter of FY2011 are well ahead of budget and more than double the same period for FY2010.

Epichem's export success has been recognized by their nomination as a finalist in the 2010 WA Industry and Export Awards with the winner to be announced on 22 October.

LAMBOUKA OIL & GAS PROSPECT

PharmAust announced on 23 of March 2010 that it had agreed to farmin 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 600 plus metres water depth and straddles the Italian and Tunisian international boundary. It is a large tilted horst block targeting three prospective and regionally proven hydrocarbon objectives in politically stable producing offshore oil and gas areas close to facilities and one of the largest undrilled structures in the Mediterranean. Acquisition of the interest in Lambouka was subject to shareholder approval and on the 30 April 2010 shareholders voted to approve to pursue this investment.

On 12 April 2010, Audax announced that the Geostreamer 3D seismic acquisition in the Sicily Channel was 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. Following this an associated 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 and on the 11 of July 2010, the Atwood Southern Cross semi submersible drilling rig spudded the well by drilling a 36 inch surface hole to casing depth following which 30 inch conductor casing was run and cemented.

Audax provided Lambouka-1 Well - Operations updates to the market commencing on 13 of July 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 was incurred by ADX and its partners and that during wait on weather a significantly reduced rig rate applied.

On 16 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 19 August 2010, Audax 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 31 August 2010 stated that a 8 1/2" section was successfully drilled from 2,219 meters through the main target section (Abiod

DIRECTORS' REPORT (Cont.)

formation) to a current measured depth of 2,785 meters. Further to the update #7 by Audax provided on the 27 August which described preliminary positive indications in the Abiod reservoir section, update #8 also 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 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.

Drilling and wire line logging operations reached a total measured depth of 2,786 meters. Analysis of the final suite of wire line logs supported earlier results from logging while drilling, that at least two hydrocarbon bearing zones were present in the Abiod Formation - likely to be comprised of gas and possibly condensate.

Interpretation of 3D seismic also led Audax to suggest there is up dip potential from the crest of the structure to the Lambouka-1 well location of approximately 250 meters. Specialist wire line logs and drilling data indicate that the Abiod limestone formations at Lambouka–1 are extensively fractured which is a positive factor for reservoir productivity.

On 8 September 2010, the joint venture partners agreed to suspend the Lambouka -1 discovery in a manner that is suitable for the future re-entry of the well. The suspension of the well with the ability for future re-entry will provide the opportunity to obtain additional hydrocarbon and reservoir information in a cost effective manner from an appropriately designed drill stem test of the Abiod Formation. Furthermore, given up dip potential from the Lambouka–1 location it is possible to re-drill the bottom section of the well with an appropriate orientation to test the crest of the structure as well as prospective porous sandstones encountered in the lower part of the well interpreted to be in closure at an up dip location.

ADX Energy Limited announced on the 23rd of September that it had completed an initial evaluation of the Lambouka–1 well results and generated a preliminary resource estimate for the Lambouka gas discovery.

The mean recoverable gas resource for Lambouka is estimated to be 309 BCF with the potential for significant associated condensate volumes The resource evaluation was based on the incorporation of a comprehensive set of LWD and wire line log data, gas chromatography data acquired during the Lambouka #1 drilling campaign; and an updated 3D seismic interpretation incorporating geological data acquired during the drilling of the Lambouka-1 well.

ADX noted that it had utilised a number of third party log analysis experts to review log data and contribute to the evaluation. Condensate estimates were not included however, gas chromatograph measurements taken while drilling indicated condensate rich gas to be present at Lambouka. The comprehensive Lambouka dataset will be further evaluated.

It is planned to re-enter Lambouka–1 then sidetrack and test the formations with a specifically designed reservoir flow test.

PharmAust acknowledged the prospectivity of the area and looks forward to near term future progression of the asset.

Other than disclosed above, between the end of the financial year and the date of this there are no items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to affect significantly, the results of those operations, or the state of affairs of the Company in future financial years.

In a separate announcement, PharmAust reiterated that under the farmin agreement, PharmAust is entitled to earn 10% interest in the Lambouka prospect area. The area is approximately 150 square kilometres. PharmAust believes the results confirm the prospectivity of the area and looks forward to future progression of the asset in the near term.

DIRECTORS' REPORT (Cont.)

In August 2010, Epichem appointed Barry Epstien as VP Marketing. A number of marketing initiatives are now well underway. Revenues from analytical standards for the first quarter of FY2011 are well ahead of budget and more than double the same period for FY2010.

Epichem's export success has been recognized by their nomination as a finalist in the 2010 WA Industry and Export Awards with the winner to be announced on 22 October.

Other than disclosed above, between the end of the financial year and the date of this there are no items, transactions or events of a material and unusual nature likely, in the opinion of the Directors, to affect significantly, the results of those operations, or the state of affairs of the Company in future financial years.

RIGHTS ISSUE, CAPITAL RAISING and GENERAL MEETING

PharmAust 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 were 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 and 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.

Subsequent Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

Dividends

Since the end of the previous financial year, no dividend has been paid, declared or recommended.

Significant Changes in State of Affairs

A review of events during the reporting period can be found in the review of operations.

Future Developments

In the opinion of the Directors disclosure of information regarding likely developments in the Company's operations and the expected results of those operations in subsequent financial years could prejudice the Company's interests. Accordingly, this information has not been included in this report.

DIRECTORS' REPORT (Cont.)

Information on Directors

Mr. Bryant Mclarty – Executive Director & Chairman

Experience	Mr Mclarty has extensive managerial experience and a practical working knowledge of the securities industry in Australia and overseas. His role at PharmAust Limited includes day to day management, strategic planning, fundraising and the development and promotion of the company's business along with the introduction of new projects. Mr Mclarty is a founding director of PharmAust. Mr Mclarty is also currently a Non Executive Director of Avation Plc which is listed on the London Stock Exchange. Avation is a leasing company with a total fleet of 12 aircraft, worth in excess of US$125m, currently on long term commercial leases to a range of operators in Europe, the US and Australia
Interests in Shares and Options	Mr Mclarty holds 6,837,934 ordinary shares and 3,275,274 listed options in PharmAust Limited.
Other Current Directorships (ASX Listed Companies)	Nil
Previous Directorships (last 3 years) ASX Listed Companies	Nil

Mr. Henry Gulev – Non-Executive Director

Qualifications	B.Pharm M.P.S
Experience	A community pharmacist for more than 20 years and state board member for Chemmart at Symbion Health Limited for more than 10 years. Mr Gulev has a wealth of experience, commercial acumen and keen interest in the development of pharmaceuticals and inception of new products. He is the owner of the highly innovative and successful The Downs Pharmacy Wembley Downs and has been a community pharmacist since graduating from the WA Institute of Technology (now Curtin University of Technology) in 1980.
Interests in Shares and Options	Nil
Other Current Directorships (ASX Listed Companies)	Nil
Previous Directorships (last 3 years) ASX Lwisted Companies	Nil

DIRECTORS' REPORT (Cont.)

Mr. Sam Wright – Non-Executive Director & Company Secretary

Qualifications	DipAcc, AFin, ACIS, MAICD
Experience	Sam Wright is experienced in the administration of ASX listed companies, corporate governance and corporate finance. He joined the Company as the Financial Controller in September 2006, was appointed as the Company Secretary in August 2007, and was appointed as a Director in October 2008. Mr Wright has over ten years experience in the pharmaceutical, biotech and healthcare industry and is a member of the Australian Institute of Company Directors, the Financial Services Institute of Australasia, and the Chartered Secretaries of Australia. Mr Wright is currently a Non-Executive Director of ASX listed companies, PharmAust Limited and Structural Monitoring Systems plc. He is also Company Secretary for ASX listed companies, Mount Magnet South NL, PharmAust Limited, Structural Monitoring Systems plc, and Uran Limited. Mr Wright has also filled the role of Director and Company Secretary with a number of unlisted companies. He is the principal of Perth-based corporate advisory firm Straight Lines Consultancy, specialising in the provision of corporate services to public companies.
Interests in Shares and Options	Mr Wright holds 1,800,000 ordinary shares and 875,000 listed options in PharmAust Limited.
Other Current Directorships (ASX Listed Companies)	Structural Monitoring Systems plc
Previous Directorships (last 3 years) ASX Listed Companies	Nil

Meetings of Directors

The number of meetings of the Company's directors (including meetings of committees of directors) held during the year ended 30 June 2010, and the number of meetings attended by each director was:

	Meetings of Directors	
Directors	Eligible to Participate	Number Attended
Bryant Mclarty	4	4
Sam Wright	4	4
Henry Gulev	4	4

DIRECTORS' REPORT (Cont.)

Indemnification and Insurance of Directors and Officers

During the year, the Company did carry Directors and Officer Indemnity insurance.

The Company's Constitution provides that except as may be prohibited by Sections 199A and 199B of the Corporations Act every Officer, auditor or agent of the Company shall be indemnified out of the property of the Company against any liability incurred by him in his capacity as Officer, auditor or agent of the Company or any related corporation in respect of any act or omission whatsoever and howsoever occurring or in defending any proceedings whether civil or criminal.

Share Options

The details of unissued ordinary shares under option at the date of this report are as follows:

	Number	Exercise Price	Expiry Date
Quoted	246,457,060	10 cents	31 March 2012

During the year, 814 options were exercised. There have been no further options exercised since the end of the financial year to the date of this report.

Environmental Regulation

The Company is subject to a range of environmental regulation. During the year, the Company met all reporting requirements under any relevant legislation. There were no incidents which required reporting.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of these proceedings.

Non-audit Services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and the consolidated entity are important. Details of the amounts paid or payable to the auditor RSM Bird Cameron Partners non-audit services provided during the year are set out below.

The Board of Directors has considered the position and is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 because none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants, including reviewing or auditing the auditor's own work, acting in a management or a decision-making capacity for the company, acting as advocate for the company or jointly sharing economic risk and rewards.
Details of the amount paid or payable to the auditor of PharmAust Limited in relation to the provision on non-audit services are set out below:

	$
Tax compliance services	3,684

DIRECTORS' REPORT (Cont.)

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included within these financial statements.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each director and executive of PharmAust Limited.

Remuneration Policy

The remuneration of directors and executives of PharmAust Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the Company's financial results. The Board of PharmAust Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the Company, as well as create goal congruence between directors, executives and shareholders.

All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation whilst some executives receive fringe benefits. The Board reviews executive packages periodically by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed regularly with each executive and is based on factors including the forecast growth of profits and shareholders' value.

The remuneration is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth. The goal of the remuneration structures it to align the remuneration packages of the executives with the Company's performance and specifically the Company's earnings and the consequences of the Company's performance on shareholder wealth including dividends, returns of capital and capital appreciation.

Executives, other than directors will also be entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Individuals, however, have the option to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the Company and expensed. Any shares given to directors and executives will be valued as the difference between the market price of those shares and the amount paid by the director or executive. Any options granted will be valued by an independent expert using the Black-Scholes, Binomial or any other methodologies that the independent expert deems appropriate.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board (excluding the relevant director) determines payments to the directors and reviews their remuneration regularly, based on market practice, duties and accountability.

DIRECTORS' REPORT (Cont.)

Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

Service agreements

Remuneration of Bryant Mclarty (Executive Chairman - PharmAust Limited)

Term of the agreement – permanent and no specific term.
Base salary of $180,000 per year plus superannuation of 9% of base salary.
Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to nine (9) months base salary and superannuation.

Remuneration of Sam Wright (Non-Executive director and company secretary – PharmAust Limited)

Term of the agreement – permanent and no specific term.
Consultancy fee of $7,500 plus GST per month, payable in arrears.
Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to six (6) months consultancy fee.

Remuneration of Henry Gulev (Non-Executive Director – PharmAust Limited)

Consultancy fee of $30,000 per annum.

Remuneration of Wayne Best (Managing Director – Epichem)

Term of the agreement – permanent with a 3 year term.
Base salary of $137,000 per year plus superannuation of 9% of base salary
Payment of termination benefit on termination by the employer, other than for gross misconduct, is equal to three (3) months base salary and superannuation.

Remuneration of John Horton and Colette Sims (Directors – Epichem)

Consultancy fee of $10,000 per annum for John Horton as Chairman and $5,000 per annum for Colette Sims..

DIRECTORS' REPORT (Cont.)

Remuneration of Directors and Specified Executives

Details of the nature and amount of each element of remuneration of each Director of the Company for the financial year are as follows:

2010	Short-term		Post-employment	Share based payment			
	Salary & Fees $	Other $	Superannuation $	Options $	Termination benefits $	Total $	% Performance related $
Directors							
Bryant Mclarty	155,000	-	27,675	-	-	182,675	-
Sam Wright	81,000	-	-	-	-	81,000	-
Henry Gulev	26,250	-	-	-	-	26,250	-
Executives							
Wayne Best	135,923	-	12,233	-	-	148,156	-
John Horton	12,500	-	-	-	-	12,500	-
Colette Sims	5,000	-	-	-	-	5,000	-
Valerie Alder[2]	6,250	-	-	-	-	6,250	-
	421,923	-	39,908	-	-	461,831	-

2009	Short-term		Post-employment	Share based payment			
	Salary & Fees $	Other $	Superannuation $	Options $	Termination benefits $	Total $	% Performance related $
Directors							
Bryant Mclarty	153,166	-	13,500	9,961*	-	176,627	-
Sam Wright	72,000	-	-	-	-	72,000	-
Henry Gulev	25,000	-	-	-	-	25,000	-
Simon Owen[1]	128,846	-	-	-	-	128,846	
Executives							
Wayne Best	130,000	-	11,700	-	-	141,700	-
John Horton	12,500	-	-	-	-	12,500	-
Colette Sims	5,000	-	-	-	-	5,000	-
Valerie Alder[2]	3,750	-	-	-	-	3,750	-
	530,262	-	25,200	9,961	-	565,423	-

[1] Resigned 1 October 2008

[2] Deceased 20 August 2010

* Percentage of options as part of the total remuneration is 6%.

DIRECTORS' REPORT (Cont.)

Options granted as part of remuneration

There were no options issued as part of director remuneration for the year ended 30 June 2010 and 30 June 2009.

During the year, the following options over ordinary shares expired:

8,250,000 options – Strike Price = 15c, Expiry Date = 23 April 2010 (Unlisted)

During the prior year, the following options over ordinary shares expired:

- 3,250,000 options – Strike Price = 20c, Expiry Date = 31 December 2008 (Unlisted)
- 6,500,000 options – Strike Price = 22c, Expiry Date = 31 December 2008 (Unlisted)

Shares Issued on Exercise of Compensation Options

No options were exercised last financial year, this financial year or since.

Signed in accordance with the Board of Directors.

BRYANT MCLARTY
Director

Signed at Perth, Western Australia this 30th day of September 2010

Annual Report Disclosure on Corporate Governance

PharmAust Limited is a drug discovery and development company. The Company has established, and continues to refine and improve procedures to ensure a culture of good corporate governance exists and is respected across the consolidated entity.

Foundations for Management and Oversight - Board of Directors/Executive Management

The Board consists of Executive Chairman Bryant Mclarty, Non-Executive Director Sam Wright and Non-Executive Director Henry Gulev. The Company's Constitution requires that one third of the members of the Board retire by rotation each year but are eligible for re-election. Any new director appointed holds office only until the next general meeting and is then eligible for re-election.

The Board will ensure that any such person to be appointed as a director possesses an appropriate level of qualifications, expertise and experience. Due to its size, the full Board fulfils the duties of a Nomination Committee governed by the Nomination Committee Charter.

The Board's primary role is the optimisation of Company performance and protection and enhancement of shareholder value. Due care is taken to ensure the directors are aware of their responsibilities, obligations and corporate expectations as directors of PharmAust Limited.

The Board has reserved the following matter;

- oversight of the company, including its control and accountability systems;
- appointing and removing the chief executive officer (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the chief financial officer (or equivalent) and the company secretary;
- input into and final approval of management's development of corporate strategy and performance objectives;
- reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting.

Board Structure

The Board of Directors comprises one Executive Director, Mr Bryant Mclarty (Chairman), and two Non-Executive Directors, Mr Sam Wright and Mr Henry Gulev. Messrs Wright and Gulev are considered by the Board of Directors as independent for the purposes of the Australian Stock Exchange Corporate Governance Council "Principles of Good Corporate Governance and Best Practice Recommendations".

As independent directors if Messrs Wright & Gulev considers it necessary they can take independent professional advice at the Company's expense.

Annual Report Disclosure on Corporate Governance cont'd

The Policy on the selection and appointment of new directors was formalised and has been adopted by the Board and is displayed on the Company's website. The period in office of each director is discussed in the Directors Report within this annual report.

Promote Ethical and Reasonable Decision Making

The Company has adopted the appropriate codes of conduct in accordance with the recommendations of ASX Corporate Governance Council.

Ethical Standards

PharmAust Limited is committed to the highest standards of ethical business conduct. As part of that commitment, PharmAust Limited has established a Code of Conduct to guide executives, management and staff in carrying out their duties and responsibilities and guide directors and executives as to the practices necessary to maintain confidence in the Company's integrity, and the responsibilities and accountability of individuals for reporting and investigating reports of unethical practices. The Code is subject to ongoing review to ensure that PharmAust Limited's standards of behaviour and corporate culture reflect best practice in corporate governance. The Code is based on the key principles identified by the Australian Institute of Company Directors.

In addition, the Board has guidelines dealing with disclosure of interests by directors in participating and voting at Board meetings where any such interests are discussed. In accordance with the Corporations Act, any director with a material personal interest in a matter being considered by the Board must not be present when the matter is being considered, and may not vote on the matter.

The Board has adopted a policy to guide directors, officers and employees with regard to trading in the Company's securities. A formal policy has been adopted designed to ensure compliance with the provisions of the Corporations Act by executive staff who may be in possession of sensitive information concerning the Company's affairs.

Disclosure

The Company has a written policy designed to ensure compliance with ASX Listing Rules and all other regulatory requirements for disclosures. Additionally the Company has adopted a policy designed to ensure procedures to implement the policy are suitable and effective.

Identification and Management of Risk

The Board has adopted a formal Risk Management Strategy which along with the Board's collective experience should assist in enabling accurate identification of the principal risks which may affect the Company's business. Identifying key operational risks and their management are recurring items for deliberation at Board meetings.

The Company's operational team is responsible for mitigation and management of all risks in relation to the Company's operations.

Annual Report Disclosure on Corporate Governance cont'd

Enhance Performance - Remuneration Fairly & Responsibly

The essence of the Company's current remuneration practices is to competitively set remuneration, including incentives to executive directors and senior management, to motivate key executives to pursue the long term growth and success of the Company within an appropriate control framework and to demonstrate a clear

relationship between corporate and key executive performance and remuneration.

Further details of directors' remuneration during the financial year are set out in the Company's Financial Report and Remuneration Report.

The full Board acting to fulfil the duties of the remuneration committee sets, in accordance with the Remuneration Policy, the terms and conditions for the chief executive officer and other senior executives. The full Board reviews executive packages regularly by reference to company performance, executive performance, and comparable information from industry sectors, other listed companies and independent advice. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

Executives, other than directors, are also entitled to participate in the employee share and option arrangements.

Non-executive directors are paid by means of fees only and do not participate in schemes designed for remuneration of executives. Non-executive directors do not receive options or bonus payments and are not provided with retirement benefits other than statutory superannuation.

The amount of remuneration for all key management personnel, including all monetary and non-monetary components, is detailed in the financial report. All remuneration paid to executives is valued at the cost to the Company and expensed.

The payment of bonuses, share options and other incentive payments are reviewed by the Board as part of the review of executive remuneration.

Interest of Stakeholders

The formal Code of Conduct designed to promote ethical and responsible decision making sets the framework for dealing with all stakeholders in the Company. It is designed to ensure that directors have regard for the interests of all stakeholders of the Company.

Explanation for Departure from Best Practice Recommendations

The Company has complied with each of the Ten Essential Corporate Governance principles and the corresponding Best Practice Recommendations as published by ASX Corporate Governance Council ("ASX Principles and Recommendations"), other than in relation to the matters specified on the following page.

The Board sets out below its "if not why not" report in relation to those matters of corporate governance where the Company's practices depart from the Recommendations

Annual Report Disclosure on Corporate Governance cont'd

Recommendation		PharmAust Limited current practice
1.1	Companies should establish the functions reserved for the board and those delegated to senior executives and disclose those functions.	Satisfied. Board Charter is available at www.pharmaust.com in the Corporate Governance Statement.
1.2	Companies should disclose the process for evaluating the performance of senior executives.	Satisfied. Board Performance Evaluation Policy is available at www.pharmaust.com in the Corporate Governance Statement.
2.1	A majority of the board should be independent directors.	Satisfied.
2.2	The chair should be an independent director.	Not Satisfied. Given the size and nature of the Company, Mr Mclarty is considered the most appropriate Director to act as Chairman.
2.3	The roles of chair and Chief Executive Officer should not be exercised by the same individual.	Not Satisfied. Given the size and nature of the Company, Mr Mclarty is considered the most appropriate Director to act as Chairman and fulfil the functions of Chief Executive Officer in his capacity as Executive Chairman.
2.4	The board should establish a nomination committee.	Not satisfied. The Board consider that given the current size of the Board (3), this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a nomination committee.
2.5	Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.	Satisfied. Board Performance Evaluation Policy is available at www.pharmaust.com in the Corporate Governance Statement.

Annual Report Disclosure on Corporate Governance cont'd

3.1	Companies should disclose a code of conduct and disclose the code or a summary of the code as to: The practices necessary to maintain confidence in the company's integrity The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Satisfied. The Code of conduct is available at www.pharmaust.com in the Corporate Governance Statement.
3.2	Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.	Satisfied. The Trading Policy is available at www.pharmaust.com in the Corporate Governance statement.
4.1	The board should establish an audit committee.	Not satisfied. The Board consider that given the current size of the Board (3), this function is efficiently achieved with full Board participation. Accordingly, the Board has not established an audit committee.
4.2	The board committee should be structured so that it: Consists only of non-executive directors Consists of a majority of independent directors Is chaired by an independent chair, who is not chair of the board Has at least three members	Not satisfied. The Company has adopted a policy which includes Executive Directors as audit committee members.
4.3	The audit committee should have a formal charter.	Satisfied. Audit Committee charter is available at www.pharmaust.com in the Corporate Governance statement.
5.1	Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at senior executive level for that compliance and disclose those policies or a summary of those policies.	Satisfied. Continuous disclosure policy is available at www.pharmaust.com in the Corporate Governance statement.

Annual Report Disclosure on Corporate Governance cont'd

6.1	Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of their policy.	Satisfied. Shareholders communication strategy is available at www.pharmaust.com in the Corporate Governance statement.
7.1	Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Satisfied. Risk management program is available at www.pharmaust.com in the Corporate Governance statement.
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Satisfied. The Board, including the Executive Chairman, routinely consider risk management matters.
7.3	The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	Satisfied. The Board has received a section 295A declaration pursuant to the 2008 financial period.
8.1	The board should establish a remuneration committee.	Not Satisfied. The Board consider that given the current size of the Board, this function is efficiently achieved with full Board participation. Accordingly, the Board has not established a remuneration committee.
8.2	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The structure of Directors' remuneration is disclosed in the remuneration report of the annual report.

Further information about the Company's corporate governance practices is set out on the Company's web site at www.pharmaust.com

RSM Bird Cameron Partners
Chartered Accountants

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AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of PharmAust Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Rsm Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 30 September 2010

TUTU PHONG
Partner

RSM Bird Cameron Partners
Chartered Accountants

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
PHARMAUST LIMITED

Report on the Financial Report

We have audited the accompanying financial report of PharmAust Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

RSM Bird Cameron Partners
Chartered Accountants

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of PharmAust Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report which is included within the directors' report for the financial year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the Remuneration Report of PharmAust Limited for the financial year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001.*

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS
Chartered Accountants

Perth, WA
Dated: 30 September 2010

TUTU PHONG
Partner

DIRECTORS' DECLARATION

In the opinion of the Directors:

(a) The accompanying financial statements and the notes and the additional disclosures included in the directors' report designated as audited are in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended that date; and
(ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and

b) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board, as disclosed in Note 1; and

c) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295A of the Corporations Act 2001 for the financial year ended 30 June 2010.

Signed in accordance with a resolution of the Directors made pursuant to section 295(5) of the Corporations Act 2001.

On behalf of the Directors

Bryant Mclarty
Director

Signed at Perth, Western Australia this 30th day of September 2010

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
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)
Loss before income tax expense		(438,600)	(179,596)
Income tax expense	3a	-	-
Loss for the period		(438,600)	(179,596)
Other comprehensive income			
Revaluation of land and buildings		(55,020)	(230,000)
Income tax relating to components of other comprehensive income for the period		-	-
Total comprehensive income for the year		(55,020)	(230,000)
Total comprehensive loss for the year		(493,620)	(409,596)

Basic earnings per share (cents per share)	17	(0.17)	(0.07)
Diluted earnings per share (cents per share)	17	(0.17)	(0.07)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated 2010 $	Consolidated 2009 $
CURRENT ASSETS			
Cash and cash equivalents	4	2,752,539	3,800,313
Trade and other receivables	5a	236,180	348,531
Other current assets	6	1,034,462	-
Land and building - held for sale	7	-	2,700,000
Financial assets	8	131,450	78,451
Investments accounted for using the equity method – held for sale	9	-	-
TOTAL CURRENT ASSETS		4,154,631	6,927,295
NON-CURRENT ASSETS			
Exploration and evaluation expenditure	10	2,064,362	-
Plant and equipment	11	608,629	642,935
TOTAL NON-CURRENT ASSETS		2,672,991	642,935
TOTAL ASSETS		6,827,622	7,570,230
CURRENT LIABILITIES			
Trade and other payables	12	863,596	275,606
Short-term borrowings	13	28,123	1,376,060
Short-term provisions	14	92,698	61,953
TOTAL CURRENT LIABILITIES		984,417	1,713,619
NON-CURRENT LIABILITIES			
Long-term borrowings	13	35,966	-
TOTAL NON-CURRENT LIABILITIES		35,966	-
TOTAL LIABILITIES		1,020,383	1,713,619
NET ASSETS		5,807,239	5,856,611
EQUITY			
Issued capital	15	27,865,063	27,864,982
Reserves	16	622,090	490,618
Accumulated losses		(22,679,914)	(22,498,989)
TOTAL EQUITY		5,807,239	5,856,611

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

AS AT 30 JUNE 2010

Consolidated	Issued Capital	Accumulated Losses	Options Reserve	Asset Revaluation Reserve	General Reserve	Total Equity
	$	$	$	$	$	$
As at 1 July 2008	27,522,982	(22,825,428)	167,962	542,695	506,035	5,914,246
Loss for the year	-	(179,596)	-	-	-	(179,596)
Revaluation of land and buildings	-	-	-	(230,000)	-	(230,000)
Total other comprehensive income	-	(179,596)	-	(230,000)	-	(409,596)
Transfer upon disposal of associate	-	506,035	-	-	(506,035)	-
Share-based payments	-	-	9,961	-	-	9,961
Shares issued (net)	342,000	-	-	-	-	342,000
As at 30 June 2009	27,864,982	(22,498,989)	177,923	312,695	-	5,856,611

	Issued Capital	Accumulated Losses	Options Reserve	Asset Revaluation Reserve	General Reserve	Total Equity
	$	$	$	$	$	$
As at 1 July 2009	27,864,982	(22,498,989)	177,923	312,695	-	5,856,611
Loss for the year	-	(438,600)	-	-	-	(438,600)
Revaluation of land and buildings	-	-	-	(55,020)	-	(55,020)
Total other comprehensive income	-	(438,600)	-	(55,020)	-	(493,620)
Transfer upon disposal of land and buildings	-	257,675	-	(257,675)	-	-
Shares issued (net)	81	-	-	-	-	81
Options issued (net)	-	-	444,167	-	-	444,167
As at 30 June 2010	27,865,063	(22,679,914)	622,090	-	-	5,807,239

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2010

		Consolidated	
		2010	2009
	Note	$	$
Cash Flows From Operating Activities			
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)
Net cash used in operating activities	21b	(474,730)	(772,257)
Cash Flows From Investing Activities			
Exploration and evaluation expenditure		(2,374,676)	-
Payments for plant and equipment		(42,879)	(41,749)
Proceeds from sale of land and buildings		2,659,980	-
Proceeds from sale of investments accounted for using the equity method		-	3,689,012
Proceeds from sale of financial assets		181,372	700,260
Payments for financial assets		(129,120)	(934,314)
Net cash provided by investing activities		294,677	3,413,209
Cash Flows From Financing Activities			
Proceeds from share and option issues		444,248	342,000
Proceeds from borrowings		86,381	-
Repayment of borrowings		(1,398,350)	-
Net cash (used) / provided by financing activities		(867,721)	342,000
Net (decrease) / increase in cash held		(1,047,774)	2,982,952
Cash at the beginning of the financial year		3,800,313	817,361
Cash at the end of the financial year	21a	2,752,539	3,800,313

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

1 SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting polices that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accrual basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue on 30 September 2010 by the Board of Directors.

Going concern

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

As disclosed in the financial statements, the company and consolidated entity incurred losses of $406,435 (2009: $347,416) and $438,600 (2009: $179,596) respectively and the consolidated entity had net cash outflows from operating activities of $474,730 (2009: $772,257) for the year ended 30 June 2010. As at that date, the company and consolidated entity had net current assets of $3,058,255 and $3,170,214 and net assets of $5,136,168 and $5,807,239 respectively. Furthermore, Note 25a discloses that the company has expenditure commitments for the year ended 30 June 2011 amounting to $1,589,566.

The Directors believe that it is reasonably foreseeable that the company and consolidated entity will continue as going concerns and that it is appropriate to adopt the going concern basis in the preparation of the financial report after consideration of the following factors:

- Ability to issue additional shares under the Corporations Act 2001;
- The potential to sell interests in tenement assets for cash or for assets readily convertible to cash; and
- Ability to further reduce operational cost levels.

(a) Adoption of new and revised accounting standards

The Company has adopted the following new and revised Australian Accounting Standards issued by the AASB which are mandatory to apply to the current interim period. Disclosures required by these Standards that are deemed material have been included in this financial report on the basis that they represent a significant change in information from that previously made available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Presentation of financial statements

The Company has applied the revised AASB 101 Presentation of Financial Statements (2007) from 1 January 2009. The revision of this standard now requires the Company to present all non-owner changes to equity ('comprehensive income') in the statement of comprehensive income. The Company has presented the income statement and non-owner changes in equity in one statement of comprehensive income. All owner changes in equity are presented separately in the statement of changes in equity.

The presentation requirements have been applied for the entire reporting period and comparative information has been re-presented to also comply with the revised AASB 101.

(ii) Segment reporting

The Company has applied AASB 8 Operating Segments with effect from 1 July 2009. AASB 8 requires the entity to identify operating segments and disclose segment information on the basis of internal reports that are provided to, and reviewed by, the chief operating decision maker of the Company to allocate resources and assess performance. In the case of the Company, the chief operating decision maker is the Board of Directors. Operating segments now represent the basis on which the Company reports its segment information to the Board on a monthly basis. The change in policy has not resulted in a change to the disclosure presented.

(iii) Business combinations and consolidation procedures

Revised AASB 3 Business Combinations and AASB 127 Consolidated and Separate Financial Statements apply prospectively from 1 July 2009. Changes introduced by these standards which are expected to affect the Company, include the following:

- Costs incurred that relate to the business combination are expensed instead of comprising part of the goodwill acquired on consolidation;
- Any non-controlling interest (previously known as minority interest) in an acquiree is measured at either fair value or as the non-controlling interest's proportionate share of net identifiable assets of the acquiree;
- The acquirer is prohibited from recognising contingent liabilities of the acquiree at acquisition date that do not meet the definition of a liability;
- Consideration for the acquisition, including contingent consideration, must be measured at fair value at acquisition date. Subsequent changes in the fair value of contingent consideration payable are not regarded as measurement period adjustments but are rather recognised in accordance with other Australian Accounting Standards as appropriate;
- The proportionate interest in losses attributable to non-controlling interests is assigned to non-controlling interests irrespective of whether this results in a deficit balance. Previously, losses causing a deficit to non-controlling interests were allocated to the parent entity; and
- Where control of a subsidiary is lost, the balance of the remaining investment account shall be remeasured to fair value at the date that control is lost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Principles of Consolidation

A controlled entity is any entity PharmAust Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the consolidated entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arms length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset.

Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to a revaluation reserve in equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve in equity; all other decreases are charged to the statement of comprehensive income.

Depreciation

The depreciable amount of all property, plant and equipment including building and capitalised leased assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the Company commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	*Depreciation Rate*
Buildings	2.5%
Leasehold improvements	2.5%
Plant and equipment	5-33%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When re-valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(g) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are classified as "financial assets at fair value through profit and loss" as they are acquired principally for the purpose of selling in the short term. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the statement of comprehensive income in the period in which they arise.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, with reference to similar instruments and option pricing models.

Impairment

At each reporting date, the directors assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the statement of comprehensive income.

(h) Foreign Currency Transactions and Balances

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of comprehensive income. Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity; otherwise the exchange difference is recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Impairment of Assets

At each reporting date, the Company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(j) Investments in Associates

Investments in associate companies are recognised in the financial statements by applying the equity method of accounting.

(k) Employee Benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to reporting date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

(l) Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

(m) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

(n) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An allowance for doubtful debts is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

(o) Revenue

Revenue from the sale of goods is recognised upon delivery of goods to the customer.
Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.
All revenue is stated net of the amount of goods and services tax (GST).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(q) Share-based payment transactions

The Company provides benefits to directors of the Company in the form of share-based payments, whereby directors render services in exchange for shares or rights over shares (equity-settled transactions).

When provided, the cost of these equity-settled transactions with directors is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by an independent external valuer using an option pricing valuation model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of PharmAust Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph. The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(r) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(s) Earnings per share

Basic earnings per share is calculated as net profit attributable to members of the Company, adjusted to exclude any costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Critical Accounting Estimates and Judgements

Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Equally, the Company continually employs judgement in the application of its accounting policies.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions. Those which may materially affect the carrying amounts of assets and liabilities reported in future periods are discussed below.

(i) Impairment of non-financial assets

The Company assesses impairment on all assets at each reporting date by evaluating conditions specific to the Company and to the particular asset that may lead to impairment. These include technology and economic environments. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

(ii) Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience. Adjustments to useful lives are made when considered necessary. Depreciation and amortisation charges as well as estimated useful lives are included in Note 11.

(iii) Impairment of capitalised exploration and evaluation expenditure

The future recoverability of capitalised exploration and evaluation expenditure is dependent on a number of factors, including whether the Company decides to exploit the related lease itself or, if not, whether it successfully recovers the related exploration and evaluation asset through sale.

Factors which could impact the future recoverability include the level of proved and probable mineral reserves, future technological changes which could impact the cost of mining, future legal changes (including changes to environmental restoration obligations) and changes to commodity prices.

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.
In addition, exploration and evaluation expenditure is capitalised if activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. To the extent that it is determined in the future that this capitalised expenditure should be written off, this will reduce profits and net assets in the period in which this determination is made.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
2 REVENUE		
Sales	1,629,715	1,564,920
OTHER INCOME		
Interest received	178,226	159,765
Gain on revaluation of financial assets held for trading	47,000	-
Rental income	14,000	96,448
Gain on disposal of associate	-	613,099
Foreign exchange gain	-	301,849
Gain on sale of financial assets held for trading	58,251	8,696
Dividend income	3,026	19,300
Reversal of impairment loss	-	776,735
Other revenue	11,123	190,702
	311,626	2,166,594

3 INCOME TAX EXPENSE

3a No income tax is payable by as a tax loss has been incurred for income tax purposes.

Loss before income tax	(438,600)	(179,596)
Prima facie tax benefit at 30% (2009:30%)	(131,580)	(53,879)
Tax effect of:		
- Share-based payments	-	2,988
- Other non-allowable items	(101,197)	(71,116)
- Deferred tax asset not brought to account	232,777	122,007
	-	-

3b Deferred tax asset

The potential deferred tax asset arising from tax losses and temporary differences has not been recognised as an asset because recovery of tax losses and recovery of temporary differences is not probable.

Deferred tax asset at 30% tax rate (not recognised)	5,388,632	5,155,855

PharmAust Limited and its wholly-owned Australian subsidiary have formed an income tax consolidated group under the Tax Consolidation Regime. PharmAust Limited is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

4 CASH AND CASH EQUIVALENTS		
Cash at bank	2,752,539	3,800,313

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

5 TRADE AND OTHER RECEIVABLES

5a CURRENT

	Consolidated	
	2010	**2009**
	$	**$**
Trade receivables	221,139	264,043
Other receivables	15,041	84,488
	236,180	348,531

Trade receivables: Payment terms are 30 days from the date of recognition.

5b Impaired trade receivables

The directors have assessed the balance of trade receivables for impairment. No amounts of trade receivables are considered impaired.

5c Past due but not impaired

As of 30 June 2010, trade receivables of $25,563 (2009 - $24,875) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

30 to 60 days	2,750	7,804
61 days and above	22,813	17,071
	25,563	24,875

Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Company does not hold any collateral in relation to these receivables.

5d Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
6 OTHER CURRENT ASSETS		
Accrued Interest	13,460	-
Prepaid joint venture cash calls for exploration and evaluation expenditure	1,016,120	-
Prepayments	4,882	-
	1,034,462	-
7 LAND AND BUILDINGS - HELD FOR SALE		
Fair value	-	2,700,000

The valuation basis of fair value is based on amounts for which the asset could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The revaluation was based on an offer and acceptance contract signed on 17 August 2009.

	Consolidated 2010 $	Consolidated 2009 $
8 FINANCIAL ASSETS		
Financial assets held for trading		
Shares in listed securities - fair value	131,450	78,451
8a Movements in Carrying Amounts		
Carrying amount at beginning of the year	78,451	19,100
Additions	129,120	934,314
Disposals	(181,372)	(691,563)
Movement in fair value	105,251	(183,400)
Carrying amount at end of the year	131,450	78,451

	Consolidated 2010 $	Consolidated 2009 $
9 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD – HELD FOR SALE		
Associated companies	-	-
9a Movements during the year in Equity Accounted Investment in Associated Companies		
CURRENT		
Cost of investment in associate at beginning of the financial year	-	3,387,164
Transfer from non current classification	-	-
Share of the associate's loss after income tax	-	(1,389,834)
Reversal of impairment loss	-	776,735
Disposals	-	(2,774,065)
	-	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
9b Equity accounted profits of associates broken down as follows:		
Share of associate's loss before income tax	-	(1,389,834)
Share of associate's income tax relating to the loss	-	-
Share of associate's loss after income tax	-	(1,389,834)
9c Summarised Presentation of Aggregate Assets, Liabilities and Performance of Associates		
Current assets	-	-
Non current assets	-	-
Total assets	-	-
Current liabilities	-	-
Non current liabilities	-	-
Total liabilities	-	-
Net assets	-	-
Revenues	-	2,050,030
Share of associate's loss after income tax	-	(1,389,834)

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.

10 EXPLORATION AND EVALUATION EXPENDITURE		
Balance at the beginning of the year	-	-
Exploration and mining expenditure incurred during the year	2,064,362	-
Expenditure written off	-	-
Balance at the end of the year	2,064,362	-

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

	Consolidated 2010 $	Consolidated 2009 $
11 PLANT AND EQUIPMENT		
Cost	960,253	932,375
Accumulated depreciation	(351,624)	(289,440)
	608,629	642,935
Movements in Carrying Amounts:		
Carrying amount at beginning of the year	642,935	578,686
Additions	27,878	128,128
Disposals	-	(5,147)
Depreciation expense	(62,184)	(58,732)
Carrying amount at end of the year	608,629	642,935
12 TRADE AND OTHER PAYABLES		
Trade creditors and accruals	863,596	275,606
Payment terms are 30 days from receipt of goods and/or services rendered.		
13 BORROWINGS		
SHORT TERM		
Lease liability	28,123	-
Line of credit	-	1,376,060
	28,123	1,376.060
LONG TERM		
Lease liability	35,966	-

Terms and conditions:

The line of credit is secured by a registered mortgage over the land and buildings at 71 Division Street, Welshpool. The line of credit is payable on demand and subject to periodic review. Interest is charged at is 10.5% (2009 – 10.5%).

The lease liability is unsecured. Interest is charged at is 8.5%.

	2010 $	2009 $
14 SHORT TERM PROVISIONS		
Employee entitlements	92,698	61,953

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	Consolidated 2009 $
15 ISSUED CAPITAL		
Issued and paid up ordinary shares	27,865,063	27,864,982

15a Movement in fully paid ordinary shares

	Number of shares 2010	Number of shares 2009	$ 2010	$ 2009
Ordinary Shares				
At 1 July	254,707,873	236,707,873	27,864,982	27,522,982
Share placement	-	18,000,000	-	342,000
Exercise of options	814	-	81	-
At 30 June	254,708,687	254,707,873	27,865,063	27,864,982

15b Terms and Conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up the Company, ordinary shares rank after all other shareholders and creditors and are fully entitled to any proceeds from liquidation.

Ordinary shares issued as a result of the exercise of options, will rank equally and on the same terms and conditions as all other shareholders.

15c Capital Management

Management controls the capital of the Company in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the company can fund its operations and continue as a going concern.

The Company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the Company's capital by assessing the Company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Company since the prior year. The gearing ratios for the year ended 30 June 2010 and 30 June 2009 are as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated 2010 $	2009 $
Total borrowings	64,089	1,376,060
Less cash and cash equivalents	(2,752,539)	(3,800,313)
Net debt	(2,688,450)	(2,424,253)
Total equity	5,807,239	5,856,611
Total capital	3,118,789	3,432,358
Gearing ratio	(86%)	(71%)

16 RESERVES

	2010 $	2009 $
Options reserve	622,090	177,923
Asset revaluation reserve	-	312,695
	622,090	490,618

The options reserve is used to record options issued shareholders and share-based payments made by the Company.

The asset revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

16a Movement in share options

	Exercise price	Expiry date	Balance at beginning of year Number	Granted during the year Number	Exercised during the year Number	Expired or forfeited during the year Number	Balance at end of year Number	Options exercisable at end of year Number
2010 year								
Unlisted options	$0.15	23/04/10	8,250,000	-	-	(8,250,000)	-	-
Listed options	$0.10	31/03/12	-	246,457,874	(814)	-	246,457,060	246,457,060
			8,250,000	246,457,874	(814)	(8,250,000)	246,457,060	246,457,060
2009 year								
Unlisted options	$0.20	31/12/08	3,250,000	-	-	(3,250,000)	-	-
Unlisted options	$0.22	31/12/08	6,500,000	-	-	(6,500,000)	-	-
Unlisted options	$0.15	23/04/10	8,250,000	-	-	-	8,250,000	8,250,000
			18,000,000	-	-	(9,750,000)	8,250,000	8,250,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated	
	2010	2009
	$	$
17 EARNINGS PER SHARE		
Net loss attributable to members of the Company	438,600	179,596
Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share.	254,707,875	242,265,255

17a Basic Earnings per Share

Basic earnings per share is determined by dividing the loss after income tax attributable to members of the Company by the weighted average number of ordinary shares outstanding during the financial period, adjusted for any bonus elements in ordinary shares issued during the year.

17b Diluted Earnings per Share

Diluted earnings per share has not been calculated as there were no options on issue which would be potential ordinary shares having a dilutive effect.

18 AUDITOR'S REMUNERATION

Remuneration of RSM Bird Cameron Partners as auditors of the Company for:		
- auditing or reviewing of the financial report	50,000	50,000
- taxation services	3,684	7,000
	53,684	57,000

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise cash and short-term deposits.

The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Company's financial instruments are cash flow interest rate risk and equity price risk. Other minor risks are either summarised below or disclosed at Note 5 in the case of credit risk and Note 15 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Cash Flow Interest Rate Risk

The Company's exposure to the risks of changes in market interest rates relates primarily to the Company's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Company to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Company does not engage in any hedging or derivative transactions to manage interest rate risk.

The following tables set out the carrying amount by maturity of the Company's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

The Company has not entered into any hedging activities to cover interest rate risk. In regard to its interest rate risk, the Company does not have a formal policy in place to mitigate such risks.

2010

Consolidated	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Within 1 Year	Fixed Interest Rate Within 1-5 Years	Non-Interest Bearing	Total
		$	$	$	$	$
Financial Assets						
Cash and cash equivalents	5.0%	2,752,539	-	-	-	2,752,539
Trade and other receivables			-	-	236,180	236,180
Other financial assets			-	-	131,450	131,450
Total financial assets		2,752,539	-	-	367,630	3,120,169
Financial liabilities						
Trade and other payables		-	-	-	(863,596)	(863,596)
Interest bearing liabilities	8.5%	-	(28,123)	(35,966)	-	(64,089)
Total financial liabilities		-	(28,143)	(35,966)	(863,596)	(927,685)
Net Financial Assets/(Liabilities)		2,752,539	(28,143)	(35,966)	(495,966)	2,192,484

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

2009

	Weighted Average Interest Rate	Floating Interest Rate	Fixed Interest Rate Within 1 Year	Fixed Interest Rate Within 1-5 Years	Non-Interest Bearing	Total
		$	$	$	$	$
Financial Assets						
Cash and cash equivalents	3.3%	3,800,313	-	-	-	3,800,313
Trade and other receivables	-	-	-	-	348,531	348,531
Other financial assets	-	-	-	-	78,451	78,451
Total financial assets		3,800,313	-	-	426,982	4,227,295
Financial liabilities						
Trade and other payables	-	-	-	-	275,606	275,606
Interest bearing liabilities	10.5%	-	1,376,060	-	-	1,376,060
Total financial liabilities		-	1,376,060	-	275,606	1,651,666
Net Financial Assets/(Liabilities)		3,800,313	(1,376,060)	-	151,376	2,575,629

Interest rate sensitivity analysis

At 30 June 2010, if interest rates had changed by 10% during the entire year with all other variables held constant, profit for the year and equity would have been $17,823 lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

A sensitivity of 10% has been selected as this is considered reasonable given the current level of both short term and long term Australian dollar interest rates. A 10% increase sensitivity would move short term interest rates at 30 June 2010 from around 6.47% to 7.12% (10% decrease: 3.00%) representing a 33 basis points shift. This would represent approximately one increase which is reasonably possible in the current environment with the bias coming from the Reserve Bank of Australia and confirmed by market expectations that interest rates in Australia are more likely to move up than down in the coming period.

Based on the sensitivity analysis only interest revenue from variable rate deposits and cash balances are impacted resulting in a decrease or increase in overall income.

Liquidity risk

The Company manages liquidity risk by maintaining sufficient cash reserves and marketable securities and through the continuous monitoring of budgeted and actual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

	Consolidated	
	2010	2009
	$	$
Contracted maturities		
Payables		
- less than 30 days	863,596	275,606

Price risk

The Company is not exposed to price risk.

Foreign exchange risk

The Company is exposed to foreign exchange rate arising from various currency exposures, primarily with respect to the US dollar.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Company's functional currency. The risk is measured using sensitivity analysis.

The Company's exposure to foreign currency risk at the reporting date was as follows:

	2010			2009		
	USD	EUR	GBP	USD	EUR	GBP
	$	$	$	$	$	$
Trade receivables	17,651	5,890	-	74,105	7,841	-
Trade payables	1,391	-	-	(692)	-	(1,279)

Foreign currency risk sensitivity analysis

At 30 June, the effect on profit and equity as a result of changes in the value of the Australian Dollar to the foreign currencies, with all other variables remaining constant is as follows:

	2010			2009		
	Change in profit and equity with a +/- 10% in AUD to			Change in profit and equity with a +/- 10% in AUD to		
	USD	EUR	GBP	USD	EUR	GBP
	$	$	$	$	$	$
Trade receivables	1,512	413	-	6,013	451	-
Trade payables	119	-	-	56	-	62

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Reconciliation of net financial assets to net assets

	Consolidated 2010 $	Consolidated 2009 $
Net financial assets	2,192,484	2,575,629
Other current assets	1,034,462	-
Land and building - held for sale	-	2,700,000
Exploration and evaluation expenditure	2,064,362	-
Plant and equipment	608,629	642,935
Short-term provisions	(92,698)	(61,953)
Net assets	5,807,239	5,856,611

Net fair values

For assets and other liabilities the net fair value approximates their carrying value. The Company have no financial assets where the carrying amount exceeds net fair values at balance date.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of comprehensive income and in the notes to the financial statements.

Financial instruments at fair value

The financial instruments recognised at fair value in the statement of financial position have been analysed and classified using the fair value hierarchy reflecting the significance of the inputs used in making the measurements. The fair value hierarchy consists of the following levels:

- quoted prices in active markets for identical assets and liabilities (Level 1);
- inputs other than quoted prices included with Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1	Level 2	Level 3	Total
2010				
Financial assets held for trading	131,450	-	-	131,450
	131,450	-	-	131,450
2009				
Financial assets held for trading	78,451	-	-	78,451
	78,451	-	-	78,451

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

20 INVESTMENT IN CONTROLLED ENTITIES

	Country of Corporation	Class of Shares	Equity Holding 2010 %	Equity Holding 2009 %
Parent Entity:				
PharmAust Limited	Australia	-	-	-
Name of Controlled Entity:				
Epichem Pty Ltd	Australia	Ordinary	100	100

21 NOTES TO THE CASH FLOW STATEMENT OF CASH FLOWS

21a Reconciliation of Cash

	Consolidated 2010 $	Consolidated 2009 $
Cash at bank	2,752,539	3,800,313

21b Reconciliation of net cash used in operating activities to loss after income tax

	2010	2009
Loss after income tax	(438,600)	(179,596)
Depreciation	62,184	58,732
Loss on disposal of non-current assets	-	4,167
Share based payments	-	9,961
Share of loss of associate	-	1,389,834
Reversal of impairment loss	-	(776,735)
Foreign exchange gain	-	(301,849)
Revaluation on non current assets	(47,000)	183,400
Profit on sale of financial assets	(58,251)	(8,696)
Profit on sale of associate	-	(613,099)
Movement in assets and liabilities:		
Receivables	112,351	(94,285)
Other assets	(18,342)	7,026
Payables	(117,817)	(441,477)
Provisions	30,745	(9,640)
Net cash used in operating activities	(474,730)	(772,257)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2010

22 SHARE BASED PAYMENTS

On 14 November 2005, 3,250,000 unlisted options expiring on 31 December 2008 exercisable at 20 cents were issued to key management personnel. Vesting conditions of the options are that the Company achieve a return of equity of 12% or a market capitalisation of $18,000,000 for 10 consecutive trading days. Fair value of the options was valued at 5.6 cents and was determined using a Black Scholes option pricing model, applying the following inputs: underlying share price 19 cents, risk free rate of 5.12%, share price volatility of 61% and a discount factor of 35% for the achievement of the performance hurdles required to be met. The share-based payment expense of this issue charged to the income statement for the year ended 30 June 2009 was $6,943 based on an expected vesting period of 3 years.

On 14 November 2005, 6,500,000 unlisted options expiring on 31 December 2008 exercisable at 22 cents were issued to key management personnel. Vesting conditions of the options are that the Company achieve a return of equity of 15% or a market capitalisation of $22,000,000 for 10 consecutive trading days. Fair value of the options was valued at 1.2 cents and was determined using a Black Scholes option pricing model, applying the following inputs: underlying share price 19 cents, risk free rate of 5.12%, share price volatility of 61% and a discount factor of 85% for the achievement of the performance hurdles required to be met. The share-based payment expense of this issue charged to the income statement for the year ended 30 June 2009 was $3,018 based on an expected vesting period of 3 years.

23 KEY MANAGEMENT PERSONNEL

23a Directors and other key management personnel

Names and positions held of consolidated entity key management personnel in office at any time during the financial year are:

Person	Position
Bryant Mclarty	Executive Director and Chairman
Henry Gulev	Non-Executive Director
Sam Wright	Non- Executive Director and Company Secretary
Wayne Best	Managing Director – Epichem Pty Ltd
John Horton	Director – Epichem Pty Ltd
Colette Sims	Director – Epichem Pty Ltd
Valerie Alder	Director – Epichem Pty Ltd

23b Remuneration of Key Management Personnel

	Consolidated	
	2010	2009
	$	$
Short term employee benefits	421,923	530,262
Post employment benefits	39,908	25,200
Share based payments	-	9,961
	461,831	565,423

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

23c Option Holdings by Key Management Personnel

2010 - Number	Balance 1 July 09	Granted as Compen-sation	Options Exercised	Net Change Other*	Balance 30 June 10	Total Vested	Total Exercisable	Total Un-exercisable
Bryant Mclarty	-	-	-	3,275,274	3,275,274	3,275,274	3,275,274	-
Sam Wright	-	-	-	875,000	875,000	875,000	875,000	-
Wayne Best	-	-	-	1,187,145	1,187,145	1,187,145	1,187,145	-

No other key management personnel held options in the Company.

The net change other column above includes those options that have been forfeited by holders as well as options issued during the year.

2009 - Number	Balance 1 July 08	Granted as Compen-sation	Options Exercised	Net Change Other*	Balance 30 June 09	Total Vested	Total Exercisable	Total Un-exercisable
Bryant Mclarty	3,000,000	-	-	(3,000,000)	-	-	-	-
Wayne Best	1,500,000	-	-	(1,500,000)	-	-	-	-

No other key management personnel held options in the Company.

The net change other column above includes those options that have been forfeited by holders as well as options issued during the year.

23d Shareholdings by Key Management Personnel

2010 - Number	Balance 1 July 2009	Received as Compensation	Net Change Other*	Balance 30 June 2010
Bryant Mclarty	6,550,548	-	1,111,016	7,661,564
Wayne Best	2,374,290	-	-	2,374,290
Sam Wright	1,750,000	-	-	1,750,000
John Horton	25,000	-	-	25,000
Colette Sims	812,500	-	-	812,500

No other key management personnel held shares in the Company.

* Net change other refers to shares purchased or sold during the financial year.

2009 - Number	Balance 1 July 2008	Received as Compensation	Net Change Other*	Balance 30 June 2009
Bryant Mclarty	8,550,548	-	(2,000,000)	6,550,548
Wayne Best	2,160,956	-	213,334	2,374,290
Sam Wright	25,000	-	1,725,000	1,750,000
John Horton	15,000	-	10,000	25,000
Colette Sims	812,500	-	-	812,500

No other key management personnel held shares in the Company.

* Net change other refers to shares purchased or sold during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

	2010 $	2009 $
24 RELATED PARTY TRANSACTIONS		
Aggregate amounts of each type of transaction with directors other than directors fees are as follows:		
Re-imbursement of rental and variable outgoings expenses for the Company's principal place of business – Bryant Mclarty	30,118	32,854

Transactions between related parties are on normal commercial terms and conditions which are no more favourable than those available to other parties. There were no related party transactions other than those transactions identified above and key management personnel transactions (disclosed at Note 23).

25 COMMITMENTS

25a Expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Company will be required to outlay in the year ended 30 June 2011 amounts of $1,589,566 in respect of minimum tenement expenditure requirements and lease rentals. This non-cancellable obligation is not provided for in the financial statements and is payable as follows:

Not later than one year	1,589,566	-

25b Finance lease commitments

Payable – minimum lease payments		
- Not later than 12 months	32,491	-
- Between 12 months and 5 years	37,907	-
Minimum lease payments	70,398	-
Less future finance charges	(6,309)	-
	64,089	-

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

26 SEGMENT REPORTING

The Company operates in three business segments as disclosed below:

Consolidated	Corporate	Exploration	Pharmaceutical	Total
Year ended 30 June 2010				
	$	**$**	**$**	**$**
Revenue				
External sales	-	-	1,629,715	1,629,715
Other external revenue	305,069	-	6,557	311,626
Inter-segment sales	-	-	-	-
Total segment revenue	305,069	-	1,636,272	1,941,341
Inter-segment elimination				-
Total revenue per statement of comprehensive income				1,941,341
Results				
Segment result after tax	(406,435)	-	(32,165)	(438,600)
Interest income	171,669	-	6,557	178,226
Interest expense	(100,006)	-	(5,328)	(105,334)
Depreciation and amortisation	(5,048)	-	(57,136)	(62,184)
Impairment of assets	-	-	-	-
Income tax expense	-	-	-	-
Segment assets				
Segment operating assets	3,842,347	2,064,362	920,913	6,827,622
Additions	8,385	-	19,494	27,879
Segment liabilities				
Segment operating liabilities	(770,541)	-	(249,842)	(1,020,383)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

26 SEGMENT REPORTING (CONT.)

Consolidated Year ended 30 June 2009	Corporate	Exploration	Pharmaceutical	Total
	$	$	$	$
Revenue				
External sales	-	-	1,564,920	1,564,920
Other external revenue	2,108,488	-	58,106	2,166,594
Inter-segment sales		-	-	-
Total segment revenue	2,108,488	-	1,623,026	3,731,514
Inter-segment elimination				-
Total revenue per statement of comprehensive income				3,731,514
Results				
Segment result after tax	(347,416)	-	167,820	(179,596)
Interest income	155,286	-	4,479	159,765
Interest expense	(142,874)	-	(480)	(143,354)
Depreciation and amortisation	(7,467)	-	(51,265)	(58,732)
Impairment of assets	-	-	(30,000)	(30,000)
Income tax expense	-	-	-	-
Segment assets				
Segment operating assets	6,614,277	-	955,953	7,570,230
Additions	577	-	127,551	128,128
Segment liabilities				
Segment operating liabilities	(1,460,903)	-	(252,716)	(1,713,619)

Consolidated	2010	2009
	$	$
Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Switzerland	950,000	775,096
Australia	459,125	604,192
Other	220,590	185,632
Total revenue	1,629,715	1,564,920
Assets by geographical region		
The location of segment assets by geographical location of the assets is disclosed below:		
Australia	4,763,260	7,570,230
Italy/Tunisia	2,064,362	-
Total assets	6,827,622	7,570,230

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

Major customers

The Company has a number or customers to which it provides both products and services. The Company supplies a single external customer within the pharmaceutical segment who accounts for 58% of external revenue (2009:50%). The next most significant customer accounts for an immaterial percentage of external revenue.

27 CONTINGENT LIABILITIES

There are no contingent liabilities at the date of this report.

28 AFTER BALANCE DATE EVENTS

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

29 PARENT INFORMATION

	2010 $	2009 $
Statement of financial position		
Assets		
Current assets	3,828,796	6,604,064
Non-current assets	2,077,913	10,213
Total assets	5,906,709	6,614,277
Liabilities		
Current liabilities	770,541	1,460,903
Non-current liabilities	-	-
Total liabilities	770,541	1,460,903
Equity		
Issued capital	27,865,063	27,864,982
Reserves	622,090	490,618
Accumulated losses	(23,350,985)	(23,202,226)
Total equity	5,136,168	5,153,374
Statement of comprehensive income		
Loss for the year	(406,435)	(347,416)
Other comprehensive income	(55,020)	(230,000)
Total comprehensive income	(461,455)	(577,416)

Guarantees

PharmAust Limited has not entered into any guarantees in the current or previous financial year, in relation to the debts of its subsidiaries.

Other Commitments and Contingencies

PharmAust Limited has no commitments to acquire property, plant and equipment and has no contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2010

30 NEW ACCOUNTING STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

At the date of this financial report the following standards and interpretations, which may impact the Company in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application date (financial years beginning)
AASB 2009-5	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136, 139]	Amends a number of standards as a result of the annual improvements project.	1 January 2010
AASB 9	Financial Instruments	Replaces the requirements of AASB 139 for the classification and measurement of financial assets. This is the result of the first part of Phase 1 of the IASB's project to replace IAS 39.	1 January 2013
AASB 124	Related Party Disclosures	Revised standard. The definition of a related party is simplified to clarify its intended meaning and eliminate inconsistencies from the application of the definition.	1 January 2011
2009-11	Amendments to Australian Accounting Standards arising from AASB 9	Amends AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 and 1038 and Interpretations 10 and 12 as a result of the issuance of AASB 9.	1 January 2013
2009-12	Amendments to Australian Accounting Standards	Amends AASB 8 Operating Segments as a result of the revised AASB 124. Amends AASB 5, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052 as a result of the annual improvement project.	1 January 2011
2010-3	Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Amends AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139 as a result of the annual improvements project.	1 July 2010
2010-4	Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project	Further amends AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13 as a result of the annual improvements project.	1 January 2010

The expected impact on the Company of the above standards and interpretations are currently being assessed by management. A final assessment has not been made on the expected impact of these standards and interpretations, however, it is expected that there will be no significant changes to the accounting policies of the Company.

Additional information required by the Australian Stock Exchange Limited Listing Rules, and not disclosed elsewhere in this report.

SHAREHOLDER INFORMATION

SHAREHOLDINGS

At the date of this report two shareholders had lodged substantial shareholder notices with the Company.

(a) Mr Gerald James Van Blommestein & Mrs Gillian Van Blommestein are a substantial shareholder holding a relevant interest in 21,596,935 shares representing 8.48% of the voting power.

(b) Mr Peter Vassileff is a substantial shareholder holding a relevant interest in 24,343,823 shares representing 9.56% of the voting power.

CLASS OF SHARES AND VOTING RIGHTS

The voting rights attached to the Fully Paid Ordinary shares of the Company are:

(a) at a meeting of members or classes of members each member entitled to vote may vote in person or by proxy or by attorney; and

(b) on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share held.

There are no voting rights attached to any Options on issue.

DISTRIBUTION OF SHAREHOLDERS (As at 10 Sep 2010)

Range	Total holders	Units
1 - 1,000	37	11,303
1,001 - 5,000	71	269,847
5,001 - 10,000	42	361,118
10,001 - 100,000	404	19,852,375
100,001 - 9,999,999,999	252	234,214,044
Rounding		
Total	806	254,708,687

There were 266 shareholders holding less than a marketable parcel as at 10 September 2010.

There is no current on-market buy back taking place.

During the reporting year the Company used its cash and assets in a manner consistent with its business objectives.

DISTRIBUTION OF OPTIONHOLDERS EXP 31/03/12 @ $0.10 (As at 10 Sep 2010)

Range	Total holders	Units
1 - 1,000	11	3,504
1,001 - 5,000	23	79,112
5,001 - 10,000	13	97,163
10,001 - 100,000	153	6,688,748
100,001 - 9,999,999,999	186	239,588,533
Rounding		
Total	386	246,457,060

SHAREHOLDER INFORMATION

TWENTY LARGEST SHAREHOLDERS (As at 27 Sep 2010)

Rank	Name	Units	% of Units
1.	SILKTREE INVESTMENTS PTY LTD	22,743,491	8.93
2.	MR GRAHAM JAMES DARCY	22,000,000	8.64
3.	MR GERALD JAMES VAN BLOMMESTIEN	20,217,935	7.94
4.	JP MORGAN NOMINEES AUSTRALIA LIMITED	17,163,568	6.74
5.	GEBA PTY LTD	5,646,609	2.22
6.	MR PETER HOWELLS	4,723,810	1.85
7.	MR BRYANT MCLARTY	4,251,248	1.67
8.	MINSK PTY LTD	4,189,789	1.64
9.	MR ERIC NEIL BRADFIELD	4,138,649	1.62
10.	MRS LOUISE RUTH PYE	3,593,766	1.41
11.	ZACHARIAH INVESTMENTS PTY LTD	3,500,000	1.37
12.	SNOWFALL HOLDINGS PTY LTD	3,333,333	1.31
13.	URIO INVESTMENTS PTY LIMITED	3,311,089	1.30
14.	MR ANDREW BALDOCK	3,042,570	1.19
15.	IAK SUPER PTY LTD	3,000,000	1.18
16.	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,929,772	1.15
17.	AS & JR LIBBIS PTY LIMITED	2,850,000	1.12
18.	MR BRYANT MCLARTY	2,299,300	0.90
19.	RACELAND HOLDINGS PTY LTD	2,138,466	0.84
20.	THE K GROUP PTY LTD	2,117,317	0.83
	Totals: Top 20 holders of ORDINARY FULLY PAID SHARES	**137,190,712**	**53.86**

TWENTY LARGEST OPTIONHOLDERS EXP 31/03/12 @ $0.10 (as at 27 September 2010)

Rank	Name	Units	% of Units
1.	MR MATHEW DONALD WALKER	30,000,000	12.17
2.	CARDARUS LIMITED	15,000,000	6.09
3.	MR GRAHAM JAMES DARCY	12,000,000	4.87
4.	EQUITAS NOMINEES PTY LIMITED	10,550,000	4.28
5.	MR GERALD JAMES VAN BLOMMESTEIN	9,535,135	3.87
6.	MR ROBERT FRANCIS CLAYTON	8,000,000	3.25
7.	GEBA PTY LTD	7,898,164	3.20
8.	SILKTREE INVESTMENTS PTY LTD	7,000,000	2.84
9.	GROUP SEVENTY THREE SUPER FUND PTY LTD	6,000,000	2.43
10.	MR PETER VASSILEFF	6,000,000	2.43
11.	SILKTREE INVESTMENTS PTY LTD	5,250,000	2.13
12.	AUSTRALIAN HISTORICAL INVESTMENTS PTY LTD	5,000,225	2.03
13.	SABRELINE PTY LTD	5,000,000	2.03
14.	ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD	4,620,000	1.87
15.	ZACHARIAH INVESTMENTS PTY LTD	4,200,000	1.70
16.	SILKTREE INVESTMENTS PTY LTD	3,955,079	1.60
17.	MR CRAIG MICHAEL KEATING	3,793,500	1.54
18.	BAOWIN INVESTMENTS PTY LTD	3,576,100	1.45
19.	MR LAWRENCE ANGELO BUONO	3,250,000	1.32
20.	REDTOWN ENTERPRISES PTY LTD	3,250,000	1.32
	Totals: Top 20 holders of LIST OPTS EXP 31/03/12 @ $0.10	**153,878,203**	**62.44**