

Appendix 4E

Preliminary final Report

Name of Entity	PharmAust Limited
ABN	35 094 006 023
Year Ended	30 June 2012
Previous Corresponding Reporting Period	30 June 2011

Results for Announcement to the Market

	\$'000	Percentage increase/(decrease) over previous corresponding period
Revenue from ordinary activities	1,626	2%
(Loss) from ordinary activities after tax attributable to members	(4,260)	(26%)
Net (loss) for the period attributable to members	(4,260)	(26%)
Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	It is not proposed to pay Dividends	
Interim Dividend	It is not proposed to pay Dividends	
Record date for determining entitlements to the dividends (if any)	Not Applicable	

Dividends

Date the dividend is payable	No dividends
Record date to determine entitlement to the dividend	No dividends
Amount per security	-C
Total dividend	-C
Amount per security of foreign sourced dividend or distribution	-C
Details of any dividend reinvestment plans in operation	No dividends
The last date for receipt of an election notice for participation in any dividend reinvestment plans	No dividends

Net Tangible Assets per Security

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	0.25c	0.4c

The 30 June 2012 financial report dated 30 August 2012 forms part of and should be read in conjunction with the Preliminary Final Report (Appendix 4E).

This report is based on financial statements that have been audited. The audit report is included in the 30 June 2012 Annual Financial Report.



ABN 35 094 006 023

Annual Report 2012

For personal use only

CONTENTS

Corporate Directory

Directors' Report

Corporate Governance

Auditor's Independence Declaration

Independent Auditor's Report

Directors' Declaration

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Shareholder Information

CORPORATE DIRECTORY

PRINCIPAL PLACE OF BUSINESS

Suite 7, 29 The Avenue
Nedlands, Western Australia 6009
Tel +61 (8) 9386 4787 Fax +61 (8) 9389 1464
www.pharmaust.com
ASX CODE: PAA

REGISTERED OFFICE

Suite 7, 29 The Avenue
Nedlands, Western Australia 6009
Tel +61 (8) 9386 4787 Fax +61 (8) 9389 1464

DIRECTORS

Mr Bryant McLarty
Mr Greg Cunnold (Appointed on 19 August 2011)
Mr Sam Wright
Mr Henry Gulev

COMPANY SECRETARY

Mr Sam Wright

SHARE REGISTRY

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

SOLICITORS

Fairweather Corporate Lawyers
595 Stirling Highway
Cottesloe, Western Australia 6011

AUDITORS

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

STOCK EXCHANGE

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

DIRECTORS' REPORT

Your Directors present their report on the Company and the entities it controlled for the financial year ended 30 June 2012.

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
Greg Cunnold	Technical Director (appointed 19 August 2011)
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 activities constituted by PharmAust Limited and the entities it controlled during the year were to develop its own drug discovery intellectual property as well as providing highly specialised medicinal and synthetic chemistry services on a contract basis to clients.

Operating Results

The results of the consolidated entity for the year ended 30 June 2012 was a loss, after income tax expense, of \$4,260,420 (2011: loss of \$5,797,886).

Financial Position

The net assets of the consolidated entity were \$1,212,760 as at 30 June 2012 (2011: \$1,147,860).

PELA RESOURCES PTY LTD - Luke River 80% (Luchka Reka)

August 2011 saw the PELA Transaction completed and the news released to the market. PharmAust was also pleased to announce the appointment of Mr. Greg Cunnold both to the PAA Board and as the Technical Director for the newly acquired LUKE RIVER project located in northeast Macedonia, extensive historical exploration and limited exploitation had delineated numerous hydrothermal vein structures reporting high grade precious and base metal mineralisation.

The project area in the Kriva Palanka district is well located and serviced with sealed roads, power from the national grid and abundant water. The border with Serbia defines the northern margin of the concession and the border crossing into Bulgaria is within 20 kilometres of the project area to the south east.

Completion of earthworks and site preparations at the concession over several months resulted in exploration activity growth, PELA also completed a geophysics survey on Luke River with additional exploration targets being generated ready to be being ground-truthed with field mapping and grab sampling.

Drilling was commenced at a very limited amount of targets, mainly those that had been subject to previous exploration by others and which included networks of underground exploration drives and adits.

Some drilling returned gold grades up to 3.61 g/t and silver to 145g/t. but poor equipment, technique and poor drill core recoveries resulted in inconsistent results with intercepts of previous explorers failing to be reproduced in entirety.

PELA directors considered that poor recovery, particularly in the strongly argillic (clay) altered zones of interest at the initial target, Kochine (previously Von Trapp) was mainly probably a function of drilling technique.

In October 2011 PELA advised that it had lodged an application with the Macedonian Ministry of Economy to include antimony (Sb) to the list of raw materials for exploration on its Luke River Concession, prompted by worldwide interest in sources of antimony. The application was subsequently approved.

Located within the Luke River Concession, the now abandoned, Kristov Dol antimony mine. Operated from 1970 until 1979 with a run of mine head grade of 2.32% Sb. A concentrate was produced on site by flotation.

During the December quarter the directors of PELA procured an extensive amount of new detailed additional geological data and analytical information pertaining to Luke River. The documentation contains data on previously identified targets including Samar, Plavilo and the Krstov Dol Antimony mine.

Accordingly, PELA then engaged a highly experienced Perth based geologist of Macedonian origin, Mr. John Karajas, to analyse the newly acquired data and prepare a detailed report to enable PELA in 2012 to not only refine and prioritize existing targets, but to delineate and establish new targets at Luke River especially those which appear to have been investigated by adits, shafts and associated underground development or by drilling in the post World War 2 period.

DIRECTORS' REPORT continued

The completed report has already been used to focus potential exploration programmes for 2012. PELA also progressed negotiations aimed at securing additional mining and exploration assets within Macedonia as well as Serbia and Bosnia, ultimately funding issues related the European Debt Crisis slowed progress on both fronts.

EPICHEM PTY LTD 100%

Epichem Pty Ltd, was awarded an 18 month extension to its current contract with Drugs for Neglected Diseases *initiative* (DNDi) in June 2011. Generating further significant revenues for Epichem, the contract, which was due to finish, saw Epichem continue to provide synthetic & medicinal chemistry support to DNDi's drug discovery projects until 30 December 2012.

Epichem continued to be active in seeking new markets for its contract research as well as support for its Joint Ventures, in addition, it continued to develop new markets for its range of pharmaceutical reference standards and sponsored a Pharmaceutical Stability Conference (London) in November which directly resulted in new sales.

With a proud tradition with regards to winning awards October 2011 saw Epichem win its second consecutive WA Industry and Export Award, this time in the Small to Medium Services category.

November saw Epichem's Joint Venture with Curtin University for an "Orally bio-available insulin-like drug" win the Start-up category of the WA Innovator of the Year Awards, subsequently, Epichem agreed to take a 51% interest in its Joint Venture with Curtin University for the development of an oral treatment for diabetes.

Epichem had been providing medicinal chemistry expertise and services to the project since 2008 during which time significant progress had been made. Efficacy studies with the lead compound in a rodent model of blood glucose modulation yielded promising results. Even though Epichem has not progressed to formally holding the 51% discussions are ongoing with the University with regards to both Epichem and the project in 2012.

In December, the Chagas Lead Optimisation Consortium, of which Epichem is a major contributor, providing synthetic and medicinal chemistry expertise, won DNDi's Partnership of the Year Award.

CORPORATE ACTIVITIES

Funding

Shareholders were given the opportunity to subscribe for new shares up to a value of \$15,000, without brokerage or other transaction costs, at an issue price of 1.8 cents per share.

The Closing Date of the S.P.P was the 1st of November 2011 with the company receiving valid applications for a total of 15,591,669 PAA shares raising a total of \$280,650.

The proceeds from the raising were directed towards the funding of Epichem Pty Ltd, exploration activities at the Company's Luke River polymetallic project and for general working capital.

PAA also entered into a loan facility with Silktree Investments Pty Ltd by way of a \$300,000, subsequently \$500,000 cash advance. The funds were used to primarily fund exploration and drilling on Luke River. The loan is unsecured and the company incurs interest of 10% payable monthly.

Annual General Meeting

PharmAust held its General Meeting of Shareholders at RSM Bird Cameron, 8 St Georges Terrace, Perth and all resolutions that were put were passed on a show of hands including the Adoption of remuneration report and re-election of Mr Henry Gulev as a director.

Lambouka Project | 9th September 2011

A Sale and Purchase Agreement with ADX Energy was executed to eliminate PAA's 10% interest in the Lambouka Prospect Area in the Kerkouane Permit and to cancel the option of PAA to purchase an interest in that part of the Lambouka prospect that extends into Italian waters.

As part of the consideration ADX forgave outstanding past joint venture costs owed by PAA to ADX totaling \$400,473 and upon the payment of US\$50,000 issued to PAA 1,000,00 ADX shares which were subsequently sold.

DIRECTORS' REPORT continued

SUBSEQUENT EVENTS

CAPITAL RAISING | OFFER TO PURCHASE PELA RESOURCES

On 31 July 2012, PharmAust Directors signed a mandate to raise up to \$1,000,000 at 1c per share subject to shareholder approval at meeting.

The Company was also in the process of finalising an agreement for the sale of Pela Resources. Details were to be released to the market upon completion of the transaction.

Dividends

Since the end of the 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 Aviation Plc which is listed on the London Stock Exchange. Aviation is a leasing company with a fleet of aircraft, worth in excess of US\$250m, currently on long term commercial leases to a range of operators in Europe, the US and Australia. It leases multiple aircraft to a major regional Australian airline, Skywest and Virgin Australia.

Mr McLarty is also the Managing Director of Mac Equity Partners, providing specialised expertise in the areas of Stock broking and Strategic Corporate Services to wholesale clients.

Interests in Shares and Options Mr McLarty holds 11,536,452 ordinary shares in PharmAust Limited.

Other Current Directorships (ASX Listed Companies) Nil

Previous Directorships (last 3 years) ASX Listed Companies Nil

Mr. Greg Cunnold – Non-Executive Technical Director

Qualifications B.Sc (Geol), MAIG, MAusIMM

Experience Mr Greg Cunnold is a geologist with over 18 years experience in the international exploration industry. His expertise extends from project definition and acquisition, through grass roots exploration and delineation, to resource definition and bankable feasibility. During his career Greg has worked on a range of precious metal, base metal and industrial mineral projects throughout the world.

Greg was the first geologist to Romania for Gabriel Resources, where he resided for 5 years working as project manager on the Rosia Montana gold project, culminating in the completion of a BFS on the 14 million ounce gold deposit defined there. More recently Greg was the Exploration Manager for Reward Minerals, during which time the company discovered and delineated Australia's first potash resource of over 20 million tonnes of potassium sulphate at Lake Disappointment.

Greg holds a Bachelor of Science (Geology) degree from the University of Western Australia. He is also a member of the Australian Institute of Geoscientists (MAIG) and the Australian Institute of Mining and Metallurgy

Interests in Shares and Options Mr Cunnold holds 38,833,333 ordinary shares in PharmAust Limited.

Other Current Directorships (ASX Listed Companies) Nil

Previous Directorships (last 3 years) ASX Listed 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 fifteen years experience in the pharmaceutical, biotech and healthcare industry and 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 Company Secretary of ASX listed companies, Buxton Resources Limited, Cove Resources Limited, PharmAust Limited and Structural Monitoring Systems plc. 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 3,420,000 ordinary shares in PharmAust Limited.
Other Current Directorships (ASX Listed Companies)	Nil
Previous Directorships (last 3 years) ASX Listed Companies	Buxton Resources Limited (ASX: BUX) and Structural Monitoring Systems plc (ASX: SMN).

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 Listed Companies	Nil

DIRECTORS' REPORT (Cont.)

Meetings of Directors

The number of meetings of the Company's directors held during the year ended 30 June 2012, and the number of meetings attended by each director was:

Directors	Meetings of Directors	
	Eligible to Participate	Number Attended
B McLarty	5	5
G Cunnold	5	5
S Wright	5	5
H Gulev	5	5

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

During the year, no 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, for 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	<u>17,037</u>

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.

DIRECTORS' REPORT (Cont.)

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.

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. 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 Greg Cunnold (Non-Executive Director – PharmAust Limited)

Consultancy fee of \$30,000 per annum.

Remuneration of Wayne Best (Managing Director – Epichem Pty Ltd)

Term of the agreement – permanent with a 3 year term.

Base salary of \$137,527 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 Pty Ltd)

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

DIRECTORS' REPORT (Cont.)

Remuneration Report (Audited)

Remuneration of Directors and Specified Executives

Details of the nature and amount of each element of remuneration of each key management personnel for the financial year are as follows:

2012

	Short-term		Post-employment	Share based payment			
	Salary & Fees \$	Other \$	Superannuation \$	Options \$	Termination benefits \$	Total \$	% Performance related \$
<i>Directors</i>							
Bryant McLarty	180,000	-	16,200	-	-	196,200	-
Sam Wright	90,000	-	-	-	-	90,000	-
Henry Gulev	30,000	-	-	-	-	30,000	-
Greg Cunnold	22,500	-	-	-	-	22,500	-
<i>Executives</i>							
Wayne Best	137,000	-	12,330	-	-	149,330	-
John Horton	10,000	-	-	-	-	10,000	-
Colette Sims	5,000	-	-	-	-	5,000	-
	474,500	-	28,530	-	-	503,030	-

2011

	Short-term		Post-employment	Share based payment			
	Salary & Fees \$	Other \$	Superannuation \$	Options \$	Termination benefits \$	Total \$	% Performance related \$
<i>Directors</i>							
Bryant McLarty	180,000	-	16,200	-	-	196,200	-
Sam Wright	90,000	-	-	-	-	90,000	-
Henry Gulev	30,000	-	-	-	-	30,000	-
<i>Executives</i>							
Wayne Best	137,527	-	12,377	-	-	149,904	-
John Horton	10,000	-	-	-	-	10,000	-
Colette Sims	5,000	-	-	-	-	5,000	-
	452,527	-	28,577	-	-	481,104	-

DIRECTORS' REPORT (Cont.)

Remuneration Report (Audited)

Options granted as part of remuneration

There were no options issued as part of remuneration for the year ended 30 June 2012 and 30 June 2011.

No options expired during the year.

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 August 2012

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 Technical Director Greg Cunnold, 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 three Non-Executive Directors, Mr Greg Cunnold, 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.

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.

Annual Report Disclosure on Corporate Governance (Cont.)

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.

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.)

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.
1.3	Companies should provide the information indicated in the <i>Guide to reporting on Principle 1</i> .	The Company is not aware of any departure from Recommendations 1.1 or 1.2. Performance evaluations for senior executives have taken place in the reporting period in accordance with the process disclosed. The specific responsibility of the Board 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 (4), 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.
2.6	Companies should provide the information indicated in the <i>Guide to reporting on Principle 2</i> .	A description of the skills and experience of each of the current Directors is contained in the Director's report. Given the current size and structure of the Board, the Company has not fully complied with the Principle 2 of the ASX Principles. However, it will seek to do so as it develops and the Board grows. To facilitate independent decision making, the Board and any committees it convenes from time to time may seek advice from independent experts whenever it is considered appropriate. With the consent of the Chairperson, individual directors may seek independent professional advice, at the expense of the Company, on any matter connected with the discharge of their responsibilities. The policy for the appointment of new directors is set out on

		the Corporate Governance Statement on the Company's website.															
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 diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.	The Company is currently not in compliance with this recommendation. The Company does not currently have a separate policy specifically addressing achieving diversity. Due to the current size of the Board and expected workforce, the Board does not consider it necessary to have a gender diversity policy, but will consider adopting a policy in the future. The Company has adopted a code of conduct, which provides a framework for undertaking ethical conduct in employment. Under the corporate code of conduct, the Company will not tolerate any form of discrimination or harassment in the workplace.															
3.3	Companies should disclose in each annual report the measureable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.	The Company has not yet set the measurable objectives however these will be considered by the Board and disclosed in the annual report. In addition, the Board will review progress against any objectives identified on an annual basis.															
3.4	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	As at the date of this report, the Company's workforce profile includes: <table> <tr> <th>Level</th><th>Male</th><th>Female</th></tr> <tr> <td>Directors</td><td>3</td><td>0</td></tr> <tr> <td>Senior Executives</td><td>1</td><td>0</td></tr> <tr> <td>Employees</td><td>0</td><td>1</td></tr> <tr> <td>Total</td><td>4</td><td>1</td></tr> </table>	Level	Male	Female	Directors	3	0	Senior Executives	1	0	Employees	0	1	Total	4	1
Level	Male	Female															
Directors	3	0															
Senior Executives	1	0															
Employees	0	1															
Total	4	1															
3.5	Companies should provide the information indicated in the <i>Guide to reporting on Principle 3</i> .	The Company's diversity policy does not include any measurable objectives, if any, set by the Board; - progress against those objectives; and - the proportion of women employees in the whole organisation, at senior management level and at Board level.															
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.															

4.4	Companies should provide the information indicated in the Guide to reporting on Principle 4.	When the Company has grown to a sufficient size to warrant it, the Board will establish an audit and risk committee to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.
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.
5.2	Companies should provide the information indicated in Guide to reporting on Principle 5.	The Company is not aware of any departure from Recommendations 5.1 or 5.2. A summary of the Company's policy on Continuous Disclosure is publicly available on the Company's website.
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.
6.2	Companies should provide the information indicated in the Guide to reporting on Principle 6.	The Shareholder Communication Policy is publicly available on the Company's website.
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 2011 financial period.
7.4	Companies should provide the information indicated in Guide to reporting on Principle 7.	The Company is not aware of any departure from Recommendations 7.1, 7.2 or 7.3 although notes it is continuing to develop and refine its risk management and internal control processes.
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.
8.3	Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.	The Board will distinguish the structure of non-executive director's remuneration from that of executive directors and senior executives. The Company's Constitution also provides that the remuneration of non-executive Directors will not be more than the aggregate fixed sum determined by shareholders in general meeting.
8.4	Companies should provide the information indicated in the Guide to reporting on Principle 8.	When the Company has grown to a sufficient size to warrant it, the Board will establish a remuneration committee for the purposes of reviewing and approving the executive remuneration policy. As at the date of this statement, there are no schemes for retirement benefits for non-executive Directors.

The Board wishes to acknowledge that nothing has come to its attention that would lead it to conclude that its current practices and procedures are not appropriate for an organisation of the size and maturity of the Company. Further information about the Company's corporate governance practices is set out on the Company's web site at www.pharmaust.com

For personal use only

RSM Bird Cameron Partners
8 St George's Terrace Perth WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9261 9100 F +61 8 9261 9101
www.rsmi.com.au

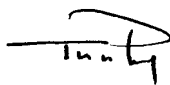
AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of PharmAust Limited for the year ended 30 June 2012, 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



TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2012

**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 consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, 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 of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply 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 about 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.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of PharmAust Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

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 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the financial report, which indicates that the consolidated entity incurred a loss of \$4,260,420 and had net cash outflows from operating activities of \$487,297 for the year ended 30 June 2012 and, as at that date, the consolidated entity had net current liabilities of \$759,116. These conditions, along with other matters as set forth in Note 1, indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the Remuneration Report

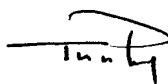
We have audited the Remuneration Report contained within the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of PharmAust Limited for the year ended 30 June 2012 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS



TUTU PHONG
Partner

Perth, WA
Dated: 30 August 2012

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes are in accordance with the *Corporations Act 2001* and:
 - a. comply with Australian Accounting Standards, which, as stated in Note 1 to the financial statements, constitutes explicit and unreserved compliance with International Financial Reporting Standards; and
 - b. give a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - a. the financial records of the company for the financial year have been properly maintained in accordance with s286 of the *Corporations Act 2001*;
 - b. the financial statements and notes for the financial year comply with Australian Accounting Standards; and
 - c. the financial statements and notes for the financial year give a true and fair view; and
3. in the directors' opinion 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 is made in accordance with a resolution of the Board of Directors.



Bryant McLarty
Director

Signed at Perth, Western Australia this 30th day of August 2012

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2012

		CONSOLIDATED	
	NOTE	2012	2011
		\$	\$
Revenue	2	1,551,516	1,551,673
Other income	2	74,014	44,425
		<u>1,625,530</u>	<u>1,596,098</u>
Raw materials and consumables used		(176,640)	(142,309)
Employee benefits expense		(1,664,018)	(1,475,096)
Depreciation expense		(57,854)	(65,178)
Finance costs		(40,586)	(4,369)
Administration expenses		(572,526)	(704,834)
Impairment of exploration expenditure		(3,334,999)	(4,998,481)
Other expenses		<u>(39,327)</u>	<u>(3,717)</u>
Loss before income tax expense		(4,260,420)	(5,797,886)
Income tax expense	3a	-	-
Loss for the year		(4,260,420)	(5,797,886)
Other comprehensive income		-	-
Total comprehensive income for the year		<u>-</u>	<u>-</u>
Total comprehensive loss for the year		<u>(4,260,420)</u>	<u>(5,797,886)</u>
Basic earnings per share (cents per share)	16	(0.93)	(2.05)
Diluted earnings per share (cents per share)	16	(0.93)	(2.05)

The accompanying notes form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
As at 30 June 2012

		CONSOLIDATED	
	NOTE	2012	2011
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	4	122,905	86,160
Trade and other receivables	5a	228,435	271,798
Other current assets	6	-	740
Financial assets	7	6,400	9,000
TOTAL CURRENT ASSETS		357,740	367,698
NON-CURRENT ASSETS			
Trade and other receivables	5a	-	478,740
Exploration and evaluation expenditure	8	1,550,000	50,000
Plant and equipment	9	500,924	554,368
TOTAL NON-CURRENT ASSETS		2,050,924	1,083,108
TOTAL ASSETS		2,408,664	1,450,806
CURRENT LIABILITIES			
Trade and other payables	10	439,580	187,558
Borrowings	11	595,358	30,609
Provisions	12	81,918	79,421
TOTAL CURRENT LIABILITIES		1,116,856	297,588
NON-CURRENT LIABILITIES			
Borrowings	11	-	5,358
Provisions	12	79,048	-
TOTAL NON-CURRENT LIABILITIES		79,048	5,358
TOTAL LIABILITIES		1,195,904	302,946
NET ASSETS		1,212,760	1,147,860
EQUITY			
Issued capital	13	33,328,890	29,003,570
Reserves	14	622,090	622,090
Accumulated losses		(32,738,220)	(28,477,800)
TOTAL EQUITY		1,212,760	1,147,860

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2012

	Issued Capital \$	Accumulated Losses \$	Options Reserve \$	Total Equity \$
As at 1 July 2010	27,865,063	(22,679,914)	622,090	5,807,239
Loss for the year	-	(5,797,886)	-	(5,797,886)
Total comprehensive loss for the year	-	(5,797,886)	-	(5,797,886)
Shares issued (net)	1,138,507	-	-	1,138,507
As at 30 June 2011	29,003,570	(28,477,800)	622,090	1,147,860
As at 1 July 2011	29,003,570	(28,477,800)	622,090	1,147,860
Loss for the year	-	(4,260,420)	-	(4,260,420)
Total comprehensive loss for the year	-	(4,260,420)	-	(4,260,420)
Shares issued (net)	4,325,320	-	-	4,325,320
As at 30 June 2012	33,328,890	(32,738,220)	622,090	1,212,760

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2012

		CONSOLIDATED	
	NOTE	2012	2011
		\$	\$
Cash Flows From Operating Activities			
Receipts from customers		1,597,472	1,532,768
Payments to suppliers and employees		(2,098,911)	(3,014,361)
Dividends received		-	4,604
Other income		47,012	-
Interest received		7,716	33,980
Interest and other costs of finance		(40,586)	(4,369)
Net cash used in operating activities	20b	(487,297)	(1,447,378)
Cash Flows From Investing Activities			
Exploration and evaluation expenditure		(306,259)	(1,968,020)
Payments for plant and equipment		(4,410)	(10,917)
Proceeds from sale of financial assets		-	128,291
Net cash used in investing activities		(310,669)	(1,850,646)
Cash Flows From Financing Activities			
Proceeds from share and option issues (net)		275,320	1,138,507
Advance to related entity		-	(478,740)
Proceeds from borrowings		559,391	-
Repayment of borrowing		-	(28,122)
Net cash provided by financing activities		834,711	631,645
Net increase/ (decrease) in cash held		36,745	(2,666,379)
Cash at the beginning of the financial year		86,160	2,752,539
Cash at the end of the financial year	20a	122,905	86,160

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

These consolidated financial statements and notes represent those of PharmAust Limited and its Controlled Entities (the "consolidated entity" or "group").

The separate financial statements of the parent entity, PharmAust Limited, have not been presented within this financial report as permitted by the *Corporations Act 2001*.

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 ("AASB") and the *Corporations Act 2001*. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies 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.

In the year ended 30 June 2012, the company has reviewed all of the new and revised Australian Accounting Standards and Interpretations issued by the AASB that are relevant to its operations and effective for the current annual reporting period. It has been determined by the company that there is no impact, material or otherwise, of the new Standards and Interpretations on its business and therefore, no changes are required to its accounting policies. Material accounting policies adopted in preparation of this financial report are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, 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 August 2012 by the Directors of the Company.

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 consolidated entity incurred a loss of \$4,260,420 and had net cash outflows from operating activities of \$487,297 for the year ended 30 June 2012. As at that date, the consolidated entity had net current liabilities of \$759,116.

These factors indicate significant uncertainty as to whether the consolidated entity will continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities, in the normal course of business and at the amounts stated in the financial report.

The Directors believe that there are reasonable grounds to believe that the consolidated entity will be able to continue as a going concern, after consideration of the following factors:

- The ability to issue additional shares under the *Corporation Act 2001* to raise further working capital. This is evidenced by a mandate signed with a 3rd party to raise equity capital as disclosed in Note 27;
- As disclosed in Note 11, the consolidated entity has a borrowing of \$590,000. The directors believes that the consolidated entity will be able to negotiate the repayment terms of this loan in its favour, when it becomes due and payable; and
- The consolidated entity has the ability to scale down its operations in order to curtail expenditure, in the event capital raisings are delayed or insufficient cash is available to meet projected expenditure.

Accordingly, the Directors believe that the consolidated entity will be able to continue as a going concern and that it is appropriate to adopt the going concern basis in the preparation of the financial report.

The financial report does not include any adjustments relating to the amounts or classification of recorded assets or liabilities that might be necessary if the consolidated entity does not continue as a going concern.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(b) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by PharmAust Limited at the end of the reporting period. A controlled entity is any entity over which PharmAust Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 19 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

Non-controlling interests, being the equity in a subsidiary not attributable, directly or indirectly, to a parent, are reported separately within the equity section of the consolidated statement of financial position and statement of comprehensive income. The non-controlling interests in the net assets comprise their interests at the date of the original business combination and their share of changes in equity since that date.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

(c) Income Tax

The income tax expense (revenue) for the year comprises current income tax expense (income) and deferred tax expense (income).

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(c) Income Tax (Cont.)

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(d) Plant and Equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

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 consolidated entity 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.

Depreciation

The depreciable amount of all plant and is depreciated on a straight line basis over their useful lives to the consolidated entity commencing from the time the asset is held ready for use.

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

<i>Class of Fixed Asset</i>	<i>Depreciation Rate</i>
Plant and equipment	2.5-33%

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(e) Exploration and Development Expenditure (Cont.)

Costs of site restoration, if required, 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 that is transferred to entities in the consolidated entity, are classified as finance leases.

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

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Group commits itself to either the purchase or sale of the asset (ie. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at fair value, amortised cost using the effective interest rate method, or cost.

Amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the *effective interest method*.

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, reference to similar instruments and option pricing models.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense item in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of Accounting Standards specifically applicable to financial instruments.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(g) Financial Instruments (Cont.)

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(ii) *Financial assets at fair value through profit or loss*

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

(iii) *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Impairment

At the end of each reporting period, the directors assesses whether there is objective evidence that a financial instrument has been impaired.

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(h) Foreign Currency Transactions and Balances

The functional currency of each of the entities in the consolidated entity is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the parent entity's functional and presentation currency.

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 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(i) Impairment of Assets

At the end of each reporting period, the directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Accounting Standard. Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Accounting Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group 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 consolidated entity'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 consolidated entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(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 consolidated entity 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).

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(q) Share-based payment transactions

The group provides benefits to directors of the Group 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 Group'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.

(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.

(t) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

1 SIGNIFICANT ACCOUNTING POLICIES (Cont.)

(u) 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 Group 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) 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.

(ii) 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 Group 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. The exploration and evaluation expenditure is carried at the end of the reporting period at \$1,550,000.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
2	REVENUE		
	Sales	1,551,516	1,551,673
	OTHER INCOME		
	Interest received	7,716	33,980
	Gain on revaluation of financial assets held for trading	-	4,550
	Gain on sale of financial assets held for trading	-	1,291
	Dividend income	-	3,800
	Other revenue	66,298	804
		<u>74,014</u>	<u>44,425</u>
3	INCOME TAX EXPENSE		
3a	No income tax is payable as a tax loss has been incurred for income tax purposes.		
	Loss before income tax	(4,260,420)	(5,797,886)
	Prima facie tax benefit at 30% (2011:30%)	(1,278,126)	(1,739,366)
	Tax effect of:		
	- Other non-allowable items	11,048	19,642
	- Deferred tax asset not brought to account	<u>1,267,078</u>	<u>1,719,724</u>
		<u>-</u>	<u>-</u>
3b	Deferred tax asset		
	The potential deferred tax assets have not been recognised in the statement of financial position because their recovery is not considered probable.		
	- Tax losses at 30% tax rate (not recognised)	<u>5,775,725</u>	<u>5,682,813</u>
	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 consolidated entity 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	<u>122,905</u>	<u>86,160</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
5	TRADE AND OTHER RECEIVABLES		
5a	CURRENT		
	Trade receivables	228,435	255,085
	Provision for impairment	-	(3,918)
	Other receivables	-	20,631
		228,435	271,798
	Trade receivables: Payment terms are 30 days from the date of recognition.		
	NON CURRENT		
	Other receivables	-	478,740

5b Provision for impairment of receivables

Current trade and term receivables are non-interest bearing loans and generally on 30-day terms. Non-current trade and term receivables are assessed for recoverability based on the underlying terms of the contract. A provision for impairment is recognised when there is objective evidence that an individual trade or term receivable is impaired. These amounts have been included in the other expenses item.

Movement in the provision for impairment of receivables is as follows:

		Opening Balance	Charge for the Year	Amounts Written Off	Closing Balance
		01/07/2011			30/06/2012
		\$	\$	\$	\$
	Consolidated				
(i)	Current trade receivables	3,918	-	(3,918)	-
		3,918	-	(3,918)	-

5c Past due but not impaired

As of 30 June 2012, trade receivables of \$48,647 (2011 - \$20,204) 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	47,222	16,701
61 days and above	1,425	3,503
	48,647	20,204

Based on the credit history of these other classes, it is expected that these amounts will be received when due. The Group 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 2011

		CONSOLIDATED	
		2012	2011
		\$	\$
6	OTHER CURRENT ASSETS		
	Prepaid joint venture cash calls for exploration and evaluation expenditure	-	740
		-	740
7	FINANCIAL ASSETS		
	Financial assets held for trading		
	Shares in listed securities - fair value	6,400	9,000
7a	Movements in Carrying Amounts		
	Carrying amount at beginning of the year	9,000	131,450
	Disposals	-	(127,000)
	Movement in fair value	(2,600)	4,550
	Carrying amount at end of the year	6,400	9,000
8	EXPLORATION AND EVALUATION EXPENDITURE		
	Capitalised exploration and evaluation expenditure – at cost	4,884,999	5,048,481
	Less: allowance for impairment	(3,334,999)	(4,998,481)
	Capitalised exploration and evaluation expenditure	1,550,000	50,000
	<i>Movement in carrying amounts:</i>		
	Balance at the beginning of the year	50,000	2,064,362
	Acquisition of tenements	4,050,000	-
	Exploration and mining expenditure incurred during the year	834,999	2,984,119
	Disposal of tenements	(50,000)	-
	Impairment	(3,334,999)	(4,998,481)
	Balance at the end of the year	1,550,000	50,000

Costs capitalised on areas of interest have been reviewed for impairment factors, such as resources prices, ability to meet expenditure going forward and potential resource downgrades. It is the directors' opinion that the consolidated entity has ownership, or title to the areas of interests it has capitalised expenditure on.

The total impairment loss recognised in the statement of comprehensive income during the year amounted to \$3,334,999 and is separately presented in the statement of comprehensive income as "impairment of exploration expenditure".

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
9	PLANT AND EQUIPMENT		
	Cost	975,580	971,170
	Accumulated depreciation	(474,656)	(416,802)
		<u>500,924</u>	<u>554,368</u>
	Movements in Carrying Amounts:		
	Carrying amount at beginning of the year	554,368	608,629
	Additions	4,410	10,917
	Disposals	-	-
	Depreciation expense	(57,854)	(65,178)
	Carrying amount at end of the year	<u>500,924</u>	<u>554,368</u>
10	TRADE AND OTHER PAYABLES		
	Trade creditors and accruals	<u>439,580</u>	<u>187,558</u>
	Payment terms are 30 days from receipt of goods and/or services rendered.		
11	BORROWINGS		
	SHORT TERM		
	Lease liability*	5,358	30,609
	Loan liability**	590,000	-
		<u>595,358</u>	<u>30,609</u>
	LONG TERM		
	Lease liability*	<u>-</u>	<u>5,358</u>
	Terms and conditions:		
	*The lease liability is unsecured. Interest is charged at is 8.5%p.a.		
	** The advanced of loans are unsecured, interest charged at 10%p.a.		
12	PROVISIONS		
	CURRENT		
	Employee entitlements	<u>81,918</u>	<u>79,421</u>
	NON CURRENT		
	Employee entitlements	<u>79,048</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

		CONSOLIDATED	
		2012	2011
		\$	\$
13	ISSUED CAPITAL		
	Issued and paid up ordinary shares	33,328,890	29,003,570
13a	Movement in fully paid ordinary shares		
		2012	2011
		Number of shares	
Ordinary Shares		\$	\$
At 1 July	316,914,937	254,708,687	29,003,570
Share placement - Acquisition of Pela Resources Pty Ltd	150,000,000	-	27,865,063
Share placement (net)- for cash	15,591,669	62,206,250	4,050,000
At 30 June	482,506,606	316,914,937	275,320
		33,328,890	1,138,507
		29,003,570	
13b	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.		
13c	Capital Management		
	Management controls the capital of the Group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the Group can fund its operations and continue as a going concern. The Group'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 Group's capital by assessing its 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 Group since the prior year. The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:		
	Total borrowings	10,11	1,034,938
	Less cash and cash equivalents		(122,905)
	Net debt		912,033
	Total equity		1,212,760
	Total capital		2,124,793
			1,285,225
	Gearing ratio	43%	11%

For the year ended 30 June 2010

		CONSOLIDATED	
		2012	2011
		\$	\$
14	RESERVES		
	Options reserve	622,090	622,090
	The options reserve is used to record options issued to shareholders and share-based payments made by the Group.		
15	RELATED PARTY TRANSACTIONS		
	Aggregate amounts of each type of transaction with directors other than directors fees are as follows:		
	Re-imbursment of rental and variable outgoings expenses for the Company's principal place of business – Bryant McLarty	48,000	23,032
	Amount payable to related parties:		
	Trade and other payables	76,500	-
	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 remuneration.		
16	EARNINGS PER SHARE		
	Net loss attributable to members of the Company	4,260,420	5,797,886
		No.	No.
	Weighted average number of ordinary shares outstanding during the year used in calculating basic earnings per share.	457,030,007	282,833,738
16a	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.		
16b	Diluted Earnings per Share		
	Diluted earnings per share is the same as basic earnings per share as there were no options on issue which would be potential ordinary shares.		
17	AUDITOR'S REMUNERATION		
	Remuneration of RSM Bird Cameron Partners as auditor for:		
	- auditing or reviewing the financial report	45,000	51,000
	- taxation services	17,037	19,944
		62,037	70,944

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable and payable, loans to and from subsidiaries, borrowings and leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	Note	Consolidated 2012 \$	2011 \$
Financial assets			
Cash and cash equivalents	4	122,905	86,160
Financial assets at fair value through profit or loss:			
– held for trading	7	6,400	9,000
Loans and receivables	5a,6	228,435	272,538
Total financial assets		357,740	367,698
Financial liabilities			
Financial liabilities at amortised cost:			
– trade and other payables	10	439,580	187,558
– borrowings	11	595,358	35,967
Total financial liabilities		1,034,938	223,525

Specific Financial Risk Exposures and Management

The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk and foreign exchange risk. Other minor risks are either summarised below or disclosed at Note 5 in the case of credit risk and Note 13 in the case of capital risk management. The Board reviews and agrees policies for managing each of these risks.

Cash Flow Interest Rate Risk

The Group's exposure to the risks of changes in market interest rates relates primarily to the Group's short-term deposits with a floating interest rate. These financial assets with variable rates expose the Group to cash flow interest rate risk. All other financial assets and liabilities in the form of receivables and payables are non-interest bearing. The Group 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 Group's exposure to interest rate risk and the effective weighted average interest rate for each class of these financial instruments.

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

2012

	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	1.8%	122,905	-	-	-	122,905
Trade and other receivables		-	-	-	228,435	228,435
Other financial assets		-	-	-	6,400	6,400
Total financial assets		122,905	-	-	234,835	357,740
Financial liabilities						
Trade and other payables		-	-	-	(439,580)	(439,580)
Interest bearing liabilities	9.99%	-	(595,358)	-	-	(595,358)
Total financial liabilities		-	(595,358)	-	(439,580)	(1,034,938)
Net Financial Assets/(Liabilities)		122,905	(595,358)	-	(204,745)	(677,198)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Cash Flow Interest Rate Risk (Cont.)

2011

	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	1.8%	86,160	-	-	-	86,160
Trade and other receivables		-	-	-	750,538	750,538
Other financial assets		-	-	-	9,000	9,000
Total financial assets		86,160			759,538	845,698
Financial liabilities						
Trade and other payables		-	-	-	(187,558)	(187,558)
Interest bearing liabilities	8.50%	-	(35,967)	-	-	(35,967)
Total financial liabilities		-	(35,967)	-	(187,558)	(223,525)
Net Financial Assets/(Liabilities)		86,160	(35,967)	-	571,980	622,173

Interest rate sensitivity analysis

At 30 June 2012, 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 \$12,290 (2011:\$8,616) lower/higher, mainly as a result of lower/higher interest income from cash and cash equivalents.

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

	CONSOLIDATED	
	2012 \$	2011 \$
Contracted maturities Payables		
- within 1 year	439,580	187,558
Borrowings		
- within 1 year	595,358	-

Price risk

The Group is not exposed to price risk.

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 June 2012

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont.)

Foreign exchange risk

The Group is exposed to foreign exchange rate arising from various currency exposures. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the Group's functional currency.

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

	2012				2011		
	USD \$	EUR \$	GBP \$	NZD \$	USD \$	EUR \$	GBP \$
Trade receivables	15,413	5,158	457	-	14,160	1,680	-
Trade payables	5,096	211	-	193	5,644	-	2,000

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:

	2012 Change in profit and equity with a +/- 10% in AUD to				2011 Change in profit and equity with a +/- 10% in AUD to		
	USD \$	EUR \$	GBP \$	NZD \$	USD \$	EUR \$	GBP \$
Trade receivables	1,001	(796)	(145)	-	1,515	124	-
Trade payables	331	(32)	-	65	604	-	129

Net fair values

For assets and other liabilities the net fair value approximates their carrying value. The Group has no financial assets where the carrying amount exceeds net fair values at reporting 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
2012	\$	\$	\$	\$
Financial assets held for trading	6,400	-	-	6,400
	6,400	-	-	6,400
2011				
Financial assets held for trading	9,000	-	-	9,000
	9,000	-	-	9,000

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

19 INVESTMENT IN CONTROLLED ENTITIES

	COUNTRY OF CORPORATION	CLASS OF SHARES	EQUITY HOLDING 2012 %	EQUITY HOLDING 2011 %
Parent Entity: PharmAust Limited	Australia	-	-	-
Name of Controlled Entity:				
Epichem Pty Ltd	Australia	Ordinary	100	100
Pela Resources Pty Ltd	Australia	Ordinary	100	-
RI Energetika DOO Skopje	Macedonia	Ordinary	80%	-

20 NOTES TO THE CASH FLOW STATEMENT OF CASH FLOWS

20a Reconciliation of Cash

	CONSOLIDATED 2012 \$	2011 \$
Cash at bank	122,905	86,160

20b Reconciliation of net cash used in operating activities to loss after income tax

Loss after income tax	(4,260,420)	(5,797,886)
Depreciation	57,854	65,178
Impairment on exploration expenditure	3,334,999	4,998,481
Unrealised loss/(gain) on financial assets	2,600	(4,550)
Profit on sale of financial assets	-	(1,292)
Movement in assets and liabilities:		
Receivables	22,752	(14,987)
Other assets	21,351	(3,007)
Payables	252,022	(676,038)
Provisions	81,545	(13,277)
Net cash used in operating activities	(487,297)	(1,447,378)

21 OPTIONS

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
2012 year								
Listed options	\$0.10	31/03/12	270,457,060	-	-	(270,457,060)	-	-
			270,457,060	-	-	(270,457,060)	-	-
2011 year								
Listed options	\$0.10	31/03/12	246,457,060	24,000,000	-	-	270,457,060	270,457,060
			246,457,060	24,000,000	-	-	270,457,060	270,457,060

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

22 KEY MANAGEMENT PERSONNEL

22a Directors and other key management personnel

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

<i>Person</i>	<i>Position</i>
Bryant McLarty	Executive Director and Chairman
Henry Gulev	Non-Executive Director
Sam Wright	Non- Executive Director and Company Secretary
Greg Cunnold	Non-Executive Director- appointed on 19 August 2011
Wayne Best	Managing Director – Epichem Pty Ltd
John Horton	Director – Epichem Pty Ltd
Colette Sims	Director – Epichem Pty Ltd

22b Remuneration of Key Management Personnel

Refer to the remuneration report contained in the directors' report for details of the remuneration paid or payable to each member of the consolidated entity's key management personnel for the year ended 30 June 2012.

The totals of remuneration paid to key management personnel of the consolidated entity during the year are as follows:

	2012	CONSOLIDATED	2011
	\$		\$
Short term employee benefits	474,500		452,527
Post employment benefits	28,530		28,577
	<u>503,030</u>		<u>481,104</u>

22c Option Holdings by Key Management Personnel

2012 - Number	Balance 1 July 2011	Granted as Compen- sation	Options Exercised	Net Change Other*	Balance 30 June 12	Total Vested	Total Exercisable	Total Unexercisable
Bryant McLarty	10,512,024	-	-	(10,512,024)	-	-	-	-
Sam Wright	6,000,000	-	-	(6,000,000)	-	-	-	-
Wayne Best	1,187,145	-	-	(1,187,145)	-	-	-	-
2011 - Number	Balance 1 July 2010	Granted as Compen- sation	Options Exercised	Net Change Other*	Balance 30 June 11	Total Vested	Total Exercisable	Total Unexercisable
Bryant McLarty	3,275,274	-	-	7,236,750	10,512,024	10,512,024	10,512,024	-
Sam Wright	875,000	-	-	5,125,000	6,000,000	6,000,000	6,000,000	-
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 expired/forfeited by holders as well as options issued during the year.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2012

22 KEY MANAGEMENT PERSONNEL (CONT.)

22d Shareholdings by Key Management Personnel

2012 – Number	Balance 1 July 2011	Received as Compensation	Net Change Other*	Balance 30 June 2012
Bryant McLarty	7,018,119	-	4,518,333	11,536,452
Wayne Best	2,374,290	-	-	2,374,290
Sam Wright	2,000,000	-	1,420,000	3,420,000
John Horton	25,000	-	-	25,000
Greg Gunnold	-	-	38,833,333	38,833,333

2011 – Number	Balance 1 July 2010	Received as Compensation	Net Change Other*	Balance 30 June 2011
Bryant McLarty	7,661,564	-	(643,445)	7,018,119
Wayne Best	2,374,290	-	-	2,374,290
Sam Wright	1,750,000	-	250,000	2,000,000
John Horton	25,000	-	-	25,000
Colette Sims	812,500	-	(812,500)	-

No other key management personnel held share in the Company.

* The net change other column above includes those shares that have been disposed or acquired by holders during the year.

23 COMMITMENTS

23a Exploration expenditure commitments

In order to maintain current rights of tenure to exploration tenements, the Group will be required to outlay the following amounts 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:

	CONSOLIDATED	
	2012	2011
	\$	\$
Not later than one year	371,443	-
Between one and five years	278,582	-
	<u>650,025</u>	<u>-</u>

23b Finance lease commitments

Payable – minimum lease payments		
- Not later than 12 months	5,416	32,491
- Between 12 months and 5 years	-	5,416
Minimum lease payments	<u>5,416</u>	<u>37,907</u>
Less future finance charges	<u>(58)</u>	<u>(1,940)</u>
	<u>5,358</u>	<u>35,967</u>

23c Office lease commitments

Payable – minimum lease payments		
- Not later than 12 months	40,000	40,000
- Between 12 months and 5 years	23,333	63,333
Minimum lease payments	<u>63,333</u>	<u>103,333</u>

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

24 SEGMENT REPORTING

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Descriptions of segments

- i. *Corporate*
The corporate segment covers all the corporate overhead expenses.
- ii. *Exploration*
The exploration segment relates to the consolidated entity's operations for the exploration of tenements for minerals, oil and gas.
- iii. *Pharmaceutical*
The pharmaceutical segment provides products and services in synthetic and medicinal chemistry to the drug discovery and pharmaceutical industries.

Basis of accounting for purposes of reporting by operating segments

- a. **Accounting policies adopted**
All amounts reported to the Directors, being the chief decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in these financial statements.
- b. **Intersegment transactions**
There are no intersegment sales and purchase within the consolidated entity.
Intersegment loans payable and receivable are initially recognised at the consideration received/to be received net of transaction costs.
- c. **Segment assets**
Where an asset is used across multiple segments, the asset is allocated to the segment that receives majority economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.
- d. **Segment liabilities**
Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

24 SEGMENT REPORTING (Cont.)

The consolidated entity operates in three business segments as disclosed below:

i) Segment Performance

Consolidated

2012	Corporate \$	Exploration \$	Pharmaceutical \$	Total \$
Revenue				
External sales	-	-	1,551,516	1,551,516
Other external revenue	10,756	-	63,258	74,014
Inter-segment sales	-	-	-	-
Total segment revenue	10,756	-	1,614,774	1,625,530
Inter-segment elimination				-
Total revenue per statement of comprehensive income				1,625,530
Results				
Segment result from continuing operations before tax	(801,983)	(3,335,326)	(123,111)	(4,260,420)

Consolidated

2011	Corporate \$	Exploration \$	Pharmaceutical \$	Total \$
Revenue				
External sales	-	-	1,551,673	1,551,673
Other external revenue	36,926	-	7,499	44,425
Inter-segment sales	-	-	-	-
Total segment revenue	36,926	-	1,559,172	1,596,098
Inter-segment elimination				-
Total revenue per statement of comprehensive income				1,596,098
Results				
Segment result from continuing operations before tax	(670,568)	(4,998,481)	(128,837)	(5,797,886)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

24 SEGMENT REPORTING (Cont.)

ii) Segment assets and liabilities

Consolidated

	Corporate \$	Exploration \$	Pharmaceutical \$	Total \$
2012				
Segment assets				
Segment assets	46,094	1,550,000	812,570	2,408,664
Total assets of the consolidated entity:				<u>2,408,664</u>
Capital expenditure during the year	-	834,999	4,410	839,409
Segment liabilities				
Segment operating liabilities	(782,440)	-	(413,464)	(1,195,904)
Total liabilities of the consolidated entity:				<u>(1,195,904)</u>

Consolidated

	Corporate \$	Exploration \$	Pharmaceutical \$	Total \$
2011				
Segment assets				
Segment assets	592,434	50,000	808,372	1,450,806
Total assets of the consolidated entity:				<u>1,450,806</u>
Capital expenditure during the year	-	2,984,119	10,917	2,995,036
Segment liabilities				
Segment operating liabilities	(36,789)	-	(266,157)	(302,946)
Total liabilities of the consolidated entity:				<u>(302,946)</u>

ii) Revenue by geographical region

Consolidated

	2012 \$	2011 \$
Revenue by geographical region		
Revenue attributable to external customers is disclosed below, based on the location of the external customer:		
Switzerland	1,128,624	1,094,567
Australia	248,127	220,565
Others	174,765	236,541
Total revenue	<u>1,551,516</u>	<u>1,551,673</u>

Assets by geographical region

The location of segment assets by geographical location of the assets is disclosed below:

Australia	858,664	1,400,806
Italy/Tunisia	-	50,000
Macedonia	1,550,000	-
Total assets	<u>2,408,664</u>	<u>1,450,806</u>

Major customers

The consolidated entity has a number of customers to which it provides both products and services. The consolidated entity supplies a single external customer within the pharmaceutical segment who accounts for 72% of external revenue (2011:62%). The next most significant customer accounts for less than 10% of external revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2012

25 ACQUISITION OF PELA RESOURCES PTY LTD

On the 19 August 2011, the Group acquired 100% of the equity instruments of Pela Resources Pty Ltd who has an 80% shareholding in RI Energetika DOO Skopje, a company incorporated in Macedonia. The acquisition provides the Group with an opportunity to expand its downstream interest in a European high grade precious and base metal advanced exploration project, "Luke River".

The acquisition of Pela Resources Pty Ltd is not a business combination, but rather an acquisition of mining tenements.

Consideration and Valuation

Recipient	Instrument	No. of Instruments	Closing Price	Valuation
Vendors	Ordinary Shares	150,000,000	\$0.027	\$4,050,000
Total				<u>\$4,050,000</u>

26 CONTINGENT LIABILITIES

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

27 EVENTS AFTER THE REPORTING PERIOD

On 31 July 2012, the Group announced that a mandate was signed with Peloton Capital Pty Ltd to raise up to \$1,000,000 at \$0.01 per share (before costs) and that it is in the process of finalising an agreement for the sale of Pela Resources Pty Ltd.

Apart from the above, there have been no known events that have arisen since the balance date that has affected or may significantly affect the operation of the Group.

28 PARENT INFORMATION

Statement of Financial Position	2012 \$	2011 \$
Assets		
Current assets	42,406	105,441
Non-current assets	1,554,015	536,973
Total assets	<u>1,596,421</u>	<u>642,414</u>
Liabilities		
Current liabilities	802,440	36,789
Total liabilities	<u>802,440</u>	<u>36,789</u>
Equity		
Issued capital	33,328,890	29,003,570
Reserves	622,090	622,090
Accumulated losses	(33,156,999)	(29,020,035)
Total equity	<u>793,981</u>	<u>605,625</u>
Statement of comprehensive income		
Loss for the year	(4,136,964)	(5,669,049)
Other comprehensive income	-	-
Total comprehensive loss for the year	<u>(4,136,964)</u>	<u>(5,669,049)</u>

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 2012

29 NEW ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

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

Reference	Title	Summary	Application date (financial years beginning)
AASB 9	<i>Financial Instruments</i>	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 (likely to be extended to 2015 by ED 215)
AASB 10	<i>Consolidated Financial Statements</i>	Replaces the requirements of AASB 127 and Interpretation 112 pertaining to the principles to be applied in the preparation and presentation of consolidated financial statements.	1 January 2013
AASB 11	<i>Joint Arrangements</i>	Replaces the requirements of AASB 131 pertaining to the principles to be applied for financial reporting by entities that have in interest in arrangements that are jointly controlled.	1 January 2013
AASB 12	<i>Disclosure of Interests in Other Entities</i>	Replaces the disclosure requirements of AASB 127 and AASB 131 pertaining to interests in other entities.	1 January 2013
AASB 127	<i>Separate Financial Statements</i>	Prescribes the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements.	1 January 2013
AASB 128	<i>Investments in Associates and Joint Ventures</i>	Prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	1 January 2013
AASB 13	<i>Fair Value Measurement</i>	Provides a clear definition of fair value, a framework for measuring fair value and requires enhanced disclosures about fair value measurement.	1 January 2013
AASB 119	<i>Employee Benefits</i>	Prescribes the accounting and disclosure for employee benefits. This Standard prescribes the recognition criteria when in exchange for employee benefits.	1 January 2013
IFRIC Interpretation 20	<i>Stripping Costs in the Production Phase of a Surface Mine</i>	This Interpretation clarifies the requirements for accounting for stripping costs in the production phase of a surface mine, such as when such costs can be recognised as an asset and how that asset should be measured, both initially and subsequently.	1 January 2013

The Group has decided against early adoption of these standards and interpretations. Furthermore, these changes in standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

SHAREHOLDER INFORMATION

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

SHAREHOLDINGS

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

- Mr Gregory Roland Cunnold & Ms Lara Cheryl Groves ATF Stratford Trust is a substantial shareholder holding a relevant interest in 38,333,333 shares representing 7.94% of the voting power.
- NEWCO Pty Ltd is a substantial shareholder holding a relevant interest in 37,500,000 shares representing 7.77% of the voting power.
- Trevor Ennis John is a substantial shareholder holding a relevant interest in 37,500,000 shares representing 7.77% of the voting power.

CLASS OF SHARES AND VOTING RIGHTS

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

- 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
- 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.

PHARMAUST LIMITED

ORDINARY FULLY PAID SHARES (TOTAL) As of 31 Jul 2012

Range of Units Snapshot

Composition : E12, ORD

Range	Total holders	Units	% of Issued Capital
1 - 1,000	35	8,559	0.00
1,001 - 5,000	69	264,869	0.05
5,001 - 10,000	38	320,340	0.07
10,001 - 100,000	354	16,961,917	3.52
100,001 - 9,999,999,999	293	464,950,921	96.36
Rounding			0.00
Total	789	482,506,606	100.00

Unmarketable Parcels

	Minimum Parcel Size	Holders	Units
Minimum \$ 500.00 parcel at \$ 0.0120 per unit	41667	324	5354345

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

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

SHAREHOLDER INFORMATION continued

PHARMAUST LIMITED

Top 20 Shareholders as of 29 Aug 2012

Rank	Name	Units	% of Units
1.	MR GREGORY ROLLAND CUNNOLD + MS LARA CHERYL GROVES <STRATFORD A/C>	38,333,333	7.94
2.	MR TREVOR ENNIS JOHN <THE PLANET NOMINEES A/C>	37,500,000	7.77
3.	MR GORAN MOMIRCEVSKI	37,500,000	7.77
4.	NEWCO 6014 PTY LTD	37,500,000	7.77
5.	MR GERALD JAMES VAN BLOMMESTEIN + MRS GILLIAN VAN BLOMMESTEIN <VAN BLOMMESTEIN SUPER A/C>	23,735,705	4.92
6.	MR GRAHAM JAMES DARCY + MRS LYNNE CHRISTINE DARCY <THE DARCY FAMILY SF A/C>	23,215,000	4.81
7.	MR BRYANT JAMES MCLARTY <THE MCLARTY FAMILY A/C>	11,536,452	2.39
8.	SILKTREE INVESTMENTS PTY LTD <PETER VASSILEFF S/F A/C>	11,333,333	2.35
9.	MS NICOLE GALLIN + MR KYLE HAYNES <GH SUPER FUND A/C>	9,900,000	2.05
10.	JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	8,608,423	1.78
11.	SILKTREE INVESTMENTS PTY LTD <PETER VASSILEFF SUPER A/C>	8,220,158	1.70
12.	MRS PATRICIA ANNE LANCASTER	6,733,673	1.40
13.	GEBA PTY LTD <GEBA FAMILY A/C>	6,596,609	1.37
14.	MR RUPERT NIGEL CHEONG <CC INVESTMENT A/C>	5,520,000	1.14
15.	KLEANTHE INVESTMENTS PTY LTD	5,400,000	1.12
16.	ZACHARIAH INVESTMENTS PTY LTD <M A W FAMILY A/C>	4,800,000	0.99
17.	MR PETER HOWELLS	4,723,810	0.98
18.	URIO INVESTMENTS PTY LIMITED <URIO FAMILY A/C>	4,311,089	0.89
19.	AS & JR LIBBIS PTY LIMITED <LIBBIS FAMILY A/C>	4,195,000	0.87
20.	MR ERIC NEIL BRADFIELD + MRS SHIRLEY ANN BRADFIELD <E & S BRADFIELD S/F A/C>	4,138,649	0.86
Totals: Top 20 holders of ORDINARY FULLY PAID SHARES (TOTAL)		293,801,234	60.89
Total Remaining Holders Balance		188,705,372	39.11