Appendix 4D
Half-Year Report for the period ended 31 December 2013

Results for announcement to the Market

Financial Performance

PharmAust Limited - Consolidated			
(AUD 000')	**Half-year ended 31 Dec 2013**	**Half-year ended 31 Dec 2012**	**Movement %**
Revenue	1,081	972	11%
(Loss) before tax attributable to members	(640)	(324)	98%
(Loss) after tax attributable to members	(640)	(324)	98%

Review of Operations

Refer to Directors' Report included in the attached half-year financial report.

Dividends

No Dividends were paid or declared for payment during the half-year period under review.

Earnings Per Share

	Half-year ended 31 Dec 2013		**Half-year ended 31 Dec 2012**
(Loss) per share (Basic & Diluted)	(0.05) cents		(0.06) cents

Net Tangible Asset Backing

	Half-year ended 31 Dec 2013		**Half-year ended 31 Dec 2012**
Net tangible asset backing	0.227cents		0.006 cents

Entities Acquired and Disposed During the Period

During the half-year, the company acquired 100% interest in Pitney Pharmaceuticals Pty Ltd. There were no entities disposed of during the period.

Compliance Statement

The report is based on financial statements reviewed by the auditor, a copy of which is attached.

Signed in accordance with a resolution of Directors. On behalf of the Directors:



Sam Wright
Director

Signed at Perth this 28th day of February 2014

PHARMAUST LIMITED
ABN 35 094 006 023
AND ITS CONTROLLED ENTITIES

Interim Financial Report
for the half-year ended 31 December 2013

C O N T E N T S

Directors' Report

Statement of Comprehensive Income

Statement of Financial Position

Statement of Changes in Equity

Statement of Cash Flows

Notes to the Financial Statements

Directors' Declaration

Independent Auditor’s Review Report

Auditor’s Independence Declaration

PHARMAUST LIMITED
DIRECTORS' REPORT

The directors of PharmAust Limited submit the financial report of the consolidated entity for the half-year ended 31 December 2013.

DIRECTORS

The names of the directors who held office during or since the end of the half-year are:

Dr Roger Aston (appointed on 12 August 2013)
Robert Bishop (appointed on 29 October 2013)
Prof. David Morris (appointed on 12 August 2013)
Sam Wright
Henry Gulev (resigned on 29 October 2013)
Bryant Mclarty (resigned on 12 August 2013)

RESULTS

The operating loss for the consolidated entity for the half-year ended 31 December 2013 was $639,984 (2012: loss of $324,139).

REVIEW OF OPERATIONS

PITNEY PHARMACEUTICALS PTY LTD – 100% OWNED SUBSIDIARY

The Company completed a transaction to acquire 100% of the issued share capital of Pitney Pharmaceuticals Pty Ltd ("Pitney"). Pitney is an Australian company, which is in the business of developing therapeutic cancer products. It has exclusive rights to three oncology technology platforms, which are being developed with an aim to improve the outcomes of patients with cancer.

The technology platforms

Undisclosed Anthelminthic Drug (Platform 1): Pitney is undertaking further research of an anthelminthic active to determine the clinical scope and application of this active in oncology. Pitney has entered into a Collaborative Research and Option Agreement with a leading global animal health company, setting out the terms of the research program including ownership of intellectual property and results, an option to licence granted by Pitney over its intellectual property ownership, and other standard commercial terms associated with agreements of this type for the uses in veterinary oncology.

In addition to the work to develop a veterinary product with the leading global animal health company, Pitney is separately clinically evaluating this anthelminthic in human cancers.

Albendazole (Platform 2): Albendazole is an anthelminthic drug used extensively in human and veterinary practice and has been shown to be a potent Vascular Endothelial Growth Factor inhibitor. It has been evaluated in humans at the St George Hospital in Sydney for the treatment of "ascites", a condition affecting approximately 10% of many abdominal cancers.

Diseases involving mucin (Platform 3): This third product area involves the use of specific enzymes to challenge the ability of certain tumours to have resistance to chemotherapy. This platform involves a mucolytic formulation to enhance treatment and therapy of abdominal tumors. Some abdominal cancers are characterized by the presence of large amounts of mucin, a gelatinous substance that reduces the efficacy of anti-cancer drugs. Removal of the tumor associated mucin has provide a challenge and Pitney has the licence to a formulation that dissolves the mucin in situ and potentially allows for more effective chemotherapy.

On 13th August 2013, the Company advised that the settlement of the acquisition of Pitney Pharmaceuticals has taken place following the satisfaction of various conditions including PAA shareholder approvals (which were received on 5th August 2013), completion of due diligence and the key vendors and PharmAust complying with all of their obligations under the Share Sale Agreement.

As approved by shareholders, Dr Roger Aston, Mr Robert Bishop and Professor David Morris have joined the Board as Executive Chairman, Executive Director and Non-Executive Director respectively.

450,000,000 shares and 50,000,000 options have been issued as consideration for the acquisition of Pitney Pharmaceuticals in accordance with resolution 3 approved by shareholders at the General Meeting on 5th August 2013. The shares issued to the key vendors are subject to 12 months voluntary escrow.

On 19th November 2013, PharmAust reported that it has entered into three assignment deeds with NewSouth Innovations Pty Limited (NSi), the commercialisation arm of the University of New South Wales, under which NSi has assigned to Pitney Pharmaceuticals Pty Limited ("Pitney Pharmaceuticals"), a wholly owned subsidiary of PharmAust, its entire right, title and interest (whether legally or beneficially owned) in the Invention IP with effect from 15 November 2013.

The Invention IP is the intellectual property in Pitney Pharmaceuticals three anti-cancer platforms. Previously Pitney had an exclusive royalty-free worldwide non-transferable licence from NSi to use, make, develop, sell and commercially exploit the technology. In consideration of the assignments, Pitney Pharmaceuticals has agreed, at its cost, to acknowledge UNSW's contribution as the creator of the Invention IP.

On 5 December 2013 PharmAust announced the next stage in its planned clinical trials for the treatment of companion animals (dogs) with certain cancers using it lead product, PPL-1. PharmAust appointed Veterinary Oncology Consultants Pty Ltd ("VOC"), and its New South Wales based Principal Dr Angela E. Frimberger, VMD, DACVIM (Onc) to work with PharmAust to structure and conduct the trials for the treatment of selected dog's cancers. Approximately 20 pet dogs with various cancers will be treated (including major dog cancers such as sarcomas, chemoresistant lymphoma, metastatic osteosarcoma and metastatic melanoma) to measure the effects of PPL-1.

PharmAust believes that the commencement of this work marks an important milestone in the development of PPL-1. Following the trial, PharmAust will evaluate the veterinary anti-cancer properties of this drug and commercial opportunities with the global animal health company, with which it has a collaborative research and option agreement.

On 19th December 2013, the Company advised that it has been accredited by the NSW Department of Primary Industries (an office of the Department of Trade and Investment, Regional Infrastructure and Services) as an animal research establishment in order to enable it to conduct the canine trials using PPL-1.

There are standard conditions attached to the accreditation, namely that the research facilities pass an inspection, the research is approved by a recognised ethics committee and the research is limited to clinical trials and, excluding exempt animals, the dogs are sourced from a licensed facility. This accreditation remains in force from 4 December 2013 to 4 December 2014 unless suspended, cancelled or surrendered.

Cancer is common in pet animals and the incidence increases with age. Cancer accounts for almost half of the deaths of pets over 10 years of age. Dogs get cancer at roughly the same rate as humans, while cats get fewer cancers. Each type of cancer requires individual care and may include a combination of treatment therapies such as surgery, chemotherapy, radiation, or immunotherapy. There are over 130 million dogs and cats in the USA with increasing use of conventional anticancer therapies being progressively adopted.

The US companion pet market sales (est. 2011) are in the region of US$14 billion whilst cancer therapies are estimated at $550 million with a price point of around $1,500 per treatment.

EPICHEM PTY LTD 100%

Epichem has been delivering synthetic and medicinal chemistry services to the drug discovery and pharmaceutical industries worldwide for 10 years. Epichem offers a range of rare and hard to find pharmaceutical impurities, degradants and metabolites of active ingredients and excipients, particularly for OTC and generic drugs.

Epichem has been at the forefront of synthesizing new and difficult to obtain standards and many of these are exclusive to Epichem and not available elsewhere. This range is continually expanding in response to customer requests and developments in the industry. Epichem is globally competitive with clients in 28 countries and is rapidly expanding its reach.

Epichem also excels in custom synthesis and contract drug discovery, boasting a highly skilled team of scientists, most with a PhD and industry experience. This valuable investment in people allows Epichem to lead drug discovery programs, perform custom synthesis, conduct optimisation and method development for scale-up and engage in high-level problem solving.

Epichem continued to be active in seeking new markets for its contract research as well as support for its Joint Ventures through attendance at events such as AusBiotech, Informex USA 2013 (Anaheim, California), Pittcon (Philadelphia, Pennsylvania) and BioEurope (Dusseldorf). In addition, it continued to develop new markets for its range of pharmaceutical reference standards.

Epichem was awarded a 12 month extension to its current contract with Drugs for Neglected Diseases initiative (DNDi) in December 2013. The contract, which is worth $1.16M to the Company, sees Epichem continue to provide synthetic & medicinal chemistry support to DNDi's drug discovery projects until 31 December 2014.

DNDi is a not-for-profit product development partnership working to research and develop new treatments for neglected diseases, in particular human African trypanosomiasis, leishmaniasis, Chagas disease, malaria, paediatric HIV, and specific helminth-related infections.

Epichem's Head of Drug Discovery, Dr Martine Keenan was invited to the Gordon Conference on Medicinal Chemistry in the UK where she presented some of the work from DNDi's Chagas project.

Epichem wins Western Australian Exporter of the Year award in 2013

On 25th October 2013, Epichem won its 4th consecutive WA Export Award, entered the Export Hall of Fame and progressed to the Australian Export Awards Finals.

Sponsored by the Department of Innovation, Industry, Science and Research and the Department of Commerce respectively Epichem was honoured for their achievements in international business by the Western Australian government. This is high level of recognition of Epichem's work from its small but highly effective team.

Epichem Celebrates its 10th Anniversary

On 23rd October 2013, Epichem was proud to announce that it celebrated 10 years of serving the global pharmaceutical and drug discovery industries. Since it's founding in 2003, Epichem has established itself as a world-class provider of synthetic and medicinal chemistry services and pharmaceutical reference standards. With customers in 28 countries worldwide, Epichem has earned an enviable reputation for quality, technical expertise and innovation, solving difficult problems and creating valuable intellectual property for its clients, collaborators and shareholders.

Epichem was founded with the aim of harnessing expertise in synthetic and medicinal chemistry to undertake contract and collaborative research in drug discovery. The company has been successful in assisting clients to discover and develop novel drugs which have progressed through the various stages of development from preclinical to phase III and in a wide range of therapeutic areas. "Epichem has thrived in the highly competitive global marketplace because we have delivered results for our clients," said Dr Wayne Best, Managing Director and Founder of Epichem. "Technical excellence and customer focus has been essential to our success – traits our clients value most highly."

Epichem also has a long history of helping pharmaceutical companies identify trace impurities and has produced a range of pharmaceutical reference standards to aid the industry in detecting and measuring these impurities, ultimately assisting in the quality assurance and control of its clients' medicines.

Epichem has been recognised for its outstanding export success by winning three Western Australian Export Awards in 2010, 2011 and 2012 in the Small Business and Small to Medium Services categories and was awarded the Australian Export Award in the Small Business category in 2010.

CORPORATE ACTIVITIES

PharmAust conducted an investor road show from Monday 22nd July 2013 to Friday 2nd August 2013 in conjunction with its corporate advisors, Peloton Capital. On 1st August 2013, The Company advised that its corporate adviser Peloton Capital has received Firm commitment letters for $2.5m in the capital raising. The raising was heavily oversubscribed with bids totalling $4.6m received.

On 5th August 2013, shareholders approved a series of resolutions to enable the Company to proceed to complete the acquisition of Pitney Pharmaceuticals Pty Ltd. The consideration for the acquisition was 450m shares and 50m options in the Company.

On 9th August the Company issued 250m shares at 1 cent per share plus 1 free attaching option for every 4 shares subscribed for. The securities were issued in accordance with resolution 2 approved by shareholders at the General Meeting on 5 August 2013. Funds raised under the Capital Raising is for the further development of the cancer products of Pitney Pharmaceuticals Pty Ltd and general working capital.

Following settlement of the Pitney Transaction, the Company successfully raised further funds of $1m. On 20th August, the Company made an offer to Shareholders under a share purchase plan at 1 cent per share. Each Shareholder subscribing under the share purchase plan received 1 free Option for every 4 Shares subscribed for. The Options have an exercise price of 2 cents each and an expiry date of 31 August 2015.

Annual General Meeting

PharmAust held its Annual General Meeting of Shareholders on 29th October 2013 at Steve's Wine Cellar, 30 The Avenue, Nedlands and all resolutions that were put were unanimously passed on a show of hands.

Board Changes

Mr Bryant Mclarty advised the Board that he resigned as a director of the Company, effective from close of business on 12th August 2013. Mr Mclarty was a founding director of PharmAust and has made an invaluable contribution to the Company as a director and has provided dedicated leadership as Chairman of the company. The Company acknowledges Bryant's significant contribution to PharmAust and wishes him well in his future endeavors.

As approved by shareholders on 5 August 2013, Dr Roger Aston and Professor David Morris joined the Board as Executive Chairman and Non-Executive Director respectively.

At the Annual General Meeting, Henry Gulev retired in accordance with rule 7.2(c) of the Constitution and did not offer himself for re-election. Henry advised the Board that intended to retire at the conclusion of the AGM. Henry was appointed a director of PharmAust in September 2007. The board of PharmAust thanks Mr Gulev for his efforts and acknowledges Mr Gulev's contribution to PharmAust and wishes him well in his future endeavors.

PharmAust shareholders approved the appointment of Mr Robert Bishop as a director at the Annual General Meeting. Mr Bishop has thirty years' experience in corporate finance and stock market flotation's, firstly in the law at Linklaters & Paines, London (1982-1986) and Allen, Allen & Hemsley, Sydney (1986-1987) and then as a stockbroker and investment banker at

Ord Minnett Corporate Finance, Sydney (1987-1995), Robert Fleming, London (1995-1996) and, since 1998, at his Sydney based corporate finance businesses, First Capital Markets and Longbow Croft Capital.

Mr Bishop is also a founding director of Pitney Pharmaceuticals and the fourth largest shareholder in PharmAust Limited.

SUBSEQUENT EVENTS

On 17th February 2014, PharmAust announced that it has made an important discovery in the area of cancer therapy based on a biochemical pathway for killing cancer cells. The approach relies on significantly enhancing the anti-cancer activity of certain well-established mainstream approved cancer drugs without simultaneously enhancing the associated side-effect profile through the killing of normal-dividing cells; a factor that often limits the therapeutic value and utility of chemotherapy.

Depending on the cancer and its progression, chemotherapy can be used to cure, control or palliate cancer. PharmAust's approach shows that the cytotoxicity of certain cancer drugs can be selectively enhanced for killing cancer cells, therefore potentially reducing the side-effects of chemotherapy such as nausea, vomiting, diarrhoea, weight loss and immunosuppression.

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 this financial report.

This report is signed in accordance with a resolution of the Board.



Sam Wright
Director

Signed at Perth this 28th day of February 2014

PHARMAUST LIMITED
STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2013

	Consolidated	
	31 December 2013 $	**31 December 2012 $**
Revenue	910,175	845,649
Other income	168,070	126,378
Total revenue	1,078,245	972,027
Cost of sales	(119,359)	(105,601)
Administration	(652,794)	(306,307)
Employee benefits expense	(918,648)	(829,623)
Borrowing costs	(889)	(27,677)
Depreciation	(26,539)	(26,958)
Loss before income tax	(639,984)	(324,139)
Income tax expense	-	-
Loss for the period	(639,984)	(324,139)
Other comprehensive income	-	-
Total comprehensive loss for the period	(639,984)	(324,139)
Basic loss per share (cents per share)	(0.05)	(0.06)
Diluted loss per share (cents per share)	(0.05)	(0.06)

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF FINANCIAL POSITION
As at 31 December 2013

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
CURRENT ASSETS			
Cash and cash equivalents		2,702,239	362,874
Trade and other receivables		372,407	50,652
Other current assets		119,427	26,132
Financial assets		4,600	2,050
TOTAL CURRENT ASSETS		3,198,673	441,708
NON CURRENT ASSETS			
Property, plant and equipment		538,869	463,713
Intangible assets	6	5, 179,128	-
TOTAL NON CURRENT ASSETS		5, 717,997	463,713
TOTAL ASSETS		8, 916,670	905,421
CURRENT LIABILITIES			
Trade and other payables		228,983	420,351
Borrowings		31,596	-
Provisions		122,013	84,063
TOTAL CURRENT LIABILITIES		382,592	504,414
NON CURRENT LIABILITIES			
Borrowings		55,293	-
Provisions		36,759	90,130
TOTAL NON CURRENT LIABILITIES		92,052	90,130
TOTAL LIABILITIES		474,644	594,544
NET ASSETS		**8,442,026**	**310,877**
EQUITY			
Issued capital	2	41,393,484	32, 941,890
Reserves		941,629	622,090
Accumulated losses		(33,893,087)	(33, 253,103)
TOTAL EQUITY		**8,442,026**	**310,877**

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CHANGES IN EQUITY
For the half-year ended 31 December 2013

Consolidated	Issued Capital	Accumulated Losses	Options Reserve	Total Equity
	$	$	$	$
As at 1 July 2012	**33,328,890**	**(32,738,220)**	**622,090**	**1,212,760**
Loss for the period	-	(324,139)	-	(324,139)
Total comprehensive loss for the period	-	(324,139)	-	(324,139)
Return of capital	(1,650,000)	-	-	(1,650,000)
Shares issues (net)	793,000	-	-	793,000
As at 31 December 2012	**32,471,890**	**(33,062,359)**	**622,090**	**31,621**

	Issued Capital	Accumulated Losses	Options Reserve	Total Equity
	$	$	$	$
As at 1 July 2013	**32,941,890**	**(33,253,103)**	**622,090**	**310,877**
Loss for the period	-	(639,984)	-	(639,984)
Total comprehensive loss for the period	-	(639,984)	-	(639,984)
Shares issues (net)	8,451,594	-	-	8,451,594
Option issues	-	-	319,539	319,539
As at 31 December 2013	**41,393,484**	**(33,893,087)**	**941,629**	**8,442,026**

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2013

	Note	Consolidated 31 December 2013 $	Consolidated 31 December 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		739,550	943,949
Payments to suppliers and employees		(2,037,611)	(1,097,208)
Interest received		26,316	744
Finance costs		(889)	(57)
Other income		-	68,197
Net cash used in operating activities		(1,272,634)	(84,375)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for exploration and evaluation		-	(69,866)
Payment for plant and equipment		(101,695)	-
Proceeds from disposal of subsidiary		-	94,150
Proceeds from acquisition of subsidiary	6	372,711	-
Net cash used in investing activities		271,016	24,284
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issued (net)		3,254,094	658,000
Net proceed / (repayment of) from borrowings		86,889	(220,358)
Net cash provided by financing activities		3,340,983	437,642
Net movement in cash held		2,339,365	377,551
Cash at beginning of the financial period		362,874	122,905
Cash at end of the financial period		2,702,239	500,456

The accompanying notes form part of these financial statements

PHARMAUST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the half-year ended 31 December 2013

1. BASIS OF PREPARATION

This general purpose financial report for the half-year reporting period ended 31 December 2013 has been prepared in accordance with Australian Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Act 2001*. The Group is for profit entity for financial reporting purposes under Australian Accounting Standards.

This interim financial report does not include full disclosures of the type normally included in an annual report. It is recommended that this financial report to be read in conjunction with the annual financial report for the year ended 30 June 2013 and any public announcements made by PharmAust Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies have been consistently applied with those of the previous financial year and corresponding interim reporting period, except in relation to the matters disclosed below:

New and Revised Accounting Standards

The consolidated entity has adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these new and revised Accounting Standards and Interpretations has not resulted in a significant or material change to the consolidated entity's accounting policies.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted by the consolidated entity.

Intangibles Assets

Intellectual property rights- three oncology technology platforms
Intellectual property rights are recognised at cost of acquisition less accumulated amortisation and any impairment losses. For intellectual property rights not yet in use, they are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired, and are carried at cost less accumulated impairment losses.

2 ISSUED CAPITAL

	31 December 2013 $	**30 June 2013 $**
1,440,006,606 fully paid ordinary shares	41,393,484	32,941,890

Movement in ordinary shares on issue	**Number**	**$**
Balance at beginning of period	617,506,606	32,941,890
Share issued – capital raising	350,000,000	3,500,000
Capital raising costs	-	(245,906)
Share issued – acquisition of subsidiary	472,500,000	5,197,500
Balance at end of period	1,440,006,606	41,393,484

3 SEGMENT INFORMATION

The company has determined the operating segments based on the reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors has considered the business from both a geographic and business segment perspective and the following are the reportable segments under AASB 8.

	Corporate	Exploration	Pharmaceutical	Total
	$	$	$	$
31 December 2013				
Revenue				
External sales	-	-	910,175	910,175
Other external revenue	61,761	-	106,309	168,070
Total revenue per statement of comprehensive income				1,078,245
Results				
Segment net profit (loss) before tax	(757,995)	-	118,011	(639,984)
Interest income	22,377	-	3,939	26,316
Interest expense	-	-	(889)	(889)
Depreciation and amortisation	(1,402)	-	(25,137)	(26,539)
Segment assets				
Segment operating assets	2,408,453	-	6,508,217	8,916,670
Segment liabilities				
Segment operating liabilities	(98,213)	-	(376,431)	(474,644)
31 December 2012				
Revenue				
External sales	-	-	845,649	845,649
Other external revenue	2,077	124,284	17	126,378
Total revenue per statement of comprehensive income				972,027
Results				
Segment net profit (loss) before tax	(350,873)	(70)	26,804	(324,139)
Interest income	727	-	17	744
Interest expense	(27,620)	-	(57)	(27,677)
Depreciation and amortisation	(2,240)	-	(24,718)	(26,958)
Segment assets				
Segment operating assets	376,893	-	682,559	1,059,452
Segment liabilities				
Segment operating liabilities	(741,182)	-	(286,649)	(1,027,831)

4 DIVIDENDS

There have been no dividends declared or recommended and no distributions made to shareholders or other persons during the period.

5 CONTINGENT LIABILITIES

The consolidated entity has the following contingent liabilities at reporting date:

Issue of additional shares

As part of Share Sale Agreement to acquire Pitney Pharmaceuticals Pty Ltd, the consolidated entity will issue additional shares of 50 million each to the seller upon meeting the three milestones.

The three milestones are:

- Milestone 1 - One of the consolidated entity's products being granted investigational new drug (IND) status from the US Food and Drug Administration and the Company receiving an IND number issued by the US Food and Drug Administration within 5 years of the Settlement Date and provided this is no later than 31 October 2018;

- Milestone 2 - Commencement of treatment of the first patient under a Phase II Trial with the product Albendazole within 5 years of the Settlement Date and provided this is no later than 31 October 2018; and

- Milestone 3 - Commencement of treatment of the first patient under a Phase II Trial using the product Monepantel within 5 years of the Settlement Date and provided this is no later than 31 October 2018.

Issue of options

As part of the corporate advisory mandate signed with Peloton Capital Pty Ltd whom is to provide advisory services to company in relation to the placement of any further current capital raising and increase the consolidated entity's profile and share price by way of investor relations initiatives, the consolidated entity will issue three trenches of 2.5 million options each at exercise price of $0.02 and expire on 31 August 2015 upon the consolidated entity's share prices reaching weighted average of $0.02, $0.03 and $0.04 respectively for a 30 day period.

Other than the above, there has been no change in contingent liabilities or contingent assets since the last annual reporting date.

6 ACQUISITION OF SUBSIDIARY – PITNEY PHARMACEUTICALS PTY LTD

During the half year, the consolidated entity acquired 100% of the voting share of Pitney Pharmaceuticals Pty Ltd. The acquisition provides the company the exclusive rights to the licences of three technology platforms in the field of oncology.

Total consideration for the acquisition was $5,509,000 and comprised an issue of shares and options. The acquisition does not constitute a business combination but rather an acquisition of assets.

The fair value of the identifiable assets and liabilities as at the date of acquisition are:

	Recognised on acquisition
	$
Cash and cash equivalents	372,711
Trade and other receivables	9,377
Trade and other payables	(52,216)
Intangible assets on consolidation	5,179,128
	5,509,000
Cost of the acquisition:	
Securities issued, at fair value	5,509,000
Total cost of the acquisition	5,509,000

7 COMMITMENTS

Operating lease commitments

The consolidated entity has entered into an operating lease for its office premises during the half-year.

	$
Within one year	15,710

The property lease is a non-cancellable lease with 12 months term, with rent payable monthly in advance.

8 SUBSEQUENT EVENTS

On 17th February 2014, PharmAust announced that it has made an important discovery in the area of cancer therapy based on a biochemical pathway for killing cancer cells. The approach relies on significantly enhancing the anti-cancer activity of certain well-established mainstream approved cancer drugs without simultaneously enhancing the associated side-effect profile through the killing of normal-dividing cells; a factor that often limits the therapeutic value and utility of chemotherapy.

Depending on the cancer and its progression, chemotherapy can be used to cure, control or palliate cancer. PharmAust's approach shows that the cytotoxicity of certain cancer drugs can be selectively enhanced for killing cancer cells, therefore potentially reducing the side-effects of chemotherapy such as nausea, vomiting, diarrhoea, weight loss and immunosuppression.

Apart from the above, there have been no other known significant events subsequent to the end of the period.

PHARMAUST LIMITED
DIRECTORS' DECLARATION

In the opinion of the directors of Pharmaust Limited ('the company'):

1. The financial statements and notes, as set out within this financial report, are in accordance with the *Corporations Act 2001* including:

    a. complying with Accounting Standard AASB 134: Interim Financial Reporting; and

    b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year then ended.

2. 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 signed in accordance with a resolution of the Board of Directors.



Sam Wright
Director

Signed at Perth this 28th day of February 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
8 St Georges Terrace, Perth, WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9251 9100 **F** +61 8 9261 9101
www.rsmi.com.au

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF PHARMAUST LIMITED

We have reviewed the accompanying half-year financial report of PharmAust Limited which comprises the statement of financial position as at 31 December 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, 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 half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of PharmAust Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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Independence

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of PharmAust Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

DAVID WALL
Partner

Perth, WA
Dated: 28 February 2014

RSM Bird Cameron Partners

RSM Bird Cameron Partners
8 St Georges Terrace, Perth, WA 6000
GPO Box R1253 Perth WA 6844
T +61 8 9251 9100 **F** +61 8 9261 9101
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of PharmAust Limited for the half-year ended 31 December 2013, 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 review; and

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

RSM Bird Cameron Partners.

RSM BIRD CAMERON PARTNERS

DAVID WALL
Partner

Perth, WA
Dated: 28 February 2014

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