

9 February 2011

The Manager
 Company Announcements
 Australian Stock Exchange Limited
 Via Electronic Lodgement

Dear Sir/Madam

EUROPEAN HIGH GRADE PRECIOUS AND BASE METAL ADVANCED EXPLORATION PROJECT

PharmAust Limited (ASX:PAA or Company) is pleased to announce it has signed a binding heads of agreement to purchase all the shares in Pela Resources Pty Ltd which has rights to an 80% downstream interest in a European high grade precious and base metal advanced exploration project, "Luke River".

LUKE RIVER PROJECT

Luke River is an advanced exploration project located in northeast Macedonia. Extensive historical exploration and limited exploitation has delineated numerous hydrothermal vein structures reporting high grade precious and base metal mineralisation.



Figure 1: Luke River Location

Historical resource estimates and feasibility studies completed over the Luke River project area were completed predominantly by the Yugoslav government in compliance with the Russian classification systems. The mineralisation is not JORC compliant and cannot be reported here, however, rock chip samples taken from mullock dumps and outcrop, carried out as part of the due diligence, support the stated grades. The highest assay values returned for the elements of interest are tabulated below:

ELEMENT	GRADE
Gold	16.30 g/t
Silver	91.50 g/t
Lead	3.7 %
Zinc	4.0 %

Notes

- (1) Analysis carried out by SGS
- (2) Au FAS, AAS, 50g
- (3) Ag Pb Zn AAS after DIG
- (4) All others ICP – OES after Aqua Regia Digest.

The project area of 29.33 km² in the Kriva Palanka district is well serviced with sealed roads, reticulated power from the national grid and an abundant water supply. 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.

Some 12 hydrothermal vein structures have been delineated within the project area, interpreted to be related to a sub volcanic (dacite) intrusive to the north. The area is characterized by very good outcrop and the structures have a mapped strike length of up to 3 kilometres. Limited drilling and underground development has confirmed the down dip extension of mineralisation and the structures remain open at depth.

The primary focus of future exploration will be to delineate and define vein hosted, high grade gold mineralisation. To this end a two stage electromagnetic ground survey has commenced on the project aiming to better define the mineralised structures. It is envisaged that the survey will provide control on the 3D geometry of the structures, facilitating better drill targeting.

TERMS OF AGREEMENT

A binding heads of agreement has been signed with Pela Resources Pty Ltd and its shareholders by which PAA will acquire 100% of the share capital of Pela Resources Pty Ltd.

The consideration for the acquisition is the issue of 150,000,000 PAA shares at completion.

The transaction is subject to all necessary shareholder and regulatory approval, PAA completing due diligence in respect of the transaction and the parties executing formal documents.



Figure 2: The North Western extents of Vein 5, in outcrop.

LUKE RIVER SITE VISIT 2010

APPOINTMENT OF TECHNICAL DIRECTOR AND BOARD MEMBER

As part of the agreement to acquire the share capital in Pela Resources Pty Ltd, Mr Greg Cunnold will be appointed to the Board of PAA from completion of the transaction.

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 five 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.

CAPITAL RAISING

In conjunction with the acquisition, the Company will seek shareholder approval to undertake a placement of shares to raise moneys to assist funding the exploration of the Luke River Project.

SHAREHOLDER MEETING

PAA will shortly call a general meeting of shareholders to obtain necessary shareholder approval including to approve the issue of the vendor shares to the vendors, to ratify the placement of shares in November 2010 and approve capital raising.



Figure 3: Mullock dump from an exploration gallery driven into Vein 10.

LUKE RIVER SITE VISIT 2010



Figure 4: Vein 6 in outcrop. Proximal to the Serbian border.

LUKE RIVER SITE VISIT 2010

For further details please contact:

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Competent Person Statement

The information in this report that relates to exploration results is based on information compiled by Mr Greg Cunnold who is a member of the Australasian Institute of Mining and Metallurgy. Mr Cunnold is self employed geologist and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration to be qualified as a Competent Person as defined by the 2004 Edition of the "Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves". Greg Cunnold consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.