

Luke River Project – Exploration Update

PharmAust Limited (ASX: PAA & PAAO) is pleased to provide the following update on exploration activity for the Luke River polymetallic project in Macedonia.

Highlights include: -

- **Drilling returns gold grades up to 3.61 g/t and silver to 145g/t.**
- **Additional targets generated from the geophysics programme.**

Diamond drilling to date has focussed on the Von Trapp prospect, an area that has reported high tenor precious metal grades in historical drilling. Initial analytical results from the current drilling programme confirm that the targeted structures carry significant gold and silver mineralisation. Assay results are preliminary at this stage as the company awaits the remainder of its sample submissions from Von Trapp. A complete table of significant drilling intercepts will be released once the outstanding assays have been received.

Regrettably, poor drill core recoveries to date have resulted in inconsistent results and thus far the drilling intercepts of previous explorers are yet to be reproduced. The company considers that the poor recovery, particularly in the strongly argillic (clay) altered zones of interest at Von Trapp, is a function of the drilling technique and can be remedied. To this end 'triple tube' drilling equipment has been sourced and mobilised to site to replace the current 'conventional' drilling regime. In addition a second drill rig has been secured and is scheduled to arrive on site by months end to expedite the programme.

In the interim the rig has been mobilised to the Crossing prospect. This prospect is highly regarded for its precious and base metal potential. The outcropping vein structures at Crossing have returned significant lead (3.7%) and zinc grades (4.0%) from grab samples.

The last of the earthworks and site preparation is nearing completion which will facilitate drilling at the Tunnels prospect. This is the third of the primary targets to be tested in the current round of drilling. The Tunnels prospect has been the subject of the most extensive exploration by previous explorers, including a network of underground exploration drives and adits.

Additional exploration targets on the Luke River concession have been generated from the recently completed geophysics survey. The targets delineated are currently being ground-truthed with field mapping and grab sampling.

Potential New Projects

In addition to the exploration being carried out at Luke River the company is assessing other Macedonian mining and exploration opportunities that have been presented. Details of these negotiations would be announced if and when they became material.



Fig 1: Electromagnetic survey being carried out at the Von Trapp prospect.

Background:

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.

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 resources are 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.



Figure 2 : Luke River Location

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 exploration is to delineate and define vein hosted, high grade, precious and base metal mineralisation.

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We advise in accordance with Australian Stock Exchange Limited Listing Rules 5(6) that the exploration results contained within this ASX Release is based on information compiled by Mr Greg Cunnold who is a member of the Australian Institute of Mining and Metallurgy. Mr Cunnold is the Technical Director at PharmAust Limited and has consented in writing to the inclusion in this ASX Release of matter based on the information so compiled by him in the form and context in which it appears. Mr Cunnold 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 "Australian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves".