



Pharmaxis Ltd
ABN 75 082 811 630

9 November 2004

Dear Shareholder

OFFER OF NEW FULLY PAID ORDINARY SHARES IN PHARMAXIS LTD UNDER A SHARE PURCHASE PLAN

Pharmaxis Ltd is pleased to enclose details of the company's share purchase plan (**Plan**).

The company is offering shareholders with registered addresses in Australia at 5.00 pm on 8 November 2004 the opportunity to subscribe for up to \$4,998 worth of new fully paid ordinary shares in the capital of the company at a price of \$0.75 per share. The company is able to make this offer to shareholders without providing a disclosure document in accordance with class order relief provided by the Australian Securities and Investments Commission.

The terms and conditions of the Plan are set out in this letter and the enclosed application form. By accepting the offer to apply for new shares under the Plan, you agree to be bound by these terms and conditions and the constitution of the company.

The company has achieved a number of significant milestones since its listing on Australian Stock Exchange Ltd in November 2003. Amongst other things, the company has completed the Phase III clinical trials of Aridol™ as a lung function test. On 3 November 2004, the company announced that it had undertaken a placement of 22 million fully paid ordinary shares at an issue price of \$0.75 per share to certain institutional and sophisticated investors to raise a total of \$16.5 million. Elements of the placement are conditional on shareholder approval.

The purposes of the Plan are to:

- give shareholders the opportunity to subscribe for shares at the same price paid by investors in the placement without having to incur brokerage fees; and
- raise additional funds for the company which, the funds raised under the placement, will replenish the cash expended during 2004 on the company's successful clinical trials and therefore allow the company to proceed with a new international Phase III trial for Bronchitol™ in 2005.

Eligibility

Holders of the company's shares with registered addresses in Australia as at 5.00 pm Sydney time on the record date of 8 November 2004 are eligible to participate. There is no minimum shareholding requirement. The company has determined that it is not lawful or practical for shareholders in other jurisdictions to participate in the Plan.

The offer under the Plan is non-renounceable and therefore eligible shareholders may not transfer their rights to subscribe for shares under the Plan.

Price of Shares Offered Under the Plan

The issue price for each new fully paid ordinary share offered under the Plan is \$0.75.

The issue price \$0.75 is the same as the issue price used in the placement announced to shareholders on 3 November 2004. The issue price represents approximately an 8.9% discount to the volume weighted average share price of the company's shares during October 2004 and approximately a 10.9% discount to the volume weighted average share price of the company's shares over the five days on which sales were recorded prior to the announcement of the Plan.

Price Risk

The market price of the company's shares may rise or fall between the date of the offer and the date when the new shares are issued. This means that the price you pay for the new shares under the Plan might exceed the market price of company's shares at the time the new shares are issued. Any change in the market price of the company's shares will not change the issue price of \$0.75 under the Plan.

Entitlement

If you are eligible to participate in the Plan, you may select only one of the following five alternative offers to apply for new shares:

Alternative	Number of New Shares	Amount Payable
Offer A	1,332	\$999.00
Offer B	2,668	\$2,001.00
Offer C	4,000	\$3,000.00
Offer D	5,332	\$3,999.00
Offer E	6,664	\$4,998.00

Limit on Participation

The maximum value of shares that may be applied for under this Plan is \$4,998. In order to comply with Australian Securities and Investments Commission relief in respect of the Plan, the maximum value of new shares each eligible shareholder (irrespective of the size of their shareholding) may apply for under this Plan or similar arrangements is \$5,000 over any twelve month period. *This limit will apply even if you receive more than one offer from the company (for example, because you are a joint holder of shares or because you hold more than one shareholding under separate share accounts).* However, if you act as trustee or nominee in respect of more than one beneficiary, you may apply for up to \$4,998 of new shares for each occasion that you are separately recorded as trustee or nominee for a different beneficiary. The company reserves the right to reject any application for new shares where it believes this requirement has not been complied with.

Allocation of New Shares

Under the ASX Listing Rules, the company may generally issue up to 30% of ordinary issued capital under a share purchase plan without shareholder approval provided certain conditions are met. Given the number of shareholders at the date of this letter, the company considers that it is unlikely that the company will issue greater than 30% of its existing share capital. However, if acceptances under the Plan exceeds this 30% limit, the company will scale back acceptances on a pro-rata basis so that the total number of shares issued under the Plan does not exceed 30% of ordinary issued capital. You may therefore be issued with fewer shares than you select from the table above.

Costs of Participation

No brokerage, commission, stamp duty or other transaction costs will be payable by you in respect of the application for and issue of new shares under the Plan.

Offering Opening and Closing Dates

The offer opens at 9.00 am Sydney time on **12 November 2004**.

The offer closes at 5.00 pm Sydney time on **3 December 2004**.

The company may vary the date for closing the offer and will announce any such variation to the Australian Stock Exchange.

Acceptance Instructions

To accept the offer, complete the application form and select the offer (Offer A, Offer B, Offer C, Offer D or Offer E) with respect to the number of shares you wish to apply for. The completed application form with a cheque made payable to "Pharmaxis Ltd Trust Account" and crossed "Not Negotiable" for the amount payable by you for the shares should be received by Computershare Investor Services Pty Ltd no later than 5.00 pm on the closing date of the offer.

Delivery details are as follows

By Hand
Computershare Investor Services Pty Limited
Level 3, 60 Carrington St
Sydney NSW 2000

By Post
Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001

Once you have accepted the offer you may not withdraw your acceptance.

The company reserves the right to reject your application and not issue any new shares to you if your application form is not completed correctly or your cheque is for an incorrect amount or does not clear within five business days of presentation.

Issue of New Fully Paid Ordinary Shares under the Plan

The new Shares are proposed to be issued and allotted on or about 13 December 2004. It is expected that the new shares will be quoted on ASX on or about 17 December 2004 and you should receive your holding statement or confirmation advice in respect of the new shares shortly after that date.

New fully paid ordinary shares issued under the Plan will rank equally and carry the same rights as existing fully paid ordinary shares in the company.

Administration of the Plan

The Plan is administered by the Board of the company. The Board may adopt such administrative procedures as it thinks appropriate in relation to the Plan. The Board may settle, in any manner it thinks fit, any difficulties, anomalies or disputes which may arise under or in connection with the operation of the Plan, whether generally or in relation to any participant or class of participants, offer, acceptance or shares, and the decision of the Board will be conclusive and binding on all participants and other persons to whom the determination relates. The Board reserves the right to waive compliance with any provision of these terms and conditions. The Board may reject any application form for any reason and may scale back acceptances.

Modification and Termination

Subject to the Corporations Act 2001 and the ASX Listing Rules, the company may modify or terminate the Plan at anytime, and may also implement another Plan in the future, but it is not obliged to do so. The company will notify the ASX of any modification or termination of the Plan.

Acknowledgements

Participation in the Plan is entirely optional and the company does not make any recommendation or give any advice regarding whether eligible shareholders should participate in the Plan. You should consult your professional adviser in relation to this offer and your participation in the Plan.

By accepting an offer under the Plan, you acknowledge and agree that:

- you have read, understood and agree to be bound by the terms and conditions of the Plan;
- the aggregate of the application price for the new shares the subject of the application and any other shares and interests in the class applied for by you under the Plan or a similar arrangement in the 12 months prior to the application for new shares under the Plan does not exceed \$5,000;
- you have sought such professional advice in relation to the Plan as you deem necessary; and
- you agree to be bound by the constitution of the company.

Contacts

If you have any questions about the Plan please contact Mr David McGarvey, the company secretary, by email on info@pharmaxis.com.au or Computershare Investor Services Pty Ltd on 1300 850 505.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David McGarvey', with a stylized flourish at the end.

David McGarvey
Company Secretary

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Use a **black pen**.
Print in **CAPITAL** letters
inside the grey areas.

A	B	C
1	2	3

Share Purchase Plan Application Form

Securityholders eligible to participate in the Share Purchase Plan may select one only of the following offers to purchase shares in Pharmaxis Ltd

Offer Closes: 5pm Sydney time on 3 December 2004

Securityholder Entitlement details	
Subregister	<input type="text"/>
Record Date	8 November 2004
Entitlement Number	<input type="text"/>

To be completed by Securityholder

B I/We wish to apply for the value of Fully Paid Ordinary Shares set out below in accordance with the terms and conditions of the Share Purchase Plan, as set out in the accompanying letter dated 9 November 2004.

The total cost of all Fully Paid Ordinary Shares purchased by an eligible shareholder under the Share Purchase Plan must not exceed \$5,000.

Please mark one box only

Offer A	Offer B	Offer C	Offer D	Offer E
<input checked="" type="checkbox"/> \$999 OR 1,332 Shares	<input checked="" type="checkbox"/> \$2,001 OR 2,668 Shares	<input checked="" type="checkbox"/> \$3,000 OR 4,000 Shares	<input checked="" type="checkbox"/> \$3,999 OR 5,332 Shares	<input checked="" type="checkbox"/> \$4,998 OR 6,664 Shares

I/We enclose my/our payment for the amount shown above being payment of \$0.75 per new Fully Paid Ordinary Share. I/We hereby authorise you to register me/us as the holder(s) of the Fully Paid Ordinary Shares allotted to me/us, and I/we agree to be bound by the constitution of the company.

C Enter your contact details

Contact Name <input type="text"/>	Telephone Number - Business Hours / After Hours (<input type="text"/>) <input type="text"/>
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Cheque details - Make your cheque or bank draft payable to Pharmaxis Ltd Trust Account

Drawer	Cheque Number	BSB Number	Account Number	Amount of cheque
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	A\$ <input type="text"/>

The directors reserve the right to make amendments to this form where appropriate. Please refer to the lodgement instructions overleaf.
This form may not be used to effect an address change. Please contact Computershare Investor Services Pty Limited on 1300 855 080 for an appropriate form, or download a Change of Address Notification form from www.computershare.com

See back of form for completion guidelines



How to complete this form

Acceptance of the Share Purchase Plan offer

<p>A Registration Name(s) Your name and address as it appears on the Register of Pharmaxis Ltd.</p> <p>B The Offer You can apply for shares to a maximum value of \$4,998 in the denominations provided.</p> <p>C Contacts Details Enter your contact details. These are not compulsory but will assist us if we need to contact you.</p>	<p>D Payment Make your cheque or bank draft payable to "Pharmaxis Ltd Trust Account" in Australian currency and cross it Not Negotiable. Your cheque or bank draft must be drawn on an Australian Bank.</p> <p>Complete the cheque details in the boxes provided. The total amount must agree with your selection made in selection B or the company may reject your application.</p> <p>Cheques will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques returned unpaid may not be re-presented and may result in your Share Purchase Plan Form being rejected. Pin (do not staple) your cheque(s) to the Share Purchase Plan Form where indicated. Cash will not be accepted. Receipt for payment will not be forwarded.</p>
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This is an important document and requires your immediate attention. If you are in any doubt about how to deal with it, please consult your financial or other professional advisor.

Pharmaxis Ltd Share Purchase Plan

The terms and conditions of the Share Purchase Plan are set out in the accompanying letter dated 9 November 2004. By accepting the offer and completing this application form, you acknowledge and agree:

- that you have read, understood and agree to be bound by the terms and conditions of the Share Purchase Plan;
- that the aggregate of the application price for the new shares the subject of the application and any other shares and interests in the class applied for by you under the Share Purchase Plan or a similar arrangement in the 12 months prior to the application for new shares, does not exceed \$5,000;
- you have sought such professional advice in relation to the Share Purchase Plan as you deem necessary; and
- you agree to be bound by the constitution of the company.

Lodgement of Share Purchase Plan

Share Purchase Plan Forms must be received at the Sydney office of Computershare Investor Services Pty Limited by no later than 5pm Sydney time on 3 December 2004. Return the Share Purchase Plan Form to:

Computershare Investor Services Pty Limited GPO Box 7115 Sydney NSW 2001	OR	Computershare Investor Services Pty Limited Level 3 60 Carrington Street Sydney NSW 2000
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Privacy Statement

Personal information is collected on this form by Computershare Investor Services Pty Limited ("CIS"), as registrar for securities issuers ("the issuer"), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. Your personal information may be disclosed to our related bodies corporate, to external service companies such as print or mail service providers, or as otherwise required or permitted by law. If you would like details of your personal information held by CIS, or you would like to correct information that is inaccurate, incorrect or out of date, please contact CIS. In accordance with the Corporations Act 2001, you may be sent material (including marketing material) approved by the issuer in addition to general corporate communications. You may elect not to receive marketing material by contacting CIS. You can contact CIS using the details provided on the front of this form or E-mail privacy@computershare.com.au

If you have any enquiries concerning the Share Purchase Plan Offer please contact Computershare Investor Services Pty Limited on telephone 1300 855 080.

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Please return the completed form in the envelope provided or to the address opposite:

Computershare Investor Services Pty Limited
GPO Box 7115
Sydney NSW 2001
Australia

