



24 November 2011

Dear Shareholder,

**Pharmaxis Ltd**

**Non Renounceable Entitlement Offer – Notification of Ineligible Shareholders**

On 16 November 2011, Pharmaxis Ltd (**Pharmaxis** or the **Company**) (ASX: PXS) announced the launch of a 1 for 3 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to raise approximately A\$80.2 million (**Entitlement Offer**). The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**). Merrill Lynch International (Australia) Ltd and Wilson HTM Corporate Finance Ltd are Joint Lead Managers and Underwriters to the Entitlement Offer. The Entitlement Offer is fully underwritten.

The proceeds from the Entitlement Offer will be used to increase Pharmaxis' cash reserves and strengthen the Company's balance sheet in anticipation of the commercial launch of Bronchitol for cystic fibrosis in Europe, which is expected to occur in the first half of 2012.

This letter is intended to inform you about the Entitlement Offer, and to explain why you will not be able to subscribe for new shares (**New Shares**) under the Entitlement Offer. This letter is not an offer to issue New Shares to you, nor an invitation for you to apply for New Shares. You are not required to do anything in response to this letter.

**Details of the Retail Entitlement Offer**

The Entitlement Offer is being made by Pharmaxis without a disclosure document or product disclosure statement in accordance with section 708AA of the Corporations Act 2001 (*Cth*) (**Corporations Act**) as modified by the Australian Securities and Investments Commission Class Order CO 08/35.

The Retail Entitlement Offer is being made to Eligible Retail Shareholders (as defined below) at the same offer price and offer ratio as the Institutional Entitlement Offer. Under the Retail Entitlement Offer, Eligible Retail Shareholders will be invited to subscribe for 1 New Share for every 3 existing Pharmaxis ordinary shares held at 7:00pm (Sydney time) on 21 November 2011 (**Record Date**), at an issue price of \$1.05 per New Share. An offer booklet in relation to the Retail Entitlement Offer (**Retail Offer Booklet**) will be sent to Eligible Retail Shareholders on or around 24 November 2011.

**Eligibility criteria**

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders who:

- (a) were a holder of Pharmaxis shares as at 7.00pm (Sydney Time) on the Record Date;
- (b) have a registered address on Pharmaxis' share register in Australia or New Zealand;
- (c) are not in the United States and is not a "U.S. person", as defined in Regulation S under the U.S. Securities Act of 1933 (**US Securities Act**) (**US Person**) and not acting for the account or benefit of any person in the United States or any US Person;
- (d) were not invited to participate for their full pro-rata entitlement under the Institutional Entitlement Offer; and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

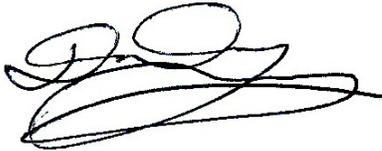
Pursuant to the ASX Listing Rules and the Corporations Act, Pharmaxis has determined that it would be unreasonable to make or extend offers generally to shareholders in countries outside of Australia and New Zealand under the Retail Entitlement Offer. The decision relating to eligibility has been made having regard to the legal limitations on making or extending an offer of securities in some countries, the relatively small number of shareholders in those countries, the number and value of shares for which those shareholders would otherwise be entitled to subscribe and the potential cost of complying with regulatory requirements in those countries.

Unfortunately, according to our records, you do not satisfy the eligibility criteria for an Eligible Retail Shareholder and in compliance with the ASX Listing Rules and the Corporations Act, Pharmaxis advises you that you will not be able to apply for New Shares or be sent the Retail Offer Booklet.

You are not required to do anything in response to this letter.

On behalf of the Board, I thank you for your continued support.

Yours sincerely

A handwritten signature in black ink, appearing to read 'D. McGarvey', with a long horizontal flourish extending to the right.

David McGarvey  
Chief Financial Officer/ Company Secretary

**Important Information**

This letter does not constitute an offer to sell, or the solicitation to buy, any securities in the United States or to, or for the account or benefit of, any US Person. The New Shares referred to herein have not been, and will not be, registered under the US Securities Act or the securities laws of any other jurisdiction. Entitlements may not be offered or taken up by persons in the United States or by persons who are, or are acting for the account or benefit of, a US Person, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.