

Pharmaxis Ltd

Annual General Meeting

19 November 2015

Sydney

Chairman's Address by Malcolm J McComas

Good afternoon ladies and gentlemen, shareholders and guests.

Twelve months ago we stood in front of our shareholders and described a company in the midst of significant transition. The Board and management had been working to execute a five point plan - a vision for the future of Pharmaxis. The objective was to essentially create a new business; building on our expertise and existing assets, with a new path to shareholder value. To ensure success we needed to deliver on each step of the plan – less than five out of five would not be enough.

On 18 May 2015 Pharmaxis announced the sale of a phase 1 drug to global pharmaceutical company Boehringer Ingelheim. The deal was significant on a number of levels. Not only was it the biggest of its kind for a company in our sector, but it signalled the completion of those 5 steps and the arrival of the new Pharmaxis.

Before asking our chief executive officer Gary Phillips to describe what lies ahead for the new Pharmaxis, I wish to summarise what has been achieved since our last AGM:

- On 24 December 2014 we announced an exclusive distribution and supply agreement with global pharmaceutical company Chiesi for the commercialisation of Bronchitol® in the United States. Under this agreement Chiesi is funding up to US\$22 million of the cost of the international phase 3 clinical trial designed to meet the remaining clinical requirements of the US Food and Drug Administration. Chiesi has responsibility for the sales and marketing of Bronchitol in the US through its specialist commercial infrastructure. Pharmaxis therefore retains an opportunity to access the comparatively large US CF market, for limited additional investment;
- On the same date, as a necessary precursor to the Chiesi agreement, Pharmaxis settled its dispute with NovaQuest and entered an amended financing agreement under which NovaQuest receives reduced financial terms on its initial US\$20 million investment;
- On 8 May 2015 we announced another exclusive distribution and supply agreement with Chiesi, this time for the commercialisation of Bronchitol® for cystic fibrosis in Germany, the United Kingdom and Ireland. This agreement enabled Pharmaxis to continue to participate in the launched CF EU markets with Chiesi providing sales and distribution while the Company was able to close its own European commercial infrastructure, the closure occurring on 31 May 2015;

- We dramatically reduced our cost base as a result of a number of initiatives including the decrease of employee numbers from 160 FTE's in May 2013 when we commenced the plan to 62 today. In the 2013 financial year we used \$36 million of cash in operating and investing activities – an average \$9.0 million per quarter. For the September 2015 quarter just ended we used \$3.9 million in operating and investing activities; and
- Finally as I have previously noted, in May this year we announced the sale of our phase 1 drug PXS-4728A to Boehringer Ingelheim. With an upfront payment of A\$39 million and a total potential deal value in excess of A\$750 million, this globally competitive deal achieved two important outcomes: it validated the Company's unique scientific expertise in amine oxidase chemistry – an expertise we are using to develop more drugs that will drive future shareholder value; and, it provided the non-dilutive funds that together with our now reduced cash requirements, gives the Company a financial runway sufficient to see other cash generating milestones from our Boehringer and Chiesi agreements achieved while working on other new drugs.

The drive to create new value from the Company's core scientific capability has continued since May, as evidenced by the announcement in August of our collaboration with Synairgen plc to develop a new drug for pulmonary fibrosis. We have 5 drug discovery projects based around our amine oxidase platform.

At the operational level we have also seen valuable progress over the year: our US clinical trial in cystic fibrosis has recruited more than 50% of its target enrolment, and we continue to progress Bronchitol approval and pricing applications in new markets across Europe, the Middle East and Brazil.

In summary, we are in a good position to deliver value from the existing partnership agreements for Bronchitol and with our partnered drug discovery programs, moving forward with direction and purpose.

The Board recognises that the transformation of the Company was the direct result of the leadership, creativity and perseverance of our chief executive officer Gary Phillips and his management team. I would like to take this opportunity to thank them for their dedication and recognise the skilful way in which they have managed the challenges that confronted Pharmaxis. You will have noted in the 2015 Remuneration Report a special ex-gratia payment and a grant of performance rights in specific recognition of this effort by key members of the senior management team.

Right through these most challenging of times the board and management have worked closely together. The Board has been very engaged in the major strategic initiatives and met a total of 36 times during the year as either a full Board or a Board committee. In addition to these meetings, we received email updates on specific issues as they are progressed between meetings.

We are seeing important recognition both locally and globally of the work we are doing from the investment community and larger pharmaceutical companies. It was pleasing to see the well-respected US investment fund Biotechnology Value Fund join the share register shortly after the announcement of the Boehringer Ingelheim transaction, recently moving to a 13% shareholding.

Other highly regarded biotech investors are also following the Company's progress and I am very much looking forward to the year ahead.

We appreciate your support and thank you for attending.

MJ McComas
Chairman
Sydney
19 November 2015