

# pharmaxis

Pharmaxis Ltd

ABN 75 082 811 630

9 November 2004

Dear Shareholder

## GENERAL MEETING

Pharmaxis Ltd has agreed to issue a total of 22 million fully paid ordinary shares at \$0.75 per share in a placement to certain institutional and sophisticated investors to raise a total of \$16.5 million. The placement will replenish the cash funds expended during 2004 on the Company's successful clinical trials and therefore allow Pharmaxis to proceed with a new international Phase III trial for Bronchitol™ in 2005.

Certain shareholder approvals are required in respect of the issue and allotment of the shares. A General Meeting of Pharmaxis Ltd has been convened for 10:30 am on 13 December 2004 at the Company's offices at Unit 2, 10 Rodborough Road, Frenchs Forest NSW 2086 to consider the following:-

- The Company will issue and allot 16.2 million of the placement shares on 12 November 2004 and seeks subsequent shareholder approval for the issue and allotment of those shares in accordance with ASX Listing Rule 7.4.
- The balance of 5.8 million fully paid ordinary shares exceeds the 15% share issue capacity limit in ASX Listing Rule 7.1. Shareholder approval is sought in order to issue and allot those shares.
- The Company has agreed to issue and allot 151,334 of the placement shares to Mr Denis Hanley, the chairman of the Company. Shareholder approval is sought in relation to the issue and allotment of shares to Mr Hanley in accordance with ASX Listing Rule 10.11.
- The Company has agreed to issue and allot a total of 53,333 of the placement shares to associates of Mr Malcolm McComas, an independent director of the Company. Shareholder approval is sought in relation to the issue and allotment of shares to associates of Mr McComas in accordance with ASX Listing Rule 10.11.

I encourage you to vote on the resolutions contained in the notice of meeting either in person or by returning the enclosed proxy form. Shareholders who attend the meeting will have the opportunity to see the Company's offices.

Yours sincerely



**Alan Robertson**  
Chief Executive Officer



**Pharmaxis Ltd**  
ABN 75 082 811 630

## Notice of Annual General Meeting

Notice is hereby given that a General Meeting of the shareholders of Pharmaxis Ltd ABN 75 082 811 630 (**Company**) will be held at 10:30 am on 13 December 2004 at the Company's offices at Unit 2, 10 Rodborough Road, Frenchs Forest NSW 2086.

### **Business**

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:-

1. That approval be given in accordance with ASX Listing Rule 7.4 for the issue and allotment in November 2004 of 16.2 million new fully paid ordinary shares in the capital of the Company at \$0.75 per share as detailed in the explanatory statement.
2. That approval be given in accordance with ASX Listing Rule 7.1 for the issue and allotment of 5.8 million new fully paid ordinary shares in the capital of the Company at \$0.75 per share as detailed in the explanatory statement.
3. That approval be given in accordance with ASX Listing Rule 10.11 for the issue and allotment of 151,334 fully paid ordinary shares in the capital of the Company at \$0.75 per share to Mr Denis Hanley as detailed in the explanatory statement.
4. That approval be given in accordance with ASX Listing Rule 10.11 for the issue and allotment of 53,333 fully paid ordinary shares in the capital of the Company at \$0.75 per share to associates of Mr Malcolm McComas as detailed in the explanatory statement.

### **Other Business**

To deal with any other business that may be brought forward in accordance with the Constitution and the Corporations Act.

### **Voting Restrictions**

#### **Resolution 1**

The Company will disregard any votes cast on resolution 1 by:

- any person who received securities in the issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed; and
- an associate of any such person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

#### **Resolution 2**

The Company will disregard any votes cast on resolution 2 by:

- any person who may participate in the proposed issue and a person who might obtain a benefit, except a benefit solely in the capacity of a security holder if the resolution is passed; and
- an associate of any such person.

However, the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

### Resolution 3

The Company will disregard any votes cast on resolution 3 by:

- Mr Denis Hanley; and
- an associate of Mr Denis Hanley.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

### Resolution 4

The Company will disregard any votes cast on resolution 4 by:

- Mr Malcolm McComas and his associates who are proposed to receive shares; and
- an associate of Mr Malcolm McComas or his associates who are proposed to receive shares.

However the Company need not disregard a vote if:

- it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form to vote as the proxy decides.

### By order of the Board



**Mr David McGarvey**  
Company Secretary  
**9 November 2004**

### Voting Entitlements

For the purpose of ascertaining voting entitlements at the General Meeting, ordinary shares will be taken to be held by the persons who are registered as shareholders of the Company at 7:00 pm Sydney time on 11 December 2004.

### Proxies

A proxy form accompanies this notice of meeting. Each shareholder entitled to attend and vote has the right to appoint a proxy, who need not be a shareholder of the Company. If a shareholder is entitled to two or more votes they may appoint two proxies and may specify the percentage of votes each proxy is appointed to exercise. The proxy form must be deposited no later than 48 hours before the commencement of the meeting at Computershare Investor Services Pty Limited, located at Level 2, 60 Carrington Street, Sydney NSW 2000 or by post at GPO Box 4195 Sydney NSW 2001 or at the Company's Registered Office, Unit 2, 10 Rodborough Road, Frenchs Forest NSW 2086, or by facsimile to Computershare Investor Services Pty Limited on (02) 8235 8220 or to the Company on (02) 9451 3622.

## EXPLANATORY STATEMENT

### Background

On 3 November 2004, the Company agreed to issue and allot 22 million new fully paid ordinary shares in the capital of the Company (**Placement Shares**) at \$0.75 per Placement Share to raise \$16.5 million (**Placement**). The Company requires certain shareholder approvals in respect of the issue and allotment of the Placement Shares.

The Company is raising funds in order to replenish the cash funds expended during 2004 on the its successful clinical trials and therefore allow Pharmaxis to proceed with a new international Phase III trial for Bronchitol™ in 2005.

The Company is proposing to issue and allot the Placement Shares in two tranches. The Company will issue and allot the first tranche of 16.2 million Placement Shares on 12 November 2004. The Company does not require prior shareholder approval to issue and allot the first tranche under the ASX Listing Rules. Resolution 1 of the notice of meeting seeks subsequent approval for the issue of the first tranche of the Placement Shares under ASX Listing Rule 7.4.

The issue and allotment of the second tranche of 5.8 million Placement Shares is subject to shareholder approval. Subject to the receipt of necessary shareholder approval, it is proposed that the second tranche Placement Shares be issued and allotted as soon as practicable after the General Meeting on 13 December 2004 (and in any event within three months of the General Meeting).

Settlement of the Placement has been fully underwritten by Wilson HTM Australia Limited (**Wilson HTM**). Wilson HTM have been paid customary underwriting and brokerage fees in relation to the Placement.

The Placement Shares will rank equally with all existing fully paid ordinary shares on issue in the capital of the Company. At the date of this explanatory statement, the Company has 108,304,000 fully paid ordinary shares and 10,463,000 options over ordinary shares on issue. After issue and allotment of the first tranche of the Placement Shares, the number of ordinary shares on issue will increase to 124,504,000. If the second tranche Placement Shares are issued, the number of ordinary shares on issue will increase to 130,304,000. The Company has announced that it will also undertake a share purchase plan to allow shareholders registered with addresses in Australia on 8 November 2004 to subscribe for up \$5,000 worth of fully paid ordinary shares at \$0.75. The number of ordinary shares on issue will increase as a result of shares issued under the share purchase plan, depending on the level of demand.

The issue price of \$0.75 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 over the five days on which the Company's shares were traded before the announcement of the Placement and share purchase plan.

The Placement was undertaken by Wilson HTM by way of an institutional and sophisticated investor bookbuild. The allottees of Placement Shares were identified in the bookbuild process and then determined by Wilson HTM in consultation with the Company. The subscribers are investors not requiring a disclosure document under the Corporations Act 2001(Cth) and are predominantly institutional investors. The subscribers comprise of existing institutional and sophisticated shareholders of the Company, a number of new institutional and sophisticated investors and clients of Wilson HTM. Subscribers have typically been allocated with a percentage of Placement Shares for which they have subscribed in the first tranche and the second tranche. Conditional on shareholder approval, the Company has also agreed to issue and allot to Mr Denis Hanley 151,334 Placement Shares and associates of Mr Malcolm McComas 53,333 Placement Shares, all for \$0.75 per Placement Share and all in the second tranche.

### Resolution 1

#### *Approval of First Tranche of Placement Shares under ASX Listing Rule 7.4*

ASX Listing Rule 7.4 provides that shareholders may subsequently approve the issue of securities made within the 15% limitation of ASX Listing Rule 7.1. The Company is seeking approval under ASX Listing Rule 7.4 for the issue of the first tranche of 16.2 million Placement Shares to be issued and allotted on 12 November 2004. If approved (and subject to the approval of resolution 2), the Company will again be able to issue new securities up to the 15% limitation without prior approval of shareholders. If resolution 1 is passed but resolution 2 is not passed, the Company would have the capacity to issue the second tranche Placement Shares under this resolution 1.

#### *Recommendation*

The Board unanimously recommends that shareholders vote in favour of resolution 1.

## **Resolution 2**

### *Approval of Second Tranche of Placement Shares under ASX Listing Rule 7.1*

In general terms, ASX Listing Rule 7.1 requires shareholder approval for the issue of securities if, over a 12 month period, the number of securities issued is greater than 15% of the ordinary shares of the Company at the start of the 12 month period.

The Company is seeking approval under ASX Listing Rule 7.1 for the issue of the second tranche of 5.8 million Placement Shares. If resolutions 1 or 2 are approved, the second tranche Placement Shares will be issued and allotted as soon as practicable after receipt of shareholder approval scheduled for consideration at the General Meeting on 13 December 2004 (and in no event later than three months after the date of the General Meeting).

#### *Recommendation*

The Board unanimously recommends that shareholders vote in favour of resolution 2.

## **Resolution 3**

### *Approval of Issue of Second Tranche Placement Shares to Mr Denis Hanley under ASX Listing Rule 10.11*

Subject to necessary shareholder approval, the Company has agreed to issue and allot 151,334 second tranche Placement Shares for \$0.75 per Placement Share to Mr Denis Hanley, the chairman of the Company. Mr Denis Hanley is a related party of the Company as he is a director of the Company. ASX Listing Rule 10.11 requires shareholder approval if the Company wishes to issue equity securities to a related party. At the date of this explanatory statement, Mr Denis Hanley currently holds 560,000 fully paid ordinary shares and 1,040,000 options over ordinary shares in the capital of the Company. The Placement Shares to be issued to Mr Denis Hanley rank equally with all other Placement Shares and fully paid ordinary shares in the capital of the Company. Resolution 3 seeks the necessary approval under ASX Listing Rule 10.11 required to allow the Placement Shares to be issued to Mr Denis Hanley.

The issue of shares to Mr Denis Hanley is effectively also conditional of the approval of shareholders of either of resolution 1 or resolution 2 (i.e. to permit the issue of the second tranche Placement Shares).

If approved, the Placement Shares will be issued to Mr Denis Hanley as soon as practicable after receipt of shareholder approval scheduled for consideration at the General Meeting on 13 December 2004 (and in no event later than one month after the date of the General Meeting).

#### *Recommendation*

The Board (with Mr Denis Hanley abstaining) unanimously recommends that shareholders vote in favour of resolution 3.

## **Resolution 4**

### *Approval of Issue of Second Tranche Placement Shares to Associates of Mr Malcolm McComas under ASX Listing Rule 10.11*

Subject to necessary shareholder approval, the Company has agreed to issue and allot a total of 53,333 second tranche Placement Shares for \$0.75 per Placement Share to associates of Mr Malcolm McComas, an independent director of the Company. Mr Malcolm McComas is a related party of the Company as he is a director of the Company. The associates who are proposed to be issued shares are also related parties of the Company for the purpose of the ASX Listing Rules and comprise of Mr McComas' spouse and two corporate entities associated with Mr McComas. ASX Listing Rule 10.11 requires shareholder approval if the Company wishes to issue equity securities to a related party. At the date of this explanatory statement, Mr Malcolm McComas currently holds 100,000 fully paid ordinary shares and 200,000 options over ordinary shares in the capital of the Company. The Placement Shares to be issued to associates of Mr Malcolm McComas rank equally with all other Placement Shares and fully paid ordinary shares in the capital of the Company. Resolution 4 seeks the necessary approval under ASX Listing Rule 10.11 required to allow the Placement Shares to be issued and allotted to associates of Mr Malcolm McComas.

The issue and allotment of shares to associates of Mr Malcolm is effectively also conditional of the approval of shareholders of either of resolution 1 or resolution 2 (i.e. to permit the issue of the second tranche Placement Shares).

If approved, the Placement Shares will be issued and allotted to the associates of Mr Malcolm McComas as soon as practicable after receipt of shareholder approval scheduled for consideration at the General Meeting on 13 December 2004 (and in no event later than one month after the date of the General Meeting).

#### *Recommendation*

The Board (with Mr Malcolm McComas abstaining) unanimously recommends that shareholders vote in favour of resolution 4.

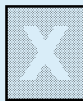
**All correspondence to:**  
Computershare Investor Services Pty Limited  
GPO Box 7045 Sydney  
New South Wales 2001 Australia  
Enquiries (within Australia) 1300 855 080  
(outside Australia) 61 3 9415 4000  
Facsimile 61 2 8234 5050  
www.computershare.com

Mark this box with an 'X' if you have made any changes to your address details (see reverse)



### Appointment of Proxy

I/We being a member/s of Pharmaxis Ltd and entitled to attend and vote hereby appoint



the Chairman  
of the Meeting  
(mark with an 'X')

OR

If you are not appointing the Chairman of the Meeting as your proxy please write here the full name of the individual or body corporate (excluding the registered Securityholder) you are appointing as your proxy.

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Pharmaxis Ltd to be held at Unit 2, 10 Rodborough Road, Frenchs Forest NSW on 13 December 2004 at 10:30 am and at any adjournment of that meeting.



#### IMPORTANT: FOR ITEMS 1 TO 4 BELOW

If the Chairman of the Meeting is your nominated proxy, or may be appointed by default, and you have not directed your proxy how to vote on Items 1 to 4 below, please place a mark in this box. By marking this box you acknowledge that the Chairman of the Meeting may exercise your proxy even if he has an interest in the outcome of those items and that votes cast by him, other than as proxy holder, would be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote, the Chairman of the Meeting will not cast your votes on Items 1 to 4 and your votes will not be counted in computing the required majority if a poll is called on these items. The Chairman of the Meeting intends to vote undirected proxies in favour of each of these items.

### Voting directions to your proxy - please mark to indicate your directions

	For	Against	Abstain*
1. Approval of First Tranche of Placement Shares under ASX Listing Rule 7.4	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Approval of Second Tranche of Placement Shares under ASX Listing Rule 7.1	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Approval of Issue of Second Tranche Placement Shares to Mr Denis Hanley under ASX Listing Rule 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Approval of Issue of Second Tranche Placement Shares to associates of Mr Malcolm McComas under ASX Listing Rule 10.11	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In addition to the intention advised above, the Chairman of the Meeting intends to vote undirected proxies in favour of each of the other items of business.

\* If you mark the Abstain box for a particular item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

### PLEASE SIGN HERE This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented.

Individual or Securityholder 1

Sole Director and  
Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date

/ /



# How to complete the Proxy Form

## 1 Your Address

This is your address as it appears on the company's share register. If this information is incorrect, please mark the box and make the correction on the form. Securityholders sponsored by a broker (in which case your reference number overleaf will commence with an 'x') should advise your broker of any changes. **Please note, you cannot change ownership of your securities using this form.**

## 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the individual or body corporate you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the full name of that individual or body corporate in the space provided. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a securityholder of the company. Do not write the name of the issuer company or the registered securityholder in the space.

## 3 Votes on Items of Business

You may direct your proxy how to vote by placing a mark in one of the three boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given item, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

## 4 Appointment of a Second Proxy

You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the company's share registry or you may copy this form.

To appoint a second proxy you must:

- (a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded.
- (b) return both forms together in the same envelope.

## 5 Signing Instructions

You must sign this form as follows in the spaces provided:

- Individual: where the holding is in one name, the holder must sign.
- Joint Holding: where the holding is in more than one name, all of the securityholders should sign.
- Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.
- Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

If a representative of a corporate Securityholder or proxy is to attend the meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the certificate may be obtained from the company's share registry.

## Lodgement of a Proxy

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below no later than 48 hours before the commencement of the meeting at 10:30 am on 13 December 2004. Any Proxy Form received after that time will not be valid for the scheduled meeting.

### Documents may be lodged using the reply paid envelope or:

- IN PERSON Registered Office - Unit 2, 10 Rodborough Road, Frenchs Forest NSW 2086  
Share Registry - Computershare Investor Services Pty Limited, Level 2, 60 Carrington Street, Sydney NSW 2000 Australia
- BY MAIL Registered Office - Unit 2, 10 Rodborough Road, Frenchs Forest NSW 2086  
Share Registry - Computershare Investor Services Pty Limited, GPO Box 4195, Sydney NSW 2001 Australia
- BY FAX Registered Office - 61 2 9451 3622  
Share Registry - 61 2 8235 8220