

pharmaxis

A close-up photograph of a person's hand holding a small, blue and white inhaler device. The hand is positioned in the center of the frame, with the fingers gripping the device. The background is a plain, light-colored wall.

**Therapeutic products
for
respiratory and
autoimmune diseases**

July 2005



Investor Presentation Disclaimer

This presentation contains forward-looking statements within the meaning of the “safe harbor” provisions of the Private Securities Litigation Reform Act of 1995. These statements are based on management’s current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements contained in this presentation include statements about future financial and operating results, and risks and uncertainties that could affect Pharmaxis’ product and products under development. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed herein. In any forward-looking statement in which Pharmaxis expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished.

The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: risks associated with preclinical, clinical and sales and marketing developments in the biopharmaceutical industry in general and in particular including, without limitation, the potential failure to meet Aridol revenue goals, the potential failure of Bronchitol to prove safe and effective for treatment of COPD and/or Cystic Fibrosis, determinations by regulatory, patent and administrative governmental authorities, competitive factors, technological developments, costs of developing, producing and selling Aridol, Bronchitol and Pharmaxis’ other products under development; and other economic, business, competitive, and/or regulatory factors affecting Pharmaxis’ business generally, including those set forth in Pharmaxis’ filings with the ASIC, including its Annual Report for its most recent fiscal year and its most recent Quarterly Report, especially in the “Factors Affecting Our Operating Results” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections, and its Current Reports. Pharmaxis is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

The Business.....



Manufacture



Aridol



Bronchitol



Autoimmune disease

- Fund product development through to registration
- Launch products in accessible markets
- Use distributors for other markets
- Retain full product rights

Aridol

- Diagnosis and management of asthma and chronic obstructive pulmonary disease

Bronchitol

- Treatment of cystic fibrosis and chronic obstructive pulmonary disease

PXS64

- Research into new treatments for multiple sclerosis and rheumatoid arthritis

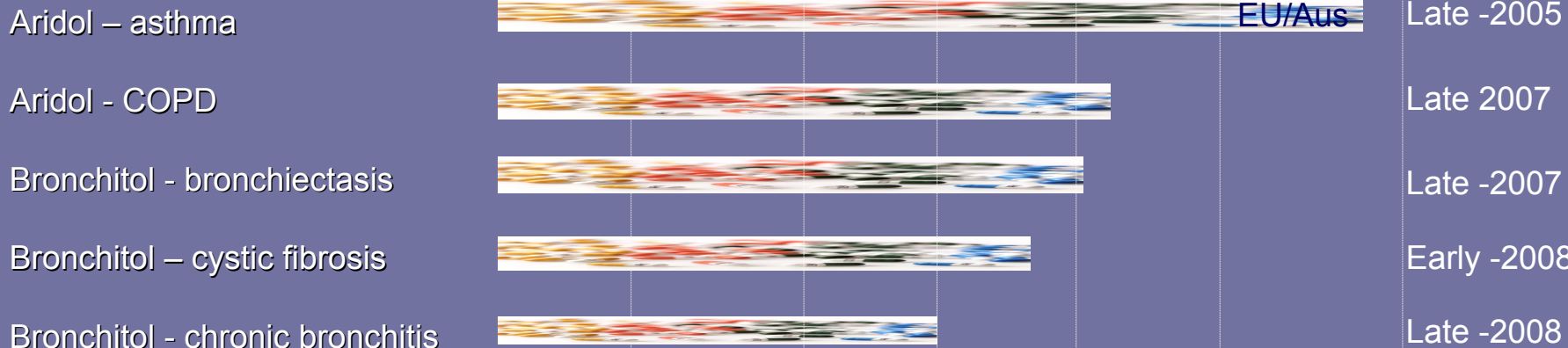


The Pipeline....

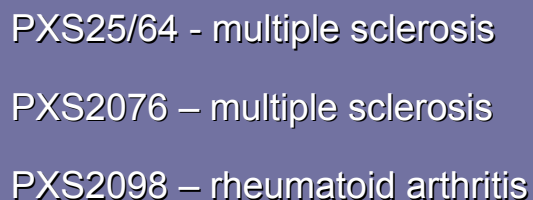
-----Clinical Trials-----

research preclinical phase I phase II phase III registration market

Respiratory diseases



Autoimmune diseases



>36 15 15 18 18 12

indicative time to complete (months)



The Economic Opportunity.....

Product	Target Application	Patient Population (million)	Market Size (A\$ million)	First Revenue
Aridol	Management of asthma	52	\$1,600	2005
Aridol	Management of COPD	30	\$400	2006
Bronchitol	Bronchiectasis	0.6	\$1,500	2007
Bronchitol	Chronic Bronchitis	30	\$4,000	2008
Bronchitol	Cystic Fibrosis	0.1	\$1,000	2008
PXS25/64	Multiple sclerosis	1	\$3,500	n.a.
PXS2076	Rheumatoid arthritis	6	\$3,600	n.a.

The People.....



- Alan Robertson PhD CEO Inventor/developer of Zomig



- David McGarvey CA CFO/Secretary CFO at Memtec



- Brett Charlton PhD CMO Clinical research at Stanford



- Gary Phillips MBA Commercial CEO at Novartis Australia



- John Crapper MBA COO Managing Director of Memcor



- William Cowden PhD CSO Co-inventor of TNF antibodies



- Ian McDonald PhD CTO VP Discovery, SIBIA





The Progress.....

● Aridol

- Completed Phase III trial (Aus/EU)
- IND accepted by US FDA
- US trial ready to commence
- **Marketing application lodged - Aus**
- **Marketing application lodged – Europe**

● Bronchitol - bronchiectasis

- Completed Phase II trial
- IND accepted by US FDA
- Orphan Drug status granted by FDA
- **Compassionate use granted by TGA**

● Bronchitol – cystic fibrosis

- **Recruitment closed for Phase II study**
- Approval granted for 3 month trial
- Dosing study submitted for approval

● Improved oral version of PXS25 discovered

● Manufacturing

- TGA approved GMP facility completed
- Production capacity tripled
- Successful TGA facility audit

● ADR program effective

● **A\$20 million placement Nov 04**

● A\$6 million Aus P3 government grant awarded

Market capitalization on June 30 2005 ~ A\$225million

The future

2005

2006

Q3

Q4

Q1

Q2

H2 2006

Cystic Fibrosis

- Australia PIIb efficacy study reports
- Canadian PIIb dosing study commences
- UK study versus pulmozyme in progress

Bronchiectasis

- European PIII study commences

Aridol

- Australian COPD study commences
- US asthma PIII study commences

Cystic Fibrosis

- Canadian PII dosing study reports
- Pivotal European PIII study commences
- US PIII study commences

Bronchiectasis

- US PIII study commences

Aridol

- US asthma study reports
- Australian COPD study reports

Complete European bronchiectasis Phase I study



Aridol™



A rapid and simple test for airways inflammation that facilitates diagnosis and management of asthma and COPD patients.

Aridol™

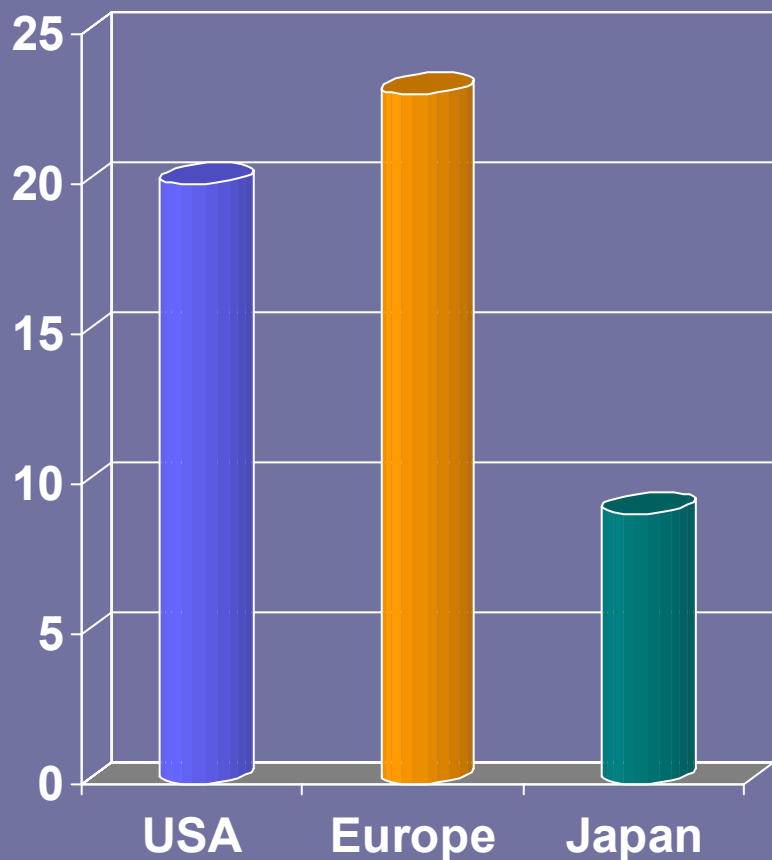


- **Medical need**
- Aridol
- Competitor analysis
- Market size
- Market research
- Commercial key success factors



Asthma – an epidemic with poor diagnosis

Asthma patients (millions)



- Asthma has a high prevalence worldwide
- There is no simple diagnostic test to identify asthma
- The diagnosis rates for asthma remain low, with on average only 57% of the prevalent population diagnosed per country.
- Approximately 15% of people receiving anti-asthma medication do not have asthma.



The burden of asthma

Asthma patients reporting daytime symptoms

46%

Asthma patients needing urgent care p.a.

25%

Asthma patients with disturbed sleep

30%

Europe

Americans whose activities are restricted by asthma

64%

US Annual hospitalisations due to asthma

470,000

Annual days of restricted activity due to asthma

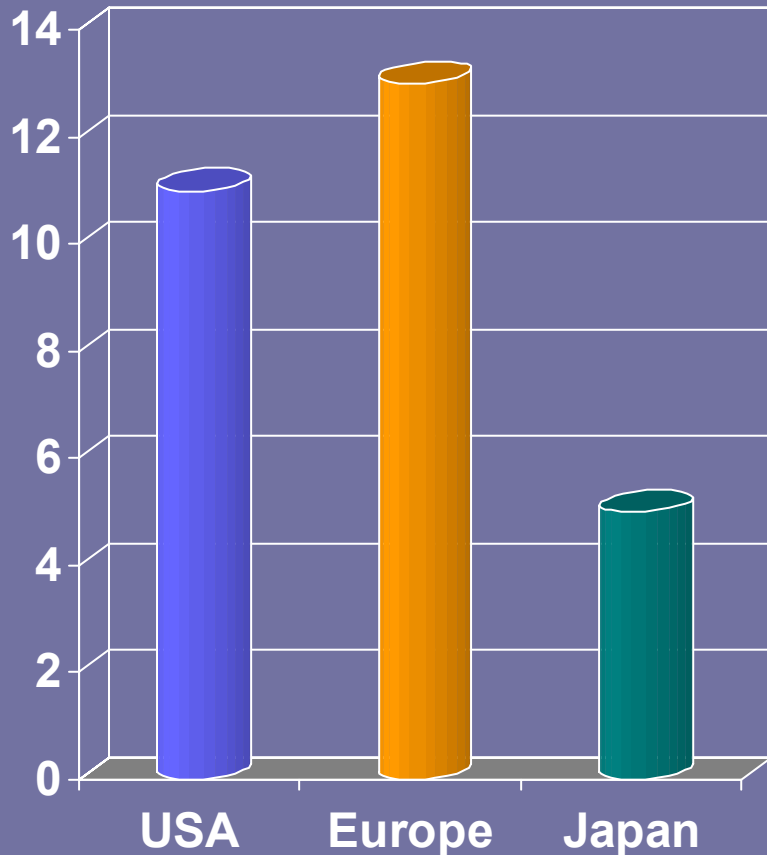
100 m

USA

There exists a significant unmet medical need to improve the diagnosis and control of asthma

COPD – World's 4th biggest killer

COPD patients (millions)



- 30 million people affected worldwide
- Cost to US healthcare - US\$40 billion pa
- Only 60% of moderate and less than 50% of severe COPD patients reach desired treatment outcomes
- 20% respond to inhaled steroids but no test to identify them

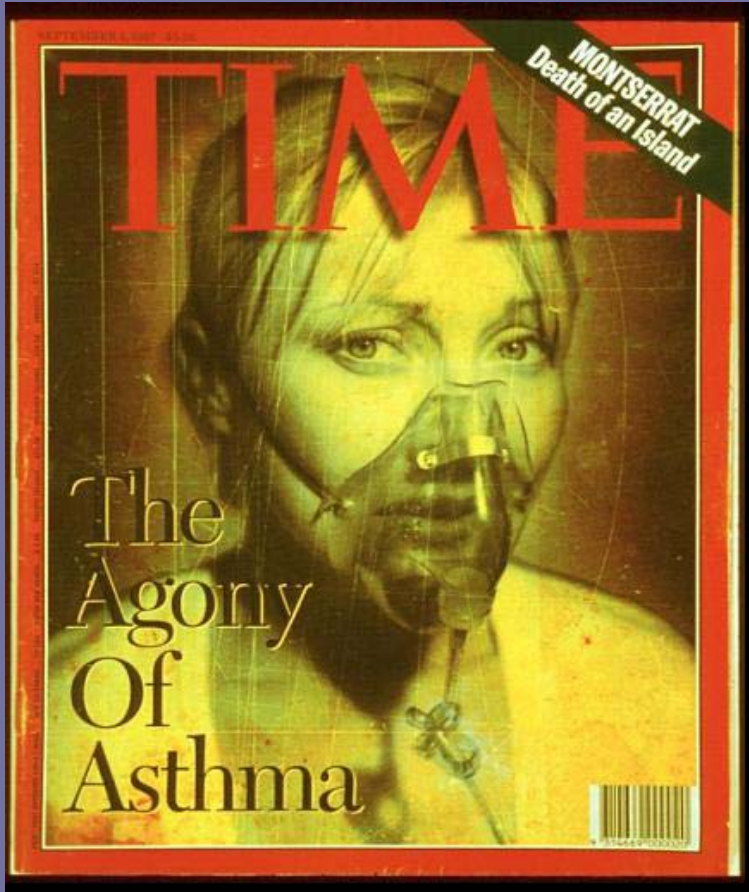


Aridol™



- Medical need
- **Aridol**
- Competitor analysis
- Market size
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- Commercial key success factors

Current best practice



Current guidelines for diagnosis:

- symptoms: wheeze, breathlessness, chest tightness, cough and nocturnal waking,
- airflow limitation
- increase in airway hyperresponsiveness.

Current tests are not specific and / or not 'point of care'

Aridol™



Clinical Trials pack

- Unique clinical applications in the diagnosis and management of Asthma and COPD
- Quick and easy to use – test patients in physicians rooms
- Over 1800 tests performed on asthma patients





Positive Phase III trial results...

- Accurately identifies asthma
- Effective at identifying clinical mis-diagnosis (7%)
 - ⇒ 140,000 Australians
- 20% of subjects over treated and over diagnosed
 - ⇒ 400,000 people in Australia
- 25% of subjects not well controlled
 - ⇒ 500,000 Australian asthmatics
- Outcome - marketing approval submission – EU and Aus

Aridol™



- Medical need
- Aridol
- **Competitor analysis**
- Market size
- Market research
- Commercial key success factors



Competitor analysis

Attribute	Exercise test	Direct challenge	eNO	Aridol
Equipment				
Max Time	35 min	40 min	10 min	20 min
Preparation	None	30 min	None	None
Specificity	EIA	No	No	Yes
Manage Rx	No	No	?	Yes
Cost	\$\$\$	\$	\$\$\$\$	\$

Aridol: First 'point of care' test specific for Asthma

Aridol™



- Medical need
- Aridol
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- **Market size**
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Potential clinical applications for Aridol™

An easy to use, 'point of care' test with a high degree of sensitivity and specificity for airway inflammation

1. Asthma diagnosis¹

- Identifies airway inflammation
- Dose response

2. Asthma patient management / response to treatment²

- Negative test = good control of asthma
- Positive test = currently active airway inflammation
- Predict risk of exacerbation when back titrating steroids

3. Identification of COPD patients responsive to steroids²

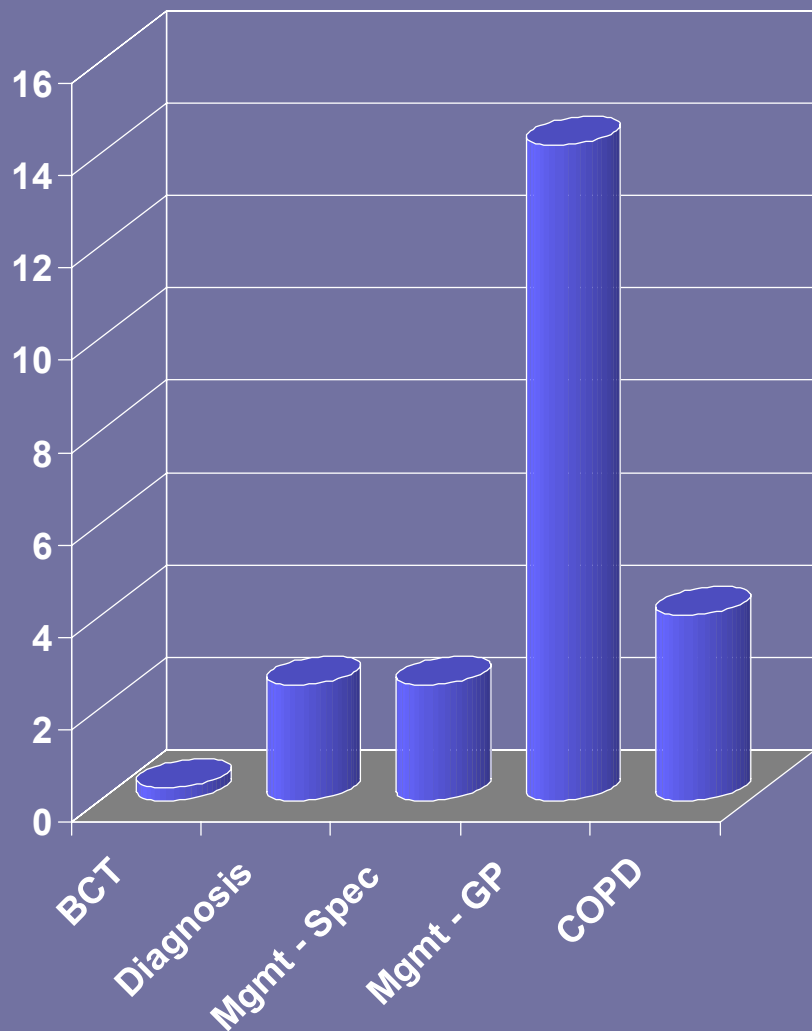
- Confident prescription of appropriate medication.
- Reduce unnecessary steroid usage and healthcare costs.

NOTES: 1 = Evidence available from pivotal phase 3 study

2 = Proof of concept and definitive studies ongoing / planned



Potential market for Aridol™



- Replace existing tests
- Asthma diagnosis
- Asthma management
 - Specialists
 - Generalists
- COPD steroid responders

@ \$40US per test = \$938 million

Aridol™



- Medical need
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- Commercial key success factors



Aridol – Customer analysis

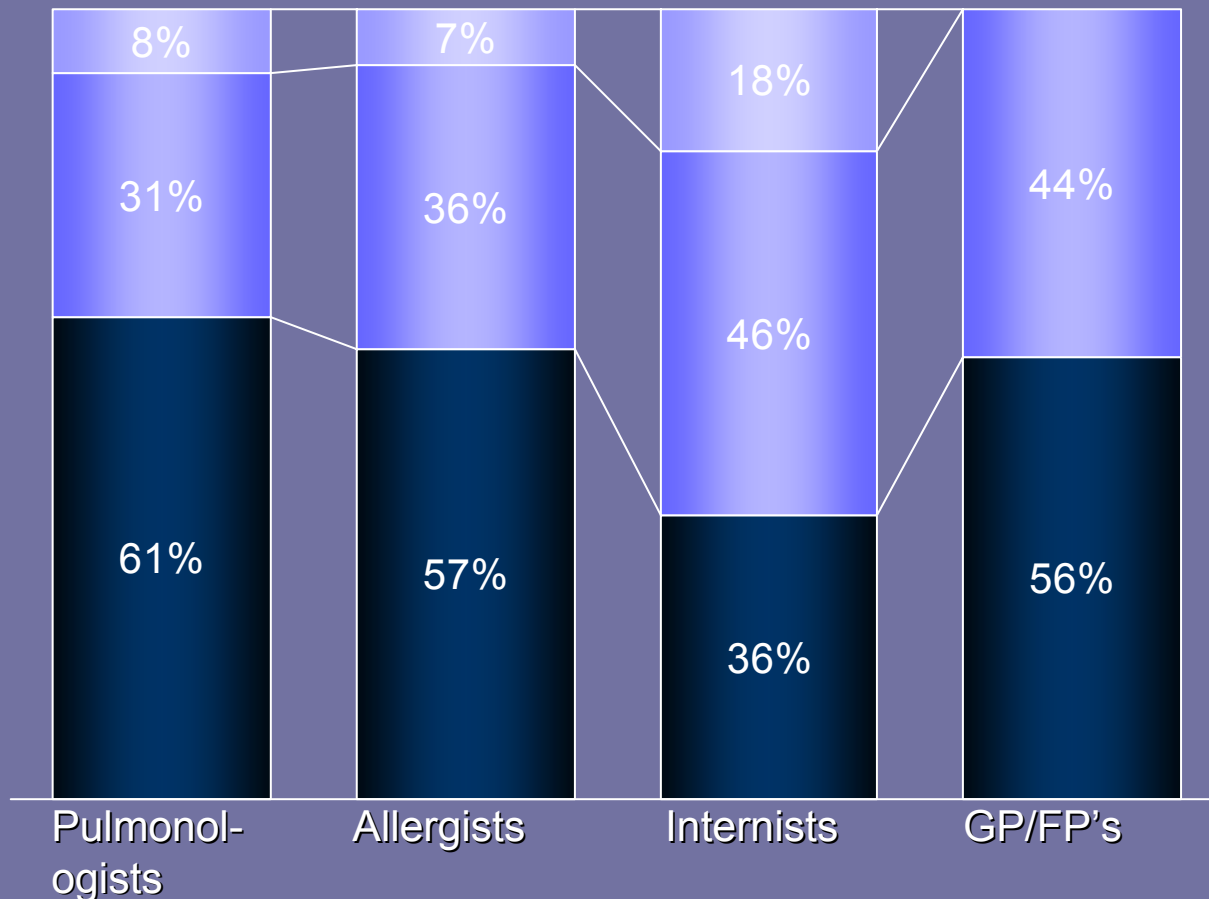
US Physicians Responded Very Favorably to Aridol™

Are you more or less likely to use Aridol™ than you currently use challenge tests?*

Same

Somewhat More
Likely

Much More Likely



*No respondents chose "Much less likely" or "Somewhat less likely"

Source: PureTech Asthma / COPD Market Survey



Worldwide development of Aridol

In Progress
Planned

Total ~ 18 studies
3,500 patients

Sweden
Asthma x 1

Norway
Asthma x 1
Asthma x 1

UK

Asthma x 2
Asthma x 1

Denmark
Asthma x 1
Asthma x 2

USA
Asthma x 1

Greece
COPD x 1

Switzerland
Asthma x 2
COPD x 1
Asthma x 2

Australia
Asthma x 2
COPD x 1
Asthma x 1
COPD x 1

Multi National Studies X 2
- Asthma (GPs) in 7 countries
- COPD in 3 countries

*Key opinion leaders are
keen to trial Aridol*

Aridol™



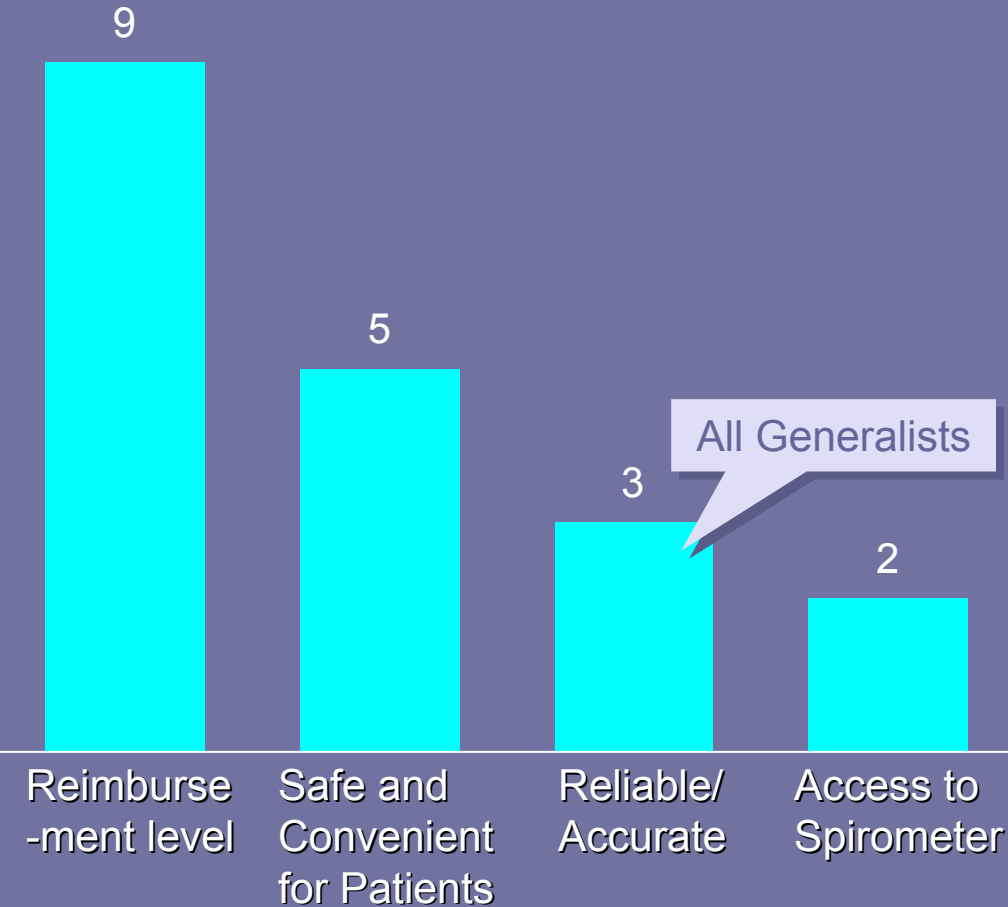
- Medical need
- Aridol
- Competitor analysis
- Market size
- Market research
- **Commercial key success factors**





Reimbursement and safety / reliability perceptions are the key challenges

Number of Physicians Who Mentioned* This Concern About Aridol™ (Out of 50 responders)






Aridol well placed to overcome challenges

- US consultant's key finding is that no new procedure codes or modifications to procedure codes are necessary for reimbursement of Aridol
- Completed Aridol phase 3 study designed to answer safety and reliability questions.



Aridol – Commercial key success factors

Key Success Factor	Action	Status
First registered indirect challenge test	Dossier to EU / TGA FDA trials underway	
First choice test for Key Opinion Leaders	Multiple trials in progress KOL development EU/US	
Labs replace existing tests with Aridol	Reimbursement	
Specialists refer more patients for all indications	Sign marketing partner (Pharmaxis in Australia)	Q4 05
Accepted in International Guidelines	Publications from studies	2006/7
GPs with asthma clinics commence testing patients with Aridol	Sign marketing partner	2006



Bronchitol

cystic fibrosis

bronchiectasis

chronic obstructive pulmonary disease

Bronchitol™

cystic fibrosis, bronchiectasis and chronic bronchitis

● Bronchiectasis

- Phase II trials complete
- Pivotal pre-registration clinical trials to commence H2 2005
- US Orphan Drug status granted
- Targeting market application submission - 2007

● Cystic fibrosis

- Phase II trial to report Q3 2005
- Additional Phase II trials in progress
- Pivotal pre-registration studies to commence H1 2006
- Targeting market application submission - 2007

● Chronic bronchitis

- Mucus clearance during exacerbations

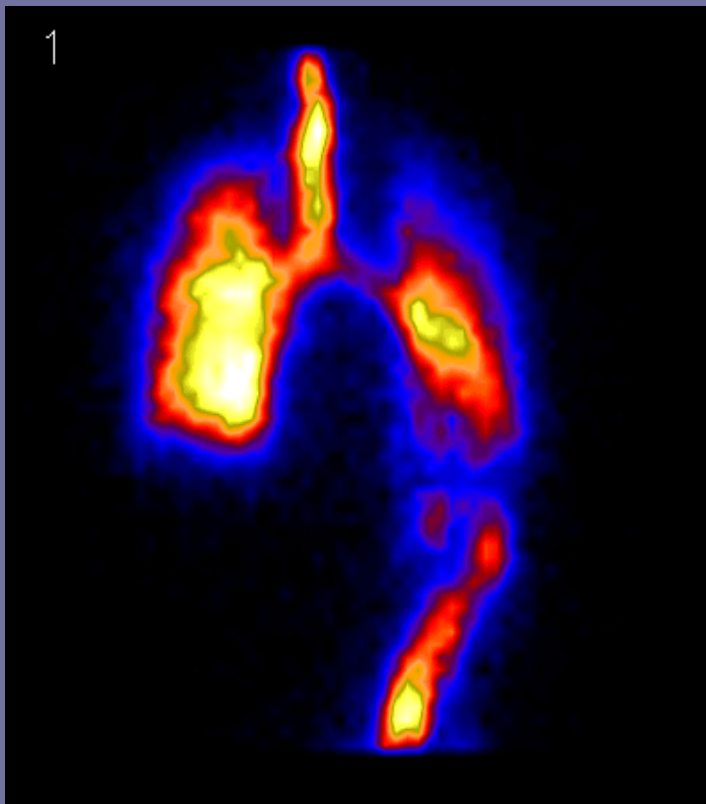


How Bronchitol works.....





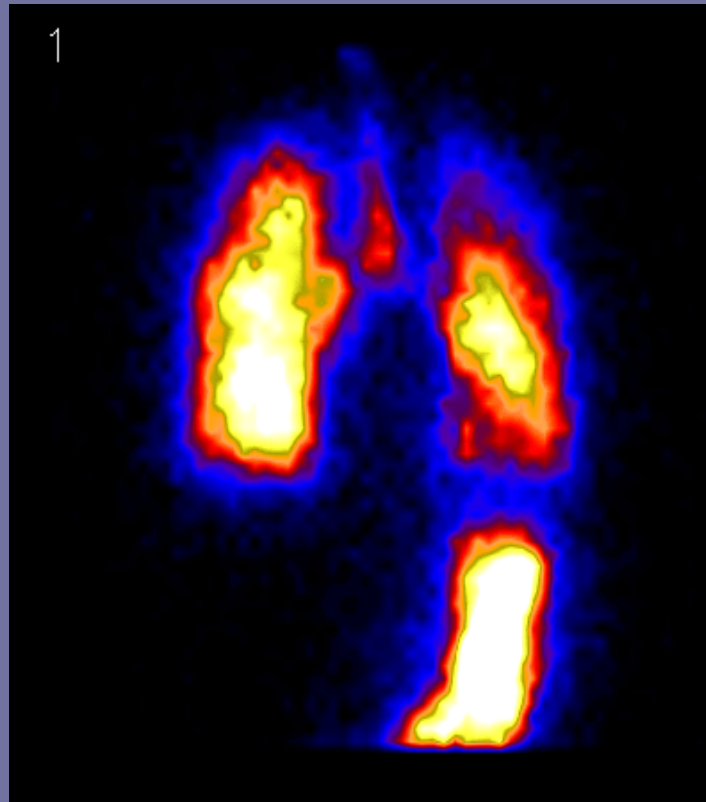
Bronchitol in the clinic..... *chronic bronchitis - without Bronchitol™*





Bronchitol in the clinic.....

chronic bronchitis - with Bronchitol – 400mg





Phase IIb Clinical Trial Results

Dropout Rate		3/60 (2 on placebo)
Primary End Points	Quality of life	Significant improvement on Bronchitol ($p < 0.05$)
	Sleepiness	Significant improvement Bronchitol over placebo ($p < 0.05$)
	Symptoms	Highly significant improvement Bronchitol over placebo ($p < 0.005$)
Secondary End Points	Exercise capacity	Trend to improvement ($p = 0.07$)
	Lung Function	No changes
	Sputum microbiology	No changes
	Sputum rheology	
	Sputum volume	No changes
Clinical Improvement (all)	>4.0	4.8
Clinical Improvement (43/60)	>4.0	6.9
Adverse Events		None serious

Being supplied in Australia on an individual compassionate use basis

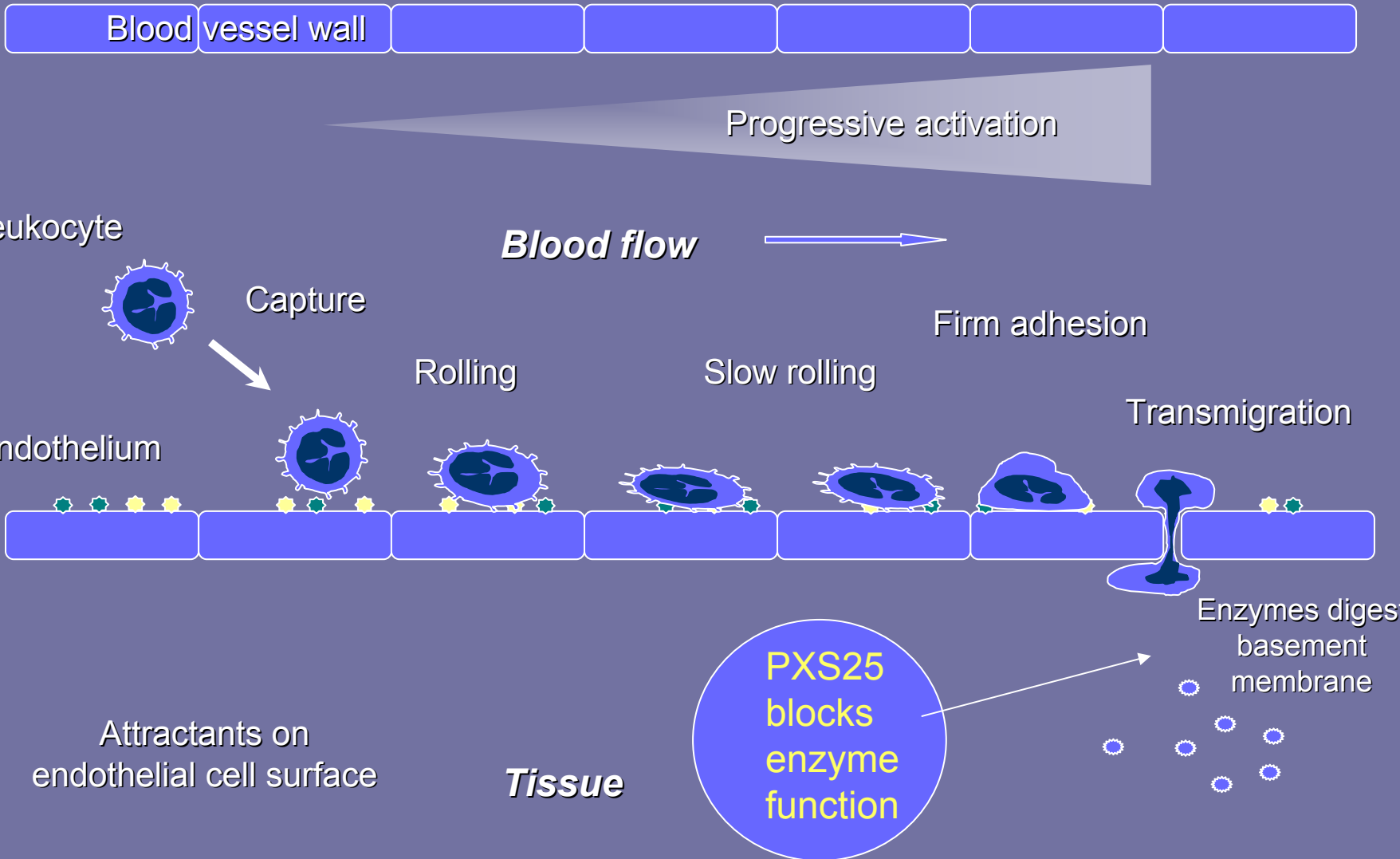


Autoimmune diseases

multiple sclerosis
rheumatoid arthritis

Autoimmune Disease

Inflammation: the leukocyte activation cascade





Autoimmune Disease

- PXS25/64
 - Selective inhibitor of T cell migration
 - Novel mechanism of action
 - Effective in models of multiple sclerosis
 - Complementary with existing treatments
- Competitive Edge
 - Delivery by the oral route
 - Approach clinically validated
- Status
 - Preclinical development
 - Human studies 2006

Large market opportunity



Financials

US GAAP

Financials – US GAAP

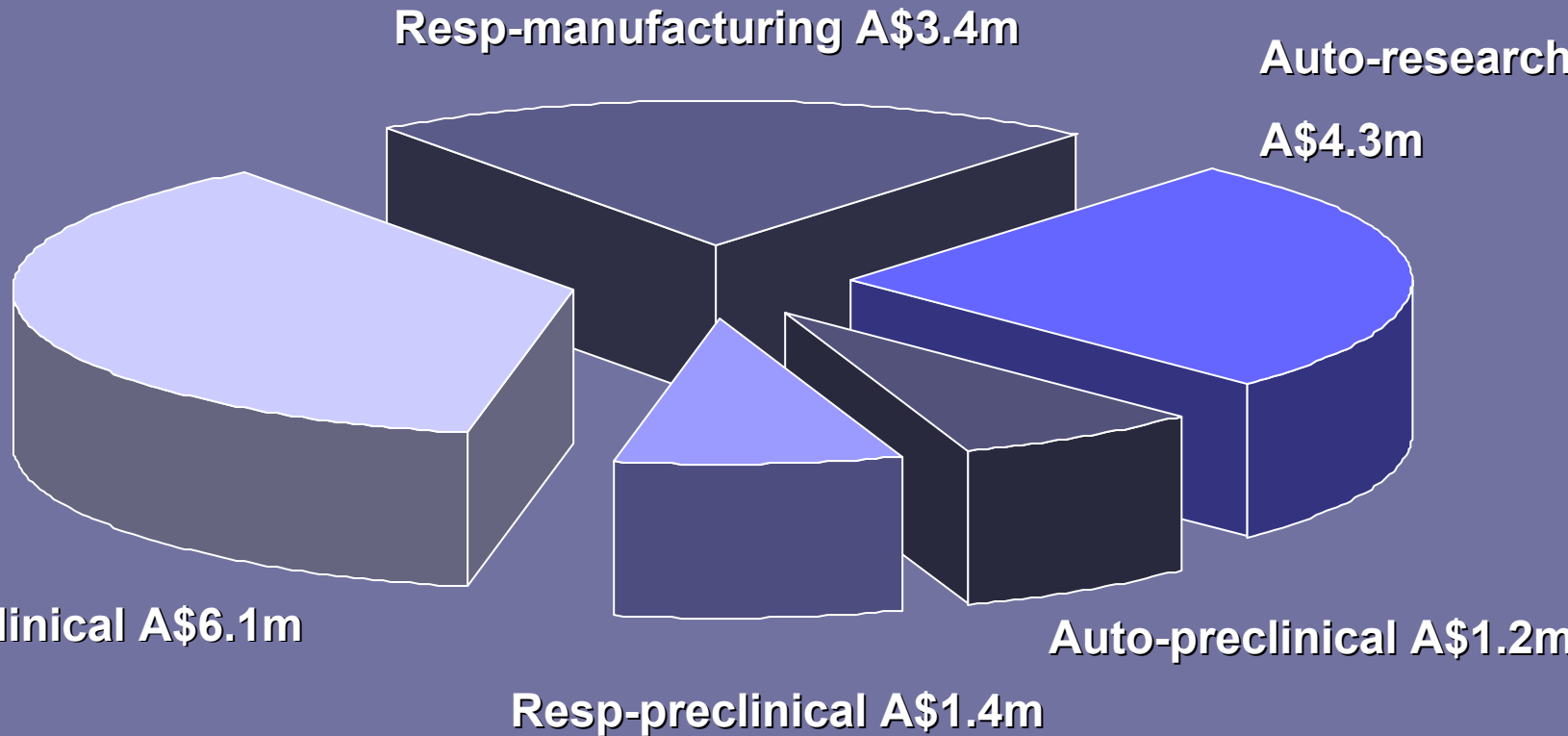
Statement of Operations Data (A\$'000)

	<u>Years ended June 30,</u>			<u>Nine</u>	<u>Inception</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>months</u> <u>ended</u> <u>March 31,</u> <u>2005</u>	<u>(May</u> <u>1998) to</u> <u>March 31,</u> <u>2005</u>
Revenue	\$0	\$0	\$0	\$0	\$0
Operating expenses:					
Research and development	486	925	4,806	5,399	12,178
General and administrative	141	981	2,182	2,069	5,514
Commercial	0	0	0	610	610
Amortization of intangible assets	83	86	89	67	462
Fair value of stock options issued to employees related to:	69	383	532	163	1,299
Research and development	32	261	253	48	686
Commercial	0	0	0	56	56
General and administrative	37	122	279	59	557
Total operating expenses	779	2,375	7,609	8,308	20,063
Loss from operations	(779)	(2,375)	(7,609)	(8,308)	(20,063)
Interest and other income	44	327	1,123	1,209	2,763
Amortization of preference share issue expenses	0	(65)	(161)	0	(226)
Net loss	\$ (735)	\$ (2,113)	\$ (6,647)	\$ (7,099)	\$ (17,526)
Depreciation & amortization	\$130	\$293	\$603	\$385	\$1,787
Research and development grants Recognized against related research and development expenses:	\$663	\$751	\$1,105	\$811	\$4,230



R&D from Inception to March 31, 2005

(A\$16.4m before R&D Grants of A\$4.2m)



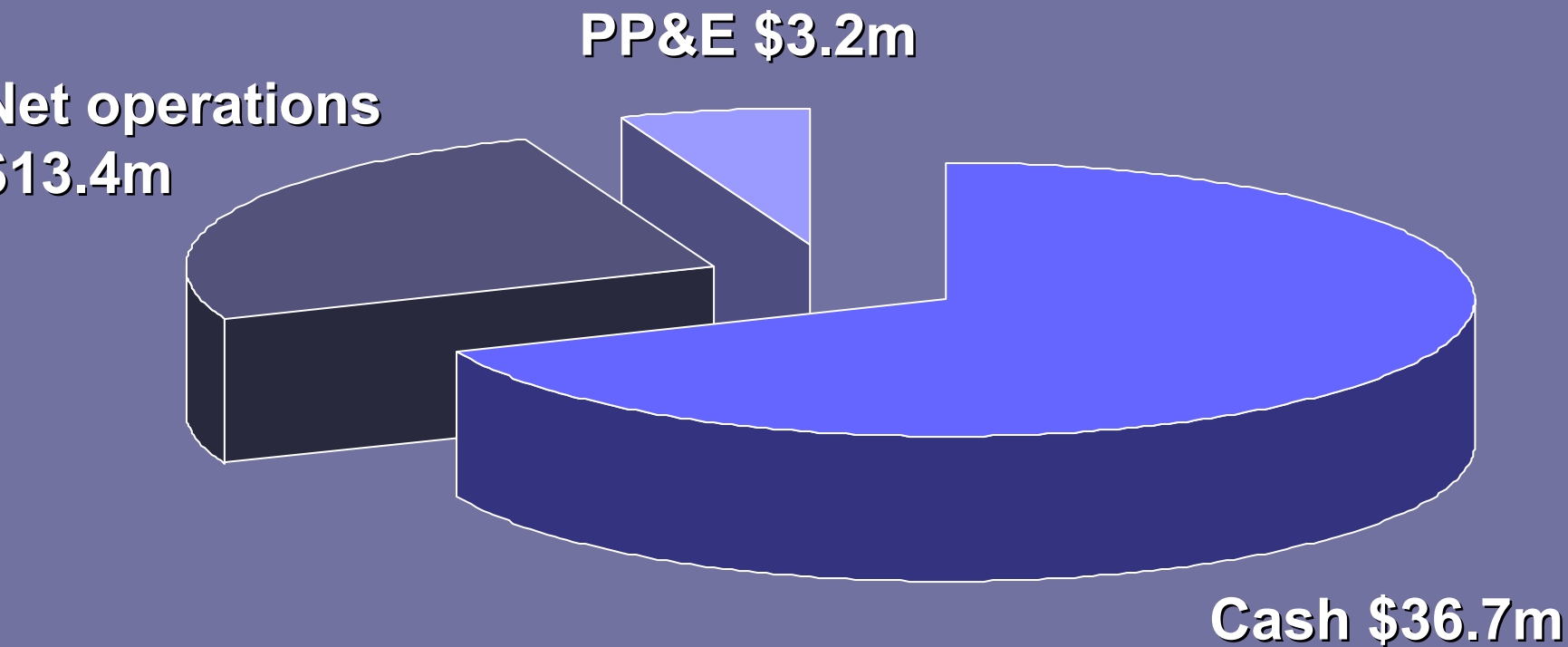


Financials – US GAAP

Balance Sheet Data (A\$'000)	<u>As of June 30,</u>			<u>As of</u>
	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>March 31,</u>
				<u>2005</u>
Cash and cash equivalents	\$751	\$7,384	\$25,101	\$36,748
Property, plant and equipment, net	\$1,318	\$1,324	\$1,679	\$2,072
Intangible assets, net	\$1,205	\$1,162	\$1,144	\$1,129
Total assets	\$2,144	\$10,459	\$28,111	\$41,097
Long-term debt	\$0	\$0	\$0	\$0
Convertible redeemable preference shares	\$2,000	\$11,630	\$0	\$0
Total stockholders' (deficit) equity	\$ (46)	\$ (1,776)	\$26,631	\$38,715



Total Capital Raised to March 31, 2005 A\$53.3m





Share Capital ('000)

March 31,
2005

June 30,
2004

Share Capital

Shares on Issue

134,750

108,016

Escrowed to 10 November 2005

24,964

24,964

Options

Options on Issue

10,914

10,751

Vested Options (June 30, 2005)

8,792

7,207

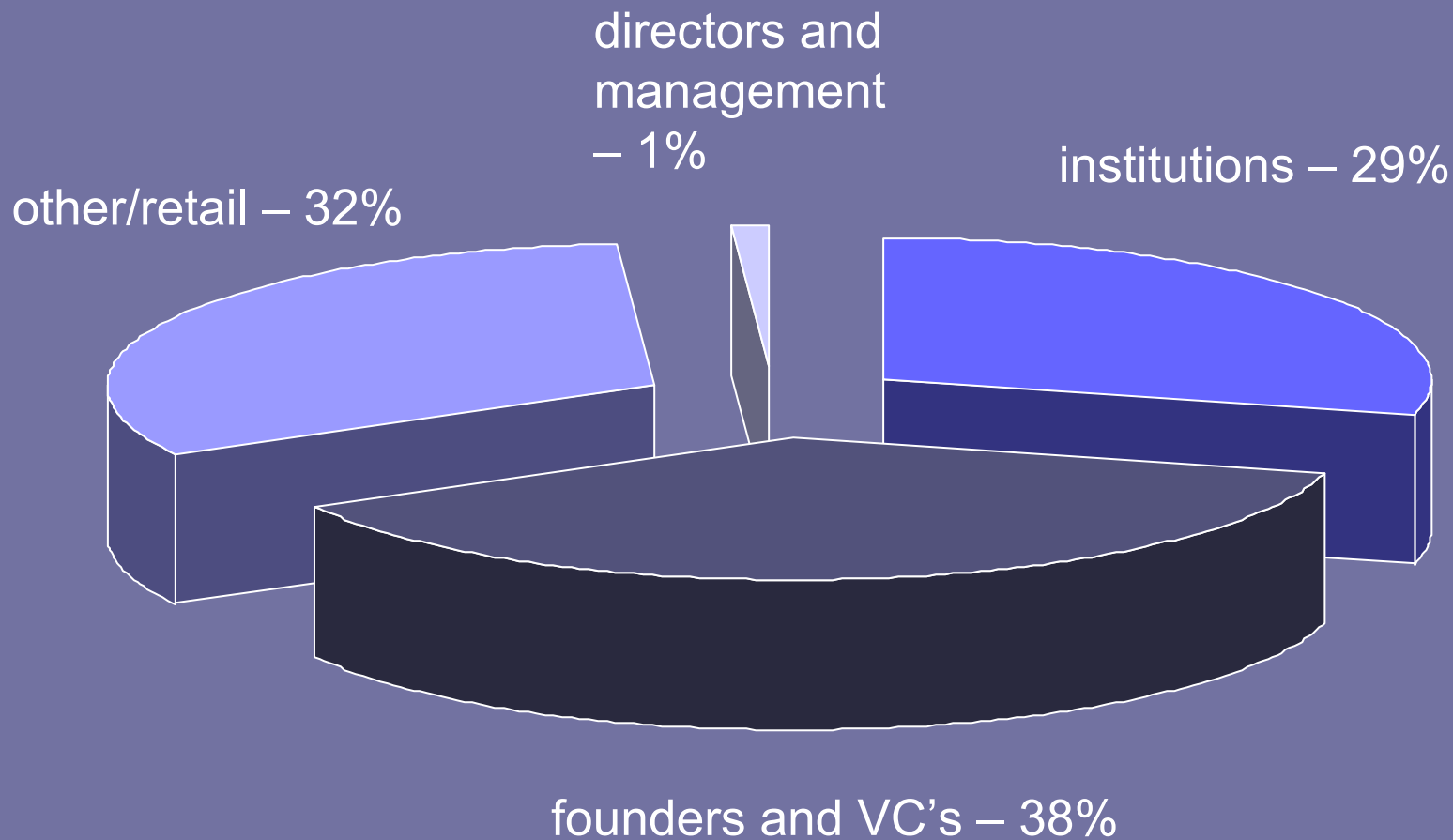
Escrowed to 10 November 2005

6,720

6,720



Share Capital



30 June 2005



Summary.....

- Well resourced
- Technical risk removed for Aridol
- Aridol asthma launch 2005 (est)
 - ✓ Annual revenue potential >\$250 million
- Integrated business
 - ✓ All marketing rights retained
- Bronchitol in Phase III for bronchiectasis
 - ✓ Market launch targeting 2007
- Bronchitol completed Phase IIa for cystic fibrosis
 - ✓ Awaiting results
- Pipeline of earlier stage products
 - ✓ R&D phase