



**Pharmaxis Ltd
2010 Annual General Meeting
Chairman's Address**

In September 2000, Pharmaxis completed the initial seed capital investment that launched the company. Just over ten years later, we were notified by the United States Food & Drug Administration that our product Aridol had been approved for sale in the US. The FDA approval of an Australian drug discovery is an achievement that few comparable Australian companies can claim and speaks to the capacity and capability developed within Pharmaxis.

While our Aridol achievement is very welcome, our shareholders are aware that this past year has seen the achievement of a number of other important milestones.

We filed a marketing application for Bronchitol in cystic fibrosis with European and Australian regulatory agencies and are now working with them to complete their review processes. In addition, a second international Phase 3 trial in cystic fibrosis, which reported in May, will enable us to file a new drug application for Bronchitol with the United States FDA for this disease.

However, in addition to the achievement of these and other milestones there is a bigger picture emerging that was highlighted in 2003 at the time of Pharmaxis initial public offering. Our objective was and remains to build an internationally competitive pharmaceutical company and our strategy is to achieve this by creating a fully integrated company with activities spanning research and development, through to the manufacture and marketing of its products to clinicians across major international markets.

Together, we have created that company – a company that is now poised to deliver long term shareholder value.

From my perspective as Chairman, Pharmaxis is transitioning to a company where individual milestones now represent increments in shareholder value that build on our core skills rather than binary events of success or failure.

After our extensive clinical program we are confident that Bronchitol works and as a consequence of our constant interaction with cystic fibrosis patients and physicians we are confident that Bronchitol's dry powder formulation offers something valued over and above its outstanding efficacy.

As result of our experience with Aridol we know we can manufacture dry powder products to a standard that is acceptable to local and international regulators, and we have demonstrated we have the capability and persistence to negotiate with regulators the world over.

Our market opportunity with Bronchitol for cystic fibrosis is best quantified by looking at the only other product, approved some 15 years ago to assist in mucus clearance – its annual sales are approximately \$500 million.

However we must not only look at Bronchitol for cystic fibrosis. Our clinical trial to make Bronchitol available to those with bronchiectasis is approaching 50 percent of its recruitment target. Bronchiectasis affects at least ten times as many people as cystic fibrosis. Other uses of Bronchitol in even larger respiratory conditions are in early stage investigation.

In addition, in February of this year we acquired the Canadian research company Topigen Pharmaceuticals Inc and thereby added ASM8 to our family of respiratory products in development. ASM8 targets severe asthma and the results of the Phase 2a clinical trial that reported in March were very encouraging. The current major therapeutic that is used with this group of asthmatics has annual sales of approximately \$1 billion.

Also, currently in clinical development is PXS25, a drug targeting lung fibrosis and developed in our laboratories. It commenced the clinical phase of development this year and is creating great interest amongst the scientists from around the world who are collaborating with us in its development.

Our small team of researchers are of course working to bring other drugs into clinical development.

Our pipeline of current and future drugs, and the markets they seek to serve show just how far Pharmaxis has come. It is the sort of business that we set out to create. It provides Pharmaxis with ample opportunity for increased shareholder value, not just in the immediate future but over the long term, and I trust you are as excited about this as your Board and management are.

Before concluding my address I wish to mention the unexpected illness of our CEO Alan Robertson. Alan has made a wonderful recovery for which we are all very grateful and I take this opportunity to warmly welcome him back into the CEO's role. While it was not an event anyone would wish for, I am proud to acknowledge the steady leadership and progress that was provided in Alan's absence and on your behalf I thank the management team and staff who provided this.

2011 promises to be another interesting year.

Thank you

Denis M Hanley
Chairman
20 October 2010