

**Pharmaxis Ltd**  
**2011 Annual General Meeting**  
**Chairman's Address**

At Pharmaxis, success is defined by how well the company is able to translate science into new products that benefit people with serious life threatening diseases. Achieving that success rests squarely on the shoulders of a small and talented team of people who must take good ideas and turn them into practical patient benefits.

Never, at any stage, have we doubted the difficulty of this task or the importance of what we are trying to achieve. Success comes from detailed analysis, thorough planning and relentless execution as we work our way through manufacturing, preclinical safety and clinical trials and, as we have seen this year, regulatory and reimbursement processes. We employ a group of highly experienced executives and employees who have been able to deliver on this challenge.

I am pleased to report that in the financial year 2011 we have been able to create a strategic foundation – one that is now set to return value to the shareholders over the long term. The recommended approval of Bronchitol in Europe takes us to the point where we must now start to convert the investments we have made in clinical trials and manufacturing capacity into a solid return in the large European market, and our orphan status protects our right to that return for the next 10 years.

In the broadest context it is important that Australia has an innovative healthcare industry befitting one of the top economies of the world. Drug discovery, device development, the diagnostic businesses and tailored healthcare solutions are all part of the maturing of this sector.

The seeds of a developing healthcare company are sown many years before any commercial product is ready for market.

We believe that, although the hurdles are always difficult, our business opportunity is sound – we are contributing to the health and wellbeing of Australia through the creation of highly skilled jobs, through translating quality scientific into commercial products and soon, by generating export income. We are very proud to play a part in shaping Australia's healthcare landscape for the future.

Like all of our global industry peers, we continue to navigate our way through the difficult global environment and the pressures that are being brought to bear on healthcare budgets. It is certain that there will be increasing scrutiny on the cost effectiveness of new medicines.

Global pharmaceutical budgets are undergoing a shift; there are an increasing number of drugs coming off patent which will be replaced by lower cost generic versions. Also, there is increasing focus on how to get lower cost, biotechnology derived biosimilar products to patients. This is important, because these cost savings make room for newer, innovative medicines that must be funded in order to stimulate companies to invest in researching and developing the drugs of the future. This is critical to our health as a nation and for our ability to provide affordable medicines, in a timely manner.

The development of our science connects us to patients all over the world and our management team are all dedicated to the task of bringing new our medicines to the world and to making a difference to people's lives.

This team is supervised by our board of directors whose strategic guidance and oversight has been particularly important this year.

The execution of a successful European launch of Bronchitol, the filing of the US marketing application and the bronchiectasis clinical trial represent major future value inflection points for the Company, and while our Chief Executive Officer Dr Robertson will outline some of the exciting other initiatives in the development pipeline, our energies and attention are clearly directed at these three important objectives.

Given the particular demands of this past year it is appropriate that I note the efforts and support of a number of the Company's key stakeholders.

- The employees of Pharmaxis have demonstrated their determination to prevail. On your behalf I thank them all.
- As a Company we continue to value the support of the clinicians and patient support groups who have spoken out clearly in support of the need for new medicines such as Bronchitol.
- As a Board, we appreciate the support of you, our shareholders. This was demonstrated over the last twelve months during uncertain times and again in response to the current entitlement offering.

Thank you

Denis M Hanley  
Chairman  
21 November 2011