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# NOTICE OF THE 2013 ANNUAL GENERAL MEETING AND EXPLANATORY STATEMENT OF PHARMAXIS LTD

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TO BE HELD AT THE CHRISTIE CONFERENCE CENTRE,  
3 SPRING STREET, SYDNEY NSW  
ON 27 NOVEMBER 2013 AT 2:30 PM (SYDNEY TIME)

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TO BE VALID, PROXY FORMS FOR USE AT THE MEETING  
MUST BE COMPLETED AND LODGED NO LATER THAN  
25 NOVEMBER 2013 AT 2:30 PM (SYDNEY TIME)

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## IMPORTANT

This document is important and requires your immediate attention. It should be read in its entirety. If you are in doubt as to the course you should follow, you should consult your stockbroker, solicitor, accountant or other professional adviser immediately.

18 October 2013

Dear Shareholder,

The 2013 annual general meeting of shareholders of Pharmaxis Ltd (**Company**) will be held at the Christie Conference Centre, located at 3 Spring Street, Sydney NSW, on 27 November 2013 at 2:30 pm (Sydney time). The notice of meeting along with a proxy voting form is enclosed.

The Chairman, the Chief Executive Officer and the Chief Financial Officer will each give presentations at the meeting in relation to the Company. Additional details of the Company's performance and operations are set out at [www.pharmaxis.com.au](http://www.pharmaxis.com.au) and in the Company's 2013 annual report.

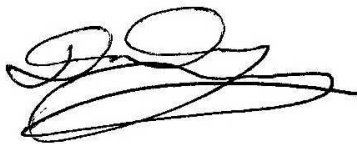
The formal part of the meeting will cover the consideration of the Company's financial statements and remuneration report, the re-election of a non-executive director and the grant of performance rights. Details of the resolutions to be considered at the meeting are contained in the explanatory statement which accompanies the notice of meeting.

Subsequent to the date of the Company's 2013 Annual Report, the Company announced the retirement of two non-executive directors, Dr John Villiger and Mr Richard van den Broek. The Board will now consist of three non-executive directors, being Mr Malcolm McComas, Dr Simon Buckingham and Mr Will Delaat together with our Chief Executive Officer, Mr Gary Phillips. This smaller Board composition is considered appropriate for the current size of the Company and in line with the continued focus on reducing fixed costs.

If you plan to attend the meeting, please bring the enclosed proxy form to facilitate your prompt registration. If you are unable to attend the meeting, you are able to appoint a proxy to attend and vote on your behalf online at [www.investorvote.com.au](http://www.investorvote.com.au) or by using the enclosed proxy form. Shareholders will have an opportunity to ask questions during the meeting or by submitting written questions. Shareholders are also invited to join the Board for light refreshments at the conclusion of the meeting.

We look forward to welcoming you at the meeting.

Yours faithfully



David McGarvey  
**Company Secretary and Chief Financial Officer**

## Notice of Annual General Meeting

Notice is hereby given that the 2013 annual general meeting of Pharmaxis Ltd ABN 75 082 811 630 (**Company**) will be held at the Christie Conference Centre, located at 3 Spring Street, Sydney NSW on 27 November 2013 at 2:30 pm (Sydney time).

### ORDINARY BUSINESS

#### 1. Financial Statements

To receive and consider the financial report, directors' report and the auditor's report of the Company for the financial year ended 30 June 2013.

#### 2. Remuneration Report

To consider and, if thought fit, to pass item 2 as an ordinary resolution (advisory vote only):

*That the remuneration report of the Company for the year ended 30 June 2013 be adopted.*

#### 3. Re-election of Mr Malcolm McComas as a Non-Executive Director

To consider and, if thought fit, to pass item 3 as an ordinary resolution:

*That Mr Malcolm McComas be re-elected as a non-executive director of the Company.*

### SPECIAL BUSINESS

#### 4. Grant of Performance Rights to Mr Gary Phillips

To consider and, if thought fit, to pass item 4 as an ordinary resolution:

*That, for the purposes of Listing Rule 10.14 of the Listing Rules of the Australian Securities Exchange (**ASX Listing Rules**), the Corporations Act 2001 (Cth) (**Corporations Act**) and for all other purposes, approval be given for the grant of 2,000,000 zero grant price and zero exercise price employee options (**Performance Rights**) to Mr Gary Phillips under the Company's performance rights plan, resolved to be granted by the Board in June 2013 and, upon exercise of those Performance Rights, the acquisition of 2,000,000 ordinary shares underlying those Performance Rights, in accordance with the terms of the performance rights plan and the explanatory statement accompanying this notice of meeting.*

### OTHER BUSINESS

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

## VOTING RESTRICTIONS

*Item 2* – Pursuant to the Corporations Act, a vote must not be cast (in any capacity) on item 2 by or on behalf of the following persons:

- a) a member of the Company's key management personnel (whose remuneration is disclosed in the remuneration report); or
- b) a closely related party of such a member.

However a person described above may cast a vote on item 2 if:

- c) the person does so as a proxy appointed by writing that specifies how the proxy is to vote on item 2;
- d) the person is the Chairman of the meeting, and the appointment of the proxy expressly authorises the Chairman of the meeting to exercise the undirected proxies on item 2 even if the resolution is connected directly or indirectly with the remuneration of a member of key management personnel; and
- e) the vote is not cast on behalf of a person described in sub-paragraphs (a) or (b) above.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company, whether directly or indirectly. Members of the Company's key management personnel include its directors and certain senior executives.

A closely related party of a member of the key management personnel means any of the following:

- a spouse, child or dependant of the member;
- a child or dependant of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence, or be influenced by, the member in the member's dealings with the Company;
- a company the member controls; or
- a person prescribed by regulations (as at the date of this notice of meeting, no additional persons have been prescribed by regulation).

*Item 4* - As required by the ASX Listing Rules and the Corporations Act, the Company will disregard any votes cast on item 4:

- a) by a director of the Company (except a director who is ineligible to participate in any employee incentive scheme in relation to the Company) and any of their associates; and
- b) as a proxy by a member of key management personnel or a closely related party of such a member.

However the Company need not disregard a vote if it is cast by:

- c) a person as proxy for a person who is entitled to vote on item 4, in accordance with the directions on the proxy form; or
- d) the Chairman of the meeting as proxy for a person who is entitled to vote on item 4, and the appointment of the proxy expressly authorises the Chairman of the meeting to exercise the undirected proxies on item 4 even if the resolution is connected directly or indirectly with the remuneration of a member of key management personnel.

**By order of the Board**



**Mr David McGarvey,**  
Company Secretary and Chief Financial Officer  
18 October 2013

## VOTING ENTITLEMENTS

For the purpose of the Corporations Act, the Company has determined that the holders of the Company's ordinary shares for the purpose of the annual general meeting, will be the registered holders of ordinary shares at 7:00 pm (Sydney time) on 25 November 2013.

## PROXIES

Shareholders have 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 that each proxy is appointed to exercise. A proxy form has been included with this notice of meeting. Proxy voting instructions are provided with the proxy form.

**You may submit your proxy form online by visiting [www.investorvote.com.au](http://www.investorvote.com.au).** To use the online facility you will require the secure access information set out on your proxy form. You will be taken to have duly executed the proxy form if you lodge it in accordance with the instructions prior to 2:30 pm (Sydney time) on 25 November 2013. Completed proxies can also be lodged with our registrar Computershare Investor Services Pty Limited:

**by hand:** Level 4, 60 Carrington Street, Sydney NSW 2000

**by post:** GPO Box 242, Melbourne VIC 3001

**by facsimile:** 1800 783 447

or directly to the Company:

**by hand or by post:** 20 Rodborough Road, Frenchs Forest NSW 2086

**by facsimile:** +61 (2) 9451 3622

Duly completed proxies must be received by no later than

**2:30 pm (Sydney time) on 25 November 2013.**

## POWER OF ATTORNEY

If a shareholder has appointed an attorney to attend and vote at the meeting, or if a proxy form is signed by an attorney, a certified copy of the power of attorney must likewise be received by Computershare Investor Services Pty Limited or the Company by no later than 2:30 pm (Sydney time) on 25 November 2013 by one of the means listed above.

## CORPORATE REPRESENTATIVES

If a corporate shareholder wishes to appoint a person to act as a representative at the meeting, that person should be provided with a letter authorising that person as the company's representative (executed in accordance with that company's constituent documents and the Corporations Act).

## APPOINTMENT OF THE CHAIRMAN OR OTHER KEY MANAGEMENT PERSONNEL AS YOUR PROXY

Due to voting exclusions and requirements referred to in this Notice of Meeting, if you intend to appoint a member of key management personnel (which includes each of the directors and executives named in the Company's 2013 Remuneration Report) or their closely related parties other than the Chairman as your proxy, you are encouraged to direct them how to vote on item 2 (Remuneration Report) and item 4 (Grant of Performance Rights to Mr Gary Phillips) by marking either "For", "Against" or "Abstain" on the proxy form for the relevant items of business. If you do not direct such a proxy how to vote on those items they will not be able to vote an undirected proxy and your vote will not be counted. This does not apply to the Chairman, who is able to vote undirected proxies where he or she is expressly authorised to do so on the proxy form.

If the Chairman of the meeting is appointed, or taken to be appointed, as your proxy, you can direct the Chairman of the meeting to vote "For", "Against", or to "Abstain" from voting on, items 2, 3 and 4 by marking the appropriate box opposite the relevant item on the proxy form. However, if the Chairman of the meeting is your proxy and you do not mark any of the boxes opposite item 2 and/or 4, your undirected proxies held by the Chairman will be taken as an express authorisation for the Chairman to vote as he or she decides, in which case the Chairman intends to vote in accordance with the stated intention below.

## **HOW THE CHAIRMAN OF THE MEETING WILL VOTE UNDIRECTED PROXIES ON ITEMS 2, 3 and 4**

Subject to the law, the Chairman of the meeting will vote undirected proxies on, and in favour of, all proposed resolutions, including items 2 (Remuneration Report) and item 4 (Grant of Performance Rights to Mr Gary Phillips).

Shareholders always have the ability to appoint the Chairman of the meeting as their proxy to cast the votes contrary to the stated intention or to abstain from voting on a resolution. Shareholders are encouraged to direct their proxies how to vote.

## **EXPLANATORY STATEMENT**

### **Item 1 - Financial Statements**

In accordance with section 317 of the Corporations Act, our financial report, directors' report and the auditor's report for the financial year ended 30 June 2013 will be presented to the meeting. Shareholders will be provided with an opportunity to ask questions in relation to the reports, however, in accordance with the Corporations Act there will be no formal resolution put to the meeting. The reports are contained in our 2013 statutory annual report which is available at [www.pharmaxis.com.au](http://www.pharmaxis.com.au).

### **Item 2 - Advisory Vote in Relation to the Remuneration Report**

Section 250R(2) of the Corporations Act requires that our shareholders vote in respect of the adoption of our remuneration report. Section 250R(3) of the Corporations Act provides that the vote on the resolution is advisory only and does not bind our board of directors (**Board**).

If at least 25% of the votes cast on the resolution are voted against adoption of the remuneration report at this meeting and then again at next year's annual general meeting, the Company will be required to put to shareholders a resolution proposing the calling of an extraordinary general meeting to consider the appointment of directors of the Company (spill resolution). If more than 50% of shareholders vote in favour of the spill resolution, the Company is required to convene the extraordinary general meeting (spill meeting) within 90 days of the 2014 annual general meeting. At this time, all of the directors of the Company with the exception of the managing director will cease to hold office immediately before the end of the spill meeting but may stand for re-election at the spill meeting. Following any such spill meeting, those persons whose election or re-election as directors is approved will be the directors of the Company.

The remuneration report is set out in section 2 of our 2013 statutory annual report. Noting that each director has a personal interest in their own remuneration from us, as set out in the remuneration report, the Board recommends that shareholders vote in favour of this resolution.

### **Item 3 - Re-election of Mr Malcolm McComas – Non-Executive Director**

Mr Malcolm McComas has been an independent non-executive director of the Company since 4 July 2003 and the non-executive Chairman of the Board since 1 May 2012. In accordance with the retirement requirements of the Company's constitution and the ASX Listing Rules, Mr Malcolm McComas retires and offers himself for re-election.

Mr Malcolm McComas is a professional company director and former investment banker and commercial lawyer with more than 20 years investment banking experience. Mr McComas has worked with many high growth companies across various industry sectors and has experience in equity and debt finance, acquisitions and divestments and privatisations. Mr McComas was previously a consultant and a director of Grant Samuel, the investment banking, property services and funds management group, from 1999 to 2009. Prior to that, Mr Malcolm McComas was a managing director of investment banking at County NatWest and its successor organization Salomon Smith Barney (now Citigroup) and held various executive roles with Morgan Grenfell (now Deutsche Bank). Mr McComas was previously a director of Ocean Capital Limited, chairman of Sunshine Heart, Inc. and President of Finsia (the Financial Services Institute of Australia). Mr McComas is currently the managing director of CW Downer & Co, chairman of Fitroy River Corporation Ltd and a director of McComas Capital, BC Iron Limited, Consolidated Minerals Limited, Saunders International Limited and the Australian Leukaemia and Lymphoma Group. Mr McComas holds a Bachelor of Economics and a Bachelor of Laws from Monash University. Mr McComas is a member of our Audit Committee and was Chairman of our Audit Committee until 1 May 2012.

If re-elected, Mr Malcolm McComas' term of appointment will be until the end of the third annual general meeting following his re-election or three years (whichever is longer), subject to the constitution of the Company, the ASX Listing Rules and the Corporations Act.

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

#### **Item 4 – Grant of Performance Rights to Mr Gary Phillips**

The grant of securities to a director under an employee incentive scheme requires the approval of shareholders under Listing Rule 10.14 of the ASX Listing Rules.

On 12 March 2013 Mr Gary Phillips was appointed our Chief Executive Officer and managing director. Prior to his appointment, Mr Phillips served as our Chief Operating Office for 5 years, having started with Pharmaxis in November 2003. Mr Phillips has over two decades of operational management experience in the pharmaceutical and healthcare industry in Europe, Asia and Australia. From 1998 to 2003, Mr Phillips held various positions with Novartis Asia, most recently as Chief Executive Officer of Novartis Pharmaceuticals Australia Pty Ltd, where he successfully launched leading oncology and ophthalmology products and relaunched newly acquired primary care products. From 1992 to 1998, Mr Phillips served as Chief Executive Officer at Ciba Geigy in Hungary. Mr Phillips holds a B. Pharm. in Pharmacy with honours from Nottingham University in the U.K. and an M.B.A. from Henly Management College.

Following his appointment, our Board resolved that Mr Phillips remuneration package would consist of a base salary of \$388,000 per annum (plus superannuation), short term variable cash compensation up to 30% of base salary and, subject to the receipt of the necessary shareholder approval, 2,000,000 zero grant price and zero exercise price options (**Performance Rights**).

If approved by shareholders, the Performance Rights would be granted pursuant to the terms and conditions of our performance rights plan which is governed by our existing employee option plan (**Performance Rights Plan**). The Performance Rights are proposed to be granted for no cash consideration and with a zero exercise price. The Performance Rights would be granted to the Chief Executive Officer as soon as practicable after the meeting and in any event, no later than 12 months from the date of the meeting.

The vesting terms of Mr Phillips' Performance Rights are consistent with those applicable to performance rights granted to other Senior Executive Officers in June 2013 and were developed in conjunction with the Company's revised business plan announced in May 2013. The Performance Rights have a life of 10 years and will vest in three instalments, subject to Mr Phillips' continued employment with the Company, as follows:

- Thirty percent vesting on 31 January 2014 with no performance criteria and are designed to provide a retention incentive over what is a particularly challenging time.
- Thirty five percent vesting on each of 31 July 2014 and 31 July 2015 subject to the achievement of corporate objectives (50%) and personal objectives (50%) tied to the announced revised business plan.

In accordance with the Performance Rights Plan, if a formal takeover offer is made for the Company, all Performance Rights which have not yet vested, automatically vest. When exercisable, each Performance Right would entitle Mr Phillips to subscribe for one fully paid ordinary share. Each ordinary share issued on exercise of a Performance Right will rank equally with all other ordinary shares then on issue. While Mr Phillips is our Chief Executive Officer, restrictions will apply to the shares issued on exercise of Performance Rights, including that the shares may only be traded following Board approval.

Further information about our remuneration framework for executive officers, including the use of Performance Rights, is set out in the remuneration report contained in the 2013 statutory annual report. The Board considers that Performance Rights are widely accepted in the Australian context to provide equity remuneration to management and employees. Performance Rights typically provide lower potential rewards to managers and employees when compared to traditional options, but by also reducing the risk for employees they provide a stable equity remuneration instrument to retain and reward employees over the longer term.

The Board (with Mr Phillips abstaining) recommends that shareholders vote in favour of this resolution.

Additional ASX Listing Rule disclosures for Item 4: The Company will not provide any loans or other financial assistance in connection with the grant or exercise of Performance Rights or Options. The Board has resolved to grant no equity securities to non-executive directors. Mr Phillips is an executive director and therefore entitled to participate in our employee option plan. No other directors are entitled to participate in the Company's employee option plan or any other employee incentive scheme, other than Mr Phillips who is the only executive director of the Company. On 18 October 2012, following receipt of necessary shareholder approval at the 2012 annual general meeting, the Company granted 200,000 zero grant price and zero exercise price employee options to its former Chief Executive Officer, Dr Robertson, and 30,000 zero grant price and zero exercise price employee options its non-executive director, Dr Simon Buckingham. No other equity securities have since been issued by the Company to any other director under our employee option plan or any other employee incentive scheme.



## Lodge your vote:



**Online:**  
www.investorvote.com.au



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) www.intermediaryonline.com

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 PXS  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

**www.investorvote.com.au**



**Cast your proxy vote**



**Access the annual report**



**Review and update your securityholding**

**Your secure access information is:**

**Control Number: 999999**

**SRN/HIN: I9999999999**

**PIN: 99999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

**For your vote to be effective it must be received by 2:30 pm (Sydney time) on Monday, 25 November 2013**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

#### Appointment of Proxy

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of the Company.**

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, 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 sign in the appropriate place to indicate the office held. Delete titles as applicable.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the information tab, "Downloadable Forms".

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE,  
or turn over to complete the form** →

MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

## Proxy Form

Please mark  to indicate your directions

### STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Pharmaxis Ltd hereby appoint

the Chairman of the Meeting **OR**

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

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, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Pharmaxis Ltd to be held at Christie Conference Centre, 3 Spring Street, Sydney NSW 2000 on Wednesday, 27 November 2013 at 2.30pm (Sydney time) at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on Items 2 and 4:** Where I/we have appointed the Chairman of the Meeting as my/our proxy (or the Chairman becomes my/our proxy by default), I/we expressly authorise the Chairman of the Meeting to exercise my/our proxy on Items 2 and 4 (except where I/we have indicated a different voting intention below) even though Items 2 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel, which includes the Chairman.

**Important Note:** If the Chairman of the Meeting is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 2 and 4 by marking the appropriate box in step 2 below. You are encouraged to direct your proxy how to vote.

### STEP 2 Items of Business

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

#### Ordinary Business

|   | For                      | Against                  | Abstain                  |
|---|--------------------------|--------------------------|--------------------------|
| 2 Remuneration Report   | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| 3 Re-election of Mr Malcolm McComas as a Non Executive Director | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

#### Special Business

|   | For                      | Against                  | Abstain                  |
|---|--------------------------|--------------------------|--------------------------|
| 4 Grant of Performance Rights to Mr Gary Phillips | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

### SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name \_\_\_\_\_

Contact Daytime Telephone \_\_\_\_\_

Date / / \_\_\_\_\_