

**Pharmaxis Ltd
2005 Annual General Meeting
Chairman's Address**

My fellow shareholders, 2005 has again been a year of great achievement for Pharmaxis.

As I reported in last years address the risk reward equation for you as our shareholders in this early stage of your company's development is directly proportional to the reduction of the risks associated with commercialising our inventions.

ARIDOL

With Aridol we have completed our clinical registration study and filed for approval to market in Europe and Australia to identify and help manage Asthma. Thus the risk for this product only remains with registration and marketing. Technical risk has been removed.

An additional Aridol study for the US market is now planned and expected to begin this year. Your company is confident of success with this study, as it relates more to clinical practice in the USA than it does the ability of Aridol to do what it has proven to do in many previous studies.

We have also commenced phase 2 studies to demonstrate that with Aridol it is possible to identify which patients with COPD (a large 30 million potential patient base) would benefit from inhaled steroids. Indications that this can be achieved have come from independent third party medical studies in Europe and so again your company has high expectations that the clinical work will be successful for this new and large purpose.

BRONCHITOL

Last year your company conducted a successful Phase 2 clinical trial for our second product, Bronchitol.

This trial prepared the way for a global Phase 3 clinical trial, which is designed to lead to registration of this compound for clinical use in the treatment of bronchiectasis on a world wide basis.

This year, we have followed this up with a successful Phase 2 clinical trial demonstrating that Bronchitol is beneficial to patients with Cystic Fibrosis. This work has paved the way for a global Phase 3 clinical trial designed to lead to the registration of Bronchitol for Cystic Fibrosis on a world wide basis.

From the work your company has completed on both of these classes of patients, I believe that eventually Bronchitol will be shown to be beneficial for most patients with bronchial congestion which would potentially see 30 million patients benefit from the product.

2006 should see our first approvals to market Aridol.

In general then we have come a long way in reducing the technical risks associated with our lead products, Aridol and Bronchitol and our share price movements have reflected our achievements.

There still remains the business risk associated with the marketing of the product. This will determine how much value your company can return to you, its investors, for their investment but - there will no longer be any risk that the product is of no value.

To fund this new projected clinical work, your company has just completed successfully a global capital raising involving a public issue in the United States and a placement of shares with Australian institutional shareholders.

This global capital raising funds the required clinical work that I have described before. In that sense it takes away another level of risk. We now have the resources to complete our clinical work.

We have now come a long way from our early research beginnings. We have excellent people with a track record of delivery. We have excellent products that change peoples lives and we have the financial resource to progress our work.

I am personally confident that our company will continue to achieve its milestones and so help many patients whose quality of life is not what it might be. At the same time I am also confident that this good work will deliver appreciating value to you our investors.

I believe we have the potential to be a truly significant Pharmaceutical business.

Your Managing Director, Dr Alan Robertson in his presentation will be providing a brief review of where we find ourselves at this point in time and some insight into the scope of the opportunity in front of us.

Your CFO, Mr. David McGarvey will give an overview of the company's financial position.

On your behalf, I want to thank your Board for their oversight and strategic Direction of our company. Also on your behalf, I would also like to thank your Management and staff for delivering the success we are enjoying.

Denis M Hanley

15 November, 2005