

8<sup>th</sup> October 2012

Stephanie Yong  
Senior Advisor  
Australian Securities Exchange  
Exchange Centre  
Level 6, 20 Bridge Street  
Sydney NSW 2000

Dear Stephanie,

### **PRICE QUERY**

In response to your letter dated 8 October 2012 concerning a change in the Pharmaxis share price from a low of \$1.155 on 5 October 2012 to a high of \$1.315 at the time of your letter today and an increase in the volume of trading in Pharmaxis shares, the Company provides the following answers to your specific questions:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

In answering this question, please address the recent press reports about the Company being the subject of takeover speculation over the weekend.

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

***Pharmaxis is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company.***

***In relation to the press report about the Company being the subject of takeover speculation over the weekend, the Company has no knowledge or information other than the contents of the press report.***

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

***Not applicable***

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

***The Company is not aware of any other explanation for the price change and increase in volume on 8 October 2012.***

***However, the Company does note the following:***

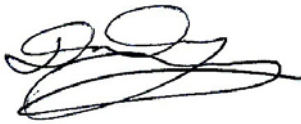
- ***The September 2012 Quarterly Report to Shareholders is due to be released to the market on 10 October 2012***
- ***The quarterly investor conference call is scheduled for 11 October 2012***
- ***The Company's product Bronchitol® is to be the subject of several presentations at this week's North American Cystic Fibrosis Conference***
- ***Updates on several European pricing applications are expected over the next two months, although the specific timing is not known at this time by the Company***
- ***As discussed in previous quarterly reports, Pharmaxis continues to explore all available options to capture the full value of its US new drug application for Bronchitol.***

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

***Pharmaxis confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.***

If you require any further explanation or comments, please let me know.

Sincerely,



David McGarvey  
Chief Financial Officer & Company Secretary