Quarterly Investor Briefing

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Forward looking statements

This presentation may contain forward-looking statements that are based on management's current expectations and beliefs and are subject to a number of factors and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. The forward-looking statements contained in this presentation include statements about future financial and operating results; sales; results of our clinical trials; status of our regulatory, pricing and reimbursement submissions; possible or assumed future growth opportunities; and risks and uncertainties that could affect Pharmaxis' product and products under development. These statements are not guarantees of future performance, involve certain risks, uncertainties and assumptions that are difficult to predict, and are based upon assumptions as to future events that may not prove accurate. Therefore, actual outcomes and results may differ materially from what is expressed herein. In any forward-looking statement in which Pharmaxis expresses an expectation or belief as to future results, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the statement or expectation or belief will result or be achieved or accomplished.

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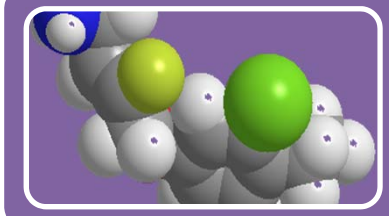
Business plan objective: pursue short term value drivers to reshape the business model

Bronchitol for US

- Objective 1: Clarify the US approval path – FDA requirements, time and cost to conduct clinical study
- Objective 2: Conduct a partnering process

Sales of Bronchitol for CF in rest of world

- Objective 1: Achieve sales growth in approved/priced markets
- Objective 2: Access new markets – obtain pricing approvals in approved markets; appoint distributors and seek approvals in new markets



Early stage pipeline

- Objective 1: Identify and secure external funding for early stage research program while retaining a strategic interest in the programs
- Objective 2: Select investment in pipeline to advance near term value and success of funding

Secure financial footing

- Objective 1: Achieve a reduction in the cost base

Bronchitol for US

Objective	Progress in Q1 CY 2014	Next
1. Clarify the US approval path		
• FDA requirements for CF303 – a "tie breaker" study	• Study protocol completed subsequent to review by FDA in Q4 CY 2013 • The trial design is very close to previous phase 3 trials with a narrowed population	• Achieved

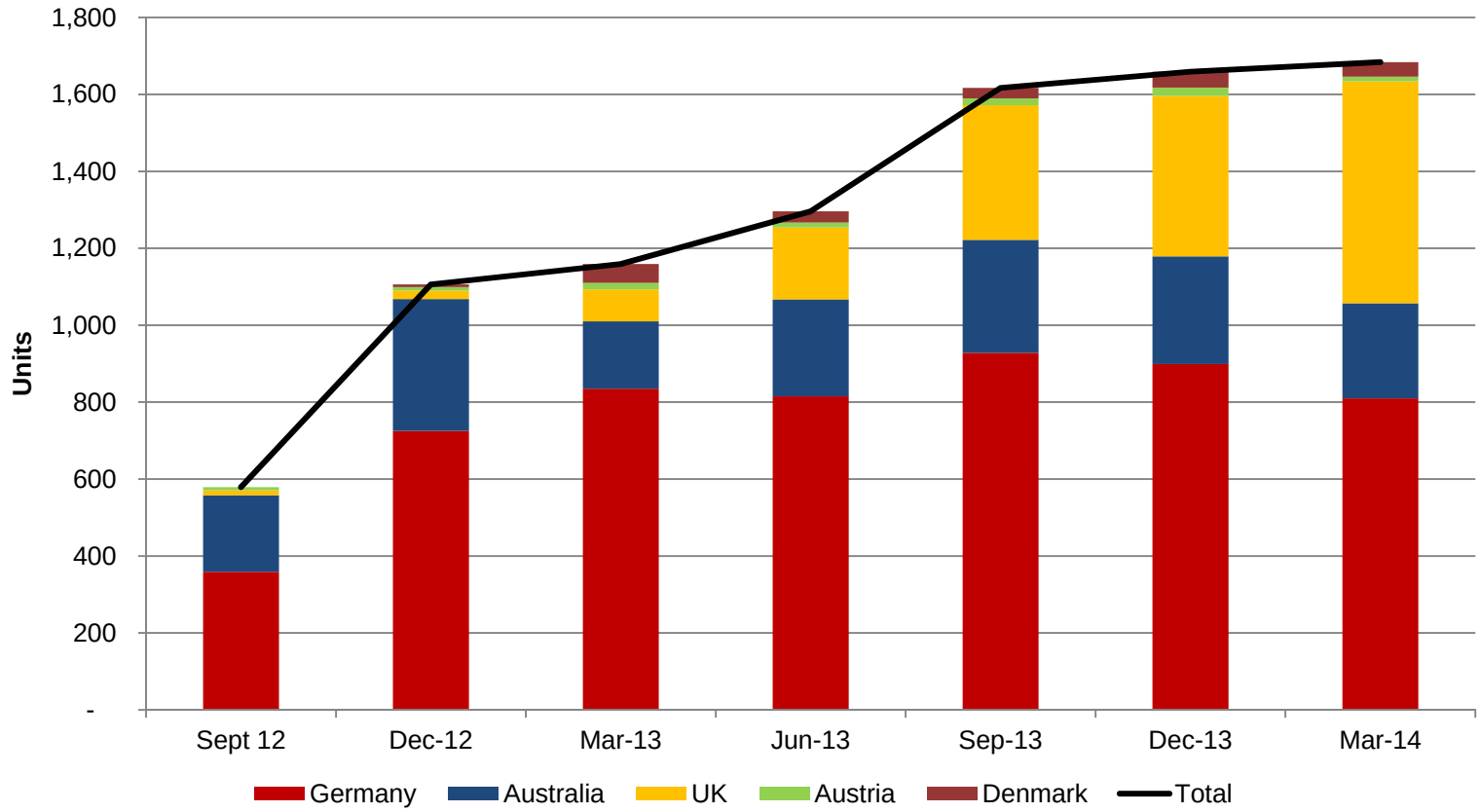
• Time and cost to conduct clinical study	• Negotiated and signed agreement with INC to conduct the clinical trial (CF303)
	• Site identification complete
	  • North America: 37
	  • Europe: 71
	  • Latin America: 13
	• Extensive site preparations commenced
		• On track for first patient mid CY2014

2. Conduct a partnering process		

	• Ongoing discussions with potential partners
	• Term sheet negotiations
	  • Trial funding
	  • Approval and sales milestones
	  • Share of future sales
		• Negotiation and execution of agreement

Bronchitol unit sales by country

(1 unit = 14 day pack of Bronchitol)

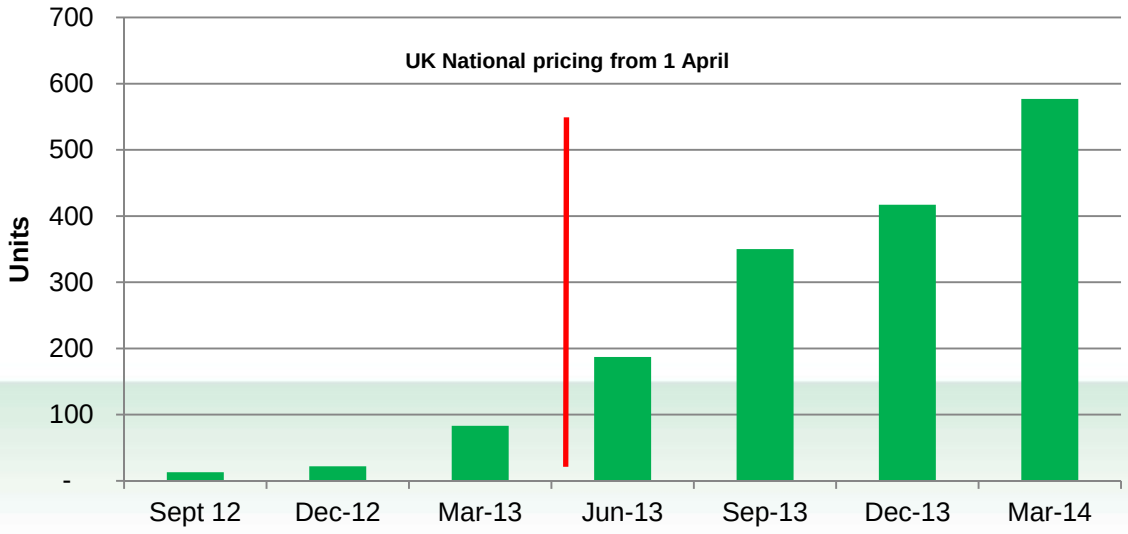


	Bronchitol packs (14 days)			
Unit sales increase over	**Germany**	**Australia**	**UK**	**Total**
Mar-13	-3%	41%	595%	45%
Dec-13	-10%	-12%	38%	2%

Sales of Bronchitol - UK

Status/Progress in Q1 CY 14	Next
• Sales growth of 38% over December 13 • 80% of clinics prescribing Bronchitol (up from 65%) • Centres continue to introduce patients to Bronchitol • Good compliance and patient retention	• Resolve remaining funding issues in a number of centres arising from new national guidelines • Continue to support adherence • Posters and presentations at EU CF symposium in June covering positive real life results from clinic patients

Bronchitol unit sales by quarter
United Kingdom

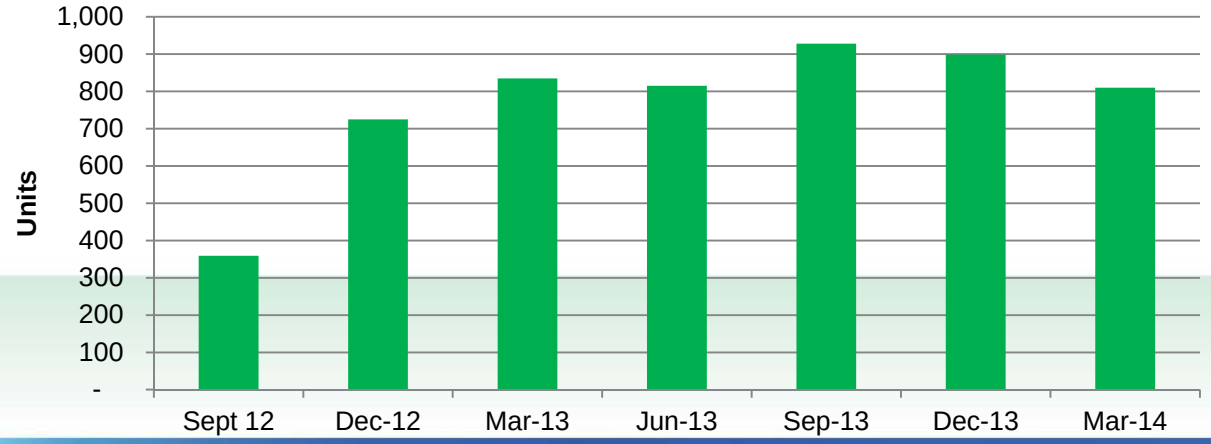


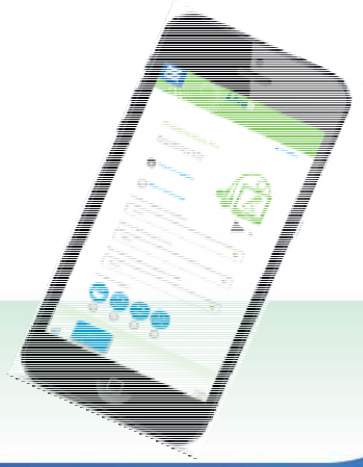
Sales of Bronchitol - Germany

Status/Progress in Q1 CY 14	Next

• Poor January -> decrease in unit sales over Dec 13 despite strong March
• Market research in largest centres confirms
  • High rates of patient trial
  • High rates of intermittent use and poor compliance.
  • Efficacy and ease of use main reasons for prescribing.
• Final analysis of Physio support program shows significant improvement in patient retention (~80%)
	• Focus on 40 larger clinics (>80% of patients) – develop business plans for each centre
	• Q2 CY14: national roll out of adherence programs – arrest the leakage
	  • Physio support program
	  • Bronchitol adherence champions
	  • Adherence program and smartphone App

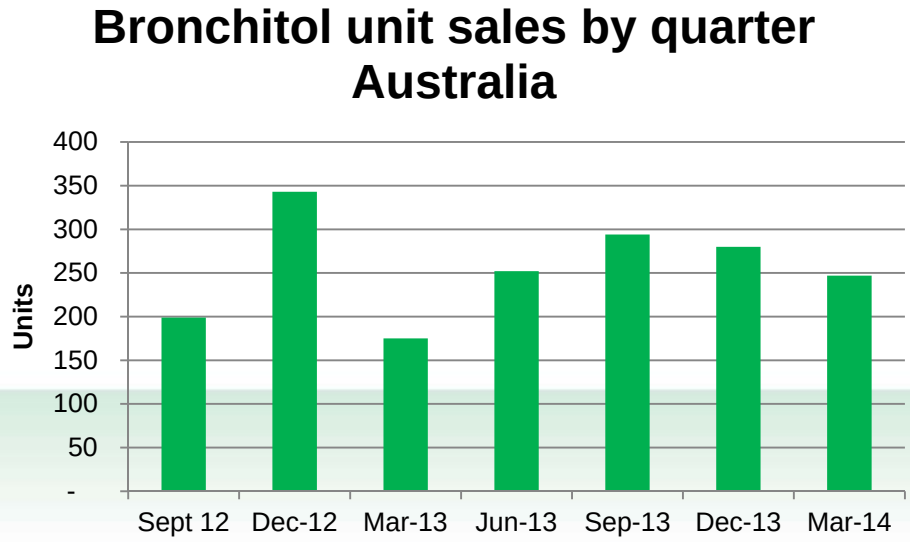
Bronchitol unit sales by quarter Germany





Sales of Bronchitol - Australia

Status/Progress in Q1 CY 14	Next
• Sales did not meet expectations – some seasonal impact • Sales growth of 41% versus March 2013 • Revised PBS rules introduced to all centres by 31 Jan 2014 • Regional adherence champion meetings held with key centre staff. • Introductory packs of Bronchitol ordered in Q1 indicate growth ahead	• Increase rates of trial of Bronchitol by patients • Support adherence



Sales of Bronchitol – rest of world

Status/Progress in Q1 CY 14	Next
• Ireland – lodged pricing submission for unrestricted listing • Netherlands – lodged pricing submission subsequent to waiver of requirement for full pricing submission • Denmark – lodged application to improve pricing status	• Netherlands – launch expected Q3 CY2014 • Ireland – launch expected Q4 CY2014 • Italian named patient program commence Q2 2014 – first step in formal pricing approval process

• Israel approval granted
• Distributors in place and local approval/pricing submissions in process for
  • Russia (Australian label for over 6 years)
  • Czech Republic & Slovakia
  • Turkey
	• Appoint distributor for Israel

Early stage pipeline

Objective	Status/Progress in Q1 CY 14	Next
1. Identify and secure external funding for early stage research program while retaining a strategic interest in the programs		

Pursue multiple strategies:
a. Pharma research collaborations
b. Grants
c. Spin out of R&D assets
	• Significant interest from medium and large Pharma companies in LOXL2 and SSAO
	• Received term sheets for LOXL2 which meet our objectives of both funding and retained strategic interest
	• Term sheet negotiations for LOXL2
	  • Upfront payment
	  • Funding of ongoing drug discovery
	  • Milestone payments for early and late stage development.
	  • Royalties
		• Conclude agreement with preferred partner for LOXL2.
		• Continue to explore research collaborations for SSAO

2. Select investment in pipeline to advance short term value and success of funding		

	• LOXL2 program significantly advanced:
	  • Selected pre-lead candidate
	  • Additional Proof of Concept underway
	• Minimal investment in other early stage programs
	• Encouraging results from SSAO preclinical work in additional indication
	• R&D tax credit significantly subsidises expenditure
		• Minimal investment pending completion of R&D collaboration

Secure financial footing

Objective	Achieved	Next
1. Reduce cost base by $11.8m p.a. (29% of cash costs) including total FTE reduction of 30%	• Annualised reduction in cash costs vs March 2013 - $9.3m. Increases to $12m once drug discovery costs are externally funded • Achieves planned savings of $12m • Staff numbers reduced by 36% at 31 March	• Leverage Pharma partnerships • Continued eligibility for R&D tax credit • Ongoing review of efficiencies
2. Non equity financing	• Additional US$20m financing from NovaQuest available from start of CF303 – 4 quarterly instalments[1]	• Successful partnering initiatives will improve financial position over next three years

1. Refer to ASX announcement dated 30 October 2013 for further important detail

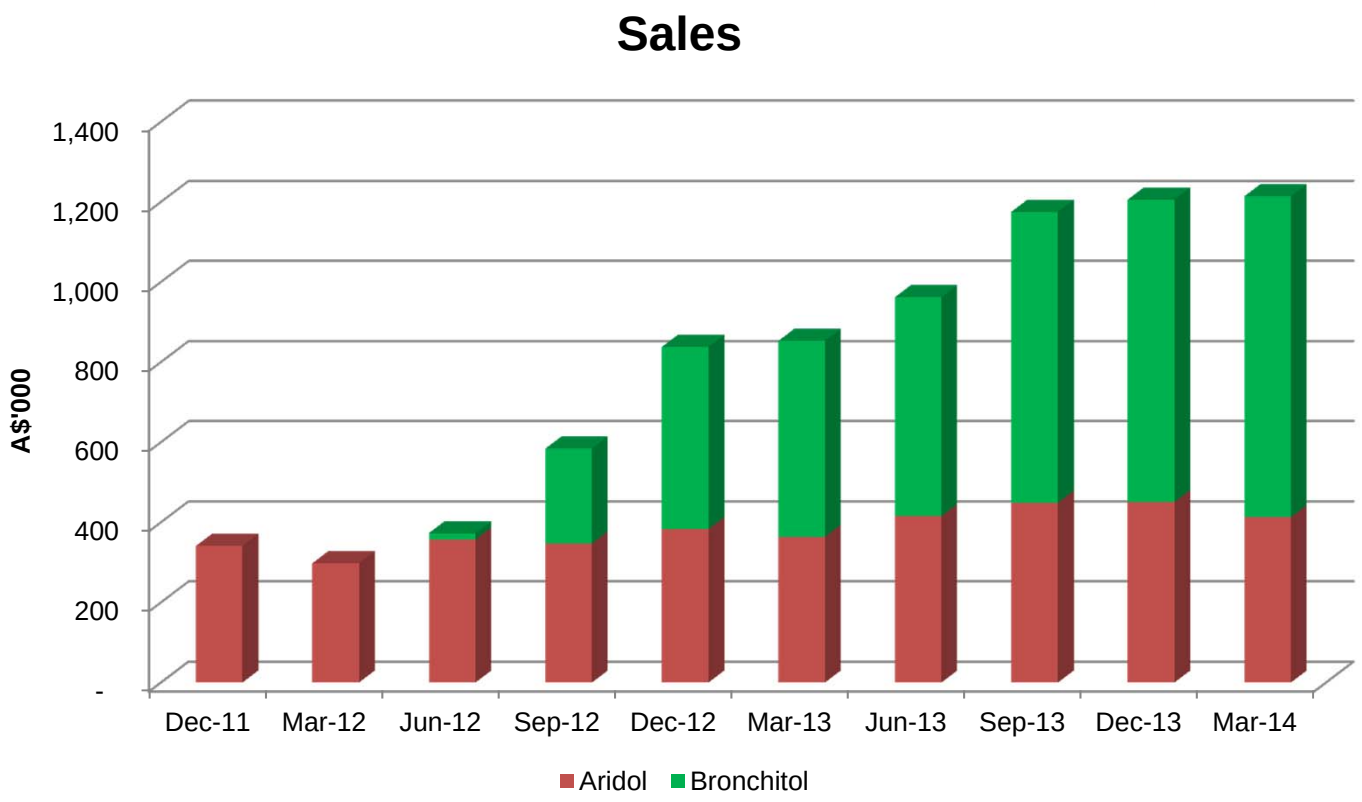
Financial Overview

Financial statements – unaudited

('000 except per share data)

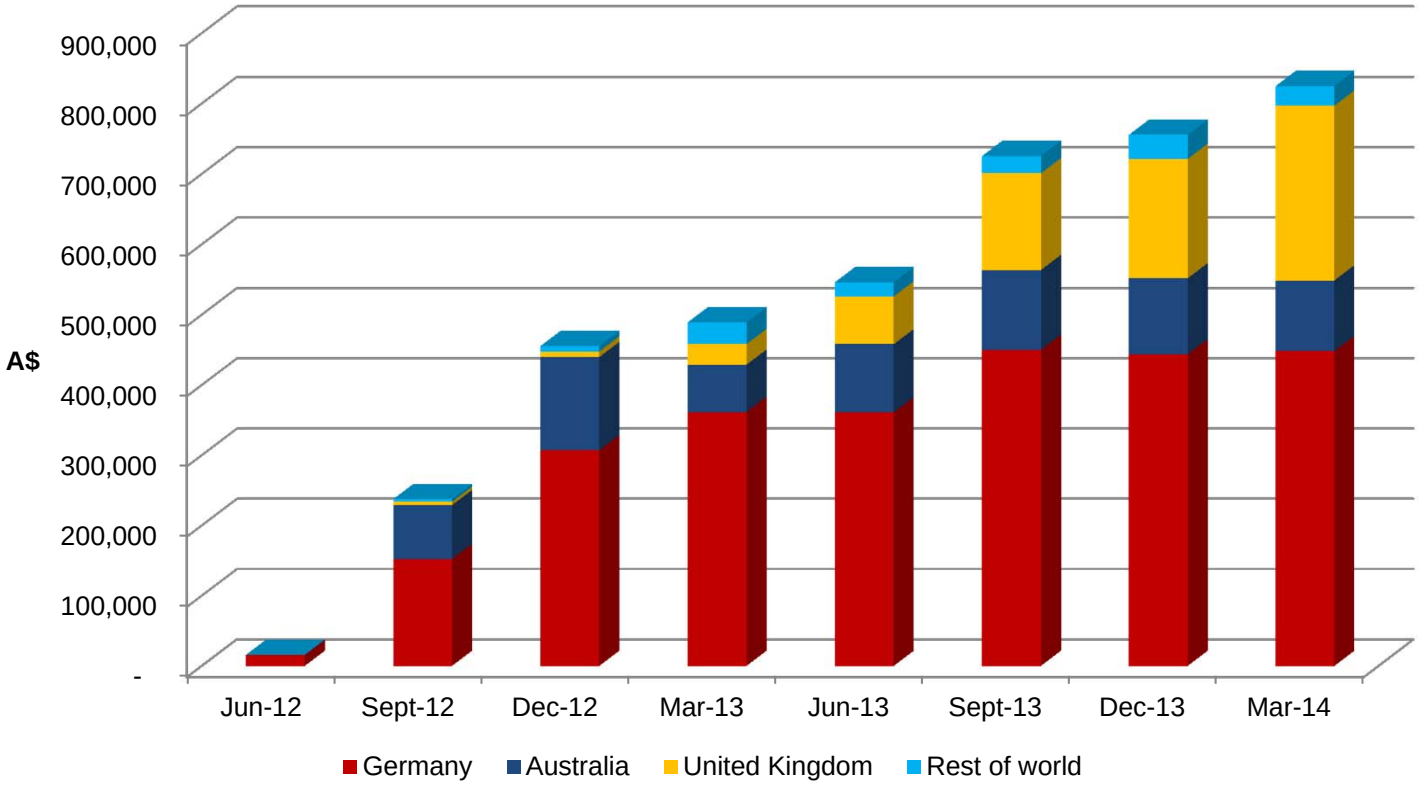
Income statement - unaudited	Three months ended		Year-to-date	
('000 except per share data)	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
	A$	A$	A$	A$
Revenue from sale of goods	1,214	853	3,596	2,275
Cost of sales	(520)	(306)	(1,396)	(815)
Gross profit	694	547	2,200	1,460
Interest income	385	675	1,395	1,987
Grant and other income	622	776	2,613	3,988
Expenses				
Sales & marketing	(1,907)	(3,467)	(7,103)	(10,100)
Regulatory, safety & medical affairs	(1,095)	(1,048)	(3,286)	(4,464)
Administration	(1,849)	(1,737)	(5,939)	(4,727)
Available manufacturing capacity	(1,244)		(3,645)	
Research & development - Bronchitol	(1,948)	(4,206)	(6,291)	(14,174)
Research & development - new drug development	(1,226)	(967)	(3,377)	(3,688)
Finance & royalties	(2,359)	(218)	(7,130)	(658)
Total expenses	(11,628)	(11,643)	(36,772)	(37,812)
Net loss before tax	(9,927)	(9,645)	(30,565)	(30,377)
Income tax expense	(48)	(22)	(109)	(64)
Net loss after tax	(9,975)	(9,667)	(30,673)	(30,442)
Basic and diluted earnings (loss) per share - $	(0.032)	(0.031)	(0.099)	(0.099)

Sales revenue by quarter



Sales increase over	Bronchitol	Aridol	Total
Mar-13	64%	13%	42%
Dec-13	6%	-8%	1%

Bronchitol sales by country



	A$			
Sales $ increase over	**Germany**	**Australia**	**UK**	**Total**
Mar-13	24%	49%	751%	69%
Dec-13	1%	-7%	46%	9%

Cash loss and expenses

(A$'000)

Normalised cash loss - unaudited	Three months ended		Year-to-date	
('000 except per share data)	31-Mar-14	31-Mar-13	31-Mar-14	31-Mar-13
Net loss after tax	(9,975)	(9,667)	(30,673)	(30,442)
Non cash expenses				
Depreciation	476	510	1,459	1,539
Amortisation	861	633	2,349	1,902
Share based compensation	426	456	1,455	1,332
NovaQuest finance charge[1]	2,145	-	6,435	-
	3,907	1,599	11,699	4,773
Restructuring charges	-	-	-	-
Net cash loss before restructuring expenses	(6,068)	(8,068)	(18,974)	(25,669)
Total cash expenses before restructuring expenses	7,721	10,043	25,073	33,040

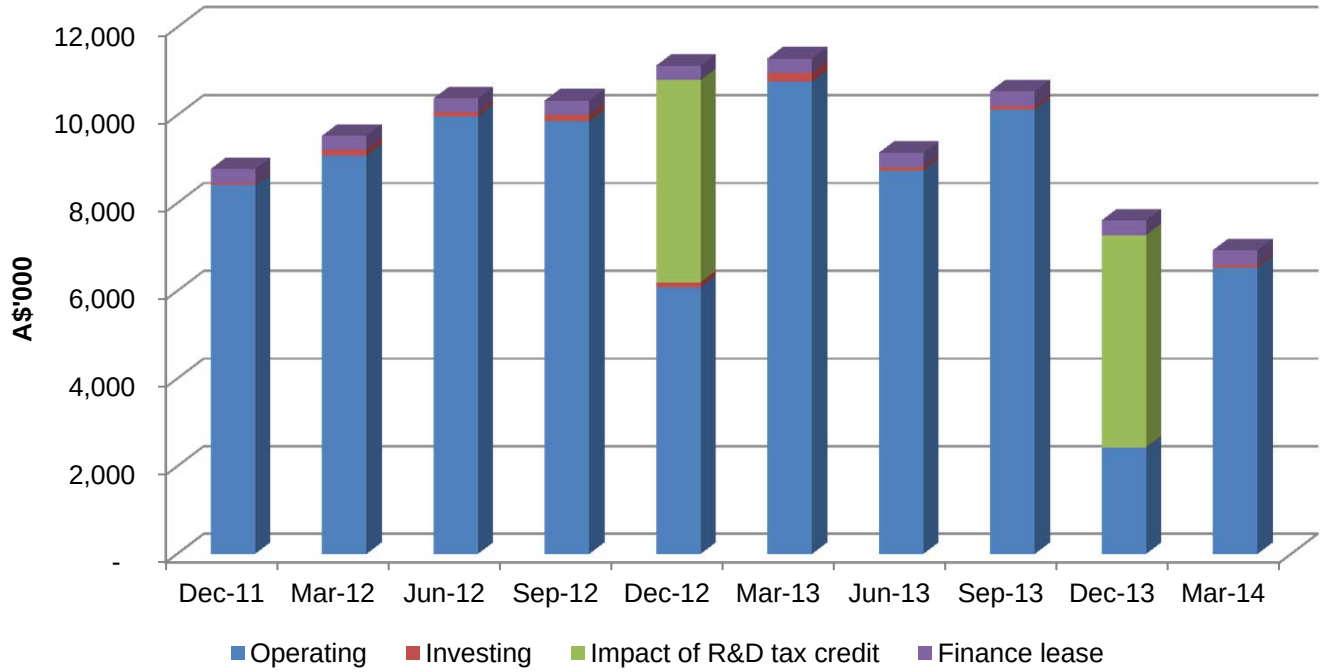
1. Payments to NovaQuest will be made quarterly from April 2014 based on EU sales of Bronchitol in the previous quarter

Expenses by quarter
(excluding restructuring costs)

	March			Annualised
	2014	2013	Change	
Sales & marketing	1,907	3,467	1,561	6,244
Regulatory, safety & medical affairs	1,095	1,048	(48)	(191)
Administration	1,849	1,737	(112)	(448)
Available manufacturing capacity	1,244	-	(1,244)	(4,975)
R&D - Bronchitol	1,948	4,206	2,257	9,030
R&D - new drug development	1,226	967	(259)	(1,038)
Finance & royalties	2,359	218	(2,141)	(8,564)
Non cash expenses	(3,907)	(1,599)	2,308	9,233
Total cash expenses	7,721	10,043	2,323	9,291
External funding of R&D (cash cost)			677	2,710
			3,000	12,001

- Sales & marketing – March 13 quarter includes France ($700K) and US ($400k) costs no longer required
- Administration – includes costs of ongoing BD initiatives and all employee equity plan costs (Q3: $426k) from FY14
- Available manufacturing capacity includes costs classified as R&D until June 2013.
- R&D – Bronchitol. Predominantly clinical costs in March 2014, including $600k in relation to CF303 – not included in cost reduction plan as subject to NovaQuest or partner funding.
- R&D – new drug development. Selective investment and increased patent amortisation. Net cash cost in 2014 of $400k
- Finance & royalties – includes non-cash accrual of current estimated future payments under the NQ financing agreement booked commencing June quarter 2013
- Non cash expenses include depreciation, amortisation, shared based compensation and NovaQuest finance charge

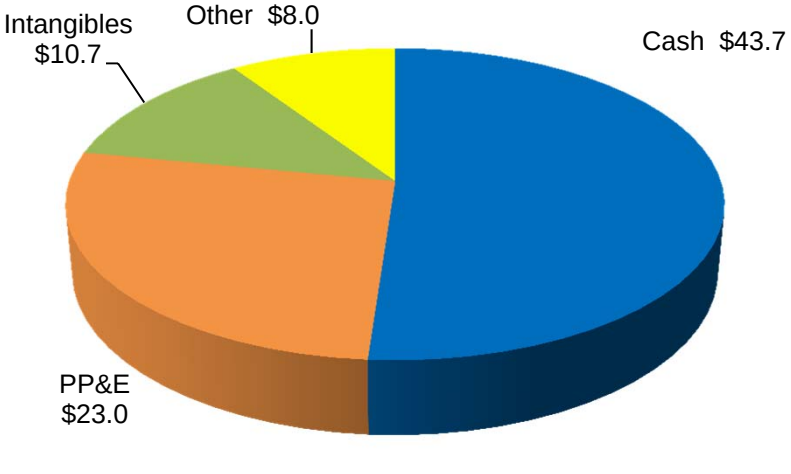
Operating & investing cash outflow by quarter



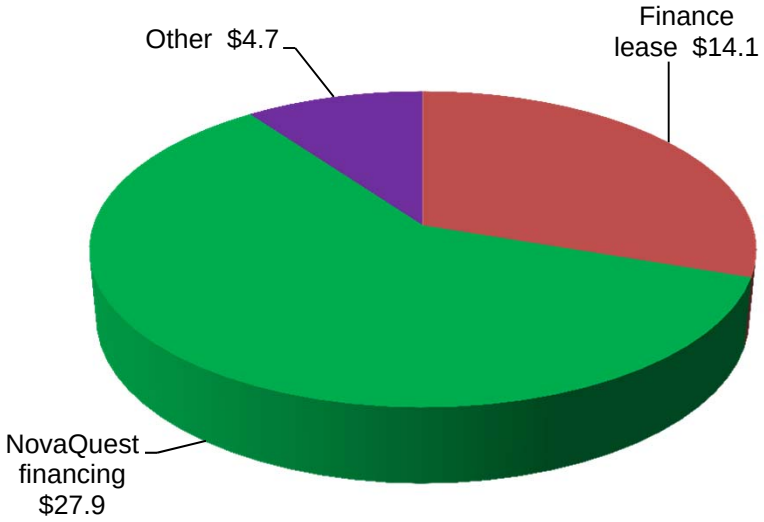
- Operating cash outflow for quarter of $6.5m
- Cash flow for quarter includes restructure & redundancy payments of $270k ($1.1m YTD)
- R&D tax credit of $0.6m for March quarter (YTD: $2.3m) receivable Q4 CY2014

Balance sheet – 31 March 2014
(A$ mil)

Assets ($85m)



Liabilities ($47m)



Additional US$20m available under NovaQuest agreement on commencement of US CF trial[1]

1. Refer to ASX announcement dated 30 October 2013 for further important detail

Objectives for upcoming quarter
(June 2014)

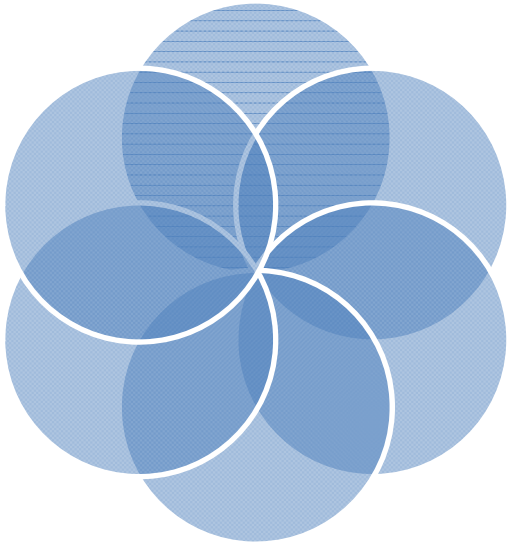
- Bronchitol sales
  - Continued growth in UK
  - Germany and Australia back on growth
- Preparation for first patient into CF303
- Definitive agreement with selected partner for Bronchitol in US
- Definitive agreement with selected partner for LOXL2 program
- Advancement of potential R&D collaborations for other pipeline assets: SSAO program, Orbital inhalation device, ASM8

Pharmaxis

A speciality Pharma Company with a global interest in CF and other specialist respiratory diseases

Direct commercial interest in EU and Australian CF markets

- Investment in known growth drivers
- Focus on efficiency



Strategic interest in an innovative pipeline of early stage compounds

- Immediate value
- Reward for short and long term milestones

Seeking to partner assets for CF and bronchiectasis in USA and other markets of interest

- Shared risk to enter largest market
- Long term revenue stream
- Global efficiencies to improve margins

END