



NOTICE OF THE 2016 ANNUAL GENERAL MEETING  
AND EXPLANATORY STATEMENT OF PHARMAXIS LTD

TO BE HELD AT THE CHRISTIE CONFERENCE CENTRE  
3 SPRING STREET, SYDNEY NSW 2000  
ON 29 NOVEMBER 2016 AT 2.30 PM (SYDNEY TIME)

TO BE VALID, PROXY FORMS FOR USE AT THE MEETING MUST BE COMPLETED AND  
LODGED NO LATER THAN 27 NOVEMBER 2016 AT 2.30 PM (SYDNEY TIME)

**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.

26 October 2016

Dear Shareholder,

The 2016 annual general meeting of shareholders of Pharmaxis Ltd (**Company**) will be held at the Christie Conference Centre, located at 3 Spring Street, Sydney NSW 2000, on 29 November 2016 at 2.30pm (Sydney time) (**Meeting**). The notice of meeting along with a proxy voting form is enclosed.

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 securities to our Chief Executive Officer. Details of the resolutions to be considered at the Meeting are contained in the explanatory statement which accompanies the notice of meeting.

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 in advance of the Meeting. Shareholders are also invited to join the board of directors 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 2016 annual general meeting of shareholders of Pharmaxis Ltd ABN 75 082 811 630 (**Company**) will be held at the Christie Conference Centre, located at 3 Spring Street, Sydney NSW 2000, on 29 November 2016 at 2.30pm (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 2016.

#### 2. Remuneration Report

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

*That the remuneration report of the Company for the year ended 30 June 2016 be adopted.*

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

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

*That Mr Malcolm McComas, who retires and offers himself for re-election as a director of the Company, 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 the ASX Listing Rules and for all other purposes, approval be given for the grant of 827,000 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 July 2016 and, upon exercise of those Performance Rights, the acquisition of 827,000 ordinary shares underlying those Performance Rights, in accordance with the explanatory statement accompanying this notice of meeting.*

## NOTES AND IMPORTANT INFORMATION

### VOTING RESTRICTIONS

*Item 2* – Pursuant to the *Corporations Act 2001* (Cth) (**Corporations Act**), a vote must not be cast (in any capacity) on item 2 by or on behalf of either of the following persons:

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

However, a person described in a) or b) may cast a vote on the resolution as a proxy if the vote is not cast on behalf of a person described a) or b) above and either:

- a) the person is appointed as a proxy by writing that specifies the way the proxy is to vote on the resolution; or
- b) the voter is the chair of the meeting and the appointment of the chair as proxy: (i) does not specify the way the proxy is to vote on the resolution; and (ii) expressly authorises the chair to exercise the proxy even if the resolution is connected directly or indirectly with the remuneration of a member of the key management personnel for the company or, if the company is part of a consolidated entity, for the entity.

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 or child of the member;
- a child of the member's spouse;
- a dependant of the member or of the member's spouse;
- anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealings with the entity;
- a company the member controls; or
- a person prescribed by the regulations for the purposes of this definition.

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

- a) by a director of the Company who is eligible to participate in the employee incentive scheme in respect of which approval is sought and if ASX has expressed an opinion under rule 10.14.3 that approval is required for participation in the employee incentive scheme by anyone else, that person; and
- b) an associate of that person (or those persons).

However the Company need not disregard a vote if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy directs.

### 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 as at 7:00 pm (Sydney time) on 27 November 2016.

### 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 2.30pm (Sydney time) on 27 November 2016. Custodians who are subscribers of Intermediary Online, please submit your votes electronically via [www.intermediaryonline.com](http://www.intermediaryonline.com).

Completed proxies can also be lodged with the Company's 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 **2.30pm (Sydney time) on 27 November 2016**.

## **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 2.30pm (Sydney time) on 27 November 2016 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 2016 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 item 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 to 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 those items 2 to 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**

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

Shareholders can appoint the Chairman of the meeting as their proxy to vote contrary to this stated intention or to abstain from voting on a resolution. Shareholders are encouraged to direct their proxies how to vote.

**By order of the Board**

A handwritten signature in black ink, appearing to be 'D. McGarvey', written over a horizontal line.

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

26 October 2016

## **EXPLANATORY STATEMENT**

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

In accordance with section 317 of the Corporations Act, the financial report, directors' report and the auditor's report of the Company for the financial year ended 30 June 2016 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 the Company's 2016 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 shareholders vote in respect of the adoption of the Company's Remuneration Report. Section 250R(3) of the Corporations Act provides that the vote on the resolution is advisory only and does not bind the Company's board of directors (**Board**) or the Company. The Board will continue to consider and take into account the outcome of the vote and feedback from shareholders on the Remuneration Report when reviewing the Company's remuneration policies.

The Corporations Act provides that if 25% or more of the votes are cast against the adoption of the Remuneration Report at two consecutive annual general meetings, a shareholder vote on whether to convene a special meeting at which all directors (other than our Chief Executive Officer), who were in office at the second annual general meeting, must stand for re-election.

The Chairman will allow a reasonable opportunity for shareholders as a whole to ask questions about, or make comments on, the Remuneration Report at the meeting before calling for a vote.

The Remuneration Report is set out in section 2 of the Company's 2016 statutory annual report.

The Board unanimously recommends that shareholders vote in favour of this item 2.

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

Malcolm J. McComas (age 61) has been a member of the Board of Directors since July 2003 and was appointed Chairman of the Board on 1 May 2012. In accordance with the requirements of the Company's constitution and the ASX Listing Rules, Mr McComas retires and offers himself for re-election at this 2016 annual general meeting.

Malcolm McComas is a company director and a former investment banker and commercial lawyer. Mr McComas is the principal of McComas Capital and was previously a consultant and a director of Grant Samuel, the investment banking and funds management group, from 1999 to 2009. Mr McComas previously served for 10 years as Managing Director of Investment Banking at County NatWest and its successor organization Salomon Smith Barney (now Citigroup) and in various executive roles with Morgan Grenfell (now Deutsche Bank) in Melbourne, Sydney and London.

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 has led more than 50 initial public offerings and significant secondary offerings for companies, institutions and governments. Mr McComas is a director of Saunders International Limited, Royalco Resources Limited, Australasian Leukaemia and Lymphoma Group, Chairman of Fitzroy River Corporation Limited and a former director of BC Iron Limited and Consolidated Minerals Limited.

Mr McComas has been chairman of the Remuneration and Nomination Committee since 1 May 2012, is a member of the Audit Committee and was chairman of the 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 McComas abstaining) unanimously recommends that shareholders vote in favour of this item 3.

#### **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 ASX Listing Rule 10.14.

Mr Gary Phillips has been the Company's Chief Executive Officer and managing director since March 2013 and prior to this appointment, Mr Phillips served as our Chief Operating Officer since November 2003. If approved by shareholders, 827,000 zero grant price and zero exercise price options (**Performance Rights**) would be granted to Mr Phillips 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 would be granted to Mr Phillips as soon as practicable after the meeting and in any event, no later than 12 months from the date of the meeting.

The Performance Rights have a life of 10 years and will vest in two equal tranches (413,500) on each of 30 June 2018 and 30 June 2019, subject to Mr Phillips' continued employment with the Company.

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. Additionally, the 413,500 Performance Rights which are capable of vesting on 30 June 2018 are not able to be traded until 30 June 2019, and then only after 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 2016 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.

As approval of shareholders is being sought pursuant to ASX Listing Rule 10.14, ASX Listing Rule 7.2 Exception 14 provides that the Company is not required to seek approval under ASX Listing Rule 7.1.

The Board (with Mr Phillips abstaining) recommends that shareholders vote in favour of this item 4.

*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. Mr Phillips is the only executive director and the only director entitled to participate in our employee option plan as the Board has resolved that no other directors are entitled to participate. On 20 November 2015, following receipt of necessary shareholder approval at the 2015 annual general meeting, the Company granted 1,626,000 zero grant price and zero exercise price employee options to Mr Gary Phillips. No other equity securities have been issued by the Company to any other director under our employee option plan or any other employee incentive scheme since this last approval.



## Lodge your vote:

 **Online:**  
[www.investorvote.com.au](http://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](http://www.intermediaryonline.com)

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

PXS

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

## Proxy Form

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### Vote and view the annual report online

- Go to [www.investorvote.com.au](http://www.investorvote.com.au) or scan the QR Code with your mobile device.
- Follow the instructions on the secure website to vote.

### Your access information that you will need to vote:

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 2.30pm (Sydney time) on Sunday, 27 November 2016**

### 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 or abstain as they choose (to the extent permitted by law). 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](http://www.investorcentre.com) under the help tab, "Printable 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

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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 the Christie Conference Centre, 3 Spring Street, Sydney NSW 2000 on Tuesday, 29 November 2016 at 2.30pm (Sydney time) and at any adjournment or postponement of that Meeting.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** 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 to exercise my/our proxy on Item 2 (except where I/we have indicated a different voting intention below) even though Item 2 is 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 Item 2 by marking the appropriate box in step 2 below.

### 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

4 Grant of Performance Rights to Mr Gary Phillips	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

### 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