Therapeutic products for respiratory and autoimmune diseases

pharmaxis

August 2007

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, results of our clinical trials, status of our regulatory 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.

Factors that could cause or contribute to such differences include, but are not limited to, factors discussed in the "Risk Factors and Other Uncertainties" section of our Form 20-F filed with the US Securities and Exchange Commission

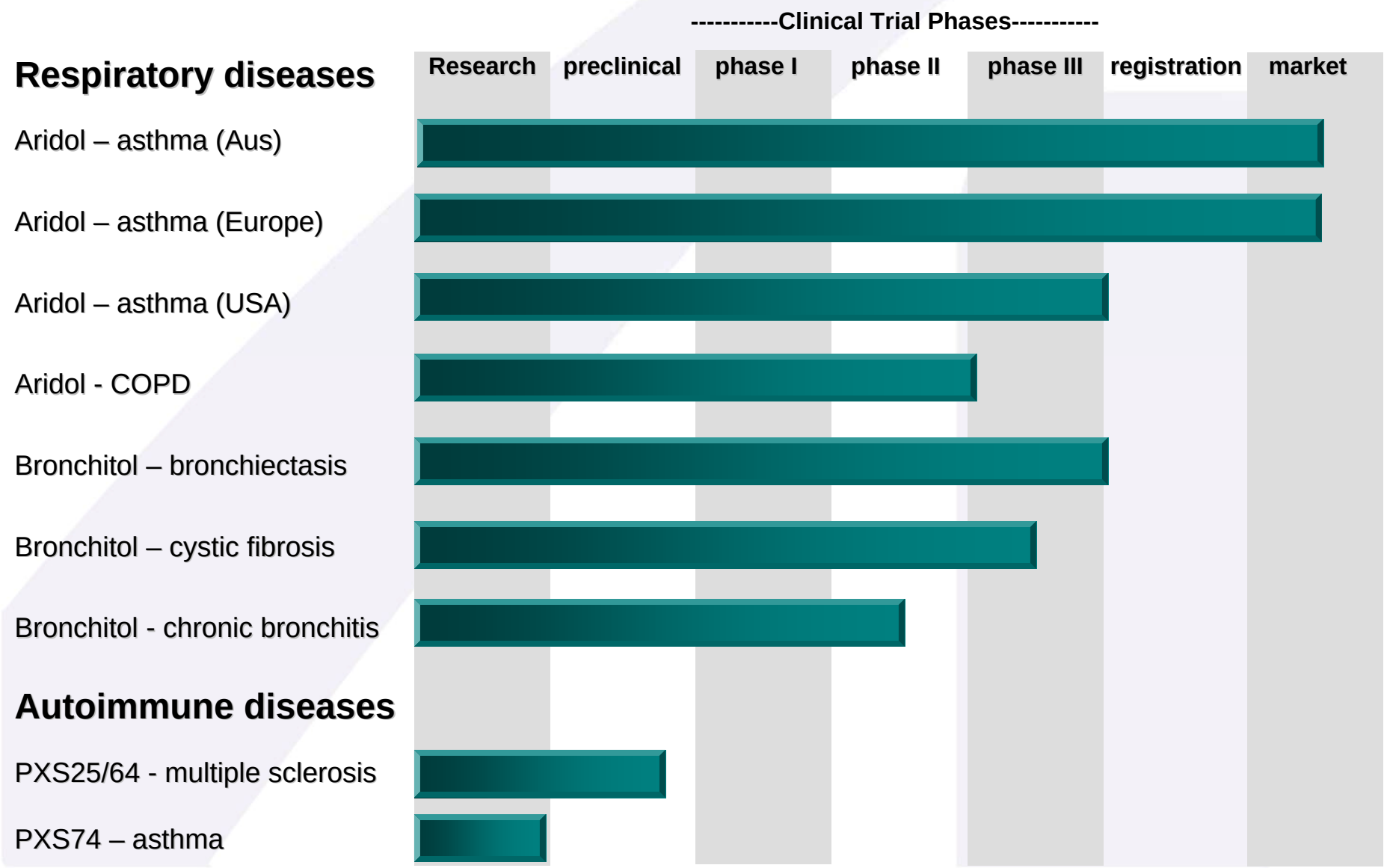
We are not under any duty to update forward-looking statements unless required by law.

This investor presentation is not an offer of the sale of securities.

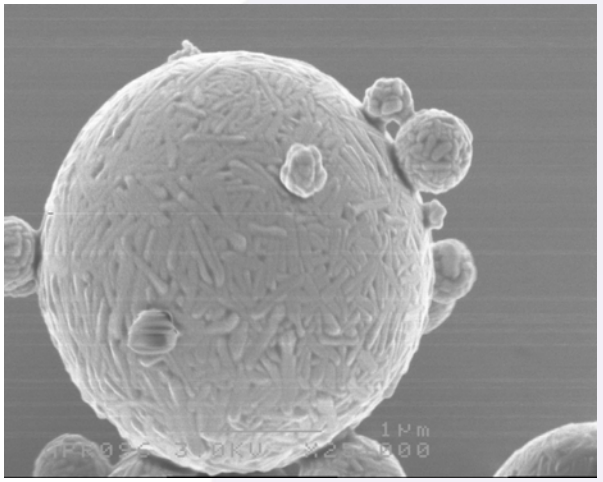
Summary……

Objective	The development of products for respiratory and autoimmune diseases
Lead products	Aridol: management of asthma and COPD Bronchitol: therapeutic for cystic fibrosis and COPD
Discovery	PXS64 - multiple sclerosis
Listings	ASX (Nov 2003): PXS; NASDAQ (Aug 2005): PXSL
Location	Sydney, NSW, Australia
Facility	GMP Manufacture of lead products
Employees (30/6/07)	70
Cash (30/6/07)	A$76 million (US$65 million)
Shares outstanding Options outstanding	178m (11.9m ADR's) 9.8m
Key patents	Aridol & Bronchitol granted in USA, Australia, Asia; pending in EU, Canada and Japan
Analyst coverage	Wilson HTM INVESTMENT GROUP; J | M | P SECURITIES; Bell Potte SECURITIES LIMITED; CREDIT SUISSE; ABN·AMRO Morgans your wealth of experience

Development Pipeline



Bronchitol

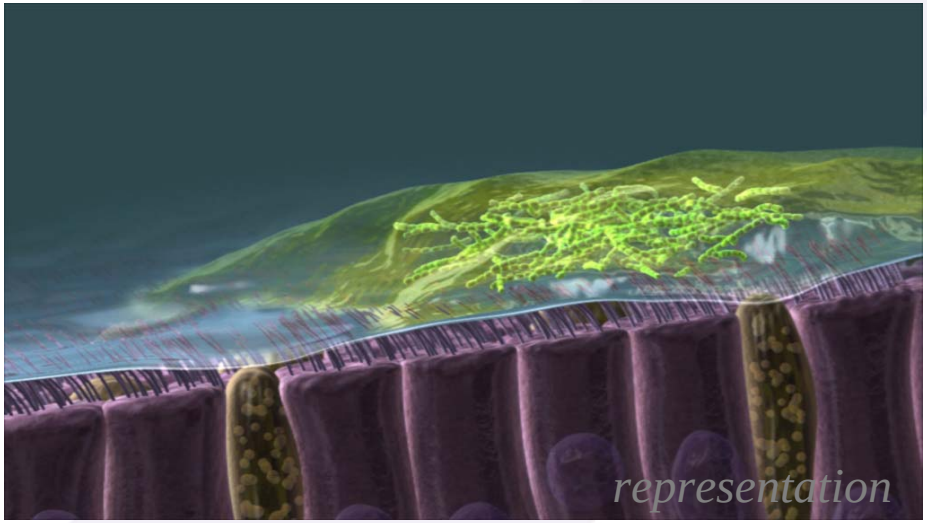


Mucus clearance:

Cystic fibrosis
Chronic Obstructive Pulmonary Disease
Bronchiectasis

Osmotic clearance of abnormal mucus……

Before treatment

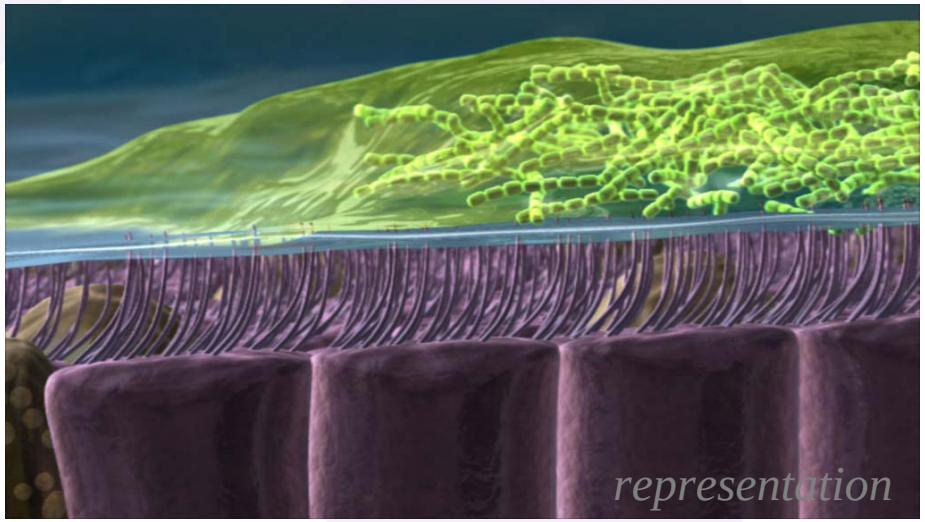


Lung surface dehydrated

Airway surface fluid layer impaired

Lung defense and hygiene compromised

After Bronchitol administration

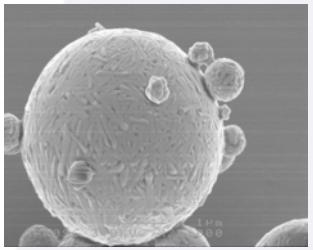


Lung hydrated

Airway surface liquid restored

Normal lung clearance

Bronchitol - bronchiectasis

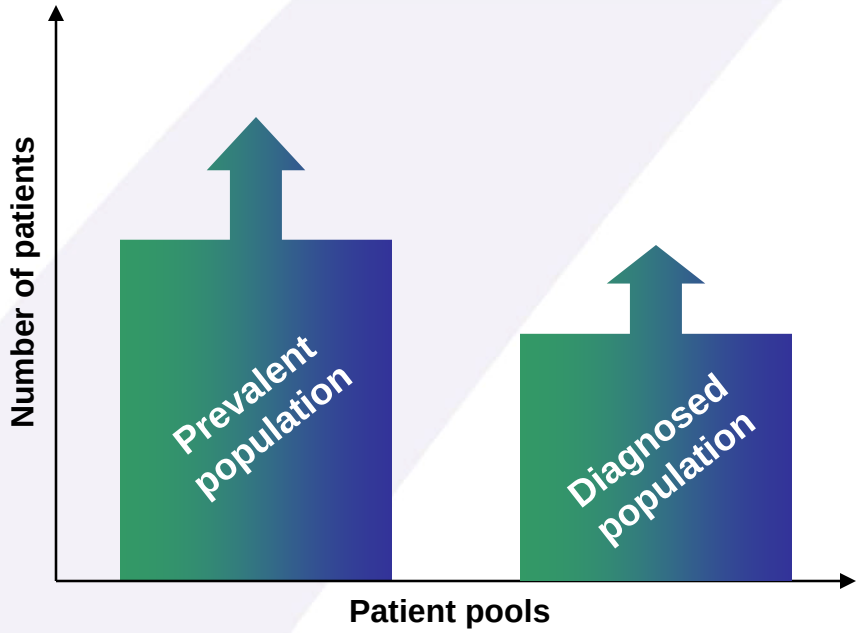


- Abnormal, irreversible dilation of the lower airways
- Daily mucus production, constant coughing, breathlessness, recurrent acute bronchitis with infective exacerbations : low quality of life
- In 30-50% of cases, the cause is unknown
- Normal lung clearance impaired
- Current treatments: bronchodilators, antibiotics
- *No* drugs proven effective to clear mucus

1: Clin Pulm Med 2005;12:205

Bronchiectasis – future prevalence

The diagnosed and treated patient population will continue to grow in the future, due to the growing use of CT scans for diagnosis and the increasing prevalence of some underlying causes of bronchiectasis



Causes of Bronchiectasis

- Respiratory infections
  - TB, flu, pseudomonas, measles, whooping cough
- Bronchial obstruction
  - Lung tumour, mucus plug
- Inhalation injuries
  - Noxious fumes, stomach acid
- Hereditary conditions
  - CF, ciliary dyskinesia
- Immunological abnormalities
  - Autoimmune diseases, white cell dysfunction.
- HIV

Number of patients seeking treatment

	EU	Australia	USA	Asia	Total
% of pt pool seen by respiratory specialists	Average 14%	9%	N/A	Average 5%	
Trend	Stable or increasing	Stable	Increasing	Stable or decreasing	
Mod/Severe	55%	70%	55%	75%	
Patients seeking treatment	210,000	18,000	110,000	250,000 ++	600,000+

Prevalence: Much higher. Bronchiectasis is often missed but has been measured as >10% of COPD patients in a US patient cohort ~ 800k

Note: US Data comes from Datamonitor research, other data from Frost & Sullivan research

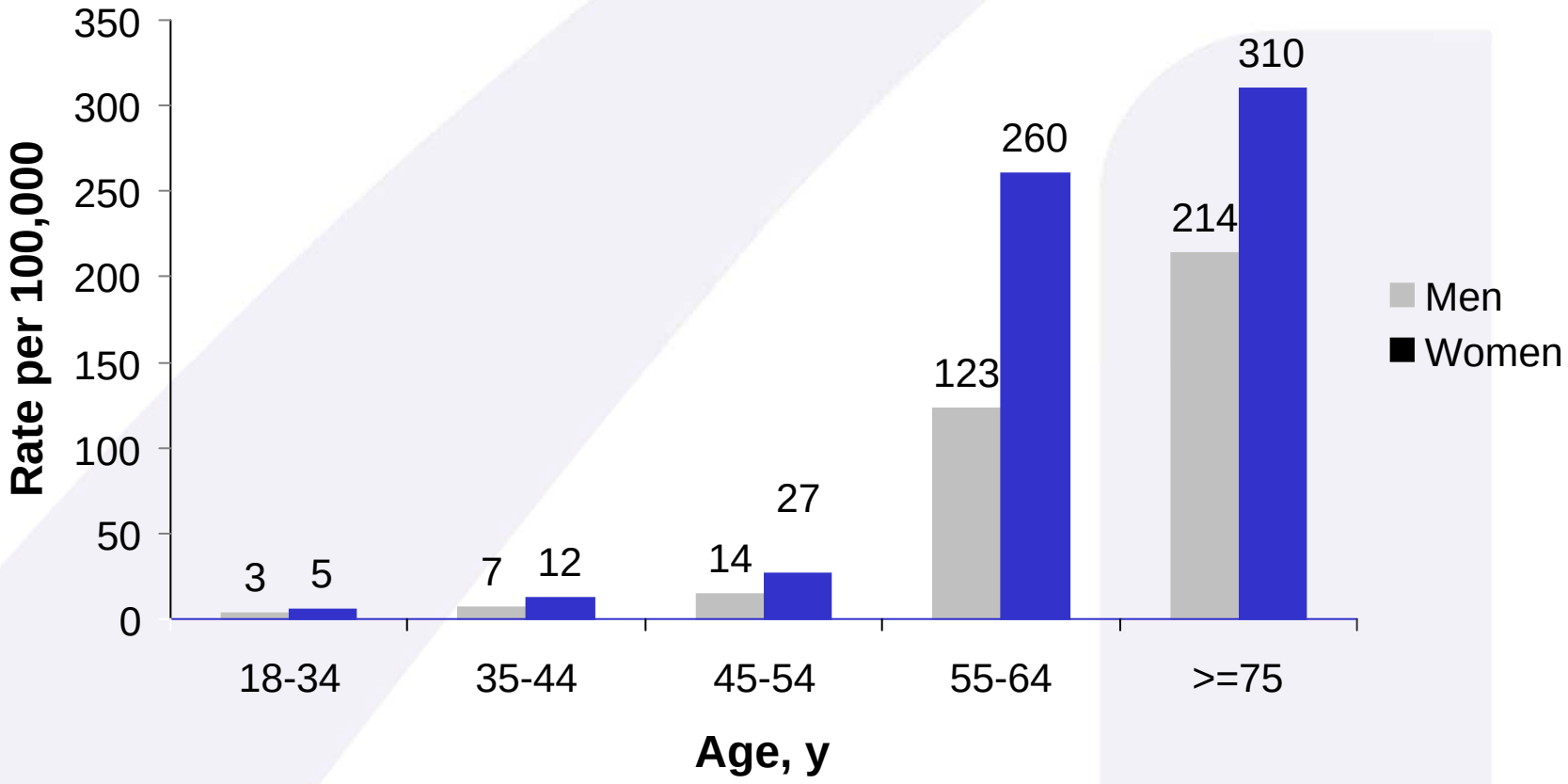
Satisfaction with current bronchiectasis treatments

Reasons for Dissatisfaction

- It is a poor cousin of Cystic Fibrosis (CF).
- No treatment to mitigate key quality of life issues.
  - No energy.
  - Coughing and sputum production.
- Antibiotics do not work.
- Needs more efficient expectorants/ mucolytics

Note: US Data comes from Datamonitor research, other data from Frost & Sullivan research

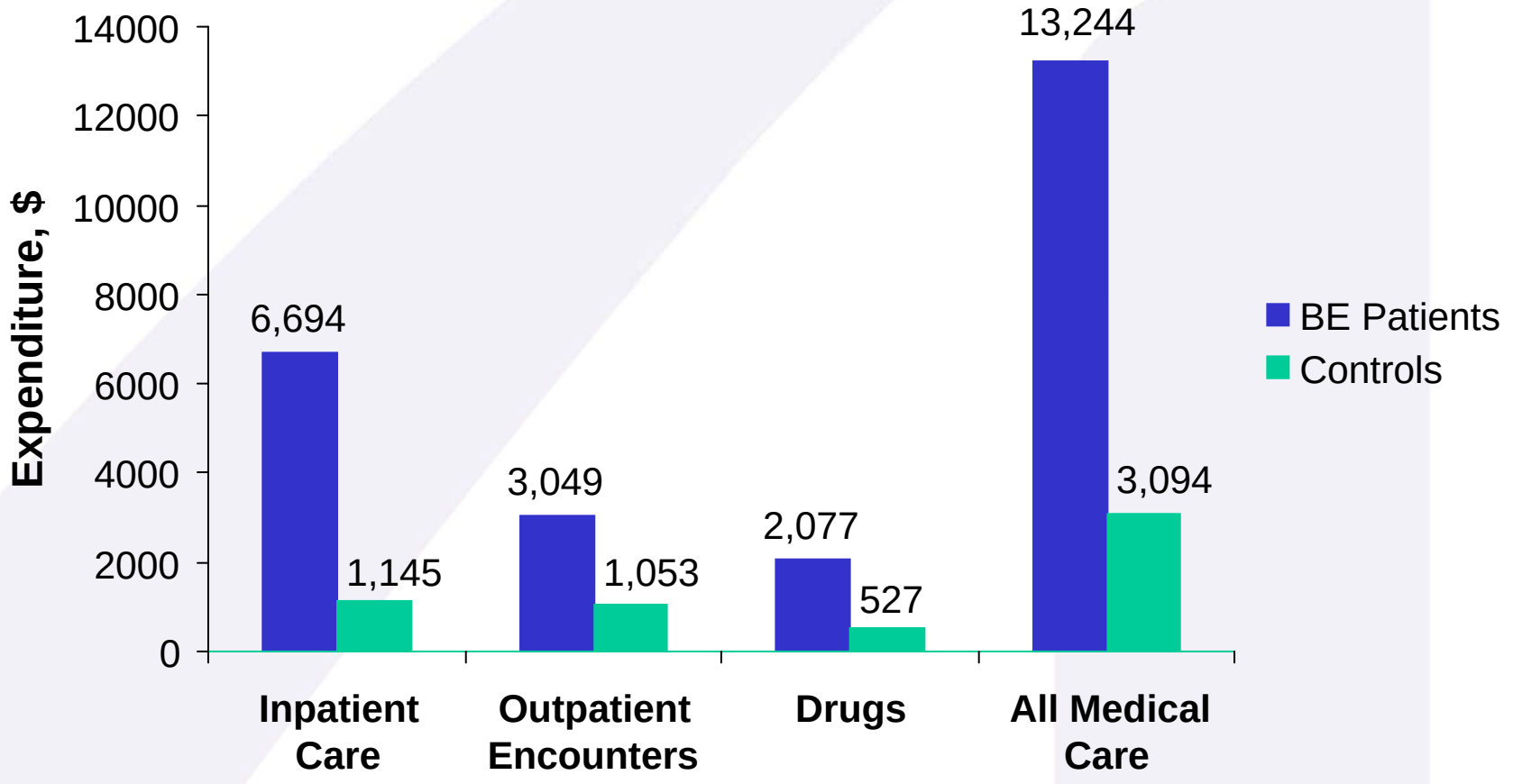
US bronchiectasis prevalence



Estimated US prevalence: 52 cases per 100,000

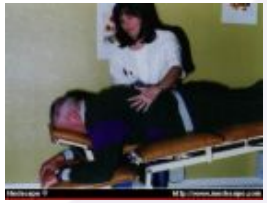
Weycker D, et al. *AJRCCM* 2004;169: A330.

Expenditure for Bronchiectasis (per year)



Source: Weycker et al. *AJRCCM* 2004;169: A330.

Bronchitol - bronchiectasis



- Phase II clinical trial
  - 60 patient, double-blind, crossover, placebo-controlled
  - 400mg twice a day for 14 days
  - Primary end point – quality of life

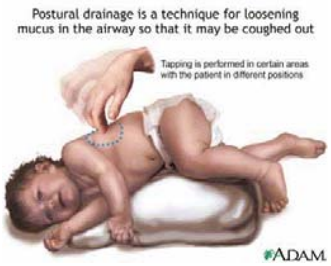
- Improvement in quality of life ($p<0.05$)
- Improvement in sleep ($p<0.02$)
- Improvement in chest congestion ($p<0.05$)
- Improvement in small airway function ($p<0.05$)

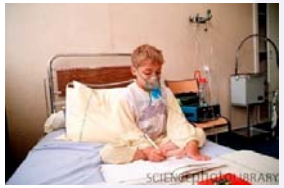
Bronchitol - bronchiectasis

- Phase III trial (Europe)
  - 363 patient, placebo controlled, double blind, randomised 12 week treatment. 12 month Open Label Extension
- Primary endpoints
  - quality of life
  - mucus clearance
- Status
  - All patients completed
  - Data due Q3 2007
- Additional endpoints
  - Micro, CT, exercise, lung function

- Phase III trial (for U.S.)
  - to commence 2007
  - Orphan drug designation

Bronchitol – cystic fibrosis





- Background
  - Genetic disorder affecting 75,000 worldwide (30,000 in U.S.)
  - Poorly hydrated, tenacious, thick mucus
  - Current life expectancy is 31 years
- Current treatments: rhDNase and tobramycin
  - Delivered by nebulizer (preparation, sterilization)
  - rhDNase (pulmozyme): US$265mm @ ~30% penetration
  - Tobramycin: US$233mm

Phase II cystic fibrosis trial…..

- Crossover, 8 site study in 39 CF patients
- Randomised two week treatment periods
- Double-blind, placebo controlled
- Primary Endpoint:
  - Change in FEV_1
- Secondary Endpoints:
  - Effect on other lung function measures
  - Effect on symptoms/signs
  - Effect on Quality of Life
  - Safety (including microbiology)

CF Phase II trial results – lung function…..

	Bronchitol	Control	p value
Change in FEV_1	7 ± 2%	0 ± 2%	0.008
Change in FEF_{25-75}	15.5 ± 5%	0.6 ± 5%	< 0.01

Includes patients being treated with rhDNAse

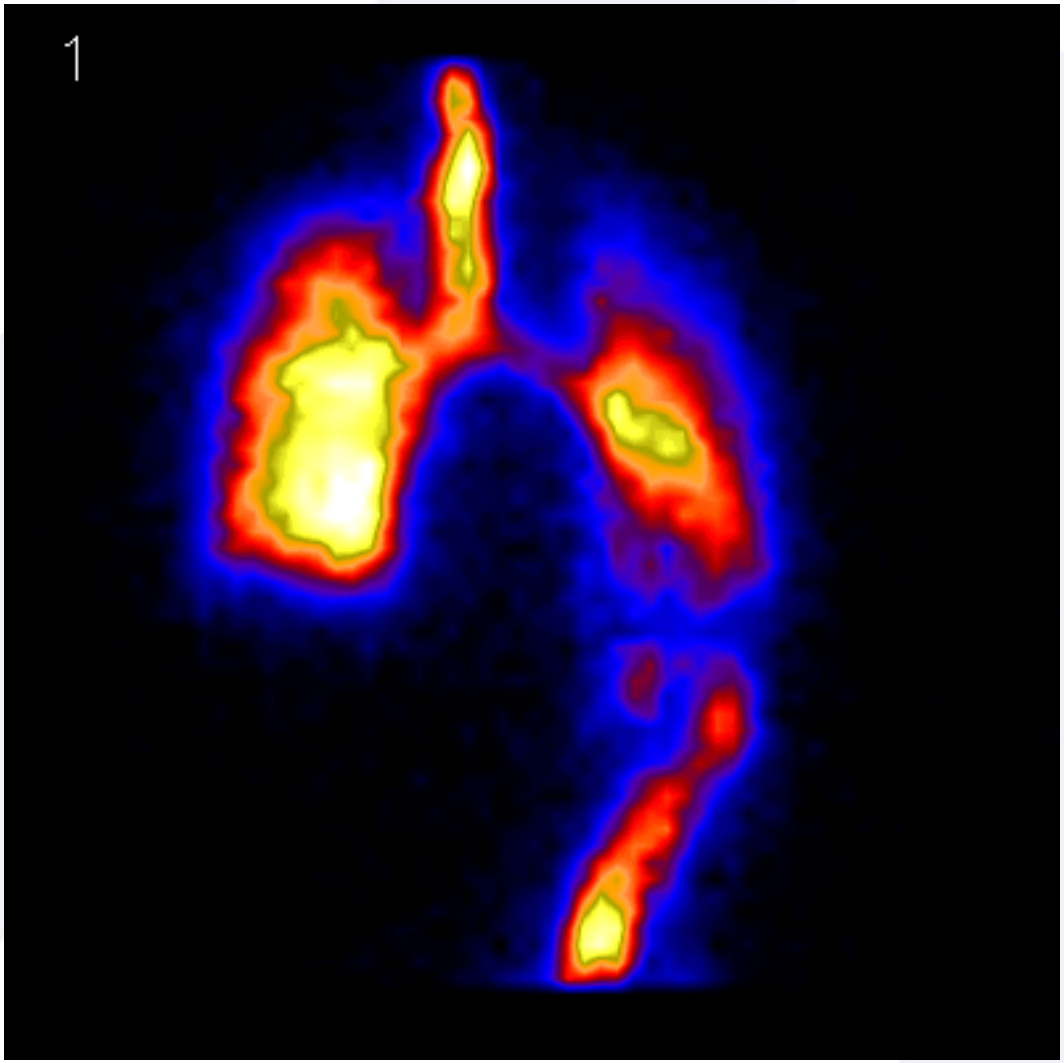
FEF_{25-75} is a measure of small airway function

Bronchitol – cystic fibrosis registration.....

- Phase III trial (EU):
  - Now enrolling - 250 subject target
  - Primary endpoint: - lung function (FEV1)
  - Placebo-controlled, 6 month dosing, 400mg bd
  - Scheduled completion 2H 2008
- Phase III trial (US) to commence 2H 2007
  - Similar size, design to EU trial
  - Scheduled completion 1H 2009
- Orphan drug designation – EU and U.S.
- Fast track designation – U.S.

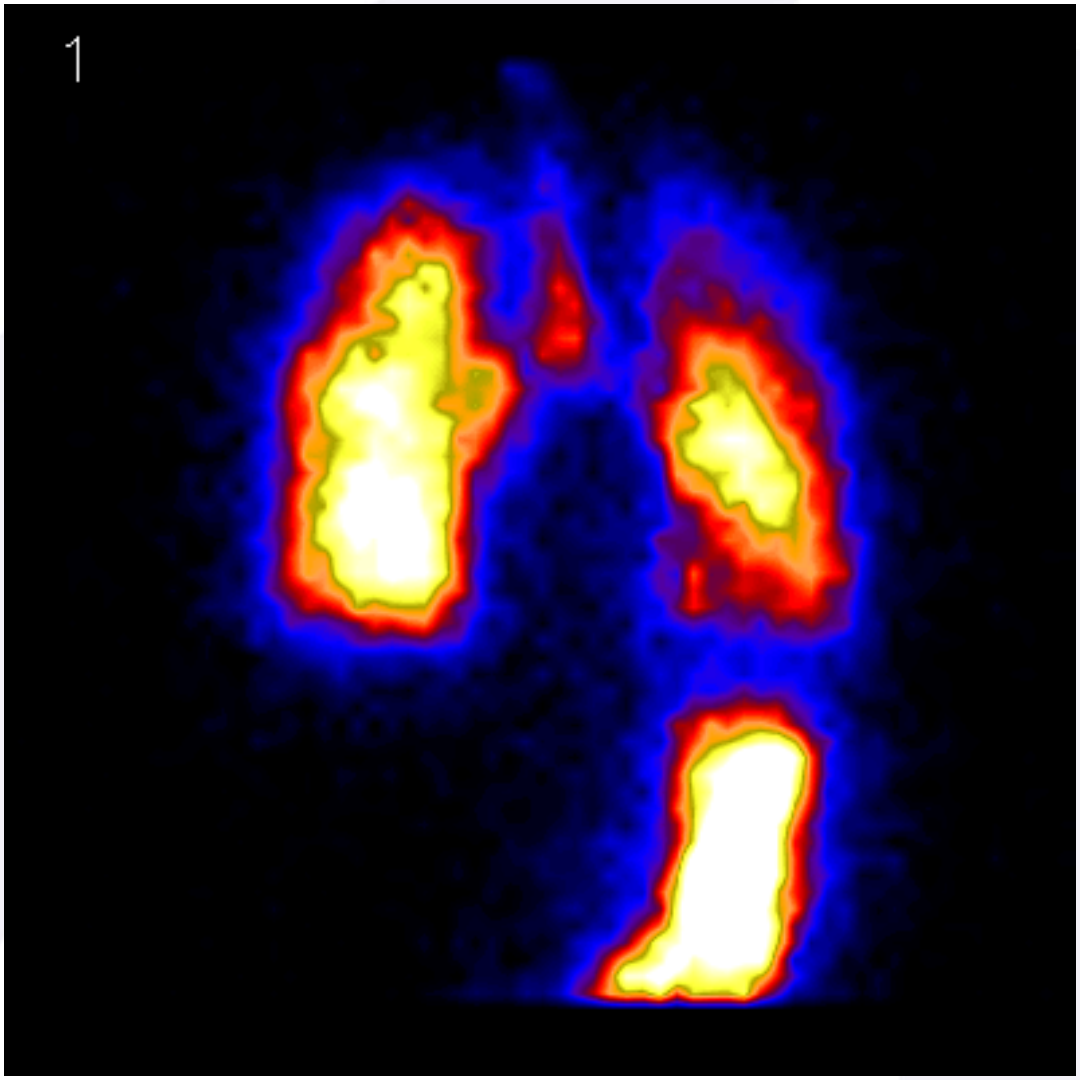
Bronchitol in the clinic……

Chronic bronchitis – without Bronchitol



Bronchitol in the clinic.....

Chronic bronchitis – with 400 mg Bronchitol



Bronchitol – clearance of lung secretions

- Proof of concept demonstrated with ICU patients
  - Currently supplied on individual compassionate use basis
- Clinical conditions include:
  - asthma, COPD, cystic fibrosis, secondary respiratory disease, neurogenic disorder
  - 30 million COPD exacerbations per year in the U.S.[1]
  - 1 million U.S. emergency room visits per year
- Complete acute care pilot trial (COPD) 2H 2007

1: ATS San Diego 2006

Aridol™

A rapid and simple test for airways inflammation that facilitates diagnosis and management of asthma.

aridol™

Clinical applications for Aridol

An easy to use, 'point of care' test with a high degree of sensitivity (85%) and specificity (95%) for airway inflammation

1. **Asthma diagnosis and assessment of disease severity[1]**

2. **Monitor patient's disease / managing effectiveness of treatment[2]**

3. **Identification of COPD patients who will respond to steroids[3]**

NOTES: *1 = Evidence available from phase III study*

2 = Proof of concept only; definitive studies ongoing

3 = Evidence available from phase II study

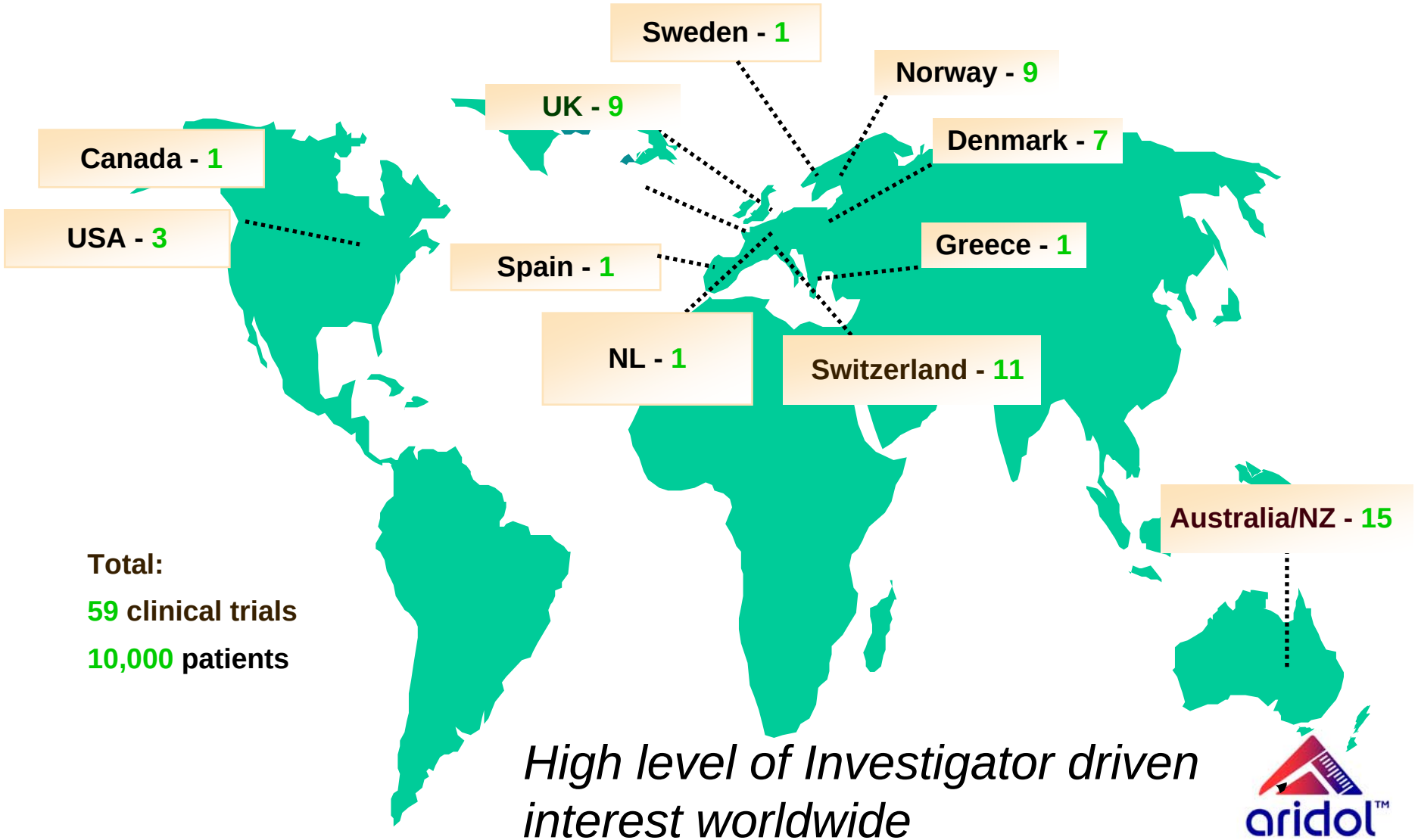
aridol™

International Regulatory Status

- **Australia**
  - Launched — June 2006
- **Europe**
  - Approved for marketing (Sweden) — October 2006
    - Launched — January 2007
  - Approved European Union (MRP) — May 2007
  - Submitted – Switzerland
  - Regional marketing partners appointed
- **South East Asia**
  - Submitted - Korea
- **USA**
  - Phase III completed

aridol™

Worldwide development of Aridol……



Total:

59 clinical trials

10,000 patients

High level of Investigator driven interest worldwide

aridol™

Near term catalysts ahead…..

Milestone	3Q-07	4Q-07	1Q-08	2Q-08
Bronchitol - bronchiectasis				
Phase III data (360 subjects)				
Commence 2nd Phase III (US)				
File 1st marketing application				
Bronchitol – cystic fibrosis				
PII dosing trial data (Can/Arg)				
Close EU P III trial recruitment				
Commence US Phase III trial				
Aridol				
File NDA (US)				
PXS25/64				
Complete preclinical studies				

Financial Statements – US GAAP

	As at Jun-30		
	2005	2006	2007
Balance Sheets	A$'000	A$'000	A$'000
Cash and cash equivalents	33,268	97,840	76,182
Plant & equipment	2,376	3,289	3,752
Total Assets	37,836	104,213	82,642
Total liabilities	2,369	5,325	6,083
Total shareholders' equity	35,467	98,888	76,559
Share Data	'000	'000	'000
Ordinary shares on issue	134,770	176,904	177,949
Options on issue	10,914	9,692	9,836

Financial Statements – US GAAP

Income Statements	Year ended Jun-30		
	2005	2006	2007
	A$'000	A$'000	A$'000
Revenue from sale of goods	-	8	205
Cost of sales	-	2	(49)
Gross profit	-	6	156
Expenses			
Research & development	7,885	14,982	21,177
Administration	3,105	4,005	3,973
Commercial	807	1,764	2,814
Amortization - intangibles	90	136	95
Stock options	260	1,123	1,488
	12,147	22,010	29,547
Loss from operations	(12,147)	(22,005)	(29,391)
Interest & other income	1,702	4,282	5,278
Foreign exchange gains (losses)	-	(5)	(47)
Loss before income tax	(10,445)	(17,728)	(24,160)
Income tax expense	-	(5)	(19)
Loss for the year	(10,445)	(17,733)	(24,179)

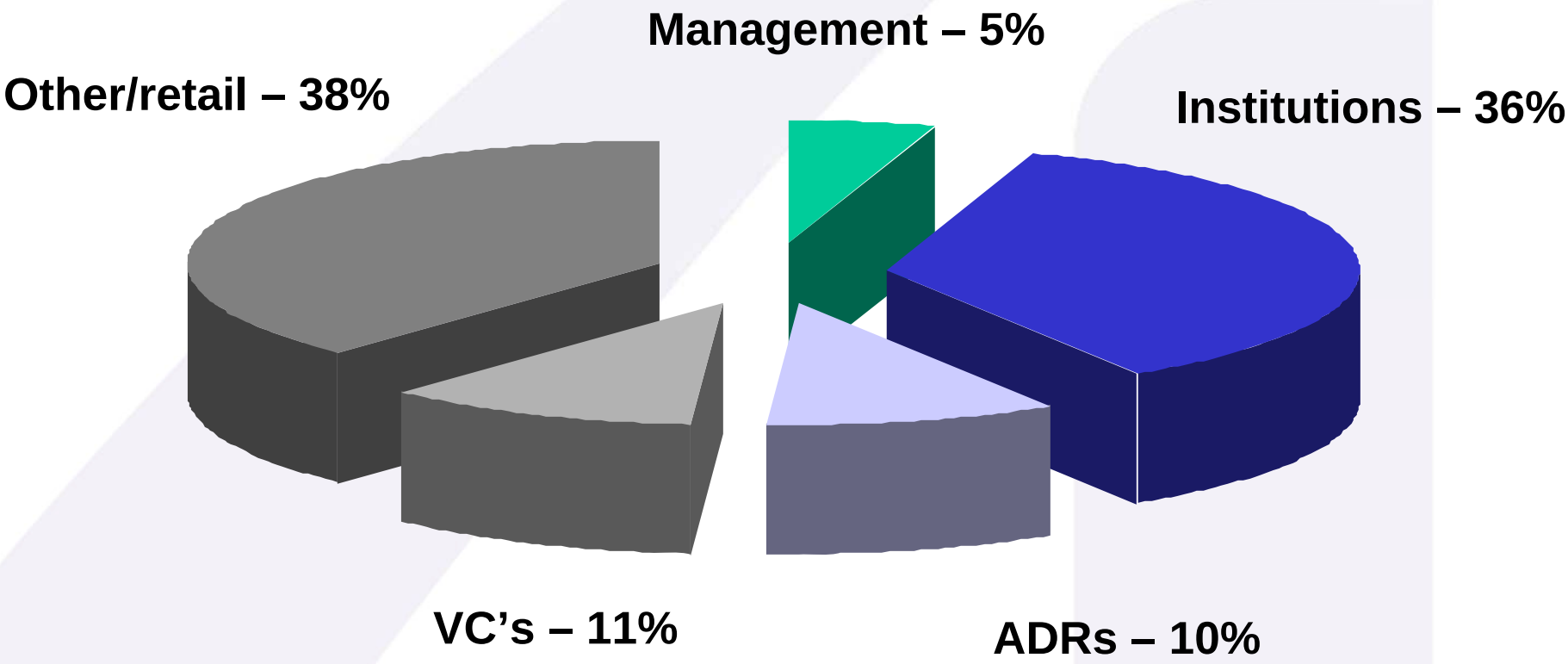
Financial Statements – Australian GAAP

Income Statements	Year ended 30 June 2005 A$'000	2006 A$'000	2007 A$'000
Revenue from sale of goods	-	8	205
Cost of sales	-	(2)	(49)
Gross profit	-	6	156
Other income			
Interest	1,702	4,282	5,278
Grant income	1,219	1,299	2,152
Other	-	-	-
Expenses			
Research & development	(9,269)	(16,978)	(23,840)
Commercial	(3,134)	(4,386)	(3,240)
Administration	(963)	(1,951)	(4,619)
Foreign exchange (gains)losses	-	-	(47)
Total expenses	(13,366)	(23,315)	(31,746)
Net loss before tax	(10,445)	(17,728)	(24,160)
Income tax expense	-	(5)	(19)
Net loss after tax	(10,445)	(17,733)	(24,179)
Basic and diluted earnings (loss) per share - $	(0.084)	(0.111)	(0.136)
Depreciation & amortisation	646	947	939
Fair value of employe options issued	260	1,488	1,488

Financial Statements – Australian GAAP

	As at		
	30-Jun-05	30-Jun-06	30-Jun-07
Balance Sheets	A$'000	A$'000	A$'000
Cash and cash equivalents	33,390	97,840	76,182
Plant & equipment	2,477	3,205	3,521
Intangible assets	37,937	1,195	1,239
Total assets	2,470	104,267	82,648
Total liabilities	35,467	-5,379	(6,089)
Total shareholders' equity	35,467	98,888	76,559
Share Data	'000	'000	'000
Ordinary shares on issue	134,770	176,904	177,949
Options on issue	10,914	9,692	9,836

Share Capital
(including options)



30 June 2007: 178m shares; 9.8m options
(proforma for sale by a VC of 7.5 million shares in July 2007)