ASX Release

8 July 2014

COMMUNICATION FROM FINANCIER NOVAQUEST

Pharmaxis advises that on July 4, 2014 it received a notice from NovaQuest Capital Management, an affiliate of NovaQuest Pharma Opportunities Fund III, L.P. ("NovaQuest"), alleging Pharmaxis has breached the Financing Agreement, dated January 30, 2013, between the Company and NovaQuest and that an event of default will occur on August 3, 2014.

The Company strongly rejects the allegation it is in breach, will contest the allegation and take all appropriate steps to ensure that NovaQuest complies fully with its obligations under the Financing Agreement.

NovaQuest alleges that Pharmaxis has not worked in a commercially reasonable manner to obtain reimbursement status for Bronchitol from key European governmental and non-governmental payers. The notice does not provide any detail to support the allegation (of a breach of the Financing Agreement) and NovaQuest has failed to raise it through the dispute resolution procedure as required by the Financing Agreement.

Notwithstanding the notice from NovaQuest, Pharmaxis will continue to pay sales related payments with no obligation to refund the initial tranche of US$20m. However, the second tranche of US$20 million under the Agreement may not occur. The first US$5 million of the second tranche was expected to be received by the Company in September, 30 days after the first patient is targeted to be enrolled in the Company's pivotal phase 3 Bronchitol adult cystic fibrosis study (CF303), with three further instalments of US$5 million payable quarterly thereafter.

Pharmaxis CEO Gary Phillips said, "The full investment of $40 million by NovaQuest is central to our business plan and the Agreement entered into 18 months ago. This notice has consequences for the CF303 clinical trial which is a key step to FDA approval and subsequent access to the US cystic fibrosis market.

"It also has consequences for a US partnering agreement for Bronchitol which I had expected to sign later this month. This partnering deal, with a global pharmaceutical company, has significant potential value to Pharmaxis including partial funding of the trial, the payment of significant approval and sales milestones and a share of sales revenues. We have also been exploring future supply chain initiatives with this prospective partner that would significantly reduce our cost base.

"We are in discussions with NovaQuest on these considerations and the structure and quantum of future investments. We will also discuss the potential consequences of the NovaQuest notice with our prospective US Bronchitol commercial partner and the contract research organisation implementing CF303."

Pharmaxis will continue to inform the market as matters progress.

#ENDS#

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About Pharmaxis

Pharmaxis (ACN 082 811 630) is a specialist pharmaceutical company involved in the research, development and commercialisation of therapeutic products for chronic respiratory disorders. Its product Bronchitol® for cystic fibrosis is marketed in Europe and Australia. Its product Aridol® for the assessment of asthma is sold in key international markets. The company's development pipeline of products includes Lysyl Oxidase Inhibitors (LOX) targeting fibrotic diseases including pulmonary fibrosis and some cancers and Semicarbazide-Sensitive Amine Oxidase Inhibitors (SSAO) for inflammatory disease including Chronic Obstructive Pulmonary Disease (COPD) and Non-alcoholic steatohepatitis (NASH). Pharmaxis is listed on the Australian Securities Exchange (symbol PXS). The company's head office and manufacturing facilities are located in Sydney, Australia. More information about Pharmaxis is available at: www.pharmaxis.com.au. To contact Investor Relations phone: +61 2 9454 7200.

Forward-Looking Statements

Forward-looking statements in this media release include statements regarding our expectations, beliefs, hopes, goals, intentions, initiatives or strategies, including statements regarding the potential for Bronchitol. All forward-looking statements included in this media release are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. We cannot guarantee that any product candidate will receive regulatory approval or that we will seek any such approval.