Media Release

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PHARMAXIS DRUG DISCOVERY SET TO GENERATE FURTHER €10M MILESTONE PAYMENT IN 2017 AS BOEHRINGER CONFIRMS SECOND CLINICAL STUDY

Pharmaceutical research company Pharmaxis (ASX: PXS) today announced positive updated information on Boehringer Ingelheim's clinical development plans for the Pharmaxis drug discovery asset PXS-4728A. In addition to a phase 2 trial in NASH that is scheduled to start mid-year, Boehringer has confirmed that a phase 2 study for a second disease indication will commence this year. Pharmaxis is due to receive milestone payments of €18m for the start of a phase 2 trial in NASH and €10m for the second indication.

Boehringer acquired PXS-4728A from Pharmaxis in May 2015 with initial clinical development focused on finding a treatment for NASH (Non-alcoholic Steatohepatitis), a debilitating liver disease.

Pharmaxis CEO Mr Gary Phillips said, "PXS-4728A is an anti-inflammatory drug with excellent preclinical data in several disease models. We are delighted to see Boehringer looking to exploit that potential and commence clinical development in a fresh indication in the second half of this year. The structure of the deal with Boehringer anticipated its potential in more than one disease and the €10m we expect for the second indication would bring total expected milestones received for starting phase 2 trials in two diseases to approximately A$42m in this calendar year. This is an important signal about Boehringer's confidence in the potential of PXS-4728A to help patients."

Mr Phillips added, "This significant injection of cash into the Pharmaxis business will allow us to strengthen our drug development pipeline in fibrosis and inflammation and add further scientific expertise. We aim to continue to build a company with the capability to translate and commercialise early stage research into assets with world class data sets that are highly valued by large Pharma companies seeking partnerships."

As has been previously communicated, Pharmaxis received an upfront payment of €27.5 million (approximately A$39m) from Boehringer in May 2015 and, subject to the continuing successful development and commercialisation of the PXS-4728A program, the following amounts are payable:

- up to a total of €55 million in development milestone payments tied to the commencement of phase 2 and 3 clinical trials in the first indication
- up to a total of €140 million in regulatory milestone payments upon filing of applications for marketing approval and receipt of regulatory and pricing approvals for a PXS-4728A program product in the major pharmaceutical markets (i.e., USA, EU, and China or Japan) for the first indication
- additional milestone payments for a second indication for PXS-4728A which are the same in aggregate to those described above upon achievement of the same development and regulatory milestone events but weighted towards the latter stage of approval
- earn-out payments on annual net sales of PXS4728A program products at tiered percentages starting in the high single digits

- commercialisation milestone payments upon achievement of specified levels of annual net sales of PXS-4728A program products

Boehringer is responsible for all development, regulatory, manufacturing and commercialisation activities. Boehringer and Pharmaxis will make further announcements concerning the clinical development programs for PXS-4728A in NASH and the second indication when the phase 2 studies commence later this year.

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About Pharmaxis
Pharmaxis (ACN 082 811 630) is an Australian research pharmaceutical company with a portfolio of products at various stages of development and approval. Its product Bronchitol® for cystic fibrosis is marketed in Europe, Russia and Australia and a phase 3 trial to enable completion of an NDA for the US market will report in the current quarter. Its product Aridol® for the assessment of asthma is sold in Europe, Australia and Asia. The company's development pipeline is centred on its expertise in amine oxidase chemistry and includes Semicarbazide-Sensitive Amine Oxidase Inhibitors (SSAO) for Non-alcoholic Steatohepatitis (NASH) and inflammatory diseases including Chronic Obstructive Pulmonary Disease (COPD), and Lysyl Oxidase Inhibitors (LOX) targeting fibrotic diseases including pulmonary, cardiac and liver fibrosis and some cancers. In May 2015, Boehringer Ingelheim acquired the Pharmaxis investigational drug PXS-4728A, to develop it for the treatment of the liver-related condition NASH. Pharmaxis is listed on the Australian Securities Exchange (symbol PXS). The company's head office, manufacturing and research facilities are located in Sydney, Australia. For more information about Pharmaxis, please see www.pharmaxis.com.au.

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 of products and drug candidates. All forward-looking statements included in this media release are based upon information available to us as of the date hereof. Actual results, performance or achievements could be significantly different from those expressed in, or implied by, these forward-looking statements. These forward-looking statements are not guarantees or predictions of future results, levels of performance, and involve known and unknown risks, uncertainties and other factors, many of which are beyond our control, and which may cause actual results to differ materially from those expressed in the statements contained in this document. Except as required by law we undertake no obligation to update these forward-looking statements as a result of new information, future events or otherwise.