Quarterly Shareholder Update – June 2021

Dear Shareholder,

Pharmaxis has continued to build momentum during the June quarter. We've delivered a stream of positive news across the last nine months and there are some substantial items of progress reported in this update. I'll review the headlines below and look ahead to what you can expect in the second half of 2021.

- **Cancer drug PXS-5505 makes solid start in myelofibrosis phase 1c/2 study**
  The unmet need in myelofibrosis remains high in this disease where life expectancy averages 5 years and sales of existing symptomatic drugs exceed US$1b. This trial is the number one priority for the company and following the FDA IND approval last year, we have made good progress in the dose escalation stage of the trial. We are on track to start recruiting patients for the 6 month dose expansion study before the end of the year and delivering results by the end of 2022. As discussed later in this report, we are expanding the number of clinical trial sites to ensure the trial can rapidly move to full recruitment of the six month dose expansion phase.
- **Anti scarring drug PXS-6302 completes phase 1 dosing**
  We are enthusiastic about our collaboration with Prof Fiona Wood's research group at the University of Western Australia (UWA) in Perth which is investigating a novel treatment for skin scarring. PXS-6302 is a Pharmaxis invention formulated as a cream that is currently in phase 1 healthy volunteer studies. The dosing phase of this study has completed and we will shortly be reporting on the outcomes. Patient studies are scheduled to start later this year. Pharmacological approaches to skin scarring are few and far between so this program is attracting attention from clinicians, industry and market commentators alike; look out for our email with a link to my interview with leading market commentator Alan Kohler.
- **Mannitol business restructure releases more non-dilutive cash**
  Previous Chiesi US milestone payments and the sale of the Russian distribution rights have already delivered the company $16m in the last financial year and we started the first day of the 2022 financial year with an announcement that Pharmaxis had delivered another $2m from the sale of the Australian, NZ and some Asian rights to Bronchitol and Aridol. As with the other deals, this prioritises our role as a manufacturer of Aridol and Bronchitol. We retain healthy margins on these products which we've put in the hands of experienced distributors who are resourced and incentivised to grow sales.
- **The outlook for the rest of calendar year 2021**
  Primarily, we're looking forward to significant progress in the myelofibrosis and skin scarring studies that will drive interest in Pharmaxis stock. Another main source of news flow will come from scientific collaborations with PXS-5505 as global researchers start to publish results. Many of these collaborations are in various cancers where blocking the fibrotic process has long been hypothesised to facilitate better efficacy from existing chemo and immunotherapies.

We are in a period when many of the projects we have been working on are coming to fruition and I look forward to reporting on their progress in the months ahead.

Sincerely,

Gary Phillips - Chief Executive Officer

Products and Pipeline at a glance

Disease/target	Drug	Status
Cystic fibrosis	Bronchitol	Approved
Asthma	Aridol	Approved
Neuro inflammation (SSAO inhibitor)	PXS-4728	Phase 2
Myelofibrosis (oral pan-LOX inhibitor)	PXS-5505	Phase 1c/2 commenced
Other cancers (oral pan-LOX inhibitor)	PXS-5505	Phase 1
Scarring (Topical pan-LOX inhibitor)	PXS-6302	Phase 1 commenced
Chronic fibrotic diseases (LOXL2 inhibitor)	PXS-5382	Phase 1 completed
Duchenne Muscular Dystrophy (dual SSAO/MAOB inhibitor)	PXS-4699	Pre-clinical

Impact of COVID-19

Pharmaxis' response to the COVID-19 global pandemic has been outlined in previous quarterly shareholder updates, where we have described the precautions the Company is taking to protect employees and to continue manufacturing and supply of its approved respiratory products.

The Company has continued an uninterrupted supply to local and global customers.

The effect on sales is discussed below. Overall, there are large variances in the impact of COVID between markets/countries, and while we are seeing a recovery of Aridol sales in countries where COVID-19 is brought under control, Bronchitol continues to lag pre-COVID-19 sales levels. We are working with our commercial partners to better understand and respond on a country by country basis.

Importantly, there has not been to date any significant impact of COVID-19 on our clinical trials with the 1c/2a trial in myelofibrosis and the phase 1c trial in scarring both dosing their first patients in the first quarter of 2021.

Drug discovery

Oral pan-LOX inhibitor program (PXS-5505) in myelofibrosis

Pharmaxis' primary drug development initiative is its pan-Lysyl Oxidase (pan-LOX) inhibitor program focussed on the rare bone cancer myelofibrosis. PXS-5505 is an orally taken drug that inhibits the lysyl oxidase family of enzymes and was developed from the Company's amine oxidase chemistry platform. In pre-clinical models of myelofibrosis PXS-5505 reversed the bone marrow fibrosis that drives morbidity and mortality in myelofibrosis and reduced many of the abnormalities associated with this disease.

A phase 1c/2a clinical trial (named MF-101; ClinicalTrials.gov Identifier: NCT04676529), cleared by the FDA under the Investigational New Drug (IND) scheme, commenced dosing in the March quarter of 2021 at sites in Australia and South Korea. The study aims to demonstrate that PXS-5505 is safe and effective as a monotherapy in myelofibrosis patients who are intolerant, unresponsive or ineligible for treatment with approved JAK inhibitor drugs.

The initial dose escalation phase of the study aims to select the optimum dose of PXS-5505 and will recruit a minimum of 3, up to 18 patients. It is expected to conclude and report in H2 2021 and will be followed by a six-month dose expansion phase (24 patients) to evaluate safety and efficacy. Sites in other countries including the USA will be added for the dose expansion phase.

During the quarter the Company completed dosing of the first of three stages of the dose escalation phase of MF-101. The study's safety monitoring committee gave the green light to progress to the second dose level which then commenced during the quarter. In addition to good tolerability and consistent pharmacokinetic properties, the inhibition of two target enzymes, LOX and LOXL2, were assessed with Pharmaxis proprietary assays and found to be highly statistically significant. The levels of LOX and LOXL2 inhibition achieved in myelofibrosis patients in the first dose stage already exceeds the levels seen in preclinical models of myelofibrosis where PXS-5505 caused disease modifying effects with improvements in blood cell count, diminished spleen size and reduced bone marrow fibrosis. Read the announcement here.

The second dose escalation stage of MF-101 has finished dosing and will shortly be assessed for progress to the third and final dose stage. To ensure the trial can quickly move to recruit the patients for the six month dose expansion phase and mitigate the ongoing risk of COVID-related uncertainties, the Company is expanding the target number of clinical trial sites.

Myelofibrosis is a cancer with a poor prognosis and limited therapeutic options. Pharmaxis believes that the current treatments can be augmented by use of a pan-LOX inhibitor and the combination should be disease modifying in a market that is conservatively worth US$1 billion per annum.

PXS-5505 was granted Orphan Drug Designation by the US Food and Drug Administration (FDA) in July 2020.

Oral pan-LOX inhibitor program (PXS-5505) in other cancers

While Pharmaxis' primary focus is the development of PXS-5505 for myelofibrosis, the drug also has potential in several other cancers including myelodysplastic syndrome, liver and pancreatic cancers, melanoma and glioblastoma, where it aims to breakdown the fibrotic tissue in the tumour and enhance the effect of existing chemo and immunotherapies. Pharmaxis has a number of scientific collaborations with centres of excellence across the world who have shown interest in PXS-5505. The Company aims to support these and encourage the use of PXS-5505 in independent investigator initiated clinical studies wherever possible.

During the quarter Pharmaxis announced a grant of $187,000 from the Charlie Teo Foundation to Y. Alan Wang, Ph.D., Associate Professor of Cancer Biology at The University of Texas MD Anderson Cancer Center to enable pre-clinical efficacy testing of PXS-5505 for glioblastoma (GBM), the most common form of brain cancer with an average survival of only 15 months from diagnosis. Read the announcement here.

Topical pan-LOX inhibitor program (PXS-6302)

The Company has a second pan-LOX program that has developed a drug for topical application with the potential for use in scar revision, keloid scarring and scarring from burn wounds.

The Pharmaxis discovery, PXS-6302, has shown promising pre-clinical results in inhibiting the enzymes that play a critical role in the development of scar tissue.

A phase 1 trial being conducted by a group of researchers from the University of Western Australia (UWA) led by Professor Fiona Wood AM, and the Fiona Stanley Hospital commenced in the March quarter of 2021. The clinical trial will first determine the safety and tolerability of PXS-6302 in healthy volunteers, and then proceed to trials in patients with scarring subsequent to burn injury and also established scars.

Read the media release here.

SSAO inhibitor program (previously partnered with Boehringer Ingelheim) (PXS-4728)

The PXS-4728 development program undertaken by Boehringer Ingelheim (BI) from 2015 to 2020 was returned to Pharmaxis during the March quarter of 2021, including the extensive preclinical, clinical, safety and regulatory work carried out by BI. Further analysis of the data package by Pharmaxis scientists has uncovered potential in neuro inflammatory diseases where the clinical benefits would not be impacted by the findings that caused BI to discontinue development. Pharmaxis is in discussion with independent investigators and potential partners in relation to neuro inflammatory indications, study protocol design and funding options including grants.

LOXL2 inhibitor program (PXS-5382)

The Lysyl Oxidase Like 2 (LOXL2) enzyme is fundamental to the fibrotic cascade that follows chronic inflammation in kidney fibrosis, the liver disease NASH, cardiac fibrosis and idiopathic pulmonary fibrosis (IPF) and it also plays a role in some cancers.

The Pharmaxis drug discovery group developed a small molecule inhibitor to the LOXL2 enzyme (PXS-5382) that has completed phase 1 clinical trials and 3-month toxicology studies.

Pharmaxis is currently pursuing a number of different options to enable PXS-5382 to enter the clinic in phase 2 trials in a chronic kidney disease. The Company continues to have discussions with

potential partners and independent investigators in relation to study protocol design and funding options including grants.

In a recent example of clinical collaborations involving the PXS-5382 program, Professor Carol Pollock (Professor Medicine, Northern Clinical School Kolling Institute of Medical Research) and her team published in Nature Scientific Reports. The Kolling's team have extensively researched in the field of nephrology over an extended period of time with numerous high profile publications and in recent years have had an interest in how the upregulation of amine oxidase enzymes such as SSAO, LOXL2 and LOX are linked to a number of renal diseases. The collaboration between the Kolling Institute and Pharmaxis looked at how both our pan LOX inhibitor (PXS-5505) and selective LOXL2/3 inhibitor (PXS-5382), are effective in treating kidney fibrosis in a preclinical model where the fibrosis is induced by cyclosporine; a drug that is used to prevent transplant organ rejection. Both drugs worked well in this highly relevant disease model and point to a potential role for Pharmaxis drugs in treating the kidney fibrosis which is fundamental to many renal diseases including Chronic Kidney Disease, Alport Syndrome and kidney transplant rejection. Read the paper "Lysyl oxidase inhibitors attenuate cyclosporin A-induced nephropathy in mouse" here.

Preclinical compound PXS-4699 targeting Duchenne Muscular Dystrophy

In September 2020 Pharmaxis was awarded $1 million funding from the Biomedical Translation Bridge (BTB) program to significantly advance work on the Company's drug discovery for the treatment of the devastating genetic disorder Duchenne Muscular Dystrophy (DMD), which affects thousands of Australians. The BTB program is administered by MTPConnect.

The Company spent $792,000 on the program in the 2021 financial year, half of which was reimbursed by the BTB. The preclinical data generated was submitted to a disease focused group of leading global DMD clinicians that recommended additional preclinical data be obtained. Pharmaxis and MTPConnect are discussing a small investment in an additional preclinical model of the disease before making further decisions concerning the program.

Mannitol respiratory business

Bronchitol and Aridol

Bronchitol®(mannitol) is an inhaled dry powder for the treatment of cystic fibrosis (CF) and has been the subject of three large scale global clinical trials conducted by Pharmaxis. The product is approved and marketed in the United States, Australia, Europe, Russia and several other countries.

Aridol® is an innovative lung function test designed to help doctors diagnose and manage asthma. Aridol is approved for sale in Australia, major European countries, the United States, Canada and South Korea.

Business streamlining and outlook

The Company completed two significant transactions in the quarter as part of its plan to deliver non-dilutive cash, cost savings and streamline the mannitol respiratory business. The distribution rights for Bronchitol in Russia and the distribution rights to Bronchitol and Aridol in Australia were both sold generating $4 million in distributor appointment fees as well as approximately $1m million per annum in expense savings. Ongoing programs to simplify the business unit and reduce costs are expected to complete in the second half of 2021.

When added to the US$10 million in milestones paid by Chiesi to Pharmaxis subsequent to the US approval of Bronchitol, a total of $18 million of non-dilutive funding was been generated in the financial year.

The mannitol business generated $11.5 million of Adjusted EBITDA in the 2021 financial year (2020: negative Adjusted EBITDA of $4.0 million). The Company expects the mannitol business segment to be cash flow positive in future years based particularly on forecast US and Russian Bronchitol sales and the greatly increased factory capacity utilisation arising from these increased sales.

Bronchitol

United States

Chiesi is responsible for the commercialisation of Bronchitol in the United States. Subsequent to the approval of Bronchitol on 30 October 2020 by the US Food and Drug Administration (FDA), Chiesi announced the commercial availability of Bronchitol in the second half of the March quarter.

US launch – impact of COVID

Before prescribing Bronchitol patients are required to have a respiratory test which must be administered in a hospital or clinic. Most respiratory tests have been suspended as a result of COVID-19, in part because the resources are required to treat the pandemic and also because of health risks arising from patients exhaling multiple times with force as part of the test.

Furthermore, cystic fibrosis patients are not visiting hospitals or clinics due the more serious consequences of COVID-19 for people with already compromised lungs.

Consequently, the US launch has been slowed. Other aspects in support of the launch are on track and Chiesi report that with more cystic fibrosis patients vaccinated against COVID-19, the CF centres are beginning to open up for both in-person patient visits, as well as Chiesi sales representative calls.

Western Europe

In the EU, Chiesi is the Pharmaxis exclusive Bronchitol distributor for the markets of the UK, Ireland, Germany, Italy, Norway, Sweden, Finland, Denmark, Cyprus, Spain and Greece.

Pharmaxis also markets Bronchitol in Austria via its German based logistics provider and plans to market in Switzerland via an exclusive distributor that is currently applying for approval.

Russia

Russia represents a valuable Bronchitol market for Pharmaxis, now established as a fast-growing business bringing a new drug to Russian cystic fibrosis patients.

During the quarter Pharmaxis announced the sale of Bronchitol distribution rights in Russia to GEN İlaç ve Sağlık Ürünleri San. ve Tic. A.Ş. (GEN), a trusted Pharmaxis business partner in other territories for more than seven years. GEN took on full responsibility for Bronchitol in Russia from 1 May 2021. Pharmaxis will continue to manufacture and export Bronchitol to Russia from its factory in Sydney.

Pharmaxis will received a €1.25 million (A$2m) distributor appointment fee, seventy percent of which was received during the quarter with the remaining thirty percent due in twelve months. Importantly, Pharmaxis has reduced selling, marketing and regulatory expenses by a total of approximately A$1 million per annum as a result of the transfer of commercial and product responsibilities to GEN.

Read the media release here.

Australia

Effective 1 July 2021 the distribution rights for Bronchitol and Aridol in Australia (and New Zealand and several Asian territories) were sold to Bioimpact Pty Ltd, a wholly owned subsidiary of BTC health Ltd. Pharmaxis received a distributor appointment fee of A$2 million in July 2021. Pharmaxis will manufacture and supply Aridol and Bronchitol to BTC Health from its factory in Sydney.

Read the media release here.

Other territories

Bronchitol is sold in Turkey, the Czech Republic and Hungary by specialist distributors.

Bronchitol sales

Bronchitol sales for the three and twelve months ended 30 June 2021 and 30 June 2020 are as follows:

$'000	Quarter		Year	
	2021	2020	2021	2020
Australia	224	227	974	1,221
Western Europe	558	1,613	813	2,638
Eastern Europe	215	7	636	230
Russia	-	617	1,365	1,173
United States	608	-	1,447	-
Total	$1,605	$2,464	$5,235	$5,262

Pharmaxis supplied Bronchitol to Chiesi for the US commercial launch in the March quarter.

Following a review of revenue recognition in relation to Bronchitol in the US, the Company will now record all of the revenue due to Pharmaxis at the time of shipment including both the revenue due on manufacture of Bronchitol and now also the revenue due to Pharmaxis on its subsequent sale by Chiesi. The US sales recorded for the current quarter represent the latter revenue in relation to the launch stock shipped in quarter one.

Pharmaxis Bronchitol distributors typically order on a six monthly basis. Pharmaxis ex-factory sales for the current quarter and year reflect the buying patterns of its international distributors. Large orders for Western Europe were shipped in the June quarter while a $1.1 million order for Russia originally scheduled for June shipment did not ship until July.

The COVID-19 pandemic continues to impact the sale of Bronchitol. Refer to the commentary in relation to the US launch for additional background. Furthermore, feedback from our commercial partners suggests that patient compliance with medication protocols has reduced as result of the suspension of regular visits to the clinics.

In Western Europe in-market sales by Chiesi for the twelve months to June 2021 were 21% lower than the twelve months ended 30 June 2020 and 15% lower than the twelve months ended 30 June 2019. Sales for the quarter ended 30 June 2021 was 35% lower than the quarter ended 30 June 2020 but 1% higher than the quarter ended 31 March 2021.

In Australia where Pharmaxis sold Bronchitol directly until 1 July 2021, in-market unit sales for the twelve months ended 30 June 2021 were 25% lower than the twelve months ended 30 June 2020 and 20% lower than the twelve months ended 30 June 2019. Sales for the quarter ended 30 June 2021 was 9% higher than the quarter ended 30 June 2020 and 10% higher than the quarter ended 31 March 2021.

The Company continues to monitor the situation whilst working with our commercial partners to better understand and respond on a country by country basis.

Aridol sales

As a result of the COVID-19 pandemic lung function testing has been limited to more severe cases due to health risks arising from patients exhaling multiple times with force as part of the test. In the markets where Pharmaxis sells Aridol directly to lung function testing laboratories (Australia until 1 July 2021 and Europe) sales have reduced on a state and country basis consistent with the impact of the pandemic and this impact continues, particularly in Europe.

In Australia sales are recovering to pre COVID-19 levels. Pharmaxis in-market unit sales for the twelve months ended 30 June 2021 were 4% lower than the twelve months ended 30 June 2020 and 11% lower than the twelve months ended 30 June 2019. Sales for the quarter ended 30 June 2021 was 21% higher than the quarter ended 30 June 2020 and 9% lower than the quarter ended 31 March 2021.

In Europe sales are more slowly recovering to pre COVID-19 levels. Pharmaxis in-market unit sales for the twelve months ended 30 June 2021 were 7% lower than the twelve months ended 30 June 2020 and 42% lower than the twelve months ended 30 June 2019. Sales for the quarter ended 30 June 2021 was 112% higher than the quarter ended 30 June 2020 and 13% lower than the quarter ended 31 March 2021.

The Company continues to monitor the situation.

Aridol sales for the three and twelve months ended 31 March 2021 and 31 March 2020 are as follows:

$'000	Quarter		Year	
	2021	2020	2021	2020
Australia	123	58	433	436
Europe	142	71	564	912
USA & Canada	-	(1)	98	73
South Korea	-	88	350	345
Total	$265	$217	$1,445	$1,765

Corporate

Pharmaxis completes $4.4 million placement

During the quarter, as previously reported, Pharmaxis completed a $4.4 million placement to institutional investors. The placement issue price of A$0.08 represented a 1.3% premium to last closing price on 12 April 2021.

The purpose of the raising was to strengthen the balance sheet as the Company conducts a phase 1/2 study in myelofibrosis with its lead drug PXS-5505 and a phase 1c study in patients with problematic skin scarring with its topical drug PXS-6302.

In the placement Karst Peak Capital Limited invested A$3.2m, giving it a 8.9% shareholding. Both of the Company's other substantial shareholders, BVF Partners LP and D&A Income Limited invested to maintain their shareholdings in Pharmaxis of 19.5% and 7% respectively.

Due to the Board's desire to limit the size of the raising, and the issue price of the raising being at market, a retail issue was not pursued.

Read the Media Release here.

Later in the quarter Karst Peak increased its holding to 11.3% as a result of on-market buying.

Recent interviews and articles

Pharmaxis has featured in a series of positive investor news reports focused on recent announcements.

- Emerald Financial: Small Caps Watch - Interview with Gary Phillips. (20 July 2021) Watch the interview here.
- The Inside Investor: "Pharmaxis flicks the switch to self-funded trial program" (1 June 2021). Read the article here.
- Bioshares: "Karst Peak Continues Investment in Australia Biotech". (19 April 2021). Read the article here.
- The Sentiment: "Karst backs Aussie small cap following hugely successful pharma strategy" (26 April 2021). Read the article here.
- Proactive Investors" "Pharmaxis encouraged by first results in bone marrow cancer trial". Watch the video here.

Pharmaxis investment summary

Pharmaxis recently published an updated investment summary - available on the Company website.

Pharmaxis investor presentation

Pharmaxis recently published an updated investor presentation – available on the Company website.

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Financials

Key financial metrics

A$'000 (unaudited)	Three months ended 2021	Three months ended 2020	Twelve months ended 2021	Twelve months ended 2020
Segment results – adjusted EBITDA				
New drug development				
Oral pan-LOX (external costs)	(616)	(775)	(2,521)	(3,123)
Topical pan-LOX (external costs)	(396)	(369)	(629)	(1,227)
Other program (external costs net of grants)	(200)	(735)	(1,221)	(2,089)
Employee costs	(730)	(901)	(3,270)	(3,373)
Overhead	(143)	(109)	(396)	(460)
R&D tax credit	-	4,900	148	5,159
EBITDA	**(2,085)**	**2,011**	**(7,889)**	**(5,113)**
Mannitol respiratory business				
Sales	1,870	2,681	6,680	7,027
Other income	1,989	5	15,986	20
	3,859	2,686	22,666	7,047
Expenses – employee costs	(1,376)	(1,302)	(5,558)	(5,855)
Expenses – manufacturing purchases	421	(631)	(1,168)	(1,456)
Expenses – other	(1,130)	(997)	(4,483)	(3,713)
EBITDA	**1,774**	**(244)**	**11,457**	**(3,977)**
Corporate – EBITDA	**(992)**	**(707)**	**(3,793)**	**(2,990)**
Total Adjusted EBITDA	**($1,304)**	**$1,060**	**($225)**	**($12,080)**
Net profit (loss)	**($2,065)**	**$5,915**	**($2,970)**	**($13,943)**
Statement of cash flows				
Cash inflow/ (outflow) from:				
Operations	(680)	(4,729)	3,072	(13,284)
Investing activities	(211)	(116)	(644)	(574)
Financing activities	3,438	(642)	1,520	(2,502)
Total cash generated/(used)	**$2,547**	**($5,487)**	**$3,948**	**($16,360)**
Cash at bank	**$18,712**	**$14,764**	**$18,712**	**$14,764**

Financial highlights

New drug development

- Oral pan-LOX expenditure in the three and twelve months relates to the phase 1c/2a clinical trial in myelofibrosis that commenced patient dosing during the first quarter, and a small amount in support of pre-clinical work by a European university in relation to the effectiveness of PXS-5505 in models of myelodysplastic syndrome. Prior period expenditures relate to the phase 1a/b and longer term toxicology studies completed in order to proceed to phase 1c/2a.

- Topical pan-LOX expenditure in the three and twelve months relates to the phase 1 clinical trial in scarring that commenced patient dosing at the end of March 2021, and a small amount of related pre-clinical work. Prior period expenditures relate to the preclinical and toxicology work required to commence phase 1.
- Other program external costs in the three and nine months includes preclinical work on the SSAO/MAOB program targeting Duchenne Muscular Dystrophy of $792,000 (full year), reduced by co-funding from the Biomedical Translation Bridge (BTB) program of $396,000. Prior period expenditure also includes a small phase 1 trial of the Company's LOXL2 inhibitor.
- The Company was not eligible for a R&D tax credit in relation to the 2021 financial year because total revenue of the Company for the year exceeded $20 million.

Mannitol respiratory business

- See above for detail and commentary in relation to Bronchitol and Aridol sales for the quarter and year.
- Other income includes the milestones received from Chiesi subsequent to the approval of Bronchitol in the United States ($13.9 million), a milestone received in the September quarter in relation to approval of Bronchitol in Brazil ($137,000) and a distributor appointment fee received on sale of Russian Bronchitol distribution rights (~$2 million) in the June quarter.
- The increase in expenses for the twelve months reflect increased third party support of a routine European safety audit and increased manufacturing activity associated with the US launch of Bronchitol.
- Approximately $1 million in sales expenses per annum will not continue in the future subsequent to the transfer of this responsibility to our Russian distributor.
- The changes in manufacturing purchases for the quarter represent costs net transfers of overhead costs to inventory.

Corporate

- The increase in net expenses includes legal and consultant costs associated with business development activities and a reduced 2020 salary expense comparator as a result of no bonuses being paid to senior managers within corporate in 2020.

Net profit (loss)

- The difference between total adjusted EBITDA and net profit(loss) primarily relates to non-cash items (depreciation, amortization, share based payment expense) and foreign exchange rate gains and losses, and in 2020 a reduction in the financing agreement liability of $2.2 million.

Cash

- The Company finished the quarter and half with $18.7million in cash.
- Effective 1 July 2021 the Company completed the sale of Australian Bronchitol and Aridol distribution rights for A$2 million which was received in July 2021. The Company is also due to be paid approximately $0.6 million in April 2022 in relation to the sale of Bronchitol distribution rights in Russia.
- In April 2021 the Company completed an institutional placement raising $4.1 million net of expenses.

Additional financial information

Income statements and summary balance sheets are provided below. The Company's 2021 audited Financial Report and Directors' Report will be released on 12 August 2021.

Income statements

A$'000	Three months ended		Twelve months ended	
(unaudited)	31-Jun-21	31-Jun-20	31-Jun-21	31-Jun-20
Revenue				
Revenue from sale of goods	1,870	2,681	6,680	7,027
Approval milestones (US $13.9 million and Brazil $140,000)	35	0	14,017	
Sale of distribution rights	1,950	0	1,950	
Interest	6	48	50	364
R&D tax incentive	-	4,900	148	5159
Other government grants	161	50	546	50
Other	50	46	285	429
Total revenue	**$4,072**	**$7,725**	**$23,676**	**$13,029**
Expenses				
Employee costs	(2,297)	(2,380)	(11,114)	(11,425)
Administration & corporate	(818)	(432)	(2,659)	(2,041)
Rent, occupancy & utilities	(310)	(253)	(1,098)	(999)
Clinical trials	(786)	(539)	(2,681)	(2,632)
Drug development	(650)	(1,342)	(2,086)	(3,709)
Sales, marketing & distribution	(372)	(291)	(1,469)	(1,346)
Safety, medical and regulatory affairs	(359)	(383)	(1,621)	(1,058)
Manufacturing purchases and changes in inventory	421	(630)	(1,168)	(1,456)
Other	(66)	(90)	(274)	(592)
Depreciation & amortisation	(777)	(812)	(3,152)	(3,236)
Foreign currency exchange gains & losses	(121)	2,732	1,045	(638)
Finance costs	(2)	2,610	(369)	2,160
Total expenses	**(6,137)**	**(1,810)**	**(26,646)**	**(26,972)**
Net profit (loss) before tax	**($2,065)**	**$5,915**	**($2,970)**	**($13,943)**
Income tax credit/(expense)	-	-	-	-
Net profit (loss) after tax	**($2,065)**	**$5,915**	**($2,970)**	**($13,943)**

Summary balance sheets

A$'000 (unaudited)	30-June-21	30-June-20
Assets		
Cash	18,712	14,764
R&D tax incentive – received October		4,900
Accounts receivable	1,170	1,459
Inventory	3,638	2,630
PP&E	6,226	8,906
Other	3,844	2,757
	$33,590	**$35,416**
Liabilities		
Accounts payable and accrued expenses	3,199	2,765
Lease liability (Frenchs Forest facility)	6,322	8,154
Financing agreement (not repayable other than as a % of US Bronchitol revenue)	19,080	21,200
Other liabilities	2,144	1,866
	$30,745	**$33,985**
Net Assets	**$2,845**	**$1,431**

Authorised for release to the ASX by Pharmaxis Ltd Disclosure Committee.
Contact: David McGarvey, Chief Financial Officer and Company Secretary: T +61 2 9454 7203, E david.mcgarvey@pharmaxis.com.au