28 August 2023

The Manager-Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000

Via Electronic lodgement

Dear Sir

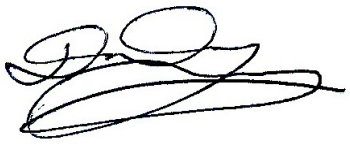
Appendix 4E and 2023 Directors' Report and Financial Statements

Pharmaxis Ltd lodges the following documents in relation to its announcement to the market of its financial results for the year ended 30 June 2023.

1. Appendix 4E – Preliminary Final Report for the year ended 30 June 2023; and

2. Pharmaxis 2023 Directors' Report and Annual Financial Report for the year ended 30 June 2023.

Yours faithfully



David McGarvey
Pharmaxis Ltd
Chief Financial Officer / Company Secretary

Pharmaxis Ltd

ABN 75 082 811 630

Appendix 4E
Preliminary final report
Reporting period: Year ended 30th June 2023
(Previous corresponding period: Year ended 30th June 2022)

Results for announcement to the market

		A$'000		A$'000
Revenue from sale of goods	**Down**	**(1,661)**	to	**5,765**
Other revenue from ordinary activities	**Up**	**4,813**	to	**7,309**
Total revenue from ordinary activities	**Up**	**3,394**	to	**19,306**
Loss from ordinary activities after tax	**Up**	**(9,424)**	to	**(11,360)**
Net loss for the year attributable to members	**Up**	**(9,424)**	to	**(11,360)**

Dividends

It is not proposed to pay a dividend.

Other Appendix 4E information

	30 June 2023	30 June 2022
Net tangible assets per ordinary share	**$ 0.01**	$ 0.02

A commentary on these results and additional Appendix 4E disclosure requirements can be found in the attached Pharmaxis 2023 Directors' Report and Annual Financial Report. This report is based on the consolidated financial statements which have been audited by PwC.

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1. DIRECTORS' REPORT

The Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Pharmaxis Ltd and the entities it controlled at the end of, or during, the year ended 30 June 2023.

1.1 Information on Directors

The following persons were Directors of Pharmaxis Ltd during the financial year and up to the date of this report.

Malcolm J. McComas has been a member of the Board of Directors since July 2003 and was appointed Chair of the Board in May 2012. Mr McComas is a member of the Audit and Risk Committee and was a member of the Remuneration and Nomination Committee until May 2023. Malcolm McComas is a former investment banker serving in leadership roles with global organizations and was previously a commercial lawyer. He was previously 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 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 debt and equity finance, mergers and acquisitions and privatisations. He has led more than 50 initial public offerings and significant secondary offerings for companies, institutions and governments. Mr McComas is a director of the blood cancer co-operative clinical trials group Australasian Leukaemia and Lymphoma Group (ALLG), Actinogen Medical Limited (ACW) and Core Lithium Limited (CXO) and is Chair of Fitzroy River Corporation Limited (FZR).

Gary J. Phillips was appointed Chief Executive Officer and became a member of the Board of Directors in March 2013. Prior to this he was the Chief Operating Officer since June 2008, having previously served as Commercial Director from his joining of the Company in December 2003. Mr Phillips has more than 30 years of operational management experience in the pharmaceutical and healthcare industry in Europe, Asia and Australia. From 1994 to 1998, he was Chief Executive Officer at Ciba Geigy in Hungary (Merged to form Novartis in 1996) where he led the successful launch of a portfolio of new products. After a period of 3 years as an Area Manager for Novartis responsible for 9 countries in Asia Pacific in 2001 he joined Novartis Australia as Group Company Head and Chief Executive Officer of its Pharmaceutical Division, successfully launching leading oncology and ophthalmology products. Mr Phillips holds a B. Pharm. in Pharmacy with honors from Nottingham University in the UK, an MBA from Henley Management College and is a Graduate of the Australian Institute of Company Directors. Mr Phillips is a non-executive director of Arovella Therapeutics Ltd, an Australian listed biotech company.

W.M. Hashan De Silva was appointed to the Board of Directors in January 2023. He was appointed to the Remuneration and Nomination Committee in May 2023. Mr De Silva is an experienced life sciences investment professional with extensive knowledge of the biotech, pharmaceutical and medical technology sectors. Mr De Silva is currently the Founder and Managing Partner of KP Rx, an ANZ focused healthcare VC firm. KP Rx is seeded and supported by Karst Peak Capital where Mr De Silva was the Head of Healthcare Research until December 2022. His previous roles include associate healthcare analyst at Macquarie Group covering ASX-listed healthcare companies and lead healthcare analyst at CLSA Australia. Prior to moving into life science investment he worked at Eli Lilly in various roles focused on the commercialisation of new and existing pharmaceuticals.

Mr De Silva was educated at the University of New South Wales (Bachelor's Degree in Medicine and Master's Degree in Finance) and is a Chartered Financial Analyst. Mr De Silva is a non-executive director of Melbourne and Philadelphia based CurveBeam AI.

Dr Neil Graham was appointed to the Board of Directors in May 2020. Dr Graham is an infectious diseases epidemiologist with extensive experience working in biotech and pharmaceutical companies in the development of medicines. Dr Graham's career has included senior roles overseeing pipeline development and clinical programs. He is currently consulting/acting CMO at Zura Bio Pty Ltd and a Non-Executive Director at Aslan Pharmaceuticals Ltd. Previously Dr Graham was VP, Strategic Program Direction, Immunology & Inflammation at Regeneron Inc. From 2007 to 2009 he was Senior Vice President, Program and Portfolio Management at Vertex Inc, from 2005 to 2007 Sr. Vice President, Program and Portfolio Management at Trimeris Inc. and from 2002 to 2005 CMO/Vice-President, Clinical Development at XTL Biopharmaceuticals.

Dr Graham has considerable depth of scientific expertise in immunology and inflammation and is the author of a number of books and publications including a considerable body of work on respiratory illness. He was educated at University of Adelaide (MBBS, MD, MPH). Between 1993 and 1997 he was Associate Professor of Epidemiology at John Hopkins University School of Hygiene and Public Health with research focused on HIV, tuberculosis and hepatitis. Dr Graham was a member of the Audit and Risk Committee and Chair of the Remuneration and Nomination Committee until May 2023.

Dr Simon P. Green was appointed to the Board of Directors in December 2022. He was appointed Chair of the Remuneration and Nomination Committee and a member of the Audit and Risk Committee in May 2023. Dr Green is an experienced senior global pharma executive with 30 years of experience in the biotechnology industry focused on the discovery, development and commercialisation of life saving medicines. Simon was actively involved in CSL's global expansion over a 17-year period and held roles as Senior Vice President, Global Plasma R&D and General Manager of CSL's manufacturing plants in Germany and Australia. Prior to joining CSL he worked in the USA at leading biotechnology companies Genentech Inc and Chiron Corporation.

His skills cover R&D drug development, corporate due diligence, mergers and acquisitions, strategic planning, portfolio management, financial management, intellectual property management, business development, contract management and organisational design. Simon was educated at Monash University (Bachelor's Degree in Science with Honours) and the University of Melbourne (Doctor of Philosophy, Biochemistry and Immunology). He is also a graduate of the Australian Institute of Company Directors'. Simon was a non-executive director of

Acrux Pty Ltd (2016 -2019) and is currently a non-executive director of Clover Corporation Ltd and co-founder and CEO of Immunosis Pty Ltd, a start-up diagnostics company.

Kathleen M. Metters PhD was appointed to the Board of Directors in June 2017. Dr Metters has over 25 years of experience in the discovery and development of novel therapies for treatment of serious diseases. She is currently working as an independent biopharma consultant, as senior advisor for New York-based Bridge Medicines, as a Non-Executive Director for Aslan Pharmaceuticals Ltd. and an independent board member for HemoShear Therapeutics. From 2011-2014 Dr Metters was President and Chief Executive officer for Lycera Corp., a biopharmaceutical company pioneering innovative approaches to novel oral medicines for treatment of autoimmune diseases and cancer.

From 1988 to 2011 Dr Metters was employed by Merck & Co. In 2009 she was appointed to head External Discovery and Preclinical Sciences, created to expand Merck's scientific network to the greater research community in academia, biotechnology, and government, building partnerships in life sciences, medicine, engineering, and information technology. From 2005 to 2009 Dr Metters was head of Worldwide Basic Research for Merck & Co. with oversight of research activities at major sites around the globe; across all therapeutic modalities and therapeutic areas. From 2002 to 2005 Dr Metters was head of research at Merck Frosst, Canada. During this time, she was the Basic Research Therapeutic Area Head for the Respiratory Franchise and from 2003-2005 was chair of the Respiratory Worldwide Business Strategy Team, reporting directing to the CEO, with responsibility for the discovery, development and commercialization strategy for respiratory products. Prior to that Dr Metters worked in research focused on the arachidonic acid cascade which resulted in the development of SINGULAIR®, a once-daily oral therapy for asthma and allergic rhinitis. For her work on SINGULAIR®, she was one of the team of scientists who won the Prix Galien Canada 2000 for excellence in innovative research.

Dr Metters graduated with a B.S. in biochemistry from the University of Manchester Institute for Science and Technology, and a Ph.D. from Imperial College of Science and Technology in London. She completed post-doctoral training at the Centre National de la Recherche Scientifique in France and at the Clinical Research Institute of Montréal. Dr Metters is a member of the Remuneration and Nomination Committee and Chair of the Audit Committee.

William L. Delaat AM joined the Board of Directors in June 2008 and retired in August 2022. Mr Delaat has over 40 years' experience in the global pharmaceutical industry, most recently as the managing director of the Australian subsidiary of Merck & Co., a position he held from 1997 until his retirement in 2008. During his career Mr Delaat has held executive positions in both Europe and Australia for Merck and AstraZeneca. Mr Delaat is experienced in sales and marketing and has been responsible for international product launches and commercialisation of respiratory products. Mr Delaat was chairman of Medicines Australia, and the Pharmaceuticals Industry Council from 2008 to 2012. He is also the former Chairman of EnGeneIC Ltd, an unlisted Australian biotech company, and was a non-executive director of two Sydney based unlisted start-up companies, Kinela and Perx Health, between 2017-21. He is currently on the board of the National Return of Unwanted Medicines Ltd, a Commonwealth government funded body, and One Disease Ltd, a charity dedicated to eliminating crusted scabies from the Aboriginal population. Mr Delaat holds a Bachelor of Science, Physiology & Chemistry from the University of London and is a Graduate of the Australian Institute of Company Directors. Mr Delaat served as a member of the Remuneration and Nomination Committee and as Chair of the Audit and Risk Committee.

1.2 Meetings of Directors

The number of meetings of the Company's Board of Directors and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director was:

	Board Meetings		**Meetings of committees**			
			Audit		**Remuneration & Nomination**	
	A	B	A	B	A	B
MJ McComas	15	15	3	3	6	6
GJ Phillips	15	15	–	–	–	–
WMH De Silva	5	4	–	–	–	–
N Graham	15	15	3	3	6	6
SP Green	7	7	–	–	–	–
KM Metters	15	15	3	3	6	6
WL Delaat	2	0	–	–	2	0

A = Number of meetings held during the time the Director held office or was a member of the committee during the year

B = Number of meetings attended

1.3 Indemnification and Insurance of Directors

The Pharmaxis Constitution provides that, except to the extent prohibited by the Corporations Act 2001, each of our officers shall be indemnified out of Company funds against any liability incurred by such person in his or her capacity as an officer.

The Company has entered into Deeds of Access to Documents and Indemnity to indemnify Directors and certain executive officers in addition to the indemnification provided for in the Constitution. These provisions and agreements are necessary to attract and retain qualified directors and executive officers.

At present, there is no pending litigation or proceeding involving any Directors, officers, employees or agents where indemnification by the Company will be required or permitted, and the Company is not aware of any threatened litigation or proceeding that may result in a claim for such indemnification.

Directors' and officers' liability insurance is provided for the indemnification of Directors and officers against certain liabilities incurred as a director or officer, including costs and expenses associated in successfully defending legal proceedings. This insurance will be maintained in the future. During the financial year, a premium of $245,950 was paid to insure the directors and officers of the Group for the policy year ended 26 September 2023. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. Policy exclusions include: liabilities that arise out of conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group; pollution that could reasonably be known to management; and, bodily injury and property damage. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

1.4 Company Secretary

The Company Secretary is Mr David M McGarvey, CA ANZ, GAICD, FGIA, who was appointed to the position of Company Secretary in 2002. Before joining Pharmaxis Ltd he held similar positions with both listed and unlisted companies, including Memtec Limited, which was listed on the Australian Securities Exchange, NASDAQ and the New York Stock Exchange.

1.5 Principal Activities

During the year the principal continuing activities of the Group consisted of the research, development and commercialisation of healthcare products for fibrotic (including some cancers) and inflammatory diseases.

1.6 Review and Results of Operations

A review of the operations of the Group for the financial year ended 30 June 2023 is set out in Section 5 of this Statutory Annual Report.

1.7 Remuneration Report, Shares under option and Shares issued on the exercise of options

Refer to Section 2 of this Statutory Annual Report.

1.8 Dividends

No dividends were paid during the year and the Directors have not recommended the payment of a dividend.

The Company has never declared or paid any cash dividends on ordinary shares and does not anticipate paying a cash dividend in the foreseeable future.

1.9 Significant Changes in the State of Affairs

Refer to Section 5 of this Statutory Annual Report.

1.10 Matters Subsequent to the End of the Financial Year

On 8 August 2023 Pharmaxis announced it had executed a $4.4 million loan facility agreement with a fund managed by Paddington Street Finance to provide advanced access to a substantial part of the Group's 2023 anticipated research and development tax incentive. The loan is to be repaid by the earlier of 31 December 2023 or receipt of the tax incentive payment which is expected before the end of 2023. The loan is secured by way of security over substantially all the assets of Pharmaxis. Funds borrowed will be used for general working capital purposes, including to advance the Company's clinical stage development pipeline.

Except for the above, no other matter or circumstance has arisen since 30 June 2023 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

1.11 Likely Developments and Expected Results of Operations

Information on likely developments in the operations of the Group and the expected results of operations is included in Section 5 of this Statutory Annual Report to the extent it does not prejudice the interests of the Group.

During the year, the Group incurred an operating loss after tax of $11.4 million (FY2022: $1.9 million) and net operating cash outflows of $7.3 million (FY2022 $16.3 million). As at 30 June 2023, the Group has cash and cash equivalents of $9.2 million (FY2022: $8.9 million) and had an expected R&D tax credit of $5.2 million. In addition, the Group is entitled to a milestone payment of £900,000 (approximately A$1.7 million) under its grant from Parkinson's UK when the first patient is dosed in the Company's iRDB clinical trial, scheduled for the September quarter of 2023.

The Group's ability to continue as a going concern, to recover the carrying value of its assets and meet its commitments as and when they fall due is dependent on the ability of the Group to achieve its sales targets for approved products and manage its cost base, particularly its investment in its drug development pipeline, with funds currently available and additional funding potentially available from:

- achieving sufficient future cash flows from the sales of Bronchitol and Aridol;
- securing new partnering arrangements for programs currently in its drug development pipeline;

- the sale of assets;
- reduction in operating costs;
- and/or access to additional sources of equity share capital.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Board and management, having assessed the best available information at this time including detailed cash flow forecasting and initiatives currently being pursued, believe that:

- the Group will be successful in managing within currently available funds and/or realising additional funds as outlined above and, accordingly, have prepared the financial statements on a going concern basis, and
- no asset is likely to be realised for an amount less than the amount at which it is recorded in the financial report at 30 June 2023. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

1.12 Environmental Regulation

The Group is subject to environmental regulation in respect of its manufacturing activities including the Clean Air Act 1961, Clean Waters Act 1970, Pollution Control Act 1970, Noise Control Act 1975 and Waste Minimisation & Management Act 1995. Pharmaxis Ltd has been granted consent to discharge industrial trade wastewater from Sydney Water Corporation.

1.13 Rounding

The Group is of a kind referred to in ASIC Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, to the nearest dollar.

1.14 Non-Audit Services

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Group are important.

Details of the amounts paid to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out in note 21 to the Annual Financial Report included in Section 6 of this Statutory Annual Report.

The Board of Directors have considered the position and, in accordance with the advice received from the Audit Committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the provision of non-audit services by the auditor did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

1.15 Auditor's Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is on the following page.

pwc

Auditor's Independence Declaration

As lead auditor for the audit of Pharmaxis Ltd for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Pharmaxis Ltd and the entities it controlled during the period.

David Ronald
Partner
PricewaterhouseCoopers

Sydney
28 August 2023

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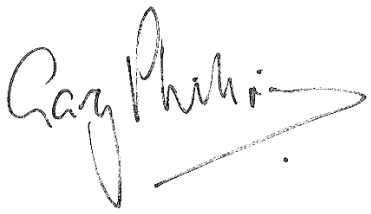
1.16 Auditor

PricewaterhouseCoopers continue in office in accordance with section 327 of the Corporations Act 2001.

1.17 Resolution of the Board

This report is made in accordance with a resolution of directors.



Gary J Phillips

Director
Sydney
28 August 2023

2 REMUNERATION REPORT (Audited)

Remuneration Report

The remuneration report is set out under the following main headings:

2.1 Principles Used to Determine the Nature and Amount of Remuneration Paid to Directors and Senior Executive Officers

2.2 Details of Remuneration Paid to Directors and Senior Executive Officers

2.3 Service Agreements with Senior Executive Officers

2.4 Share-Based Compensation Paid to Directors and Senior Executive Officers

2.5 Additional Information on Compensation Paid to Directors and Senior Executive Officers

2.6 Equity Remuneration.

2.1 Principles Used to Determine the Nature and Amount of Remuneration Paid to Directors and Senior Executive Officers

Introduction:

Pharmaxis requires a board and senior management team with technical capability and importantly, relevant international pharmaceutical company experience. Competitive remuneration practices are required to attract, retain and incentivise such executives and directors. To assist its deliberations, the Directors make use of surveys of Australian companies in the life science area and advice of recruiters and consultants who provide their analysis and understanding of the broader Australian healthcare and general listed company markets.

In order to obtain the experience required, it has historically been necessary to recruit both directors and management from the international marketplace.

Senior Executive Officer remuneration includes a mix of short and long-term components. Remuneration of the Executive Director and Senior Executive Officers includes a meaningful proportion that varies with Group and individual performance. Variable cash incentives are subject to performance assessment by the Remuneration and Nomination Committee. Performance targets in the main relate to objectives and milestones from the Group's annual business plan. The business plan is designed to build a business that generates long term shareholder value through share price appreciation and distributions to shareholders. Group performance targets are agreed by the Remuneration and Nomination Committee and the full Board each year. The annual performance of Senior Executive Officers is reviewed by the Remuneration and Nomination Committee and the Board each year.

In the event that misconduct by the Chief Executive Officer and/or Chief Financial Officer results in the financial statements for any year not complying with financial reporting requirements, all bonuses and incentive payments made to the Chief Executive Officer and Chief Financial Officer in relation to the relevant years are repayable in full.

Non-Executive Directors do not have a variable component of their remuneration.

Equity Remuneration:

Equity remuneration is an important component of attracting and retaining talented individuals while staying within the fiscal constraints of a developing company.

Equity Remuneration Granted to Non-Executive Directors

Non-executive directors do not currently receive equity remuneration.

Equity Remuneration Granted to Senior Executive Officers

The Company has two equity remuneration plans to provide for the long term reward, incentive and retention of all employees in the Group:

- The Pharmaxis Performance Rights Plan enables the grant of employee options with a zero grant price and a zero exercise price, known commonly as "Performance Rights" to eligible employees of the Group. Senior Executive Officers and other eligible employees are invited by the Remuneration and Nomination Committee to participate in this plan.
- The Pharmaxis Share Plan grants up to $1,000 of fully paid Pharmaxis ordinary shares to eligible employees of the Group. Senior Executive Officers do not participate in this plan.

Performance rights plans and share plans are both widely accepted in the Australian context to provide equity remuneration to management and employees of listed companies. Performance rights plans typically provide lower potential returns when compared to traditional options, but by also reducing the risk for employees they provide a stable equity remuneration instrument to reward and retain employees over the longer term.

Key features of the Pharmaxis Performance Rights Plan are as follows:

- Grant price and exercise price of zero, with a life of 10 years from grant date.
- The number of performance rights to be granted is determined by the Board, taking into account the employee's position, responsibility and salary (50% of base salary for the Chief Executive Officer, 30% for Senior Executive Officers and 15% for other participants), and the Pharmaxis share price, defined as the thirty-day volume weighted average price leading up to the grant date with the exception being in 2020 where the 2019 grant share price was used. Prior to the 2019 year, the Board also considered corporate performance in meeting annual business plan objectives and the employee's performance in meeting annual objectives in determining the number of performance rights to be granted. From the 2019 to 2022 years the vesting of granted performance rights was subject to corporate performance, as described below.

- Vesting: For performance rights granted from 30 June 2018 to 30 June 2022, corporate performance is assessed after the end of the financial year following the grant date based on long term focused annual corporate objectives achieved in the financial year. Performance rights were lapsed at that point to the extent the long term focused subset of corporate objectives had not been met. Prior to the grant of performance rights in the 2023 year the Board identified that the majority of the Group's short term corporate objectives also had significant long term performance consequences and are therefore assessed and rewarded by way of the Group's short term incentive program. The Board therefore removed performance vesting for the 2023 and subsequent grants of performance rights.
- Time based vesting of performance rights is as follows. Performance rights granted between 2015 to 2023 vest 50% two years from grant and 50% three years from grant provided the Senior Executive Officer remained an employee of the Group at the relevant vesting date. Unvested performance rights lapse in the event the Senior Executive Officer ceases to be an employee before the relevant vesting date.
- Shares issued upon exercise of performance rights are restricted from sale by the employee for three years from grant date. Shares issued upon exercise of performance rights to Senior Executive Officers are restricted from sale by the officer as long as they are employed by the Group, without prior approval of the Board. The guidelines under which the Board will determine whether to give its approval include the progress of the Group in achieving its stated goals over the period since grant, the impact of a sale on the market in the Group's shares, the Pharmaxis share price, and whether it is an appropriate time for such a sale, amongst other criteria.

Non-Executive Directors:

Fees and payments to Non-Executive Directors reflect the demands that are made on, and the responsibilities of, the Non-Executive Directors. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration and Nomination Committee of the Board. The fees were last altered in the 2014 financial year at which time the fees were reduced. The fees are as follows:

- an annual fee of $100,000 for the Chair with no additional payments for serving on Board committees, and including any applicable statutory superannuation; and
- an annual fee of $70,000 is paid to Non-Executive Directors other than the Chair, with no additional payments for serving on Board committees, and including any applicable statutory superannuation.

During the current year the Board reviewed the use of equity as part of non-executive remuneration and proposed to shareholders the approval of two non-executive director equity plans, both of which we approved by shareholders at the 2022 annual general meeting:

- each non-executive director is given the flexibility, at the advanced election of the relevant non-executive director, to receive their base remuneration wholly in cash, in a combination of cash and equity or wholly in equity. The equity being in the form of zero grant price and zero exercise price options (ZEPOs). No non-executive directors elected to receive ZEPOs in the year. ZEPOs are subject to punitive US tax rates for directors resident in the US.
- the grant to each non-executive director three million options over ordinary shares in the capital of the Company (NED Options). The NED Options have a term of 5 years, vest in equal quarterly instalments over 3 years, subject to the non-executive director continuing to be an eligible person for the purposes of the Option Plan at the relevant time. The NED Options were granted for zero grant price and have an exercise price per NED Option that is at least a 51% premium to the 5 trading day VWAP prior to the date the relevant non-executive director accepts the offer of such NED Option.

Non-Executive Directors' fees (including statutory superannuation) are determined within an aggregate directors' fee pool limit, any changes to which require approval by shareholders. The fee pool limit approved by shareholders in October 2006 stands at a maximum of $600,000 per annum in total.

Retirement Allowances for Directors

Termination payments apply only to Executive Directors, as discussed below.

Executive Directors and Senior Executive Officers:

There are four components to the remuneration of Executive Directors and Senior Executive Officers:

- a base salary paid in cash or packaged at the executive's discretion within Australia Fringe Benefit's Tax guidelines as a total cost package. Base salaries are reviewed by the Remuneration and Nomination Committee effective 1 January each year;
- superannuation of 10.5% of base salary (11% from 1 July 2023);
- a variable cash incentive component payable annually dependent upon achievement of performance targets set and approved by the Remuneration and Nomination Committee and Board. Individual and overall performance targets are set by reference to the components of the Group's annual business plan. The Directors believe the Group's approach to variable cash incentive is consistent with the Group's industry sector; and
- equity remuneration as discussed above.

Base pay for Senior Executive Officers is reviewed annually to ensure the executive's pay is commensurate with the responsibilities and contribution of the executive. An executive's pay is also reviewed on promotion. There was a 2.0% increase in base salaries at 1 January 2023, compared to 3.0% awarded at 1 January 2022.

In establishing the 2023 target variable cash incentives, the Board determined the following percentage of base salary as the appropriate quantum:

	Percentage of base salary	
	Corporate objectives	**Personal objectives**
Chief Executive Officer	30%	-
Other Senior Executives	10%	10%

Corporate objectives are based on the Group's 2023 business plan. Corporate and individual personal objectives are each separately weighted when objectives are set at the beginning of the financial year and at the end of the financial year performance is assessed on each objective individually.

Corporate objectives for 2023 included:

1. PXS-5505: Full recruitment of the Group's phase 2a clinical trial of PXS-5505 in myelofibrosis; completion of a clinical and regulatory strategy for further clinical development of PXS-5505; FDA feedback on the next clinical development program in myelofibrosis.
2. PXS-6302: Top line results of the established scars study and commencement of a subsequent clinical trial in a commercially valuable indication, both studies being conducted by the University of Western Australia.
3. PXS-4728: Commencement of clinical trial in isolated Rapid Eye Movement Sleep Behaviour Disorder (iRBD).
4. Ongoing funding requirements of the Group including new strategies in relation to the mannitol business and capital market support.
5. Specific drug discovery milestones in support of the existing clinical program and potential new drugs.

In assessing overall corporate performance for 2023 the Remuneration and Nomination Committee and the Board assessed substantial achievement in relation to the more significant objectives 1, 4 and 5 and partial achievement in relation to objective 2, 3.

The Board assessed overall performance in achieving the 2023 corporate objectives at 74%.

Termination payments

Termination payments do not apply to Non-Executive Directors. The employment contract for the Chief Executive Officer can be terminated immediately by the Board for serious misconduct and with six months' notice without cause by either party. Employment contracts for Other Senior Executive Officers can be terminated immediately by the Board for serious misconduct and with a maximum of three months' notice without cause by either party. Unless otherwise required by law, no additional payments are required to be paid on termination.

Equity Remuneration

Information on the Equity Remuneration is set out in Note 30 to the Annual Financial Report which is included in Section 6 of this Statutory Annual Report. As noted above, for performance rights granted between 1 July 2018 and 30 June 2022, vesting is subject to an assessment of corporate performance for the financial year following the grant date based on long term focused annual corporate objectives achieved in the financial year.

2.2 Details of Remuneration Paid to Directors and Senior Executive Officers

Details of the remuneration of the Directors and the Senior Executive Officers ("key management personnel" as defined in AASB 124 Related Party Disclosures) of Pharmaxis Ltd and the Group are set out in the following tables.

The Chief Executive Officer and Senior Executive Officers of the Group and the entity are:

Name	***Position***	***Employer***
Gary Jonathan Phillips	Chief Executive Officer	Pharmaxis Ltd
Jana Baskar	Chief Medical Officer	Pharmaxis Ltd
Wolfgang Jarolimek	Head of Drug Discovery	Pharmaxis Ltd
David Morris McGarvey	Chief Financial Officer and Company Secretary	Pharmaxis Ltd
Kristen Morgan	Alliance Management-Head of Medical and Regulatory Affairs	Pharmaxis Ltd

Included in the above are the four highest remunerated Group and entity executives.

The payment of cash bonuses to Senior Executive Officers is dependent on the satisfaction of performance conditions as discussed in Section 2.1 of this Statutory Annual Report. Performance Rights are granted and vested as approved by the Remuneration & Nomination Committee. Other elements of remuneration are not directly related to performance.

2023	Short term benefits		Post-employment benefits	Total Cash Remuneration	Leave Entitlements [1]	Share based payment	Total
Name	Cash salary or Directors' fees	Cash bonus/ incentive	Superannuation			Value [2]	
	A$	A$	A$	A$	A$	A$	A$
Non-executive Directors							
MJ McComas *Chair*	100,000	–	–	100,000	–	15,225	115,225
WL Delaat	6,254	–	657	6,911	–	–	6,911
KM Metters	70,000	–	–	70,000	–	15,225	85,225
N Graham	70,000	–	–	70,000	–	15,225	85,225
SP Green	34,354	–	3,607	37,961	–	–	37,961
WMH De Silva	29,319	–	3,078	32,397	–	–	32,397
Subtotal Non-executive Directors	**309,927**	**–**	**7,342**	**317,269**	**–**	**45,675**	**362,944**
Executive Director							
GJ Phillips	461,930	103,541	48,503	613,974	4,836	134,789	753,599
Senior Executive Officers							
J Baskar	307,715	44,064	32,310	384,089	22,115	23,183	429,387
WG Jarolimek	367,215	54,130	38,558	459,903	10,991	70,241	541,135
DM McGarvey	382,104	60,970	40,121	483,195	(758)	73,132	555,569
K Morgan	228,993	36,480	24,044	289,517	(11,853)	46,083	323,747
Totals	**2,057,884**	**299,185**	**190,878**	**2,547,947**	**25,331**	**393,103**	**2,966,381**

2022	Short term benefits		Post-employment benefits	Total Cash Remuneration	Leave Entitlements [1]	Share based payment[3]	Total[3]
Name	Cash salary or Directors' fees[3]	Cash bonus/ incentive	Superannuation[3]			Value [2]	
	A$	A$	A$	A$	A$	A$	A$
Non-executive Directors							
MJ McComas *Chair*	100,000	–	–	100,000	–	–	100,000
WL Delaat	63,636	–	6,364	70,000	–	–	70,000
KM Metters	70,000	–	–	70,000	–	–	70,000
N Graham	70,000	–	–	70,000	–	–	70,000
Subtotal Non-executive Directors	**303,636**	**–**	**6,364**	**310,000**	**–**	**–**	**310,000**
Executive Director							
GJ Phillips	450,798	34,294	45,080	530,172	10,304	87,710	628,186
Senior Executive Officers							-
J Baskar	4,615	–	462	5,077			5,077
B Charlton	358,187	25,444	35,819	419,450	44,038	38,455	501,943
WG Jarolimek	358,387	38,529	35,839	432,755	-20,479	38,455	450,731
DM McGarvey	372,812	37,832	37,281	447,925	13,645	40,055	501,625
K Morgan	211,663	23,485	21,166	256,314	-3,056	25,245	278,503
Totals	**2,060,098**	**159,584**	**182,011**	**2,401,693**	**44,452**	**229,920**	**2,676,065**

(1) Represents net movement in entitlements to annual leave and long service leave.

(2) The value of share based payments was calculated on the date of each grant of equity using the Black-Scholes option pricing model and amortised as share based remuneration over the vesting period.

(3) In the prior year, the cash salaries and fees for each KMP was incorrectly stated and has therefore been restated in the current year to reflect the correct amount. As a result, the total KMP cash salary decreased from $2,297,275 to $2,060,098, total KMP superannuation from $205,729 to $182,011, total KMP share based payment from $256,495 to $229,920 and total KMP remuneration from $2,963,535 to $2,676,065.

Remuneration subject to risk

Of the total amount of remuneration paid to the Chief Executive Officer and Other Senior Executive Officers, both the payment of the bonus and the granting and vesting of options are subject to Group and individual employee performance. Section 2.5 of the Remuneration Report highlights the risk associated with the bonus this year.

The following table shows the relative proportions of remuneration that are linked to performance and those that are fixed, based on the amounts disclosed as statutory remuneration expense in the above tables.

Relative proportions of fixed vs variable remuneration expense

	Fixed Remuneration		At risk – STI		At risk – LTI [1]	
Name	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Non-executive Directors						
MJ McComas *Chair*	100%	100%	–	–	–	–
WL Delaat	100%	100%	–	–	–	–
KM Metters	100%	100%	–	–	–	–
N Graham	100%	100%	–	–	–	–
SP Green	100%	100%	–	–	–	–
WMH De Silva	100%	100%	–	–	–	–
Executive Director						
GJ Phillips	68%	81%	14%	5%	18%	14%
Senior Executive Officers						
J Baskar	84%	100%	10%	–	5%	–
WG Jarolimek	77%	87%	10%	5%	13%	8%
DM McGarvey	76%	83%	11%	9%	13%	9%
K Morgan	74%	84%	11%	8%	14%	9%

(1) Since the long-term incentives are provided exclusively by way of options, the percentages disclosed also reflect the value of remuneration consisting of options, based on the value of options expensed during the year. Where applicable, the expenses include negative amounts for expenses reversed during the year due to a failure to satisfy the vesting conditions.

2.3 Service Agreements with Senior Executive Officers

In addition to their respective base salaries, each of the following Senior Executive Officers may be awarded an annual performance bonus upon satisfaction of certain milestones upon the sole discretion of the Remuneration and Nomination Committee. Other material terms of each of these agreements are identified below.

Senior Executive Officer [3]	**Annual Base Salary Effective 1 July 2024 [1] $**	**Superannuation Contributions [2] $**
Gary J Phillips, *Chief Executive Officer and Managing Director*	466,402	51,304
Jana Baskar, *Chief Medical Officer*	306,000	33,660
Wolfgang G Jarolimek, *Head of Drug Discovery*	370,750	40,783
David M McGarvey, *Chief Financial Officer and Company Secretary*	385,887	42,448
Kristen Morgan *, Alliance Management-Head of Medical and Regulatory Affairs*	243,199	26,752

(1) Annual base salaries may be subject to increase upon review annually by the Remuneration and Nomination Committee.

(2) From the 1st July 2023 the Company will pay superannuation equal to 11% of the annual base salary per year for the benefit of the Senior Executive Officers.

(3) The employment contracts for all Senior Executive Officers are evergreen in nature.

2.4 Share-Based Compensation Paid to Directors and Senior Executive Officers

Grants of Equity under the Employee Performance Rights Plan to Senior Executive Officers and nominated employees

The terms and conditions of each grant of performance rights affecting remuneration of Directors and Senior Executive Officers in this or future reporting periods are as follows. For vesting conditions refer to 2.1 above:

Grant date	Expiry date	Exercise price	Value per performance right at grant date	Number of performance rights granted	Number of option grantees	Vesting Date (1)
14 August 2019	30 June 2029	$ Nil	$0.238	1,634,000	4	65% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2021 and 50% at 30 June 2022
21 November 2019	30 June 2029	$ Nil	$0.229	927,000	1	65% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2021 and 50% at 30 June 2022
13 August 2020	30 June 2030	$ Nil	$0.238	1,661,000	4	50% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2022 and 50% at 30 June 2023
04 November 2020	30 June 2030	$ Nil	$0.108	942,000	1	50% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2022 and 50% at 30 June 2023
12 August 2021	30 June 2031	$ Nil	$0.095	1,674,400	4	55% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2023 and 50% at 30 June 2024
5 November 2021	30 June 2031	$ Nil	$0.120	4,885,600	5	55% of the rights have now lapsed (2), the remaining balance vest: 50% at 30 June 2023 and 50% at 30 June 2024
1 July 2022	28 June 2032	$ Nil	$0.066	843,000	1	50% at 30 June 2024 and 50% at 30 June 2025
18 October 2022	30 June 2032	$ Nil	$0.078	3,565,000	3	50% at 30 June 2024 and 50% at 30 June 2025
29 November 2022	30 June 2032	$ Nil	$0.065	2,771,000	1	50% at 30 June 2024 and 50% at 30 June 2025

(1) Shares issued upon exercise of performance rights to Senior Executive Officers are restricted from sale by the officer as long as they are employed by the Group, without prior approval of the Board.

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity.

The Pharmaxis Corporate Governance Framework prohibits Directors and Senior Executive Officers from trading in Pharmaxis derivatives.

(2) The performance rights issued during the year ending 30 June 2019, 2020 and 2021 were subject to performance criteria.

Grants of Equity under the Non-Executive Option Plan.

The terms and conditions of each grant of premium priced options remuneration of Non-Executive in this or future reporting periods are as follows. For vesting conditions refer to 2.1 above:

Grant date	Expiry date	Exercise price	Value per option at grant date	Number of performance rights granted	Number of option grantees	Vesting Date (1)
2 December 2022	1 December 2027	$0.11	$0.0203	9,000,000	3	In equal quarterly instalments over 3 years commencing quarter ended 31 December 2022

Performance Rights

Details of performance rights over ordinary shares provided as remuneration to each Director and each Senior Executive Officer is set out below. When exercisable, each performance right is convertible into one ordinary share. Performance rights are issued at a zero purchase price. Vesting details are set out in the subsequent table. Further information on the performance rights is set out in this Remuneration Report (Equity Granted to Directors and Senior Executive Officers above) and in Note 30 to the Annual Financial Report in Section 6 of this Statutory Annual Report. The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. Fair value at grant date is assessed using the closing share price on the date of grant.

Name	Performance rights granted during the year				Number of rights vested during the year	
	2023			2022	2023	2022
	Expiration Date	Exercise Price	Number	Number		
Directors of Pharmaxis Ltd						
MJ McComas *Chair*	**–**	–	**–**	–	**–**	–
GJ Phillips *Chief Executive Officer*	**30 June 2032**	–	**2,771,000**	2,374,000	**769,650**	397,725
KM Metters	**–**	–	**–**	–	**–**	–
N Graham	**–**	–	**–**	–	**–**	–
SP Green	**–**	–	**–**	–	**–**	–
WMH De Silva	**–**	–	**–**	–	**–**	–
Senior Executive Officers						
J Baskar	**30 June 2032**	–	**843,000**	–	–	–
WG Jarolimek	**30 June 2032**	–	**1,322,000**	1,132,000	**366,950**	189,600
DM McGarvey	**30 June 2032**	–	**1,376,000**	1,179,000	**382,275**	197,500
K Morgan	**30 June 2032**	–	**867,000**	743,000	**240,925**	124,500

Non-Executive Director Options

Details of non-executive director options provided as remuneration to Non-Executive Directors subsequent to shareholder approval is set out below. When exercisable, each option is convertible into one ordinary share. Options are issued at a zero purchase price. Vesting details are set out in the subsequent table. Further information on the options is set out in this Remuneration Report (Equity Granted to Directors and Senior Executive Officers above) and in Note 30 to the Annual Financial Report in Section 6 of this Statutory Annual Report. The assessed fair value at grant date of performance rights granted to the individuals is allocated equally over the period from grant date to vesting date, and the amount is included in the remuneration tables below. Fair value at grant date is assessed using the closing share price on the date of grant.

Name	NED options granted during the year				Number of NED options vested during the year	
	2023			2022	2023	2022
	Expiration Date	Exercise Price	Number	Number		
Directors of Pharmaxis Ltd						
MJ McComas *Chairman*	**1 December 2027**	$0.11	**3,000,000**	–	750,000	–
KM Metters	**1 December 2027**	$0.11	**3,000,000**	–	750,000	–
N Graham	**1 December 2027**	$0.11	**3,000,000**	–	750,000	–
SP Green	**–**	–	**–**	–	**–**	–
WMH De Silva	**–**	–	**–**	–	**–**	–

Shares Issued on Exercise of Remuneration Options

Name	Date of grant of options	Amount paid per share on exercise	Ordinary shares issued on exercise of options during the year	
			2023	2022
Senior Executive Officers of the Group				
GJ Phillips	20 November 2015	$ Nil	–	811,000
GJ Phillips	29 November 2016	$ Nil	–	827,000
GJ Phillips	14 November 2017	$ Nil	**770,000**	–
GJ Phillips	22 November 2018	$ Nil	**310,500**	–
GJ Phillips	21 November 2019	$ Nil	**324,450**	–
GJ Phillips	4 November 2020	$ Nil	**235,500**	–
WG Jarolimek	31 July 2015	$ Nil	**296,000**	–
WG Jarolimek	26 July 2016	$ Nil	**204,000**	–
K Morgan	26 July 2016	$ Nil	**118,000**	–
K Morgan	18 July 2017	$ Nil	**209,000**	–
DM McGarvey	31 July 2015	$Nil	**120,000**	–

2.5 Additional Information on Compensation Paid to Directors and Senior Executive Officers

Details of Director and Senior Executive Officer Remuneration: Cash Bonuses, NED Options and Performance Rights

For each cash bonus and grant of performance rights included in the tables above, the percentage of the available bonus or grant that was paid, or that vested, in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonuses is payable in future years.

For performance rights granted between 1 July 2018 and 30 June 2022 vesting was subject to an assessment of corporate performance for the financial year following the grant date based on long term focused annual corporate objectives achieved in the financial year. Corporate performance was assessed after the end of the financial year following the grant date based on long term focused annual corporate objectives achieved in the financial year. Performance rights are lapsed at that point to the extent the long term focused subset of corporate objectives have not been met.

Time based vesting of performance rights is as follows. Performance rights granted in 2015 to 2023 vest 50% two years from the date of grant and 50% three years from the date of grant provided the Senior Executive Officer remained as an employee of the Group at the relevant vesting date. Unvested performance rights lapse in the event the Senior Executive Officer ceases to be an employee before the relevant vesting date.

	Cash Bonus		**Performance Rights & NED Options**					
Name	**Payable**	**Forfeited**	**Year granted**	**Vested**	**Forfeited**	**Financial years in which performance rights & NED options may vest**	**Minimum total value of grant yet to vest**	**Maximum total value of grant yet to vest**
	%	**%**		**%**	**%**		**$**	**$**
Non-executive Directors – NED Options								
MJ McComas	–	–	2023	25%	–	2023, 2024, 2025, 2026	–	45,675
WL Delaat	–	–	–	–	–	–	–	–
KM Metters	–	–	2023	25%	–	2023, 2024, 2025, 2026	–	45,675
N Graham	–	–	2023	25%	–	2023, 2024, 2025, 2026	–	45,675
SP Green	–	–	–	–	–	–	–	–
WMH De Silva	–	–	–	–	–	–	–	–
Executive Director – Performance Rights								
GJ Phillips	74%	26%	2020	100	65	2021, 2022	–	–
			2021	50	50	2022, 2023	–	–
			2022	–	55	2023, 2024	–	64,098
			2023	–	–	2024, 2025	–	174,573
Senior Executive Officers – Performance Rights								
J Baskar	72%	28%	2023	–	–	2024, 2025	–	55,638
WG Jarolimek	73%	27%	2020	100	65	2021, 2022	–	–
			2021	50	50	2022, 2023	–	–
			2022	–	55	2023, 2024	–	28,017
			2023	–	–	2024, 2025	–	103,116
DM McGarvey	79%	21%	2020	100	65	2021, 2022	–	–
			2021	50	50	2022, 2023	–	–
			2022	–	55	2023, 2024	–	29,180
			2023	–	–	2024, 2025	–	107,328
K Morgan	75%	25%	2020	100	65	2021, 2022	–	–
			2021	50	50	2022, 2023	–	–
			2022	–	55	2023, 2024	–	18,389
			2023	–	–	2024, 2025	–	67,626

Share-Based Compensation Paid to Directors and Senior Executive Officers

Further details relating to options and performance rights granted to, exercised by or lapsed, for Directors and Senior Executive Officers during the financial year ended 30 June 2023 are set out below:

	A	B	C	D
Name	**Remuneration consisting of NED Options and performance rights**	**Value at grant date $**	**Value at exercise date $**	**Value at lapse date $**
NED Options				
MJ McComas	13%	60,900	–	–
KM Metters	18%	60,900	–	–
N Graham	18%	60,900	–	–
Performance Rights				
GJ Phillips	17%	228,608	174,573	–
J Baskar	6%	60,022	55,638	–
WG Jarolimek	13%	109,065	103,116	–
DM McGarvey	12%	113,520	107,328	–
K Morgan	14%	71,528	67,626	–

A = The percentage of the value of remuneration consisting of options, based on the value at grant date as set out in column B.

B = The value at grant date calculated in accordance with AASB 2 *Share-based Payment* of options granted during the year as part of remuneration.

C = The difference between the market price of shares and the exercise price of options at exercise date that were granted in prior years as part of remuneration and were exercised during the year.

D = The value at lapse date of options that were granted as part of remuneration and that lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing, but assuming the condition was satisfied.

Share Holdings of Directors and Senior Executive Officers

The numbers of shares in the company held during the financial year by each director of Pharmaxis Ltd and other key management personnel of the Group, including their close family members, are set out below. (Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity).

2023 Name	**Balance at the start of the year**	**Received during the year on the exercise of options**	**Other changes during the year**	**Balance at the end of the year**
Directors of Pharmaxis Ltd				
Ordinary shares				
MJ McComas	2,490,409	–	–	2,490,409
GJ Phillips	4,059,393	1,640,450	–	5,699,843
KM Metters	20,000	–	–	20,000
N Graham	–	–	–	–
SP Green	–	–	–	–
WMH De Silva	–	–	867,636	867,636
Other key management personnel of the Group				
Ordinary shares				
J Baskar	–	–	400,000	400,000
WG Jarolimek	1,221,550	500,000	–	1,721,550
DM McGarvey	919,651	120,000	–	1,039,651
K Morgan	–	327,000	–	327,000

2022 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Directors of Pharmaxis Ltd				
Ordinary shares				
MJ McComas	1,179,694	–	1,310,715	2,490,409
GJ Phillips	2,326,154	1,638,000	95,239	4,059,393
W Delaat	53,334	–	–	53,334
KM Metters	20,000	–	–	20,000
N Graham	–	–	–	–
Other key management personnel of the Group				
Ordinary shares				
B Charlton	955,714	–	–	955,714
WG Jarolimek	1,221,550	–	–	1,221,550
DM McGarvey	910,127	–	9,524	919,651
K Morgan	–	–	–	–

Other transactions with key management personnel

There were no other transactions with key management personnel during the year ended 30 June 2023.

Loans to Directors and executives

Nil. Not permitted under Pharmaxis corporate governance framework.

2.6 Equity Remuneration

Shares Under Equity Plans

Total unissued ordinary shares under equity plans at the date of this report are as follows:

Equity Plan movement	Performance Rights Number	NED Equity Number
Total unissued ordinary shares under plans at 30 June 2023 – refer Note 30 to the Annual Financial Report included in Section 6 of this Statutory Annual Report	29,252,025	9,000,000
Performance rights exercised during the period 1 July 2023 to 28 August 2023	(902,775)	–
Lapse of performance rights subsequent to resignation of employee	(1,081,225)	–
	27,268,025	9,000,000

No option or performance right holder has any right to participate in any other share issue of the Company or any other entity.

Shares issued on the exercise of performance rights and zero exercise priced share plan

The following ordinary shares were issued during the year ended 30 June 2023 on the exercise of performance rights granted under the Performance Rights Plan or zero exercise priced option share plan. No amounts are unpaid on any of the shares.

Date performance rights granted	Issue price of shares	Number of shares issued
7 June 2013	$ Nil	66,500
31 July 2015	$ Nil	471,000
26 July 2016	$ Nil	371,025
18 July 2017	$ Nil	216,000
14 November 2017	$ Nil	770,000
25 July 2018	$ Nil	46,350
22 November 2018	$ Nil	310,500
14 August 2019	$ Nil	95,900
21 November 2019	$ Nil	324,450
12 August 2020	$ Nil	32,250
4 November 2020	$ Nil	235,500
		2,939,475

3. CORPORATE GOVERNANCE

Pharmaxis has developed a corporate governance framework including supporting policies and practices consistent with the Corporate Governance Principles and Recommendations 4th ("ASX Governance Principles").

The Board reviews and updates the corporate governance framework as required.

A description of the Pharmaxis corporate governance framework, supporting policies and required ASX corporate governance disclosures may be found in the corporate governance section on the Pharmaxis website at www.pharmaxis.com/investor_centre/corporate_governance. The Company has filed Appendix 4G with the ASX, providing a key to where our corporate governance disclosures can be located.

4. SENIOR MANAGEMENT

Executive Director and Senior Executive Officers

Information about Executive Director and Senior Executive Officers as of 28 August 2023.

Gary J. Phillips, Refer to Directors' Report.

Jana Baskar, MBBS, MMedSC, MBA, was appointed Chief Medical Officer on 27 June 2022. Dr Baskar has broad therapeutic knowledge and significant clinical research expertise having worked in several different specialties both in clinical medicine and the biopharmaceutical industry in a career spanning more than 20 years. He has guided numerous clinical trials through all phases of development including more than 70 oncology programs while serving in the role of Medical Director at Novartis Oncology in Australia. Dr Baskar has been recognised for demonstrating effective change management and leadership skills. He has provided strategic advice to biopharma companies while serving as Medical Director for IQVIA in Australia and New Zealand. He received a Bachelor of Medicine degree (MBBS) from the University of Western Australia. Dr Baskar also holds a Master of Medical Science in Drug Development from the University of New South Wales (MMedSc), Master of Business Administration (MBA) from the Australian Graduate School of Management and a Certificate in Human Pharmacology (CHP) from the Royal College of Physicians, United Kingdom.

Wolfgang G. Jarolimek, Ph.D., joined Pharmaxis in September 2010 as Manager in vitro Pharmacology and was appointed Head of Drug Discovery in August 2012. Dr Jarolimek has more than 20 years' experience in pharmaceutical drug discovery and has published more than 40 peer reviewed articles. From 2002 to 2010 Dr Jarolimek was Director of Assay Development and Compound Profiling at the GlaxoSmithKline Center of Excellence in Drug Discovery in Verona, Italy. In addition to chairing early drug discovery efforts locally he also had global responsibilities for ion channel screening and implementing safety-related screening. From 1998 to 2002 Dr Jarolimek worked at the Neuroscience Center of Merck, Sharp and Dohme in Harlow, England, as Senior Research Scientist in the electrophysiology group. Prior to joining pharma companies, he spent 8 years as post-doc at the Max-Plank Institute in Munich, Germany; Baylor College of Medicine, Houston, Texas; Rammelkamp Center, Cleveland Ohio; and University of Heidelberg, Germany. Dr Wolfgang Jarolimek holds a B.Sc. in Pharmacy and a PhD from the University of Saarbrücken, Germany. In 1997 he became Assistant Professor in Physiology at the University of Heidelberg, Germany.

David M. McGarvey, CA ANZ, GAICD, FGIA, has been Chief Financial Officer and Company Secretary since December 2002. Mr McGarvey has over thirty years' experience in overseeing the financial affairs of different Australian companies. From 1998 to 2002, Mr McGarvey served as Chief Financial Officer of the Filtration and Separations Group of US Filter. From 1985 to 1997, Mr McGarvey served as Chief Financial Officer of Memtec Limited. While at Memtec, Mr McGarvey oversaw the US listing of Memtec on the Nasdaq Global Market and the New York Stock Exchange and managed numerous international merger and acquisition transactions. From 1975 to 1985, Mr McGarvey held various positions at PricewaterhouseCoopers. Mr McGarvey holds a BA in Accounting from Macquarie University and was admitted to Chartered Accountants ANZ in 1981, is a Graduate of the Australian Institute of Company Directors and is a Fellow of the Governance Institute of Australia.

Kristen Morgan BSc, PGDipBusAdmin, MMedSc has responsibility for Alliance Management and Medical and Regulatory Affairs. Ms Morgan joined Pharmaxis in August 2008 as Head of Medical Affairs and has over 20 years' experience in the pharmaceutical industry. Ms Morgan previously held a senior role in Medical Affairs at Sanofi-aventis, and held a commercial/sales role at GSK. Ms Morgan holds a B.Sc. from Queensland University (major in pharmacology), a Postgraduate Diploma of Business Administration from Queensland University of Technology and a Masters of Medical Science (Drug Development) from University of New South Wales.

5 OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with the financial statements and related notes included elsewhere in this report. The Company's financial year ends on 30 June.

5.1 Review of 2023 Operations

Pharmaxis is an Australian clinical stage drug development company focused on inflammation and fibrosis (including skin scarring and some cancers) with a portfolio of products at various stages of development and approval.

Established in 1998 and listed on the Australian Securities Exchange in 2003 the Company's head office, manufacturing and research facilities are located in Sydney, Australia.

The Company's product pipeline is founded on its expertise in the chemistry of amine oxidase inhibitors and includes the Company's primary program of oral pan-Lysyl Oxidase Inhibitors (LOX) targeting myelofibrosis and other cancers; topical pan-LOX inhibitors targeting skin scarring after events such as accidents, surgery or burns; selective Lysyl Oxidase Like Inhibitors (LOXL2) targeting chronic fibrotic diseases including kidney fibrosis, pulmonary fibrosis, liver fibrosis (NASH) and cardiac fibrosis; and Semicarbazide-Sensitive Amine Oxidase (SSAO) for neuro inflammatory diseases.

Pharmaxis manufactures and exports its approved products from a purpose built manufacturing facility in Sydney.

- Bronchitol®, an inhaled dry powder for the treatment of cystic fibrosis, has been the subject of three large scale global clinical trials conducted by Pharmaxis. The product is approved and sold in the United States, Europe, Russia and Australia.
- Aridol® a lung function test for asthma was also the subject of a clinical trial program run by Pharmaxis and is approved and sold in the United States, Europe, Australia and Asia.

Both Bronchitol and Aridol are manufactured at the Pharmaxis manufacturing facility in Sydney and sold in Australia and internationally by exclusive distributors and wholesalers.

The management and Board of Directors have significant relevant experience in drug discovery and commercialisation.

Conflict in Ukraine/Russia

Pharmaxis supplies Bronchitol to cystic fibrosis patients in Russia by way of an exclusive distributor,
GEN İlaç ve Sağlık Ürünleri San. ve Tic. A.Ş. (GEN) based in Turkey. Bronchitol is on the Russian "Essential Drugs List" and is one of few therapeutic products available for cystic fibrosis patients in Russia. The drug is shipped to Turkey after which GEN attends to additional packaging requirements for distribution in Russia. GEN is responsible for transport into Russia.

New drug development

During the year the Company made progress in its drug development pipeline as follows:

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 scheme, commenced dosing in the March quarter of 2021 initially at sites in Australia and South Korea but later extended to Taiwan and the United States. The study aims to demonstrate that PXS-5505 is safe and well tolerated as a monotherapy in myelofibrosis patients who are intolerant, unresponsive or ineligible for treatment with approved JAK inhibitor drugs. The trial has additional secondary endpoints to explore the impact of inhibiting lysyl oxidase enzymes on a number of important disease parameters such as bone marrow fibrosis, cytopenia and spleen volume.

The phase 2a stage of a clinical trial in myelofibrosis (MF-101) continued to recruit during the year reaching 21 of the 24 targeted patients. Pharmaxis released interim data on the first six patients to have completed the full 24 weeks of treatment in October and again in July 2023 on the first ten patients to have completed the full 24 weeks of treatment.

In relation to the primary (safety) end points PXS-5505 was well tolerated with no serious treatment related adverse events reported. The majority of adverse events were mild and not related to treatment. Ten patients dropped out of the study; none of which were treatment related.

In relation to the secondary efficacy endpoints:

- Five out of nine evaluable patients had improved bone marrow fibrosis scores of ≥1 grade with four out of five fibrosis responders demonstrating stable hematological parameters and three out of five patients reporting symptomatic improvement
- Four had an improvement in symptom score of >20%
- Seven had stable/improved haemoglobin (Hb) counts

- Eight had stable/improved platelet counts; three of these eight patients entered the study with Grade 4 (potentially life threatening) thrombocytopenia

- No spleen volume response (SVR35) was identified

On reviewing the results, Dr. Lucia Masarova, Assistant Professor, Department of Leukaemia at MD Anderson Cancer Center, Houston said, "PXS-5505 continues to show not only an excellent safety profile but also promising clinical activity. The effect on bone marrow fibrosis is particularly exciting for a disease like myelofibrosis, where despite numerous years of research, we do not have any effective anti-fibrotic drugs. It is encouraging to see that majority of 10 patients who completed 24 weeks of therapy also had improvements of symptoms and more importantly, stable or improved blood counts; including in those patients with severe thrombocytopenia.

"These results support plans to continue clinical investigation of the agent, including combinations with JAK inhibitors where the lack of overlapping hematological toxicity would make PXS-5505 an ideal add-on candidate."

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.

Based on the interim data indicating that PXS-5505 is a safe and well tolerated drug achieving high target engagement with the potential to make a real difference to patients Pharmaxis had a Type C Meeting review with the FDA who examined a package of safety and efficacy information from the current monotherapy trial of PXS-5505 and provided guidance on the number of patients, treatment dosage, study duration and endpoints for a study in combination with a JAK inhibitor as standard of care. Pharmaxis subsequently submitted a clinical trial protocol amendment to global regulators, including the FDA, adding an arm to the existing study (MF-101) and utilising existing trial sites. Based on the FDA Type C Meeting feedback the trial design has been streamlined to initiate the combination arm at the same dose currently used in the monotherapy arm. The amended protocol has recently been cleared by the FDA under the Investigational New Drug (IND) scheme and the trial is therefore able to commence later this year.

The Company is well advanced in discussion with the existing trial site investigators who have welcomed the opportunity to extend the patient population for the study and anticipate significantly accelerated recruitment.

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

While Pharmaxis' primary focus is the development of PXS-5505 for myelofibrosis the drug has potential in several other cancers including myelodysplastic syndrome (MDS), hepatocellular carcinoma (liver cancer) and pancreatic cancer. Pharmaxis has a number of scientific collaborations with centres of excellence across the world who have shown interest in PXS-5505.

The potential use of PXS-5505 in myelodysplastic syndrome was the subject of an article in Nature Communication on work carried out by the University of Heidelberg investigating the role of lysyl oxidase enzymes in (MDS) and the effect of combining 5-azacytidine (5-AZA) with Pharmaxis' pan-lysyl oxidase inhibitor, PXS-5505. The authors concluded that the significant increase in red blood cell production evidenced in their studies makes a strong case for trialing PXS-5505 combined with the current standard of care in MDS patients, especially those who are anaemic.

In research performed by the Wilmot Cancer Institute, University of Rochester, the combination of PXS-5505 and standard of care in preclinical models demonstrated a novel therapeutic strategy for liver cancer. A planned investigator initiated clinical trial by the University of Rochester in hepatocellular carcinoma (HCC) patients will not be progressed at this point as Pharmaxis focusses its resources on haematological malignancies such as MF and MDS. Pharmaxis' collaboration with the research team at University of Rochester continues with further pre-clinical evaluation of Pharmaxis pipeline assets.

Topical pan-LOX inhibitor program (PXS-6302)

Pharmaxis 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 scar prevention post-surgery.

The Pharmaxis discovery, PXS-6302, has shown promising pre-clinical results which have been published in Nature Communications. PXS-6302 inhibits the enzymes that play a critical role in the development of scar tissue and has successfully completed phase 1a/b clinical trials.

Pharmaxis, with the University of Western Australia (UWA) and the Fiona Stanley Hospital, has progressed the program into a trial in established scars and is planning further trials.

A phase 1c trial, known as SOLARIA2, is in 50 adult patients treated for scars of more than one year in age and greater than 10 square centimeters in size for a period of 3 months. The first 8 patients treated were on active drug with the following cohort of 42 which completed recruitment in December randomised 1:1 to active or placebo.

Preliminary results, released in September 2022 from the open label phase with 8 patients treated for up to 3 months on active drug, showed a high level of inhibition of enzymes and changes in biomarkers that are implicated in scarring.

In May 2023 the Company announced encouraging results in relation to the second cohort of the phase 1c study in established skin scars.

- The primary endpoint of safety and tolerability was met. PXS-6302 was very well tolerated and demonstrated a good safety profile. No serious adverse events were reported and only two patients withdrew from the study after reporting redness and itching at the site of application which resolved after treatment was stopped.

- Applications of PXS-6302 cream three times a per week resulted in a mean 66% reduction in LOX activity when measured 2 days after the last dose ($p<0.001$) compared to baseline and to placebo group. LOX is responsible for the cross linking of collagen fibres implicated in adverse scarring.
- Changes in the composition of the scars was further assessed by quantifying a surrogate for collagen content, hydroxyproline, in the biopsies taken at baseline and at the end of the study. Patients in the active arm had a mean reduction in hydroxyproline of 30% compared to placebo after three months treatment. ($p<0.01$, t-test)
- The study enrolled patients with a wide variety of scar types of generally low to moderate severity and with an average scar age of 12.8 years. Patients and clinicians qualitatively evaluated a number of different aspects of the scar using the POSAS1 scoring system. No significant differences in the overall score were seen between active and placebo groups after three months of treatment.

Surgeon and burns expert Professor Fiona Wood who led the study stated, "This exploratory clinical study has significantly enhanced our understanding of the role of LOX enzymes in scarring and the scar process itself. PXS-6302 safely inhibits these key enzymes to a significant degree and leads directly to an unprecedented change to the scar composition that we have not seen with any other form of treatment. We estimate that up to 50% of the excess collagen in these patients' scars has been removed and while the length of this Phase 1c safety study was not sufficient to change the appearance of an established scar, the remodelling process will be ongoing and I'm confident we would see an improvement in scar appearance and physical characteristics if we observed them for longer.

"The collected data also bodes well for studying the effect of LOX inhibition on the prevention of scars after surgery and in younger scars where the remodelling process is more aggressive and probably more sensitive to intervention with a LOX inhibitor. This work is a particular passion of mine and I am looking forward to extending our collaboration with Pharmaxis for future studies."

This first in man clinical study has pointed the way for future clinical research for the Company's pan-LOX inhibitors.

SSAO inhibitor program (PXS-4728)

In September 2022 the Company announced that leading charity, Parkinson's UK, will provide £2.9m (~A$5m) to fund a Phase 2 study of the Pharmaxis drug discovery PXS-4728, with the aim of tackling Parkinson's disease at the earliest possible time.

Previous research has identified that the development of isolated Rapid Eye Movement Sleep Behaviour Disorder (iRBD), where otherwise healthy people start acting out their dreams, is the strongest predictor for the development of Parkinson's disease and dementia with Lewy Bodies. A recent multicentre study found that over 70% of iRBD patients transitioned to a neurodegenerative disease.

The study will examine whether targeting inflammation in the brain of people with iRBD might provide a viable neuroprotective strategy to prevent the disease. Working in collaboration, experts from the University of Sydney and the University of Oxford will recruit 40 patients with iRBD to participate in a placebo-controlled Phase 2 trial to evaluate whether PXS-4728 can reduce neuroinflammation as measured by state of the art nuclear scanning techniques.

Principal investigator, Professor Simon Lewis, Director of the Parkinson's Disease Research Clinic at the Brain & Mind Centre, University of Sydney said, "Currently, we have no disease modifying treatments for Parkinson's disease and by the time patients are diagnosed they have already lost a significant number of brain cells. Therefore, targeting patients with iRBD offers us our best strategy for slowing cell death when it could be most impactful. This trial provides an unprecedented opportunity to study the effect of PXS-4728 and its potential role to act as a neuroprotective agent by reducing neuroinflammation in regions of the brain associated with progression to disease."

PXS-4728 is a potent inhibitor of the inflammatory enzyme SSAO (semicarbazide-sensitive amine oxidase) that was discovered by the Pharmaxis research team at the company's Frenchs Forest laboratories in Sydney, Australia. The study in iRBD is seeking to reduce inflammation by inhibiting both SSAO and MAO-B, a concept supported by preclinical models in neuroinflammation and published literature in Parkinson's disease. PXS-4728 has passed all long term toxicity studies and has been well tolerated in all clinical studies including two Phase 2 studies in other indications. It is therefore an ideal candidate for long term studies in neurodegenerative diseases like Parkinson's, Alzheimer's and Huntington's Disease where neuroinflammation plays a significant role in disease progression.

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 fibrotic disease and continues discussions with independent investigators in relation to study protocol design and funding options including grants.

Mannitol Respiratory Business (approved products – Bronchitol and Aridol)

Bronchitol for cystic fibrosis

Bronchitol (mannitol) is an inhaled dry powder for the treatment of cystic fibrosis (CF). The product is approved and marketed in the United States, Australia, Europe, Russia and several other countries.

The largest markets for Bronchitol are currently the United States, Russia and Australia. Chiesi is the Company's distributor in the United States as well as Western Europe; GEN Ilac is the distributor for Russia as well as Turkey, and BTC health is the distributor for both Bronchitol and Aridol in Australia.

Aridol

Aridol is designed to identify twitchy or hyper-responsive airways and to assist in diagnosing and managing asthma. It is a simple-to-use airways inflammation test administered as a dry powder in a hand-held inhaler.

Aridol is approved and sold in Australia, South Korea, in a number of European countries, the USA and Canada.

5.2 Results of Operations

Sales

Sales for the year ended 30 June 2023 of $5.8 million (2022: $7.4 million) included Bronchitol sales of $4.3 million (2022: $5.8 million) and Aridol sales of $1.5 million (2022: $1.6 million).

Bronchitol sales by region are as follows:	**2023**	2022
	$'000	$'000
Australia	**239**	677
Western Europe	**553**	790
Central and Eastern Europe	**575**	506
Russia	**1,054**	2,226
USA	**1,874**	1,616
	4,295	5,815

Pharmaxis supplies a number of its larger distributors only several times a year with the quantity and timing of orders based on in-market sales and distributor inventory levels.

Aridol sales by region are as follows:	**2023**	2022
	$'000	$'000
Australia	**323**	240
Europe	**792**	770
USA & Canada	**-**	334
South Korea	**355**	267
	1,470	1,611

Other revenue

Other revenue for the year ended 30 June 2023 was $7.3 million compared to $2.5 million in 2022. In August 2022 Aptar Pharma, after twelve months of technical and commercial evaluation, exercised its option to acquire the worldwide rights to Pharmaxis' proprietary inhaler Orbital, a unique device designed to deliver high payload dry powder to the lungs. This unique platform was originally developed as a life cycle extending product for Bronchitol (mannitol). However, it also meets an increasing global need to deliver high doses of other drugs, such as antibiotics, to the lungs. Aptar Pharma paid Pharmaxis US$2.5 million to exercise the option to the Orbital technology and immediately exercised its subsequent right to outright acquire the technology by payment of a further US$2.5 million. Pharmaxis retains the rights to devices containing Orbital intellectual property used to deliver inhaled mannitol. The acquisition by Aptar provided A$7.2 million in total to Pharmaxis.

Other revenue for the year ended 30 June 2022 included a distributor appointment fee of A$2 million in relation to the Australian distribution rights sold to BTC health Limited and a $340,000 option fee received from Aptar in relation to the Orbital device.

Other income

Other income for the year ended 30 June 2023 was $6.2 million (2022: $6.0 million). The components to this income group include:

- R&D tax incentive credits - $5.2 million (2022: $4.9 million). The R&D Tax Incentive scheme in Australia enables a 43.5 per cent refundable tax offset to eligible entities with an aggregated turnover of less than $20 million per annum.
- Recognition of the $0.6 million of the first milestone received under the grant from Parkinson's UK. (2022: $0.1 million in relation to several government grants), and
- Other of $0.4 million (2022: $0.9 million), which is comprised of the sublease of excess office and warehouse space for the year ended 30 June 2023 (2022: $0.2 million).

Employee costs

Employee related expenses for the year ended 30 June 2023 were $11.3 million, an approximate 9% increase from 2022. Employee costs include share based payments (non-cash) totaling $0.8 million (2022: $0.8 million).

The Company employed 69 FTEs at 30 June 2023 of which approximately 24% were engaged in new drug discovery, 9% in corporate,4% in clinical services, 59% in the manufacturing of Bronchitol and Aridol, and the remaining 4% in medical/regulatory support of Bronchitol and Aridol.

Administration & corporate

Administration and corporate expenses include accounting & IT, legal & compliance, public company costs, patent portfolio and insurance costs. Administration expenses were $2.7 million in 2023 compared to $2.6 million in 2022.

Clinical trials

Clinical trials expenses were $5.7 million in 2023 compared to $5.7 million in 2022. The clinical trials expenses relate to the external costs incurred and are predominately driven by fees paid to the clinical research organisations contracted to manage the trials, and costs paid to participating site investigators. A total of $1.6 million was spent on the manufacture of drug product for use in clinical trials.

The 2023 expense consists of:

- Phase 1c/2a trial for the Company's Oral pan-LOX inhibitor program (PXS-5505) in myelofibrosis: $4.5 million,
- Phase 1c trial for the Company's Topical pan-LOX inhibitor program (PXS-6302): $0.2 million, and
- Phase 2 trial for the Company's SSAO inhibitor program (PXS-4728): $0.7 million. $0.5 million of these costs were funded by the grant from Parkinson's UK.

The 2022 expense consists:

- Phase 1c/2a trial for the Company's Oral pan-LOX inhibitor program: $5.0 million, and
- Phase 1 trial for the Company's Topical pan-LOX inhibitor program: $0.7 million.

Drug development

Drug development expenses were $3.0 million in 2023 compared to $1.5 million in 2022. The drug development expenses relate to the external costs incurred in running the Company's research programs (and excludes any allocation of lease and utilities), selecting and then progressing drug candidates through the pre-clinical development path. The expenditure predominantly relates to the following programs with the mix of expenditure changing as the programs progress towards the clinic. Program expenditure is as follows:

- Oral pan-LOX inhibitor program: $0.4 million ($2.0 million in 2022).
- Topical pan-LOX inhibitor program: $1.7 million ($0.5 million in 2022).
- Explorative and general research: $0.5 million ($0.2 million in 2022).

Sales, marketing & distribution

Sales and marketing expenses are primarily focused on external costs incurred in selling Bronchitol globally, in support of the Company's exclusive distributors. Limited Pharmaxis resources are now directed at the promotion of Bronchitol or Aridol. Sales and marketing expenses for the current year were $0.3 million compared to $0.8 million in 2022. The decrease in the current year primarily relates to a re-arrangement of EU import and logistics completed at the end of the 2022 financial year.

Safety, medical and regulatory affairs

Safety, medical and regulatory affairs expenses relate to external costs directed at monitoring and reporting product safety to regulatory agencies, reviewing material provided to clinicians and patients by the Company and obtaining and maintaining product approvals. This category of expenses was $1.4 million in 2023 and $1.6 million in 2022.

Manufacturing purchases and changes in inventory

Manufacturing purchases and changes in inventory were $2.7 million in 2023 compared to $2.7 million in 2022. This group of costs includes raw material and consumable purchases, external costs associated with running the production and quality control processes and repair & maintenance costs associated with manufacturing equipment and our manufacturing facility as well as the net transfer of manufacturing labour and overhead to and/or from inventory and inventory adjustments. These costs vary with production volumes which were lower in the 2023 financial year.

Other

Other expenses were $0.5 million in 2023 compared to $0.5 million in 2022. This category encompasses royalties, corporate travel related costs, shared office administration costs, and other costs.

Depreciation & amortisation

Depreciation and amortisation expense for the year ended 30 June 2023 was $1.8 million compared to $3.2 million in 2022. The decrease reflects assets being fully written down in prior years.

Foreign currency exchange gains and losses

The Group recorded a foreign currency exchange gain for the year ended 30 June 2023 of $0.08 million (2022: $1.1 million loss). The foreign exchange gain is after recognising a $0.4 million unrealised loss in relation to the financing agreement with SWK Funding LLC (2022: $1.2 million loss).

Finance income (costs)

Finance costs were $0.2 million in 2023 compared to a finance income of $13.5 million in 2022. The balances are made up of an expense in relation to lease liability of our corporate manufacturing and research facility at French's Forest of $0.2 million (2022: $0.3 million), and an

adjustment to the SWK Funding LLC financing agreement of $13.5 million in the year ending 30 June 2022. This adjustment was made as a result of the Company recalculating expected payments to be made under the SWK Funding LLC financing agreement subsequent to the reduction of projected Bronchitol sales in the United States as discussed above.

Income tax expense

The Group only operates in Australia and did not have taxable income in 2023 or 2022.

Profit/(Loss)

The Company recorded a loss of $11.4 million in 2023 compared to a loss of $1.9 million in 2022.

Basic and diluted net profit / (loss) per share

Basic and diluted net loss per share was cents 0.02 in 2023 compared to cents 0.04 in 2022.

5.3 Liquidity and Capital Resources

As at 30 June 2023 Pharmaxis had cash and cash equivalents of $9.2 million as compared to $8.9 million at 30 June 2022. The Company expects to receive $5.2 million in the 2023 financial year in relation to its 2023 R&D tax credit. The components of the Company's cash flow during 2023 were as follows:

- Net cash outflows from operating activities of $7.3 million. This consisted of a net loss for the year of $11.4 million, $1.8 million of non-cash depreciation and amortisation, unrealized non-cash foreign exchange losses of $1.0 million, non-cash employee equity charges of $0.8 million, and other net negative working capital movements of $0.06 million.
- Net cash outflows from investing activities were $0.1 million including both capital expenditure and new patent applications.
- Net cash inflows from financing activities were $7.0 million which included net proceeds from the issuance of shares $9.3 million, facility finance lease repayments of $2.3 million and financing agreement repayments of $0.03 million.

6 FINANCIAL STATEMENTS

This financial report covers Pharmaxis Ltd as the consolidated entity consisting of Pharmaxis Ltd and its subsidiaries. The financial report is presented in the Australian currency.

Pharmaxis Ltd is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Pharmaxis Ltd
20 Rodborough Road
Frenchs Forest, NSW Australia 2086

A description of the nature of the consolidated entity's operations and its principal activities is included in the review of operations and activities in the directors' report which is not part of this financial report.

The financial report was authorised for issue by the directors on 28 August 2023. The company has the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our corporate reporting is timely, complete, and available globally at minimum cost to the company. Press releases, financial reports and other information are available at our website: www.pharmaxis.com.au.

Pharmaxis Ltd

Consolidated income statement

For the year ended 30 June 2023

	Notes	**2023** **$'000**	2022 $'000
Revenue from continuing operations			
Revenue from sale of goods	3a	**5,765**	7,426
Other revenue	3a	**7,309**	2,496
Other income	3b	**6,232**	5,990
		19,306	15,912
Other expenses from ordinary activities	4		
Employee costs		**(11,337)**	(10,393)
Administration & corporate		**(2,706)**	(2,582)
Rent, occupancy & utilities		**(1,480)**	(1,108)
Clinical trials		**(5,677)**	(5,721)
Drug development		**(3,036)**	(1,503)
Sales, marketing & distribution		**(305)**	(755)
Safety, medical and regulatory affairs		**(1,437)**	(1,646)
Manufacturing purchases and changes in inventory		**(2,706)**	(2,729)
Other		**(521)**	(519)
Depreciation & amortisation		**(1,848)**	(3,238)
Foreign exchange gains & losses		**610**	(1,110)
Finance income (costs)		**(223)**	13,456
		(30,666)	(17,848)
Loss before income tax		**(11,360)**	(1,936)
Income tax expense	5	**–**	–
Loss for the year		**(11,360)**	(1,936)
Earnings per share:		**Cents**	Cents
Basic net loss per share	28	**(0.02)**	(0.04)
Diluted net loss per share	28	**(0.02)**	(0.03)

Pharmaxis Ltd

Consolidated statement of comprehensive income

For the year ended 30 June 2023

	2023	2022
	$'000	$'000
Loss for the financial year	**(11,360)**	(1,936)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss	**–**	–
Other comprehensive income / (loss) for the year, net of tax	**–**	–
Total comprehensive loss for the year	**(11,360)**	(1,936)
Total comprehensive loss for the year is attributable to:		
Owners of Pharmaxis Ltd	**(11,360)**	(1,936)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Pharmaxis Ltd
Consolidated balance sheet
As at 30 June 2023

	Notes	**2023** **$'000**	2022 $'000
ASSETS			
Current assets			
Cash and cash equivalents	6	**9,230**	8,937
Trade and other receivables	7	**7,807**	7,958
Inventories	8	**1,641**	2,337
Total current assets		**18,678**	19,232
Non-current assets			
Receivables	9	**2,823**	1,718
Property, plant and equipment	10	**1,843**	3,212
Intangible assets	11	**682**	1,024
Total non-current assets		**5,348**	5,954
Total assets		**24,026**	25,186
LIABILITIES			
Current liabilities			
Trade and other payables	12	**4,717**	2,702
Borrowings	13	**2,043**	2,031
Other liabilities	14	**285**	259
Provisions	15	**988**	1,107
Total current liabilities		**8,033**	6,099
Non-current liabilities			
Borrowings	16	**–**	2,259
Other liabilities	17	**6,318**	5,938
Provisions	18	**116**	86
Total non-current liabilities		**6,434**	8,283
Total liabilities		**14,467**	14,382
Net assets		**9,559**	10,804
EQUITY			
Contributed equity	19	**389,699**	380,440
Reserves	20(a)	**24,313**	23,457
Accumulated losses	20(b)	**(404,453)**	(393,093)
Total equity		**9,559**	10,804

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Pharmaxis Ltd

Consolidated statement of changes in equity

For the year ended 30 June 2023

	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Balance at 30 June 2021		**371,366**	**22,636**	**(391,157)**	**2,845**
Loss for the year		–	–	(1,936)	(1,936)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the year		–	–	(1,936)	(1,936)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	19(a)	9,074	–	–	9,074
Employee share options	20(a)	–	821	–	821
		9,074	821	–	9,895
Balance at 30 June 2022		**380,440**	**23,457**	**(393,093)**	**10,804**
Loss for the year		–	–	(11,360)	(11,360)
Other comprehensive income		–	–	–	–
Total comprehensive loss for the year		–	–	(11,360)	(11,360)
Transactions with owners in their capacity as owners					
Contributions of equity, net of transaction costs	19(a)	9,259	–	–	9,259
Employee share options	20(a)	–	856	–	856
		9,259	856	–	10,115
Balance at 30 June 2023		**389,699**	**24,313**	**(404,453)**	**9,559**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Pharmaxis Ltd

Consolidated statement of cash flows

For the year ended 30 June 2023

	Notes	**2023** **$'000**	2022 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**5,832**	9,353
Payments to suppliers and employees (inclusive of goods and services tax)		**(26,894)**	(28,523)
		(21,062)	(19,170)
Grant receipts from government		**5,028**	149
Proceeds from the sale of distributions rights		**–**	2,562
Sale of Orbital technology to Aptar		**7,192**	–
Grant received from Parkinson's UK for PXS-4728 study		**1,448**	–
Interest received		**117**	156
Net cash inflow / (outflow) from operating activities	27	**(7,277)**	(16,303)
Cash flows from investing activities			
Payments for property, plant and equipment		**(138)**	(66)
Proceeds from disposal of plant and equipment		**7**	1
Payments for intangible assets		**–**	(241)
Net cash outflow from investing activities		**(131)**	(306)
Cash flows from financing activities			
Proceeds from the issues of shares		**10,000**	9,742
Transactions costs related to the issue of shares		**(741)**	(668)
Lease liability payments		**(2,247)**	(2,379)
Financing agreement payments		**(33)**	(62)
Net cash inflow / (outflow) from financing activities		**6,979**	6,633
Net increase / (decrease) in cash and cash equivalents		**(429)**	(9,976)
Cash and cash equivalents at the beginning of the financial year		**8,937**	18,712
Effects of exchange rate changes on cash and cash equivalents		**722**	201
Cash and cash equivalents at the end of the financial year	6	**9,230**	8,937

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Pharmaxis Ltd and its subsidiaries.

Except as described below in respect of leases, the accounting policies adopted are consistent with those of the previous financial year and corresponding reporting period.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Interpretations issued by the Australian Accounting Standards Board, and the *Corporations Act 2001.* Pharmaxis Ltd is a for profit entity for the purposes of preparing the financial statements.

Compliance with IFRS

The consolidated financial statements of Pharmaxis Ltd also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Finance liabilities* - The group has recognised a financial liability in relation to an agreement with SWK Funding LLC in accordance with the accounting policy stated in note 1 r (i). The finance income recognised in the income statement related to this financial liability has been calculated by taking into account sales forecasts in territories covered by the agreement and applicable exchange rates. Significant judgement has been applied in deriving these assumptions. Where the outcomes of these assumptions are different from the amounts that were initially recorded, such differences will impact the financial liabilities and finance costs in the period in which such determination is made.

(ii) *Receivables – US Margin* – The group receives quarterly payments from its US Bronchitol distributor based on Bronchitol sales by the distributor and calculated by reference to a contractual percentage and the net sales invoiced by the distributor to its customers. The group recognises a US Margin Receivable at the time Bronchitol is sold to the US distributor which is reduced as quarterly payments are made by the distributor the Pharmaxis. The recoverability of the receivable is dependent upon the distributor selling the product before it expires and is therefore reliant on US Bronchitol sales forecasts provided by the distributor. Significant judgement has been applied in deriving these assumptions. Where the outcomes of these assumptions are different from the amounts that were initially recorded, such differences will impact the financial assets in the period in which such determination is made.

(iii) *Income taxes* - The group is subject to income taxes in Australia and jurisdictions where it has foreign operations. Significant judgement is required in determining the worldwide provision for income taxes and other tax related balances. There are certain transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The group estimates its tax liabilities/receipts based on the group's understanding of the tax law. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made.

1. Summary of significant accounting policies (continued)

(iv) Going concern - During the year, the Group incurred an operating loss after tax of $11.4 million (FY2022: $1.9 million) and net operating cash outflows of $7.3 million (FY2022: $16.3 million).

The Group's ability to continue as a going concern is dependent on its ability to achieve it sales targets for approved products and manage its cost base, particularly its investment in its drug development pipeline, and secure additional funding when necessary.

As a result of these matters, there is a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. However, the Directors have determined that it is appropriate to prepare the consolidated financial statements on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and liabilities in the ordinary course of business on the basis that:

- As at 30 June 2023, the Group has cash and cash equivalents of $9.2 million (FY2022: $8.9 m) and had $5.2 million expected in the following financial year from the 2023 R&D tax credit after filing of the 2023 income tax return.
- The Directors' believe the Group will be successful in:
  - achieving sufficient future cash flows from the sales of Bronchitol and Aridol;
  - securing new partnering arrangements for programs currently in its drug development pipeline;
  - the sale of assets;
  - reduction in operating costs; and/or
  - accessing additional sources of funding including equity share capital if necessary.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Pharmaxis Ltd (''company'' or ''parent entity'') as at 30 June 2023 and the results of all subsidiaries for the year then ended. Pharmaxis Ltd and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated.

Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, which is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group's senior management committee.

1. Summary of significant accounting policies (continued)

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Pharmaxis Ltd's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges. All other foreign exchange gains and losses are presented in the income statement on a net basis within other expenses.

(iii) Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are taken to other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange differences are recognised in the income statement, as part of the gain or loss on sale where applicable.

(e) Revenue recognition

Revenue is measured at the transaction price. Amounts disclosed as revenue are net of applicable rebates, returns and trade allowances. The group recognises revenue when the performance obligation is satisfied, the consideration is unconditional and specific criteria have been met for each of the group's activities as described below. The group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Sale of goods

Sales revenue is recognised when the performance obligation of transferring goods to the buyer has been satisfied and can be measured reliably. Goods are considered transferred to the buyer when the buyer obtains control of that good, which is at the earlier of delivery of the goods or the transfer of legal title to the buyer.

(ii) Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

(iii) Research & Development tax incentive income

Research & Development tax incentive income is recognised when there is reasonable assurance that the income will be received, the relevant expenditure has been incurred, and the consideration can be reliably measured.

(iv) *Sale of drug candidates*

Milestone payments received pursuant to any drug candidate asset and purchase agreements with no further performance obligations on the part of the company are recognised as income when the specified contract milestone event is satisfied and payment is unconditional only subject to passage of time.

(v) *Sale of distribution rights*

Payments received for the grant of the right to distribute products in a territory are recognised as income when the specified contract event is satisfied and payment obligation is only subject to passage of time.

1. Summary of significant accounting policies (continued)

(f) Grants

Grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. When the company receives income in advance of incurring the relevant expenditure, it is treated as deferred income as the company recognises the income only when the relevant expenditure has been incurred.

Grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Grants relating to the purchase of plant and equipment are included in liabilities as deferred income and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(g) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income, or directly in equity, respectively.

The Group has unused tax losses of $334 million at 30 June 2023 as described in note 5.

(h) Leases

The Group recognises all lease liabilities and corresponding right of use assets, with the exception of short term (12 months or fewer) and low value leases on the balance sheet. Lease liabilities are recorded at the present value of: fixed payments; variable lease payments that depend on an index rate and extension options expected to be exercised. The Group recognises depreciation of right of use assets and interest on lease liabilities in the income statement over the lease term.

Repayments of lease liabilities are separated into principal portion (presented within financing activities) and interest portion (presented within financing activities) in the cash flow statement. Right of use assets are included in the review for impairment of property, plant and equipment and intangible assets with finite lives, if there is an indication that the carrying amount of the cash generating unit may not be recoverable.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1. Summary of significant accounting policies (continued)

(i) Business combinations

The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently re-measured to fair value with changes in fair value recognised in profit or loss.

(j) Impairment of assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(k) Cash and cash equivalents

For purposes of the statement of cash flows, cash includes cash on hand, deposits at call, term deposits and bank accepted commercial bills, which are subject to an insignificant risk of changes in value.

Bank accepted commercial bills are short-term deposits held with banks with maturities of three months or less, which are acquired at a discount to their face value. The bills are carried at cost plus a portion of the discount recognised as income on an effective yield basis. The discount brought to account each period is accounted for as interest received.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are due for settlement between 30 – 120 days from date of invoice. They are presented as current assets unless collection is not expected for more than twelve months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the income statement within administration expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against administration expenses in the income statement.

(m) Inventories

Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

1. **Summary of significant accounting policies (continued)**

(n) Property, plant and equipment

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Plant and equipment	5 – 15 years
Computer equipment	4 years
Leased building and improvements	15 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(j)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(o) Intangible assets

(i) Patents

Patents have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the patents over their estimated useful lives, which vary from 5 to 20 years.

(ii) Trademarks

Trademarks have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the trademarks over their estimated useful lives, which are assessed as 20 years.

(iii) Research and development

Research expenditure is recognised as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technical feasibility and its costs can be measured reliably. Other development expenditures that do not meet these criteria are recognised as an expense as incurred.

(iv) Software

Software licenses are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the software over their estimated useful lives, which vary from 3 to 5 years.

(p) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition and receipt of a valid invoice. Trade and other payables are presented as current liabilities unless payment is not due within 12 months from the reporting date.

(q) Employee benefits

(i) Short term obligations

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long term obligations

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

(iii) Retirement benefit obligations

Contributions to defined contribution funds are recognised as an expense as they become payable.

1. Summary of significant accounting policies (continued)

(iv) Equity-based payments

Equity-based compensation benefits are provided to employees via the Pharmaxis Employee Equity Plans. Information relating to these schemes is set out in note 30. The fair value of equity granted under the various plans are recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the performance rights.

For performance rights the fair value at grant date is taken to be the closing share price on the date of grant.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, performance targets). Non-market vesting conditions are included in assumptions about the number of performance rights that are expected to become exercisable. At each balance sheet date, the Company revises its estimate of the number of performance rights that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

(v) Bonus plans

The Group recognises a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(vi) Termination benefits

Termination benefits are payable when employment is terminated by the group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The group recognises termination benefits at the earlier of the following dates: (a) when the group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of the Australian Accounting Standards Board 137, Provisions, Contingent Liabilities and Contingent Assets (AASB 137) and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

(r) Other liabilities

(i) Financing agreement

The company recognised a financial liability which may be contingent in the event of the occurrence or non-occurrence of uncertain future events (or on the outcome of uncertain circumstances) that are beyond the control of both the group and its counter party.

The group does not have an unconditional right to avoid delivering cash or another financial asset (or otherwise to settle it in such a way that it would be a financial liability) as it does not control the final outcome. A transfer of economic benefits as a result of a past event (the issue of the financial liability) cannot be avoided depending on the outcome of the future event.

The financial liability is initially recognised at fair value of the estimated cash flows that are expected to occur over the expected life of the liability, net of transaction costs incurred. The financial liability is subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss, in finance costs, over the period of the financial liability using the effective interest method. When the estimated cash flows are revised, the carrying amount of the liability is recalculated by computing the present value of the revised estimated future cash flows at the original effective interest rate.

Financial liabilities are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

(s) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options (net of recognised tax benefits) are shown in equity as a deduction from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

1. Summary of significant accounting policies (continued)

(t) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing net result after income tax attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(u) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(v) Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in the Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to the ''rounding off'' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

(w) Parent entity financial information

The financial information for the parent entity, Pharmaxis Ltd, disclosed in note 31 has been prepared on the same basis as the consolidated financial statements. Investments in subsidiaries are accounted for at cost in the financial statements of Pharmaxis Ltd. Dividends received are recognised in the parent entity's profit or loss when its right to receive the dividend is established.

(x) New accounting standards and interpretations

There are no mandatory accounting standards and interpretations for the group to consider during the year ending 30 June 2023.

2. Segment information

(a) Description of segments

The group's senior management committee, considers the business from a product development stage perspective and has identified two reportable segments:

1. Mannitol respiratory business – covering the clinical development, manufacture and sale of Bronchitol and Aridol globally. The committee monitors the performance of these two products collectively.
2. New Drug Development – this segment encompasses the drug discovery and early stage clinical development of the group's new drug candidates.

The corporate head office related costs of the group's business are not regarded as a segment but are disclosed below.

(b) Segment information provided to the senior management committee

The segment information provided to the senior management committee for the reportable segments for the year ended 30 June 2023 is as follows:

2. Segment information (continued)

	Mannitol	New Drug Development	Corporate	Total
	$'000	$'000	$'000	$'000
2023				
Segment Revenue				
Sales revenue	5,765	–	–	5,765
R&D tax credit	–	5,246	–	5,246
Other revenue and income	7,192	531	454	8,177
	12,957	5,777	454	19,188
Expenses from ordinary activities				
Employee costs	(4,855)	(3,623)	(2,038)	(10,516)
Administration & corporate	(511)	(185)	(2,009)	(2,705)
Rent, occupancy & utilities	(892)	(139)	(450)	(1,481)
Clinical trials [(1)]	–	(5,677)	–	(5,677)
Drug development	–	(3,036)	–	(3,036)
Sales, marketing & distribution	(305)	–	–	(305)
Safety, medical and regulatory affairs	(1,429)	(8)	–	(1,437)
Manufacturing purchases and change in inventory	(2,706)	–	–	(2,706)
Other	(191)	(169)	921	561
	(10,889)	(12,837)	(3,576)	(27,302)
Adjusted EBITDA	2,068	(7,060)	(3,122)	(8,114)
2022				
Segment Revenue				
Sales revenue	7,426	–	–	7,426
R&D tax credit	–	4,900	–	4,900
Other revenue and income	2,342	781	308	3,431
	9,768	5,681	308	15,757
Expenses from ordinary activities				
Employee costs	(4,760)	(2,943)	(1,869)	(9,572)
Administration & corporate	(444)	(182)	(1,956)	(2,582)
Rent, occupancy & utilities	(625)	(74)	(409)	(1,108)
Clinical trials [(1)]	–	(5,721)	–	(5,721)
Drug development	–	(1,503)	–	(1,503)
Sales, marketing & distribution	(755)	–	–	(755)
Safety, medical and regulatory affairs	(1,620)	(26)	–	(1,646)
Manufacturing purchases and change in inventory	(2,729)	–	–	(2,729)
Other	(138)	(92)	(154)	(384)
	(11,071)	(10,541)	(4,388)	(26,000)
Adjusted EBITDA	(1,303)	(4,860)	(4,080)	(10,243)

Segment information (continued)

The clinical trial costs for the year ending 30 June 2023 include $4.4m (2022: $5.0m) on the oral pan-LOX inhibitor program and $0.1m (2022: $0.7m) on the topical pan-LOX inhibitor program.

The senior management committee uses the adjusted EBITDA as a measure to assess performance of the segments. This excludes the effects of non-recurring expenditure such as redundancy costs, partnering and financing agreement legal expenses, and patent impairments when the impairment is the result of an isolated, non-recurring event. It also excludes the effects of equity-settled share-based payments and unrealised gains/losses on financial instruments and foreign exchange.

A reconciliation of adjusted EBITDA to operating profit / (loss) before income tax is provided as follows:

	2023	2022
	$'000	$'000
Adjusted EBITDA	**(8,114)**	(10,243)
Interest revenue	**117**	50
Finance costs		
Unrealised gains on financial instruments [(1)]	–	13,899
Finance costs – lease liability charges	**(223)**	(473)
Depreciation and amortisation expense	**(1,848)**	(3,238)
Share-based payment expenses	**(821)**	(821)
Unrealised/realised net foreign exchange gains/(losses)	**(471)**	(1,110)
Loss before income tax	**(11,360)**	(1,936)

(1) In FY2022, the Company reviewed and amended the estimated cash flows of the SWK Funding liability as per the financing agreement accounting policy note 1 (a) (i), as a result the change in SWK Funding liability was reflected in the income statement.

3a. Revenue

	2023	2022
	$'000	$'000
Sales revenue		
Sale of goods	**5,765**	7,426
Other revenue		
Interest	**117**	156
Sale of distribution rights	**–**	2,000
Orbital milestone and option fee	**7,192**	340
	7,309	2,496

3b. Other income

	2023	2022
	$'000	$'000
R&D Tax Incentive income	**5,246**	4,900
Other	**454**	942
Grants	**532**	148
	6,232	5,990

4. Expenses

Profit / (loss) before income tax includes the following specific expenses:	**2023** **$'000**	2022 $'000
Depreciation (note 10)		
Plant and equipment	**511**	853
Computer equipment	**47**	60
Leased building and improvements	**948**	2,167
Total depreciation	**1,506**	3,080
Amortisation & impairment (note 11)		
Patents	**299**	35
Trademarks	**5**	6
Software	**38**	117
Total amortisation	**342**	158
Net foreign exchange losses (gains)	**89**	1,110
Employee salaries and benefits expense:		
Defined contribution superannuation	**890**	771
Share-based payment expenses	**821**	821
Contractor benefits expenses	**281**	468
Other employee benefits expenses	**9,345**	8,333

5. Income tax expense

(a) Numerical reconciliation of prima facie tax expense to actual income tax expense	**2023 $'000**	2022 $'000
(Loss) before income tax expense	**(11,360)**	(1,936)
Tax at the Australian tax rate 25% (2022: 25%)	**(2,840)**	(484)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Share-based payments	**205**	205
Government tax incentives	**1,298**	1,225
Revaluation of SWK Funding liability	**–**	3,452
Adjustment to prior year tax return	**(1,679)**	-
Other non-deductible adjustments and sundry items	**166**	(5,608)
Total	**(2,850)**	(1,210)
Deferred tax benefits (utilised) / not recognised	**2,850**	1,210
Income tax refund	**–**	–

This represents current income tax expense.

(b) Tax losses

	2023	2022
Unused tax losses for which no deferred tax asset has been recognised	**334,305**	322,906
Potential tax benefit at 25% (2022: 25%)	**83,576**	80,726

All unused tax losses were incurred by the parent entity.

6. Current assets – Cash and cash equivalents

	2023 $'000	2022 $'000
Cash at bank and in hand	**484**	442
Deposits at call	**5,978**	2,499
Term deposits	**2,768**	5,996
	9,230	8,937

Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 29. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of cash and cash equivalents above.

7. Current assets – Trade and other receivables

	2023 $'000	2022 $'000
Trade receivables	**985**	693
US Margin receivable	**724**	1,771
Provision for impairment of receivables (note (b))	**–**	–
	1,709	2,464
R&D Tax Incentive and grant related receivables	**5,193**	4,900
Prepayments (note (c))	**331**	316
Tax related receivables	**574**	278
	7,807	7,958

7. Current assets – Trade and other receivables (continued)

(a) Past due but not impaired

As of 30 June 2023, trade receivables of $0.3 million (2022: $0.3 million) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The aging analysis of these trade receivables is as follows:

	2023	2022
	$'000	$'000
Up to 1 month	**70**	31
1 to 2 months	**111**	265
Over 2 months	**150**	22
	331	318

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due. The group does not hold any collateral in relation to these receivables.

(b) Impaired trade receivables

As of 30 June 2023, no trade receivables were impaired (2022: $Nil).

(c) Prepayments

Prepayments relate to insurance premiums paid in advance.

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 29.

(e) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value. The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above. Refer to note 29 for more information on the risk management policy of the Group and the credit quality of the entity's trade receivables.

8. Current assets – Inventories

	2023	2022
	$'000	$'000
Raw materials - at cost	**706**	941
Work-in-progress - at cost	**152**	448
Finished goods - at cost	**783**	948
	1,641	2,337

9. Non-current assets – Receivables

	2023	2022
	$'000	$'000
Trade receivable (a)	**1,876**	773
Other receivables (b)	**947**	945
	2,823	1,718

(a) Trade receivable

Relates to the non-current portion of the US Margin Receivable. (2022: $0.7 million)

9. Non-current assets – Receivables (continued)

(b) Other receivables

Other receivables primarily represents cash held at bank to cover bank guarantee facilities related to lease commitments.

(c) Fair value

The carrying amount of the non-current receivables approximates their fair value.

(d) Risk exposure

Information about the Group's exposure to credit risk, foreign exchange and interest rate risk is provided in note 29.

10. Non-current assets – Property, plant and equipment

	Plant and equipment	Computer equipment	Leased building and improvements	Total
	$'000	$'000	$'000	$'000
At 1 July 2021				
Cost	17,404	935	24,722	43,061
Accumulated depreciation and impairment	(15,692)	(822)	(20,321)	(36,835)
Net book amount	1,712	113	4,401	6,226
Year ended 30 June 2021				
Opening net book amount	1,712	113	4,401	6,226
Additions	66	–	–	66
Disposals	–	–	–	–
Depreciation charge	(853)	(60)	(2,167)	(3,080)
Closing net book amount	925	53	2,234	3,212
At 30 June 2022				
Cost	17,470	935	24,722	43,127
Accumulated depreciation and impairment	(16,545)	(882)	(22,488)	(39,915)
Net book amount	925	53	2,234	3,212
Year ended 30 June 2023				
Opening net book amount	925	53	2,234	3,212
Additions	64	–	77	141
Disposals	(7)	–	–	(7)
Depreciation charge	(511)	(47)	(948)	(1,506)
Closing net book amount	471	6	1,363	1,8408
At 30 June 2023				
Cost	17,527	935	24,799	43,261
Accumulated depreciation and impairment	(17,056)	(929)	(23,436)	(41,421)
Net book amount	469	6	1,363	1,840

Based on the headroom in impairment testing supporting the carrying value of Property, Plant & Equipment and sensitivity analysis performed, there is not a significant risk of impairment at this point time. However, some of the assumptions, including those relating to the sales of Bronchitol in the United States, are subject to uncertainties which are outside the control of Pharmaxis. Actual conditions and events may be different to those forecast and the effect of those differences may impact the carrying value of Property, Plant & Equipment.

10. Non-current assets – Property, plant and equipment (continued)

(a) Leased assets

Leased building and improvements includes the following amounts where the Group is a lessee.

	2023	2022
	$'000	$'000
Cost	**15,406**	15,406
Accumulated amortisation	**(14,078)**	(13,931)
Net book amount	**1,328**	1,475

At 30 June 2023, the Group's carrying value of the lease was $3.5 million with nil additions and $1.2 million depreciation reported in the reporting period. Parts of the building were sub-leased which generated income of $0.23 million (2022: $0.23 million).

11. Non-current assets – Intangible assets

	Patents $'000	**Trademarks $'000**	**Software $'000**	**Total $'000**
At 30 June 2022				
Cost	19,704	111	1,101	20,916
Accumulated amortisation and impairment	(19,031)	(75)	(869)	(19,975)
Net book amount	673	36	232	941
Year ended 30 June 2022				
Opening net book amount	673	36	232	941
Additions	241	–	–	241
Disposals	–	–	–	–
Amortisation charge	(35)	(6)	(117)	(158)
Impairment charge	–	–	–	–
Closing net book amount	879	30	115	1,024
At 30 June 2022				
Cost	19,945	111	1,101	21,157
Accumulated amortisation and impairment	(19,066)	(81)	(986)	(20,133)
Net book amount	879	30	115	1,024
Year ended 30 June 2023				
Opening net book amount	879	30	115	1,024
Additions	–	–	–	–
Disposals	–	–	–	–
Amortisation charge	(299)	(5)	(38)	(342)
Impairment charge	–	–	–	–
Closing net book amount	580	25	77	682
At 30 June 2023				
Cost	19,945	111	1,101	21,157
Accumulated amortisation and impairment	(19,365)	(86)	(1,024)	(20,475)
Net book amount	580	25	77	682

12. Current liabilities – Trade and other payables

	2023	2022
	$'000	$'000
Trade payables	**1,582**	615
Unearned income	**939**	**–**
Other payables (note (a))	**2,196**	2,087
	4,717	2,702

(a) Other payables

Other payables include accruals for annual leave. The entire obligation is presented as current, since the Group does not have an unconditional right to defer settlement.

(b) **Unearned income**

Represents unearned grant received in advance of future expenditure.

(c) Risk exposure

Information about the Group's exposure to foreign exchange risk is provided in note 29.

13. Current liabilities – Borrowings

	2023	2022
	$'000	$'000
Secured		
Lease liabilities (note 23)	**2,043**	2,031

(a) Security and fair value disclosures

Information about the security relating to each of the secured liabilities and the fair value of each of the borrowings is provided in note 16.

(b) Risk exposure

Information about the Group's exposure to risks arising from current and non-current borrowings is provided in note 29.

14. Current liabilities – Other liabilities

	2023	2022
	$'000	$'000
Financing agreement (a)	**285**	259
	285	259

(a) Information about the financing agreement provided in note 17.

15. Current liabilities – Provisions

	2023	2022
	$'000	$'000
Employee benefits - long service leave	**988**	1,107

16. Non-current liabilities – Borrowings

	2023	2022
Secured	**$'000**	$'000
Lease liabilities (note 23)	**–**	2,259

Secured liabilities and assets pledged as security

Lease liabilities are effectively secured, as the rights to the leased assets recognised in the financial statements revert to the lessor in the event of default.

17. Non-current liabilities – Other liabilities

	2023	2022
	$'000	$'000
Financing agreement (a)	**6,318**	5,938

(a) On 30 January 2013, the company entered a financing agreement (as subsequently amended on 24 December 2014) with NovaQuest Pharma Opportunities Fund III, LP (NovaQuest) under which NovaQuest agreed to invest US$20 million to support the continued development, manufacturing and commercialisation of Bronchitol for cystic fibrosis in the European Union ("EU") and the United States ("US"). As consideration for its investment, NovaQuest only receives payments based upon the EU and US revenue of Bronchitol for cystic fibrosis for a term of eight years in the EU (ceased 1 April 2021) and seven years from the launch of Bronchitol in the US (from 1 April 2021). Payments that may become due are determined by reference to EU and US sales revenue bands and corresponding annual payment percentages. On 8 September 2022 NovaQuest assigned all of its rights under the financing agreement to SWK Funding LLC.

The balance represents the expected future payments to be made to SWK Funding LLC calculated based on forecast future sales of Bronchitol in the US over the remaining term of the finance agreement in accordance with accounting policy note 1(r)(i).

At 30 June 2022 the forecast future sales of Bronchitol in the US within the term of the financing agreement were revised down resulting in a $13.5 million reduction of the liability recorded as a negative finance cost.

18. Non-current liabilities – Provisions

	2023	**2022**
	$'000	**$'000**
Employee benefits - long service leave	**116**	**86**

19. Contributed equity

		Consolidated and Parent entity		**Consolidated and Parent entity**	
		2023	2022	**2023**	2022
Share capital (note (a))	Notes	**Shares**	Shares	**$'000**	$'000
Ordinary shares	(b),(c)				
Fully paid		**719,584,305**	549,078,163	**719,584,305**	549,078,163

Movements in ordinary share capital:

Details	**Number of shares**	**Issue price**	**$'000**
Opening balance as at 1 July 2021	452,824,164		371,366
Exercise of employee options [(1)]	2,947,450	$ –	–
Employee Share Plan [(2)]	522,000	$ –	–
Issuance of shares	92,784,549	$ 0.105	9,742
Transaction costs arising on share issue	–		(668)
Closing Balance at 30 June 2022	549,078,163		380,440
Exercise of employee options [(1)]	2,939,475	$ –	–
Employee Share Plan [(2)]	900,000	$ –	–
Issuance of shares	166,666,667	$ 0.06	10,000
Transaction costs arising on share issue	–		(741)
Closing Balance at 30 June 2023	**719,584,305**		**389,699**

19. Contributed equity (continued)

(1) These related to options issued under the Performance Rights Plan, which are issued with a zero grant price and zero exercise price.

(2) These shares are issued to eligible employees of the Group for a zero issue price.

(a) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held.

On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

(b) Equity plans

Information relating to the Pharmaxis Employee Equity Plans, including details of equity instruments issued, exercised and lapsed during the financial year and outstanding at the end of the financial year, is set out in note 30.

(c) Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern and to maintain an optimal capital structure to reduce the cost of capital.

The Group predominately uses equity to finance its projects. In order to maintain or adjust the capital structure, the Group may issue new shares.

20. Reserves and accumulated losses

	2023	2022
(a) Reserves	**$'000**	$'000
Share-based payments reserve	**23,457**	23,457
Share-based payments reserve		
Balance 1 July	**23,457**	22,636
Equity expense / (credit)	**856**	821
Balance 30 June	**24,313**	23,457

(b) Accumulated losses

Movements in accumulated losses were as follows:

	2023	2022
	$'000	$'000
Balance 1 July	**(393,093)**	(391,157)
Net profit / (loss) for the year	**(11,360)**	(1,936)
Balance 30 June	**(404,453)**	(393,093)

(c) Nature and purpose of reserves

(i) Share-based payments reserve

The share-based payments reserve is used to recognise the fair value of equity instruments granted.

21. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2023	2022
(**a) Audit services**	**$**	$
PricewaterhouseCoopers Australian firm		
Audit and review of financial reports	**143,000**	141,088
Other Auditing services	–	11,000
Total remuneration for audit services	**143,000**	152,088
(b) Tax services		
PricewaterhouseCoopers Australian firm		
Tax compliance services	**27,000**	26,205
Australian tax consulting services	**7,650**	–
International tax consulting and other tax advice	**22,039**	14,094
Taxation advice in relation to employee and director equity plans	**15,419**	–
	72,108	40,299
Other PricewaterhouseCoopers firms		
Tax compliance services	**25,657**	16,761
Total remuneration for tax services	**97,765**	57,060

22. Contingent liabilities

The Group had contingent liabilities at 30 June 2023 in respect of:

Guarantees

The Group's bankers have issued bank guarantees secured by deposits at the bank for which no provision has been made in the accounts. The Group at 30 June 2023 had total deposits of $0.9 million (2022: $0.9 million) covering a rental bond and corporate credit card.

23. Commitments

(a) Capital Commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2023	2022
	$'000	$'000
Plant and equipment		
Payable: Within one year	**–**	–

(b) Lease Commitments

(i) Lease expenses not capitalised in lease liabilities

The Company has recognised a right of use asset for the land lease portion of the Frenchs Forest facility.

	2023	2022
	$'000	$'000
Commitments for the service agreement in relation to Frenchs Forest facility lease, low value and short terms leases are payable as follows:		
Within one year	**196**	236
Later than one year but not later than five years	**–**	433
Later than 5 years	**–**	–
	196	669

	2023	2022
	$'000	$'000
Amounts recognised in the income statement as expedients of AASB-16:		
Expense relating to short term leases	**–**	–
Expense relating to leases of low value assets	**–**	–
Expense relating to lease outgoings	**216**	208

(ii) *Lease liabilities*

	2023	2022
	$'000	$'000
Commitments in relation to lease liabilities are payable as follows:		
Within one year	**2,104**	2,459
Later than one year but not later than five years	**–**	2,105
Minimum lease payments	**2,104**	4,564
Future finance charges	**(61)**	(274)
Total lease liabilities	**2,043**	4,290
Current (note 13)	**2,043**	2,031
Non-current (note 16)	**–**	2,259
	2,043	4,290

(iii) Other commitments

The Company has in place a number of contracts with consultants and contract research organisations in relation to its business activities. The terms of these contracts are for relatively short periods of time and/or allow for the contracts to be terminated with relatively short notice periods. The actual committed expenditure arising under these contracts is therefore not material.

24. Related party transactions

(a) Parent entities

The parent entity within the Group is Pharmaxis Ltd (incorporated in Australia).

(b) Subsidiaries

Interests in subsidiaries are set out in note 25.

(c) Key management personnel compensation

	2023	2022
	$	$
Short-term employee benefits	**2,357,069**	2,219,682
Post-employment benefits	**190,878**	182,011
Leave entitlement benefits	**25,331**	44,452
Share-based payments	**393,103**	229,920
	2,966,381	2,676,065

Prior year comparatives have been updated to reflect the restated remuneration amounts, consistent with those disclosed in the remuneration report. Detailed remuneration disclosures are provided in the remuneration report under section 2.2.

25. Subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1(b):

Name of entity	**Country of incorporation**	**Class of shares**	**Equity holding**	
			2023	2022
			%	%
Pharmaxis Pharmaceuticals Limited	United Kingdom	Ordinary	**100**	100
Technology Innovation Limited (1)	United Kingdom	Ordinary	**–**	100
Pharmaxis Europe Limited	Ireland	Ordinary	**100**	100

(1) Technology Innovation Limited was dissolved on 6 June 2023.

26. Events occurring after the balance sheet date

On 8 August 2023 Pharmaxis announced it had executed a $4.4 million loan facility agreement with a fund managed by Paddington Street Finance to provide advanced access to a substantial part of the Group's 2023 anticipated research and development tax incentive. The loan is to be repaid by the earlier of 31 December 2023 or receipt of the tax incentive payment which is expected before the end of 2023. The loan is secured by way of security over substantially all the assets of Pharmaxis. Funds borrowed will be used for general working capital purposes, including to advance the Company's clinical stage development pipeline.

Except for the above, no other matter or circumstance has arisen since 30 June 2022 that has significantly affected, or may significantly affect:

(a) the Group's operations in future financial years, or

(b) the results of those operations in future financial years, or

(c) the Group's state of affairs in future financial years.

27. Reconciliation of profit / (loss) after income tax to net cash inflows / (outflows) from operating activities

	2023	2022
	$'000	$'000
(Loss) for the year	**(11,360)**	(1,936)
Depreciation of property, plant & equipment	**1,506**	3,080
Amortisation & impairment of intangibles	**342**	158
Finance credits (charges)	**-**	(13,456)
Unrealised foreign exchange (gains) losses	**1,472**	909
Non-cash share-based payments expense	**821**	821
Net (gain) / loss on disposal of non-current assets	**–**	–
Change in operating assets and liabilities		
Decrease / (increase) in trade receivables	**266**	(1,414)
(Increase) / decrease in inventories	**696**	1,301
Decrease / (increase) in other operating assets	**(1,105)**	(4,282)
(Decrease) / increase in trade payables	**1,076**	(625)
Increase / (decrease) in other operating liabilities	**(1,021)**	(892)
(Decrease) / increase in other provisions	**30**	33
Net cash inflow / (outflow) from operating activities	**(7,277)**	(16,303)

28. Earnings per share

	2023	2022
	Cents	Cents
(a) Basic earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the company	**(0.02)**	(0.04)
(b) Diluted earnings per share		
Profit / (loss) attributable to the ordinary equity holders of the company	**(0.02)**	(0.03)
(c) Weighted average number of shares used as the denominator		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings / (loss) per share	**655,624,293**	562,901,834
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings / (loss) per share	**680,449,291**	480,096,520

(d) Information concerning the classification of option securities

Options granted to employees under the Pharmaxis Ltd Employee Option Plan are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share. Details relating to the options are set out in note 30.

29. Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses different methods to measure different types of risks to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

Risk management is carried out by the Chief Financial Officer under policies approved by the Board of Directors. The Board provides written principles of overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investment of excess liquidity. The Group holds the following financial instruments:

	2023	2022
Financial assets	**$'000**	$'000
Cash and cash equivalents	**9,230**	8,937
Trade and other receivables (current)	**7,807**	7,958
Other receivables (non-current)	**2,823**	1,718
	19,860	18,613
Financial liabilities		
Trade and other payables	**3,778**	2,702
Borrowings	**2,043**	4,290
Other liabilities	**–**	6,197
	5,821	13,189

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting. The Group's exposure to foreign currency risk at the reporting date was as follows:

	30 June 2023			30 June 2022		
	USD	**GBP**	**EUR**	USD	GBP	EUR
	$'000	**$'000**	**$'000**	$'000	$'000	$'000
Cash and cash equivalents	**323**	**669**	**1,248**	1,245	79	994
Trade receivables	**62**	**72**	**396**	320	50	1,105
Other receivables	**–**	**88**	**305**	1,771	**–**	**–**
Trade payables	**970**	**57**	**82**	218	45	227
Other payables	**0**	**0**	**0**	213	78	66
Other liabilities	**4,288**	**–**	**–**	6,196	**–**	**–**

Group sensitivity

Based on the financial instruments held at 30 June 2023, had the Australian dollar weakened/strengthened by 5% against the USD with all other variables held constant, the Group's post-tax results for the year would have been $5,030,000 lower / $3,736,000 higher (2022: $4,422,000 lower / $3,202,000 higher), mainly as a result of foreign exchange gains/losses on translation of USD denominated financial assets/liabilities as detailed in the above table.

29. Financial risk management (continued)

(i) Cash flow and fair value interest rate risk

The Group's main interest exposure arises from term deposits held. As at the reporting date, the Group had the following cash profile:

	30 June 2023		30 June 2022	
	Weighted average interest rate	**Balance**	Weighted average interest rate	Balance
	%	**$'000**	%	$'000
Cash at bank & deposits at call	**0.0**	**6,462**	0.0	2,941
Term deposits	**4.12**	**2,768**	0.60	5,996
Other receivables	**3.07**	**2,823**	0.27	1,718

Group sensitivity

The Group's main interest rate risk arises from cash and cash equivalents. At 30 June 2023, if interest rates had changed by +/- 50 basis points from the year-end rates with all other variables held constant, post-tax results for the year would have been $18,529 lower/higher (2022 – change of 50 bps: $34,700 lower/higher), mainly as a result of higher/lower interest income from cash and cash equivalents.

(b) Credit risk

Credit risk is managed on a group basis. Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. For banks and financial institutions, only independent rated parties with a minimum short term money market rating of 'A-2' and a long term credit rating of 'A+' are accepted. Credit risk on term deposits is further managed by spreading a minimum of 50% of the investment portfolio across the four major Australian banks (with a short term rating of A1+).

Customer credit risk is managed by the establishment of credit limits. The compliance with credit limits by customers is regularly monitored by management, as is the ageing analysis of receivable balances. The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets as summarised in note 7 and note 9. The Group has assessed the expected credit loss impact on adopting AASB 9 as immaterial due to the historically low level of default.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings:

	2023	2022
	$'000	$'000
Cash and cash equivalents		
A-1+	**8,573**	7,779
A-1	**–**	–
A-2	**657**	1,158
Not rated	**–**	–
	9,230	8,937
Trade receivables		
Not rated	**7,807**	7,958
Other receivables		
AA-	**2,823**	1,718
A+	**–**	–
Not rated	**–**	–
	2,823	1,718

Other receivables primarily represent bank guarantee facilities related to the Frenchs Forest lease liability and corporate credit card facilities.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Surplus funds are generally only invested in instruments that are tradeable in highly liquid markets with short term maturity profiles.

29. Financial risk management (continued)

Maturities of financial liabilities

The table below analyse the Group's financial liabilities, into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total contractual cash flows	Carrying Amount
	$'000	$'000	$'000	$'000	$'000	$'000
Group - at 30 June 2023						
Non-interest bearing	3,202	–	–	–	3,202	3,202
Fixed rate	2,105	–	–	–	2,105	2,043
Total non-derivatives	5,307	–	–	–	5,307	5,245
Group - at 30 June 2022						
Non-interest bearing	2,702	–	–	–	2,702	2,702
Fixed rate	2,459	2,105	–	–	4,564	4,290
Total non-derivatives	5,161	2,105	–	–	7,266	6,992

Included on the balance sheet is a financial liability related to a financing agreement of $6,603,000 (2022: $6,197,000) This liability is accounted for in accordance with Accounting Policy note 1(r)(i) and the term of the agreement and forecast product related payment obligations are as detailed in Note 17(a).

(d) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The carrying value of financial liabilities for disclosure purposes is estimated by discounting future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

30. Share-based payments

(a) Performance Rights Plan

The Pharmaxis Performance Rights Plan enables the grant of employee options with a zero grant price and a zero exercise price, known commonly as "Performance Rights" to eligible employees of the Group. Senior Executives will, together with other eligible employees be invited by the Remuneration and Nomination Committee to participate in this plan. The key features of the plan are as follows:

- Performance Rights are granted under the Pharmaxis Employee Option Plan ("EOP"), approved by shareholders at the 2021 annual general meeting.
- Grant price and exercise price of zero, with a life of 10 years from grant date.
- The number of performance rights to be granted is determined by the Board, taking into account the employee's position and responsibility, salary, and the Pharmaxis share price and until the end of the 2018 financial year, the employee's performance.
- The vesting of performance rights is set by the Board at an appropriate future date or dates and vesting will only occur if the employee remains an employee of the Group. The performance rights will lapse in the event the employee ceases to be an employee before the vesting date.
    - Half of granted performance rights vest two years from the grant date and the other half vest three years from the grant date.
    - As more fully described in the Remuneration Report, from 1 July 2018 to 30 June 2022 performance vesting conditions were assessed 12 months from the time of grant. From 1 July 2022 there are no performance vesting conditions other than continued employment with the Group.

30. Share-based payments (continued)

- Shares issued upon exercise of performance rights are restricted from sale by the employee as follows:
  - Shares issued upon exercise are restricted from sale for three years from grant date.
  - Shares issued upon exercise of performance rights to Senior Executive Officers are restricted from sale by the officer as long as they are employed by the Group, without prior approval of the Board. The guidelines under which the Board will determine whether to give its approval include the progress of the Group in achieving its stated goals over the period since grant, the impact of a sale on the market in the Group's shares, the Pharmaxis share price, and whether it is an appropriate time for such a sale, amongst other criteria.

There were 11,966,451 vested performance rights at 30 June 2023 (11,193,850 at 30 June 2022). Set out below are summaries of the performance rights granted under the plan:

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested at end of the year
Consolidated 2023								
7-Jun-13	6-Jun-23	$ –	66,500	–	66,500	–	–	–
31-Jul-15	30-Jun-25	$ –	1,525,500	–	471,000	–	1,054,500	1,054,500
26-Jul-16	30-Jun-26	$ –	2,470,000	–	371,025	–	2,098,975	2,098,975
18-Jul-17	30-Jun-27	$ –	2,035,000	–	216,000	–	1,819,000	1,819,000
14-Nov-17	30-Jun-27	$ –	813,000	–	770,000	–	43000	43000
25-Jul-18	30-Jun-28	$ –	927,000	–	46,350	–	880,650	880,651
22-Nov-18	30-Jun-27	$ –	310,500	–	310,500	–	–	–
14-Aug-19	30-Jun-29	$ –	1,229,900	–	95,900	–	1,134,000	1,134,000
21-Nov-19	30-Jun-29	$ –	324,450	–	324,450	–	–	–
13-Aug-20	30-Jun-30	$ –	1,914,500	–	32,250	–	1,882,250	1,882,250
4-Nov-20	30-Jun-30	$ –	471,000	–	235,500	–	235,500	235,500
12-Aug-21	30-Jun-31	$ –	1,839,040	2,175,360	–	59,200	3,955,200	1,977,600
3-Nov-21	30-Jun-31	$ –	1,068,300	–	–	–	1,068,300	534,150
5-Nov-21	30-Jun-31	$ –	2,877,810	–	–	2,264,160	613,650	306,825
1-Jul-22	30-Jun-32	$ –	–	843,000	–	–	843,000	–
18-Oct-22	30-Jun-33	$ –	–	10,853,000	–	–	10,853,000	–
29-Nov-22	30-Jun-33	$ –	–	2,771,000	–	–	2,771,000	–
Total			17,872,500	16,642,360	2,939,475	2,323,360	29,252,025	11,966,451

30. Share-based payments (continued)

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested at end of the year
Consolidated 2022								
29-Jun-12	28-Jun-22	$ –	107,000		107,000	–	–	–
7-Jun-13	6-Jun-23	$ –	134,750		68,250	–	66,500	66,500
31-Jul-15	30-Jun-25	$ –	1,824,500		299,000	–	1,525,500	1,525,500
20-Nov-15	30-Jun-25	$ –	811,000		811,000	–	–	–
26-Jul-16	30-Jun-26	$ –	2,702,000		232,000	–	2,470,000	2,470,000
29-Nov-16	31-Aug-26	$ –	53,000		53,000	–	–	–
29-Nov-16	29-Nov-26	$ –	827,000		827,000	–	–	–
18-Jul-17	30-Jun-27	$ –	2,292,000		257,000	–	2,035,000	2,035,000
14-Nov-17	30-Jun-27	$ –	839,000		26,000	–	813,000	813,000
25-Jul-18	30-Jun-28	$ –	1,113,525		186,525	–	927,000	927,000
22-Nov-18	30-Jun-28	$ –	310,500		–	–	310,500	310,500
14-Aug-19	30-Jun-29	$ –	1,337,700		80,675	27,125	1,229,900	614,950
21-Nov-19	30-Jun-29	$ –	324,450		–	–	324,450	1,091,225
13-Aug-20	30-Jun-30	$ –	1,935,000		–	20,500	1,914,500	957,250
4-Nov-20	30-Jun-30	$ –	471,000		–	–	471,000	235,500
12-Aug-21	30-Jun-31	$ –	–	4,055,600	–	2,216,560	1,839,040	–
3-Nov-21	30-Jun-31	$ –	–	2,374,000	–	1,305,700	1,068,300	–
5-Nov-21	30-Jun-31	$ –	–	6,348,400	–	3,470,590	2,877,810	–
Total			15,082,425	12,778,000	2,947,450	7,040,475	17,872,500	11,046,425

There were 2,323,360 performance rights forfeited during 2023 (2022: 7,121,875). The weighted average remaining contractual life of performance rights outstanding at the end of the period was 7.9 years (2022 – 5.9 years).

Fair value of performance rights granted

The assessed fair value at grant date of performance rights granted during the year ended 30 June 2023 is detailed in the table below. The fair value at grant date is taken as the closing share price on the date of grant.

Year ended 30 June 2023				Year ended 30 June 2022			
Grant date	**No. of options granted**	**Exercise Price**	**Share Price**	**Grant date**	**No. of options granted**	**Exercise Price**	**Share Price**
01 Jul 2022	843,000	–	$0.071	12 Aug 2021	4,055,600	–	$0.0950
18 October 2022	10,853,000	–	$0.078	03 Nov 2021	2,374,000	–	$0.1150
29 Nov 2022	2,771,000	–	$0.0825	05 Nov 2021	6,348,400	–	$0.1200

(b) Employee Share Plan

The Pharmaxis Share Plan was launched in September 2010 and will grant up to A$1,000 of fully paid Pharmaxis ordinary shares to eligible employees of the Group. For employees outside of Australia, Pharmaxis Ltd may grant A$1,000 of options (refer note (d) below) in place of ordinary shares. Senior executives do not participate in this plan. Set out below are summaries of employee shares granted under the plan

	2023	2022
Number of shares issued under the plan to participating employees	**900,000**	522,000

(c) Non-executive director options (NED Options)

- NED Options were granted on 2 December 2022 subsequent to shareholder approval at the 2022 annual general meeting.
- Three million NED Options were granted to each of three non-executive directors
- The NED Options have a term of 5 years and vest in equal quarterly instalments over 3 years, subject to the non-executive director continuing to be an eligible person for the purposes of the Option Plan at the relevant time.
- The NED Options were granted for zero grant price and have an exercise price per NED Option of $0.11

There were 2,250,000 vested NED Options at 30 June 2023 (Nil at 30 June 2022). Set out below are summaries of the NED Options granted under the plan:

Grant Date	Expiry Date	Exercise price	Balance at start of the year	Granted during the year	Exercised during the year	Forfeited during the year	Balance at end of the year	Vested at end of the year
Consolidated 2023								
2-Dec-2022	1-Dec-2027	$0.11	$ –	9,000,000	–	–	9,000,000	2,250,000

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period as part of employee benefit expense were as follows:

	2023	2022
	$'000	$'000
Equity instruments issued under employee equity plans	**821**	821

31. Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts.

	2023	2022
Balance sheet	**$'000**	$'000
Current assets	**18,678**	19,232
Total assets	**24,026**	25,186
Current liabilities	**8,033**	6,099
Total liabilities	**14,467**	14,382
Shareholders' equity		
Issued capital	**389,699**	380,440
Share based payments reserve	**24,313**	23,457
Accumulated losses	**(404,453)**	(393,093)
	9,559	10,804
Profit / (loss) for the year	**(11,360)**	(1,936)
Total comprehensive income	**(11,360)**	(1,936)

(b) Contractual commitments for the acquisition of property, plant and equipment

As at 30 June 2023, the parent entity had no contractual commitments for the acquisition of property, plant or equipment. (30 June 2022- $5,000). These commitments are not recognised as liabilities as the relevant assets have not yet been received.

6.2 DIRECTORS' DECLARATION

In the directors' opinion:

(a) the financial statements and notes set out on pages 26 to 59 are in accordance with the *Corporations Act 2001,* including:

  (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

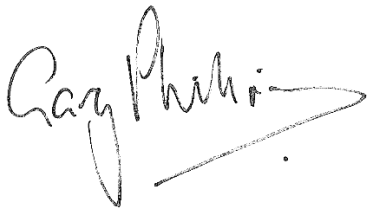
  (ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial year ended on that date; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Note 1(a) confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001.*

This declaration is made in accordance with a resolution of the directors.



Gary J Phillips

Director

Sydney

28 August 2023

Independent auditor's report

To the members of Pharmaxis Ltd

Report on the audit of the financial report

Our opinion

In our opinion:

The accompanying financial report of Pharmaxis Ltd (the Company) and its controlled entities (together the Group) is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended

(b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

What we have audited

The Group financial report comprises:

- the consolidated balance sheet as at 30 June 2023
- the consolidated statement of comprehensive income for the year then ended
- the consolidated statement of changes in equity for the year then ended
- the consolidated statement of cash flows for the year then ended
- the consolidated income statement for the year then ended
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information
- the directors' declaration.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial report* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty related to going concern

We draw attention to Note 1 (a) (iv) in the financial report, which indicates that the Group incurred a net loss after tax of $11.4 million and a net cash outflow from operating activities of $7.3 million during the year ended 30 June 2023, and the Group's ability to continue as a going concern is dependent on achieving sales targets, managing its cost base and securing additional funding when necessary. These conditions, along with other matters set forth in Note 1 (a) (iv), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Our audit approach

An audit is designed to provide reasonable assurance about whether the financial report is free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial report as a whole, taking into account the geographic and management structure of the Group, its accounting processes and controls and the industry in which it operates.

Materiality	*Audit scope*
• For the purpose of our audit we used overall Group materiality of $0.9 million, which represents approximately 5% of the Group's loss before tax and before gain realised from sale of Orbital technology. • We applied this threshold, together with qualitative considerations, to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial report as a whole. • We chose Group loss before tax because, in our view, it is the benchmark against which the performance of the Group is most commonly measured, and we adjusted for sale of Orbital technology as it is an infrequently occurring item. • We utilised a 5% threshold based on our professional judgement, noting it is within the range of commonly acceptable thresholds.	• Our audit focused on where the Group made subjective judgements; for example, significant accounting estimates involving assumptions and inherently uncertain future events. • Pharmaxis is a pharmaceutical research company with approved products in various markets around the world, and a drug discovery program dedicated to finding new treatments for patients in areas of high unmet clinical need. Their accounting processes are structured around a group finance function at its head office in Sydney. Our audit procedures were predominately performed in Sydney.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. The key audit matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Further, any commentary on the outcomes of a particular audit procedure is made in that context. We communicated the key audit matters to the Audit and Risk Committee.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Financial liability (Refer to notes 14 & 17) $6,603 thousand financing agreement The Group has a financing agreement with SWK Funding LLC (SWK) under which Pharmaxis received US$20 million to support the continued development, manufacturing and commercialisation of Bronchitol for cystic fibrosis in the European Union (EU) and the United States of America (US). The repayment amounts and timing of the SWK financing are dependent on the quantum and timing of forecast sales in territories covered by the agreement. The accounting for the financial liability was assessed as a key audit matter given: • the financial significance of the liability to the statement of financial position; and • the judgement applied by the Group in assessing the assumptions deriving the liability's balance and associated finance costs, including forecast sales in territories covered by the agreement and timing of launch into these territories.	Our audit procedures included: • reading the applicable executed contracts and checking that the basis and composition of the financing in the executed contracts was consistent with the accounting principles applied for the liability recognition • assessing the assumptions of the quantum and timing of forecast sales in applicable territories within the financial liability calculations, including considering consistency with Group forecasts and other available external data • testing the mathematical accuracy of the calculations of the principal financial liability • comparing the exchange rates used in the financial liability calculations to market data. We assessed the appropriateness of the Group's disclosure in the financial report in light of the requirements of the Australian Accounting Standards.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2023, but does not include the financial report and our auditor's report thereon. Prior to the date of this auditor's report, the other information we obtained included the Directors' report and Corporate Governance statement. We expect the remaining other information to be made available to us after the date of this auditor's report.

Our opinion on the financial report does not cover the other information and we do not and will not express an opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the directors for the financial report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Our opinion on the remuneration report

We have audited the remuneration report included in pages 8 to 18 of the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Pharmaxis Ltd for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001.*

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of *the Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

PricewaterhouseCoopers

David Ronald
Partner

Sydney
28 August 2023