
Pharmaxis announces pro-rata entitlement offer to raise up to approximately A\$80 million

Pharmaxis Ltd (**Pharmaxis** or the **Company**) (ASX: PXS) today announced a 1 for 3 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to raise up to approximately \$80 million (**Entitlement Offer**).

The Entitlement Offer is underwritten to \$40 million by Merrill Lynch International (Australia) Ltd and Wilson HTM Corporate Finance Ltd.

Use of proceeds of the offer

Pharmaxis is developing a portfolio of products to treat and manage respiratory diseases.

In October 2011, the Company received a positive opinion from the Committee for Medicinal Products for Human Use, recommending the granting of Marketing Authorisation in Europe of Bronchitol[®] for cystic fibrosis patients aged 18 and over. Bronchitol[®] was approved by Australia's Therapeutic Goods Administration in February 2011 and the Company aims to submit a marketing application with the US FDA in the first half of 2012.

The Company currently sells Aridol[®], a lung function test designed to help diagnose and manage asthma, which is approved in the USA, Europe, Australia, and parts of South East Asia. Pharmaxis also has a number of products in its development pipeline, including a Phase III clinical trial of Bronchitol for bronchiectasis which is expected to complete recruitment by the end of 2011.

The proceeds from the Entitlement Offer will be used to increase Pharmaxis' cash reserves and strengthen the Company's balance sheet in anticipation of the commercial launch of Bronchitol for cystic fibrosis in Europe, which is expected to occur in the first half of 2012.

"This capital raising will enable Pharmaxis to capitalise on the work to date in achieving product approvals and continue to build the company into a profitable, international, pharmaceutical business focussed on respiratory disease" said Pharmaxis Chief Executive Officer, Dr Alan Robertson.

Overview of the Entitlement Offer

Eligible shareholders will be invited to subscribe for 1 new ordinary share (**New Share**) for every 3 existing Pharmaxis ordinary shares held at 7:00pm (Sydney time) on 21 November 2011 (**Record Date**), at an issue price of \$1.05 per New Share (**Entitlement**).

The issue price of \$1.05 per New Share represents a 15.2% discount to the theoretical ex-rights price (**TERP**)¹ and a 19.2% discount to the closing price of Pharmaxis shares of \$1.30 on 15 November 2011. New Shares issued will rank equally with existing Pharmaxis shares. Eligible shareholders may also apply for New Shares in excess of their Entitlement (**Additional Shares**). The allocation and issue of Additional Shares will be determined by Pharmaxis at its sole discretion.

¹ TERP is the theoretical price at which shares should trade immediately after the ex-date for the Entitlement Offer assuming 100% take-up of the Entitlement Offer. The theoretical ex-rights price is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not be equal to the theoretical ex-rights price.

Pharmaxis will issue up to approximately 76,372,103 million New Shares in connection with the Entitlement Offer, resulting in Pharmaxis having up to approximately 305,488,412 million ordinary shares on issue following completion of the Entitlement Offer.

The Entitlement Offer comprises an institutional component (**Institutional Entitlement Offer**) and a retail component (**Retail Entitlement Offer**).

Institutional Entitlement Offer

Eligible institutional shareholders will be invited to participate in the Institutional Entitlement Offer. New Shares not taken up by Pharmaxis' eligible institutional shareholders and those which would otherwise have been offered to ineligible institutional shareholders will be offered for subscription to eligible institutional shareholders and selected institutional investors through a volume bookbuild process at the issue price.

Pharmaxis' largest shareholder, being funds managed by Orbis Investment Management (Australia) Pty Ltd and their related bodies corporate, have indicated that, they intend to subscribe for such number of New Shares in the Institutional Entitlement Offer that will result in them collectively maintaining their current interest of approximately 19.3% of issued shares post completion of the Entitlement Offer.

Retail Entitlement Offer

Shareholders who are eligible to participate in the Retail Entitlement Offer (**Eligible Retail Shareholders**) are shareholders:

- (a) who were a holder of Pharmaxis shares as at 7.00pm (Sydney time) on the Record Date;
- (b) who have a registered address on Pharmaxis' share register in Australia or New Zealand;
- (c) who are not in the United States and is not a "U.S. person", as defined in Regulation S under the U.S. Securities Act of 1933 (**US Securities Act**) (**US Person**) and not acting for the account or benefit of any person in the United States or any US Person;
- (d) to the extent they were not invited to participate under the Institutional Entitlement Offer; and
- (e) who are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

It is the responsibility of potential applicants to inform themselves of the eligibility criteria for participating in the Entitlement Offer. The Entitlements are non-renounceable and will not be tradeable on the ASX or otherwise transferable. Shareholders who do not take up their Entitlements will not receive any value in respect of those Entitlements that they do not take up. Shareholders who are not eligible to receive Entitlements will not receive any value in respect of Entitlements they would have received had they been eligible.

Full details of the Retail Entitlement Offer are set out in an offer booklet (**Retail Offer Booklet**), copies of which will be available on the ASX website www.asx.com.au and Pharmaxis' website, www.pharmaxis.com.au from 24 November 2011. Eligible Retail Shareholders will be mailed a Retail Offer Booklet, together with a personalised Entitlement and Acceptance Form which contains details of your Entitlement on or around 24 November 2011. You should read all of the Retail Offer Booklet carefully before deciding whether to participate in the Retail Entitlement Offer.

Indicative Timetable

Trading halt, Institutional Entitlement Offer opens	16 November 2011
Institutional Entitlement Offer closes	17 November 2011
Institutional shortfall bookbuild	17 November 2011
Trading halt lifted, existing shares recommence trading	18 November 2011
Record Date – 7:00pm (Sydney time)	21 November 2011
Retail Entitlement Offer opens – 9:00am (Sydney time)	24 November 2011
Retail Offer Booklet despatched to Eligible Retail Shareholders	24 November 2011

Entitlement Offer first settlement	28 November 2011
Allotment and trading of New Shares issued under the first settlement	29 November 2011
Retail Entitlement Offer closes – 5:00pm (Sydney time)	8 December 2011
Entitlement Offer second settlement	15 December 2011
Allotment of New Shares for the second settlement	16 December 2011
Trading of New Shares issued under the second settlement	19 December 2011

The above timetable is indicative only and subject to change. All times are references to Sydney time. Pharmaxis with the consent of the underwriters reserves the right to withdraw the Entitlement Offer or vary the timetable for the Entitlement Offer without notice. Pharmaxis reserves the right to extend the closing date for the Retail Entitlement Offer, to accept late applications either generally or in particular cases or to withdraw the Retail Entitlement Offer without prior notice. The commencement of quotation of new securities is subject to confirmation from the ASX.

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About Pharmaxis

Pharmaxis (ABN 75 082 811 630) is a specialist pharmaceutical company involved in the research, development and commercialization of therapeutic products for chronic respiratory disorders. Its product Aridol® for the assessment of asthma is launched in a number of key markets. Its development pipeline of products includes: Bronchitol for cystic fibrosis, bronchiectasis, ASM8 for asthma, PXS25 for idiopathic pulmonary fibrosis and a new oxidase inhibitor for lung disease. Pharmaxis is listed on the Australian Securities Exchange (symbol PXS). The company is headquartered in Sydney at its TGA-approved manufacturing facilities. For more information about Pharmaxis, go to www.pharmaxis.com.au or contact Investor Relations on phone +61 2 9454 7200.

About Bronchitol for Cystic Fibrosis

Bronchitol has been developed to help clear mucus (a major source of lung infections), improve lung function and reduce exacerbations in patients with cystic fibrosis. Bronchitol is a proprietary formulation of mannitol administered as a dry powder in a convenient hand-held inhaler. Bronchitol hydrates the lungs, helps restore normal lung clearance, and allows patients to clear mucus more effectively. Clinical studies have shown Bronchitol to be safe, effective, and well tolerated in treating patients cystic fibrosis.

About Cystic Fibrosis

In a healthy person, there is a constant flow of mucus over the surfaces of the air passages in the lungs, removing debris and bacteria. In CF, an inherited disease, a defective gene disrupts ion transport across the epithelial membrane within cells. In the lungs, this leads to a depletion of the airway surface liquid that normally bathes the cilia, and a resultant reduction in mucociliary clearance. The result is thick, sticky mucus that clogs the lungs, severely restricting the natural airway-clearing process. It also increases the potential for bacteria to become trapped and for inflammation, thus creating an unhealthy lung environment that leads to life-threatening lung infections.

Important Notice

This announcement is not an offer or an invitation to acquire securities. In particular, this release does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any US Person. This announcement may not be released or distributed in the United States or to any US Person. Any securities described in this announcement have not been, and will not be registered under the US Securities Act or the securities laws of any other jurisdiction, and may not be offered or sold in the United States, or to, or for the account of benefit of, any US Person.

Forward-looking statements

This release contains forward-looking statements. The words "forecast", "estimate", "likely", "anticipate", "believe", "expect", "project", "predict", "outlook", "guidance", "intend", "should", "could", "may", "target", "plan" and other similar expressions are intended to identify forward-looking statements. Indications of, and guidance on, future

earnings and financial position and performance are also forward-looking statements. Forward-looking statements in this release include statements regarding our strategy, future operational and financial results, synergies from acquisitions, future projects, the results of the capital raising and the use of proceeds therefrom. You are cautioned not to place undue reliance on forward-looking statements. The forward-looking statements, opinions and estimates provided in this release are based on assumptions and contingencies that are subject to change without notice, as are statements about market and industry trends, which are based on interpretations of current market conditions. Forward-looking statements including projections, guidance on future earnings and estimates are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Forward-looking statements are subject to known and unknown risks and uncertainties, there can be no assurance that actual outcomes will not differ materially from forward-looking statements and readers are accordingly cautioned not to place undue reliance on these forward-looking statements. Pharmaxis assumes no obligation to update or revise these forward-looking statements to reflect any change in expectations or assumptions.

Stock Lending and Other Transactions

Eligible shareholders will be entitled to apply under the Entitlement Offer for 1 New Share for every 3 existing Pharmaxis ordinary shares held as at 7.00pm (Sydney time) on the Record Date. Pharmaxis has been granted a waiver by ASX so that, in determining shareholder entitlements for the Entitlement Offer, it may ignore any changes in shareholdings that occurred after the announcement of the trading halt on 16 November 2011 (other than registrations of transactions that were effected through ITS before that announcement). Accordingly, a person who is a registered shareholder of Pharmaxis at 7.00pm (Sydney time) on the Record Date as a result of a dealing after the announcement of the trading halt (other than the registration of a transaction effected through ITS before that announcement) may not receive an entitlement under the Entitlement Offer. This means, for example, that in the event a Pharmaxis shareholder has existing Pharmaxis shares out on loan, the borrower will be regarded as the shareholder for the purposes of determining the entitlement (provided that those borrowed shares have not been on-sold or used to cover a short sale).