

16 November 2011

Dear Optionholder,

Participation in Pro-rata Accelerated Non-Renounceable Entitlement Offer

On 16 November 2011, Pharmaxis Ltd (**Pharmaxis**) (ASX: PXS) announced a 1 for 3 pro-rata accelerated non-renounceable entitlement offer to eligible shareholders to raise up to approximately A\$80 million (**Entitlement Offer**).

The Entitlement Offer will comprise:

- an entitlement offer to eligible institutional shareholders (**Institutional Entitlement Offer**); and
- an entitlement offer to eligible retail shareholders (**Retail Entitlement Offer**).

Further information in relation to the Entitlement Offer has been disclosed to the ASX.

The Entitlement Offer is being made without a disclosure document or product disclosure statement in accordance with section 708AA of the Corporations Act 2001 (*Cth*) (**the Act**) as modified by ASIC Class Order CO 08/35.

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

- (a) are holders of Pharmaxis shares as at 7.00pm (Sydney Time) on 21 November 2011 (**Record Date**);
- (b) have a registered address on Pharmaxis' share register in Australia or New Zealand;
- (c) 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 U.S. Person;
- (d) are not invited to participate under the Institutional Entitlement Offer; and
- (e) are eligible under all applicable securities laws to receive an offer under the Retail Entitlement Offer.

Your options do not entitle you to participate in the Retail Entitlement Offer.

The purpose of this letter is to give you notice prior to the Record Date in which you may exercise your options should you wish to participate in the Retail Entitlement Offer.

Accordingly, if you wish for some or all of the shares underlying your options to be counted as part of your entitlement under the Retail Entitlement Offer, you will need to exercise that portion of vested and exercisable options you wish to participate and pay the current exercise price on or before close of business on 21 November 2011.

If you do not wish to participate in the Retail Entitlement Offer (in respect of your options) you do not need to take any action. In that case, you should be aware that the option exercise price of options which you do not exercise will be reduced in accordance with the Pharmaxis employee option plan (as contemplated by the ASX Listing Rules) to reflect the impact of the Entitlement Offer. Pharmaxis will advise you of the reduced option exercise price following the close of the Entitlement Offer.

Before deciding whether to exercise all or any of your options, you should consider the terms of the Entitlement Offer carefully and consult with your professional advisor if necessary.

Key Dates

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.

Further Details

Full details of the Entitlement Offer are contained in Pharmaxis' announcement lodged with the ASX today, which is available at their website: www.asx.com.au. The announcement can also be found on Pharmaxis' website: www.pharmaxis.com.au.

On behalf of the Board, I thank you for your continued support.

Yours sincerely



David McGarvey
Chief Financial Officer/ Company Secretary

Important Information

This letter does not constitute an offer to sell, or the solicitation to buy, any securities in the United States or to, or for the account or benefit of, any US Person. New shares under the Entitlement Offer referred to herein have not been, and will not be, registered under the US Securities Act or the securities laws of any other jurisdiction. Entitlements may not be offered or taken up by persons in the United States or by persons who are, or are acting for the account or benefit of, a US Person, except in transactions exempt from, or not subject to, the registration requirements of the US Securities Act.