8th October 2012

Stephanie Yong
Senior Advisor
Australian Securities Exchange
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000

Dear Stephanie,

PRICE QUERY

In response to your letter dated 8 October 2012 concerning a change in the Pharmaxis share price from a low of $1.155 on 5 October 2012 to a high of $1.315 at the time of your letter today and an increase in the volume of trading in Pharmaxis shares, the Company provides the following answers to your specific questions:

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

   In answering this question, please address the recent press reports about the Company being the subject of takeover speculation over the weekend.

   Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

   Pharmaxis is not aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company.

   In relation to the press report about the Company being the subject of takeover speculation over the weekend, the Company has no knowledge or information other than the contents of the press report.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

   Not applicable

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

The Company is not aware of any other explanation for the price change and increase in volume on 8 October 2012.

However, the Company does note the following:

- ***The September 2012 Quarterly Report to Shareholders is due to be released to the market on 10 October 2012***
- ***The quarterly investor conference call is scheduled for 11 October 2012***
- ***The Company's product Bronchitol® is to be the subject of several presentations at this week's North American Cystic Fibrosis Conference***
- ***Updates on several European pricing applications are expected over the next two months, although the specific timing is not known at this time by the Company***
- ***As discussed in previous quarterly reports, Pharmaxis continues to explore all available options to capture the full value of its US new drug application for Bronchitol.***

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Pharmaxis confirms that it is in compliance with the listing rules and, in particular, listing rule 3.1.

If you require any further explanation or comments, please let me know.

Sincerely,

David McGarvey
Chief Financial Officer & Company Secretary

ASX Compliance Pty Limited
ABN 26 087 780 489
20 Bridge Street
Sydney NSW 2000
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Australia Square
NSW 1215

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8 October 2012

David McGarvey
Chief Financial Officer/ Company Secretary
Pharmaxis Limited
20 Rodborough Road
Locked Bag 5015
Frenchs Forest NSW 2086

By email

Dear David

Pharmaxis Limited (the "Company")

RE: PRICE QUERY

We have noted a change in the price of the Company's securities from a low of $1.155 on 5 October 2012 to a high of $1.315 at the time of writing today. We have also noted an increase in the volume of trading in the securities over this period.

In light of the price change and increase in volume, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

   In answering this question, please address the recent press reports about the Company being the subject of takeover speculation over the weekend.

   Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

   Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

4. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail or by facsimile on facsimile number (02) 9241 7620. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, **not later than 3.30 p.m. A.E.D.T. on Monday, 8 October 2012.**

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely,

[Sent electronically without signature]

Stephanie Yong
Senior Adviser, Listings (Sydney)