

Media Release

31 January 2013

PHARMAXIS ANNOUNCES US\$40 MILLION FINANCING AGREEMENT WITH NOVAQUEST

Pharmaceutical company Pharmaxis Ltd (ASX: PXS) is pleased to announce the signing of a Financing Agreement with NovaQuest Pharma Opportunities Fund III, LP (NovaQuest) under which NovaQuest will invest up to US\$40 million to support the continued development, manufacturing and commercialisation of Bronchitol for cystic fibrosis in the EU and US.

The minimum investment by NovaQuest of US\$20 million will be received by Pharmaxis within 30 days. Up to an additional US\$20 million may, at Pharmaxis' option, be invested by NovaQuest from 30 January 2014, subject to Pharmaxis meeting certain commercial and regulatory performance criteria.

As consideration for its investment, NovaQuest will receive payments based upon the US and EU sales revenue of Bronchitol for cystic fibrosis for a term of eight years in the EU and seven years from the launch of Bronchitol in the US. The payments are determined by reference to US and EU sales revenue bands and corresponding annual payment percentages which vary over the term of the agreement to reflect the expected growth in Bronchitol sales, and decrease in the event that the total investment is below the maximum US\$40 million. Pharmaxis expects the average payments to NovaQuest over the term of the agreement, expressed as a percentage of combined US and EU Bronchitol sales, to range from low single digit to low double digit percentages, depending upon the amount ultimately invested and the amount of Bronchitol sales, amongst other factors.

Pharmaxis CEO Dr Alan Robertson said, "Pharmaxis explored a range of options to leverage its Bronchitol asset. The NovaQuest investment was selected because it is tailored to the expected growth of the business, it offers flexibility in the total investment amount, the investment returns to NovaQuest are based solely on the sales of Bronchitol, Pharmaxis retains the vast majority of the expected sales revenue over the term of the agreement, and the strategic and operational control of the Bronchitol business remains with the Company".

"At this stage in the commercialisation of Bronchitol it is prudent to ensure we have the necessary resources to fulfil our strategic objectives for the business and we look forward to continued success in bringing an innovative new pharmaceutical to markets around the world."

The NovaQuest team has committed approximately US\$1 billion to the global pharmaceutical industry. NovaQuest Partner Mr Jonathan Tunnicliffe said, "NovaQuest has a long history of investing in global pharmaceutical products such as Bronchitol. NovaQuest is delighted to have made this investment, allowing Pharmaxis to pursue its plans for Bronchitol for cystic fibrosis in the EU and US."

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About Pharmaxis

Pharmaxis Ltd (ACN 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 sold in key international markets. Its product Bronchitol® for cystic fibrosis is recently launched in Europe and Australia and its development pipeline of products includes, Bronchitol for bronchiectasis, PXS64 for the treatment of lung fibrosis, ASM8 for asthma and PXS4728 for fibrotic disease. Pharmaxis is listed on the Australian Securities Exchange (symbol PXS). The company's head office and manufacturing facilities are located in Sydney. For more information about Pharmaxis, go to www.pharmaxis.com.au or contact Investor Relations on phone +61 2 9454 7200.

About NovaQuest

NovaQuest Capital Management (NovaQuest) manages alternative investments in the global biopharmaceutical sector, where its principal focus is to seek returns from late-stage clinical assets and commercial phase biopharmaceutical products. Over the past decade, the NovaQuest team's investments have provided companies with alternatives to standard biopharmaceutical industry development and commercial deal-making. For more information please visit www.nqcapiatal.com

About Bronchitol

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. Inhaled mannitol hydrates the lungs, helps restore normal lung clearance, and allows patients to clear mucus more effectively.

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.

Forward-Looking Statements

Forward-looking statements in this media release include statements regarding our expectations, beliefs, hopes, goals, intentions, initiatives or strategies, including statements regarding the potential for Bronchitol. All forward-looking statements included in this media release are based upon information available to us as of the date hereof, and we assume no obligation to update any such forward-looking statement as a result of new information, future events or otherwise. We cannot guarantee that any product candidate will receive regulatory approval or that we will seek any such approval.
