1QFY23 release shows diverse pipeline continuing to deliver news flow

Pharmaxis has provided its 1QFY23 (September-quarter) results and updates on the current status of its multiple drug assets. Lead asset PXS-5505 for myelofibrosis has seen positive interim data with its Phase 2a trial due to complete mid-2003, and Phase 1c is coming up shortly for PXS-5505 in liver cancer. Initial results from the PXS-6302 trial in established scars look promising. Pharmaxis ended the quarter with a proforma cash balance of A$21m (to increase to A$26m assuming shareholder approval of a second placement tranche). We remain positive on the stock, and see value given its diversified clinical pipeline and the potential for medium-term data flow.

Lead asset PXS-5505 (MF): positive interim data

Pharmaxis's primary drug development focus, PXS-5505 for rare blood cancer myelofibrosis (MF), is in the dose expansion Phase 2a. Positive interim data has been delivered for the first 6 patients (out of 15) to have completed the full twice-daily 24-week treatment. Key highlights:

- **safety:** no serious treatment-related adverse effects
- **efficacy:** improved fibrosis, blood counts, symptom scores – 2/6 patients show clinically important symptom improvement; 5/6 have stable or improved bone marrow fibrosis scores of ≥1 grade; 5/6 have stable or improved platelet and/or haemoglobin scores; no reduction in spleen volume

Globally, 18 trial sites are recruiting, with 2 additional sites likely to be included in the study. The trial aims to finish recruitment by late 2022.

PXS-5505 (liver cancer): Phase 1c to start shortly

The investigator-initiated clinical trial of PXS-5505 in HCC (liver cancer) will start Phase 1c shortly. The study aims to have PXS-5505 added to the current standard of care. Phase 1c, to be conducted by Pharmaxis and Wilmot Cancer Institute (U of Rochester), is budgeted to cost Pharmaxis ~US$1.2m. A 6-month Phase 2a trial will follow with the selected dose.

PXS-6302 (scars): first 8 trial patients show results

PXS-6302, for potential topical use in modifying established scars/scar prevention, showed promising preclinical results in inhibiting the lysyl oxidase (LOX) enzymes that help develop scar tissue. Phase 1a/b trials have successfully completed. Pharmaxis is working with University of WA and Fiona Stanley Hospital to progress to 2 patient trials: established scars and post-surgical scar prevention.

Preliminary results have been released on the first 8 patients to complete treatment for established scars, with evidence of reduced scarring biomarker levels and scarring-related enzyme inhibition. Final results are due in 1H2023, with a view to a follow-up study on scar prevention.

Pharmaxis is a clinical-stage drug discovery company developing novel small molecule drugs for inflammatory and fibrotic diseases with major unmet medical need. It is a leader in mechanism-based inhibitors of amine oxidases. It is targeting cancers (e.g., myelofibrosis, pancreatic and liver cancer), diseases of organs including the liver (NASH, liver fibrosis), lungs (pulmonary fibrosis) and kidneys (chronic kidney disease), and fibrotic scarring from burns and other trauma. Pharmaxis previously commercialised two respiratory products (Bronchitol®, Aridol®) now sold globally.

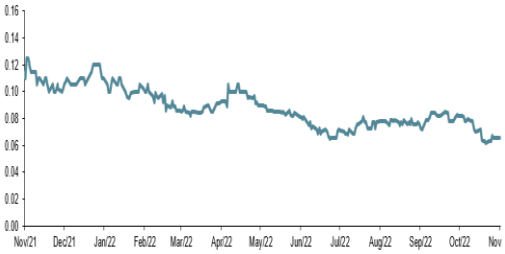
Stock	PXS.ASX
Price	A$0.07
Market cap	A$47m
Valuation	A$0.34 (previously A$0.45)

Company data	
Net cash (end-1QFY23)	$11.6m
Shares on issue (post cap raise)	718.8m

Upcoming news flow

- PXS-5505 MF trial: recruitment to finish late 2022
- PXS-5505, liver cancer: Phase 1c starting soon
- PXS-6302, scarring: results for established scars and scar prevention studies

PXS share price (A$)



Source: FactSet.

Chris Kallos, CFA
chris.kallos@mstaccess.com.au

Valuation: Lowered to A$34/share post cap raise

Our fair value estimate moves to A$0.34/share (previously A$0.45/share) given the dilutionary impact of the A$10m capital raise. We use a sum-of-the-parts approach, based on DCF methodology, comprising Pharmaxis's two clinical programs (PXS-5505 and PXS-6302) and its mannitol division. PXS-5505 for MF is the program on which we place the highest value at A$116m. As such, our valuation is most sensitive to clinical risk associated with both PXS-5505 and PXS-6302 programs at this point.

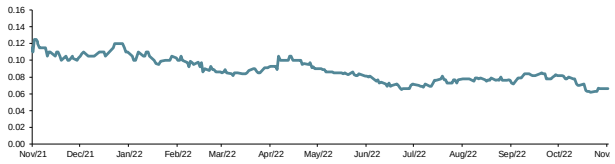
Financials

Pharmaxis PXS-AU

Year end 30 June, AUD unless otherwise noted

MARKET DATA		
Price	**$**	**0.07**
52 week high / low	**$**	0.06-0.13
Valuation	**$**	**0.34**
Market capitalisation	$m	47.4
Shares on issue (basic)	**m**	718.8 *(incorporates capital raising)*
Options / rights	m	30.0
Other equity	m	0.0
Shares on issue (diluted)	**m**	**748.8**

12-MONTH SHARE PRICE PERFORMANCE (A$)



INVESTMENT FUNDAMENTALS		FY19A	FY20A	FY21A	FY22A	FY23E
Reported NPAT	$m	(20.1)	(13.9)	(3.0)	(1.9)	(11.7)
Underlying NPAT	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Reported EPS (diluted)	¢	(5.3)	(3.5)	(0.7)	(0.3)	(2.1)
Underlying EPS (diluted)	**¢**	**(5.3)**	**(3.5)**	**(0.7)**	**(0.3)**	**(2.1)**
Growth	%		-32.8%	-79.4%	-52.8%	517.3%
Underlying PER	x	**nm**	**nm**	**nm**	**nm**	**nm**
Operating cash flow per share	¢	(5.2)	(3.4)	0.8	(2.9)	(1.3)
Free cash flow per share	¢	(5.4)	(3.5)	0.6	(2.9)	(3.0)
Price to free cash flow per share	**x**	**nm**	**nm**	**11.1**	**nm**	**nm**
FCF Yield	%	nm	nm	9.0%	nm	nm
Dividend	**¢**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**
Payout	%	0.0%	0.0%	0.0%	0.0%	0.0%
Yield	**%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**	**0.0%**
Franking	%	0.0%	0.0%	0.0%	0.0%	0.0%
Enterprise value	**$m**	**23.5**	**40.8**	**35.1**	**42.8**	**39.1**
EV/EBITDA	x	(1.3)	(3.1)	70.0	(3.5)	(3.7)
EV/EBIT	x	(1.1)	(2.5)	(13.2)	(2.8)	(3.4)
Price to book (NAV)	x	1.8	18.2	10.5	3.4	8.6
Price to NTA	x	1.9	53.2	17.3	3.7	11.2

KEY RATIOS		FY19A	FY20A	FY21A	FY22A	FY23E
EBITDA margin	%	nm	nm	7.5	nm	nm
EBIT margin	%	nm	nm	nm	nm	nm
NPAT margin	%	nm	nm	nm	nm	nm
ROE	%	nm	nm	nm	nm	nm
ROA	%	nm	nm	nm	nm	nm
Net tangible assets per share	$	0.0	0.0	0.0	0.0	0.0
Book value per share	$	0.0	0.0	0.01	0.0	0.0
Net debt/(cash)	$m	(24.0)	(6.6)	(12.4)	(4.6)	(2.1)
Interest cover/ (EBIT/net interest)	x	nm	nm	nm	nm	nm
Gearing (net debt/EBITDA)	x	nm	nm	nm	nm	nm
Leverage (net debt/(net debt + equity))	x	nm	nm	nm	nm	nm

DUPONT ANALYSIS		FY19A	FY20A	FY21A	FY22A	FY23E
Net Profit Margin	%	nm	nm	nm	nm	nm
Asset Turnover	x	0.1	0.2	0.2	0.3	0.4
Return on Assets	%	nm	nm	nm	nm	nm
Financial Leverage	x	484.1	5,698.1	2,222.1	397.1	891.0
Return on Equity	%	nm	nm	nm	nm	nm

KEY PERFORMANCE INDICATORS		FY19A	FY20A	FY21A	FY22A	FY23E
Bronchitol	$m	2.6	5.3	5.2	5.8	7.8
Aridol	$m	3.1	1.8	1.4	1.6	1.6

Clinical development pipeline	Indication	Status
PXS-5505	**Myelofibrosis**	**Phase 2a**
PXS-6302	**Anti-scarring**	**Phase 1c completed**
PXS-5505	**Liver Cancer**	**Phase 1c ready**

HALF YEARLY DATA		2H20	1H21	2H21	1H22	2H22
Total Revenue	$m	8.6	13.7	9.9	8.5	1.6
Operating expenses	$m	(13.5)	(11.8)	(11.3)	(14.9)	(13.2)
EBITDA	$m	(4.8)	1.9	(1.4)	(6.4)	(11.6)
EBIT	$m	(4.8)	0.3	(1.4)	(7.9)	(13.1)
PBT	$m	(3.6)	0.0	(3.0)	(8.1)	0.6
Reported NPAT	$m	(3.6)	0.0	(3.0)	(8.1)	0.6

PROFIT AND LOSS		FY19A	FY20A	FY21A	FY22A	FY23E
Revenue	**$m**	**5.7**	**7.0**	**6.7**	**7.4**	**9.4**
Other income	$m	6.5	5.6	16.9	8.3	4.9
Total Revenue	**$m**	**12.2**	**12.7**	**23.6**	**15.8**	**14.3**
Operating expenses	$m	(30.3)	(25.9)	(23.1)	(28.1)	(23.2)
EBITDA	**$m**	**(18.1)**	**(13.2)**	**0.5**	**(12.3)**	**(8.9)**
Depreciation & Amortisation	$m	(2.6)	(3.2)	(3.2)	(3.2)	(0.8)
EBIT	**$m**	**(20.7)**	**(16.5)**	**(2.7)**	**(15.5)**	**(9.7)**
Net interest	$m	0.9	0.4	0.1	0.2	0.0
Pretax Profit	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Tax expense	$m	0.0	0.0	0.0	0.0	0.0
Reported NPAT	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Weighted average diluted shares	m	381.4	394.7	407.3	562.9	549.1

GROWTH PROFILE		FY19A	FY20A	FY21A	FY22A	FY23E
Revenue	%	(75.8)	4.1	86.5	(33.3)	(9.1)
EBITDA	%	(290.7)	(26.9)	(103.8)	(2,557.1)	(27.6)
EBIT	%	(424.7)	(20.6)	(83.9)	486.5	(37.7)
Reported NPAT	%	(412.0)	(30.5)	(78.7)	(34.8)	502.1
DPS	%	nm	nm	nm	nm	nm

BALANCE SHEET		FY19A	FY20A	FY21A	FY22A	FY23E
Cash	$m	31.1	14.8	18.7	8.9	6.3
Receivables	$m	7.3	7.1	3.0	8.0	4.2
Other	$m	2.1	2.6	3.6	2.3	5.1
Current assets	**$m**	**40.6**	**24.5**	**25.3**	**19.2**	**15.6**
PPE	$m	10.3	8.9	6.2	3.2	2.6
Intangible assets	$m	0.8	0.9	1.1	1.0	1.1
Other	$m	1.1	1.1	0.9	1.7	1.7
Non current assets	**$m**	**12.1**	**10.9**	**8.3**	**6.0**	**5.5**
Total assets	**$m**	**52.7**	**35.4**	**33.6**	**25.2**	**21.1**
Trade and other payables	$m	4.8	3.5	3.8	2.7	5.3
Borrowing	$m	1.2	1.8	2.0	2.0	2.0
Other	$m	2.1	1.5	2.1	1.4	0.7
Current liabilities	**$m**	**8.1**	**6.8**	**7.9**	**6.1**	**8.0**
Borrowing and leases	$m	6.0	6.3	4.3	2.3	2.3
Other liability	$m	15.7	14.0	10.7	(0.1)	(2.0)
Non current liabilities	**$m**	**29.7**	**27.2**	**22.9**	**8.3**	**8.3**
Total liabilities	**$m**	**37.9**	**34.0**	**30.7**	**14.4**	**16.3**
Net assets	**$m**	**14.8**	**1.4**	**2.8**	**10.8**	**4.8**
Share capital	$m	367.3	367.3	371.4	380.4	391.1
Retained earnings	$m	(374.2)	(388.2)	(391.2)	(393.1)	(404.8)
Other	$m	21.8	22.3	22.6	23.5	23.5
Total equity	**$m**	**14.8**	**1.4**	**2.8**	**10.8**	**4.8**

CASH FLOW		FY19A	FY20A	FY21A	FY22A	FY23E
Net loss for period	**$m**	**(20.1)**	**(13.9)**	**(3.0)**	**(1.9)**	**(11.7)**
Depreciation & Amortisation	$m	2.9	3.2	3.2	3.2	0.8
Changes in working capital	$m	(5.1)	(1.6)	4.0	(5.9)	3.6
Other	$m	2.5	(1.0)	(1.1)	(11.5)	0.0
Operating cash flow	**$m**	**(19.8)**	**(13.3)**	**3.1**	**(16.1)**	**(7.3)**
Payments for PPE	$m	(0.6)	(0.3)	(0.3)	(0.1)	(0.1)
Other	$m	(0.4)	(0.3)	(0.3)	(0.2)	(0.2)
Investing cash flow	**$m**	**(1.0)**	**(0.6)**	**(0.6)**	**(0.3)**	**(0.3)**
Equity	$m	22.7	0.0	4.1	9.1	10.0
Lease liability payments	$m	(1.6)	(2.2)	(2.3)	(2.4)	0.0
Other	$m	(0.3)	(0.3)	(0.2)	(0.1)	0.0
Financing cash flow	**$m**	**20.8**	**(2.5)**	**1.5**	**6.6**	**10.0**
Cash year end	**$m**	**31.1**	**14.8**	**18.7**	**8.9**	**6.3**
Free cash flow	**$m**	**(20.8)**	**(13.9)**	**2.4**	**(16.4)**	**(16.4)**

Source: Company, MST Access.

PXS-6302: Skin Scarring Trials – Modifying and Preventative Studies

Pharmaxis is working with the University of Western Australia (UWA) and the Fiona Stanley Hospital on a trial program for PXS-6302, a drug that has been developed for topical application with the potential to modify existing scars as well as to prevent scarring, according to promising pre-clinical results.

Two separate trials will be conducted for PXS-6302: a trial in modifying established scars (the 'Modifying Study', currently in train), and a trial in scar prevention post surgery (the 'Preventative Study', currently in the planning stages).

Modifying Study (SOLARIA2)

Pharmaxis has released interim data part of the Modifying Study on PXS-6302 in established scars. The study is being conducted by UWA and led by Professor Fiona Wood AM, Director of the Western Australia Burns Service.

Cohort snapshot: eligibility and treatment protocol

A total of 50 patients will be treated in this trial. Adult patients with scars that are more than a year old and more than 10cm^2 in size are eligible.

The first cohort of 8 patients have been treated for up to 3 months with the active drug, PXS-6302. The following 42 patients (31 of whom have been recruited) will be randomised 1:1 to receive either the active drug or a placebo. Four patients withdrew from the study after experiencing redness and inflammation at the application site – this ceased after treatment was stopped. The study team has also modified the treatment regimen in response to this adverse skin reaction, reducing it from once daily to three times a week.

Interim data snapshot

The interim (preliminary) results from the first 8 patients treated with the active drug include the following information from skin punch biopsies taken 24 hours after application at the end of the treatment period:

- high LOX inhibition; according to pre-clinical models, LOX enzymes are fundamental to the scarring process
- reduced levels of scarring biomarkers hydroxyproline and LOX, which Pharmaxis characterises as showing normalised physiological processes and a disease-modifying effect
- increased pliability and improved appearance.

Next steps

The team expects to provide final results in 1H2023, at which time Pharmaxis hopes it will be able to confirm an acceptable safety profile, improvements in the appearance of established scars, better functionality of scar tissue, and evidence that LOX inhibition is working to modify scar tissue at the structural and biochemical level.

Preventative Study

Pharmaxis is also considering the protocol for a follow-up study on post-surgery scar prevention (the Preventative Study). Objective endpoints are being developed for the Preventative Study in order to address expected regulatory requirements and refine the patient criteria for PXS-6302. The plan is to commence recruitment for this study in 1Q2023, with final data to be released in 1H2024.

Nature Communications: publication of pre-clinical studies that underpin PXS-6302 trials

UWA researchers have recently published the pre-clinical studies on pan-LOX topical treatment of scars in *Nature Communications*. These studies, on which the PXS-6302 trials are based, show that LOX enzymes are critical to the scar formation/maintenance process because they help to stabilise collagen and stiffen scars. The studies demonstrate how PXS-6302 helps to reduce collagen deposition and cross-linking and decrease fibrosis in various scar types (scleroderma, burn, hypertrophic), all while maintaining tissue strength.

These pre-clinical studies formed a critical part of the IND discussions between the FDA and Pharmaxis.

Exhibit 2: Active pipeline

Asset	Indication	Addressable market (US$)	Trial design	# patients	Status	Data
PXS-5505	Myelofibrosis (MF)	$1b	Phase 2a open label 6 month study in JAK intolerant /ineligible myelofibrosis patients	24	Recruiting	Full data 1H CY23
	Hepatocellular Carcinoma (HCC)	$7b	Phase 1c/2a open label dose escalation study in newly diagnosed patients with unresectable HCC on top of standard of care (PD L1 inhibitor anti VEGF)	18	First Patient 4Q CY22	1H CY24
PXS-6302	Modification of established scars	$3.5b	Phase 1c 3 month placebo controlled study in patients with established scars (>1 year old)	50	Recruiting	1H CY23
	Scar prevention post surgery	$3.5b	Phase 1c 3 month placebo controlled study in patients with scarring subsequent to a burns injury	50	First patient 1H CY23 2022	1HCY24
PXS-4728	REM sleep disorderand neuro inflammation	$3.5b	Phase2 double blind, placebo controlled study in patients with iRBD	40	First patient 1H CY23	1H CY25

Source: Pharmaxis.

Disclaimers and Disclosures

MST Access is a registered business name of MST Financial Services Pty Ltd (ACN 617 475 180 "MST Financial") which is a limited liability company incorporated in Australia on 10 April 2017 and holds an Australian Financial Services Licence (Number: 500 557). This research is issued in Australia through MST Access which is the research division of MST Financial. The research and any access to it, is intended only for "wholesale clients" within the meaning of the Corporations Act 2001 of Australia. Any advice given by MST Access is general advice only and does not take into account your personal circumstances, needs or objectives. You should, before acting on this advice, consider the appropriateness of the advice, having regard to your objectives, financial situation and needs. If our advice relates to the acquisition, or possible acquisition, of a financial product you should read any relevant Product Disclosure Statement or like instrument.

This report has been commissioned by Pharmaxis and prepared and issued by Chris Kallos of MST Access in consideration of a fee payable by Pharmaxis. MST Access receives fees from the company referred to in this document, for research services and other financial services or advice we may provide to that company

MST Financial also provides equity capital markets ("ECM") and corporate advisory services through its capital markets division, MST Capital Markets ("MST Capital"). MST Capital provides these services to a range of companies including clients of the MST Access service. As such, MST Capital may in future provide ECM and/or corporate advisory services to the company that is the subject of this research report and, accordingly, may receive fees from the company for providing such services. [ECM SPECIFIC DISCLAIMER]: The Company that is the subject of this report has, within the last 12 months, engaged MST Capital to provide ECM and/or Corporate Advisory services. However, MST Financial has measures in place to ensure the independence of its research division is maintained, including information barriers between its Capital Markets and Research teams. In addition, neither MST Access, not any of its research analysts, receive any financial benefit that is based on the revenues generated by MST Capital Markets or any other division of MST Financial.

The analyst has received assistance from the company in preparing this document. The company has provided the analyst with communication with senior management and information on the company and industry. As part of due diligence, the analyst has independently and critically reviewed the assistance and information provided by the company to form the opinions expressed in the report. Diligent care has been taken by the analyst to maintain an honest and fair objectivity in writing this report and making the recommendation. Where MST Access has been commissioned to prepare content and receives fees for its preparation, please note that NO part of the fee, compensation or employee remuneration paid will either directly or indirectly impact the content provided.

Accuracy of content: All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report and have not sought for this information to be independently certified. Opinions contained in this report represent those of MST Access at the time of publication. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results and estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

Exclusion of liability: To the fullest extent allowed by law, MST Access shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by you arising out or in connection with the access to, use of or reliance on any information contained in this report. No guarantees or warranties regarding accuracy, completeness or fitness for purpose are provided by MST Access, and under no circumstances will any of MST Financials' officers, representatives, associates or agents be liable for any loss or damage, whether direct, incidental or consequential, caused by reliance on or use of the content.

General Advice Warning

MST Access Research may not be construed as personal advice or recommendation. MST encourages investors to seek independent financial advice regarding the suitability of investments for their individual circumstances and recommends that investments be independently evaluated. Investments involve risks and the value of any investment or income may go down as well as up. Investors may not get back the full amount invested. Past performance is not indicative of future performance. Estimates of future performance are based on assumptions that may not be realised. If provided, and unless otherwise stated, the closing price provided is that of the primary exchange for the issuer's securities or investments. The information contained within MST Access Research is published solely for information purposes and is not a solicitation or offer to buy or sell any financial instrument or participate in any trading or investment strategy. Analysis contained within MST Access Research publications is based upon publicly available information and may include numerous assumptions. Investors should be aware that different assumptions can and do result in materially different results.

MST Access Research is distributed only as may be permitted by law. It is not intended for distribution or use by any person or entity located in a jurisdiction where distribution, publication, availability or use would be prohibited. MST makes no claim that MST Access Research content may be lawfully viewed or accessed outside of Australia. Access to MST Access Research content may not be legal for certain persons and in certain jurisdictions. If you access this service or content from outside of Australia, you are responsible for compliance with the laws of your jurisdiction and/or the jurisdiction of the third party receiving such content. MST Access Research is provided to our clients through our proprietary research portal and distributed electronically by MST to its MST Access clients. Some MST Access Research products may also be made available to its clients via third party vendors or distributed through alternative electronic means as a convenience. Such alternative distribution methods are at MST's discretion.

Access and Use

Any access to or use of MST Access Research is subject to the Terms and Conditions of MST Access Research. By accessing or using MST Access Research you hereby agree to be bound by our Terms and Conditions and hereby consent to MST collecting and using your personal data (including cookies) in accordance with our Privacy Policy (https://mstfinancial.com.au/privacy-policy/), including for the purpose of a) setting your preferences and b) collecting readership data so we may deliver an improved and personalised service to you. If you do not agree to our Terms and Conditions and/or if you do not wish to consent to MST's use of your personal data, please do not access this service.

Level 13, 14 Martin Place, Sydney, NSW 2000
Main +61 2 8999 9988
www.mstfinancial.com.au