Therapeutic products for respiratory and autoimmune diseases

pharmaxis

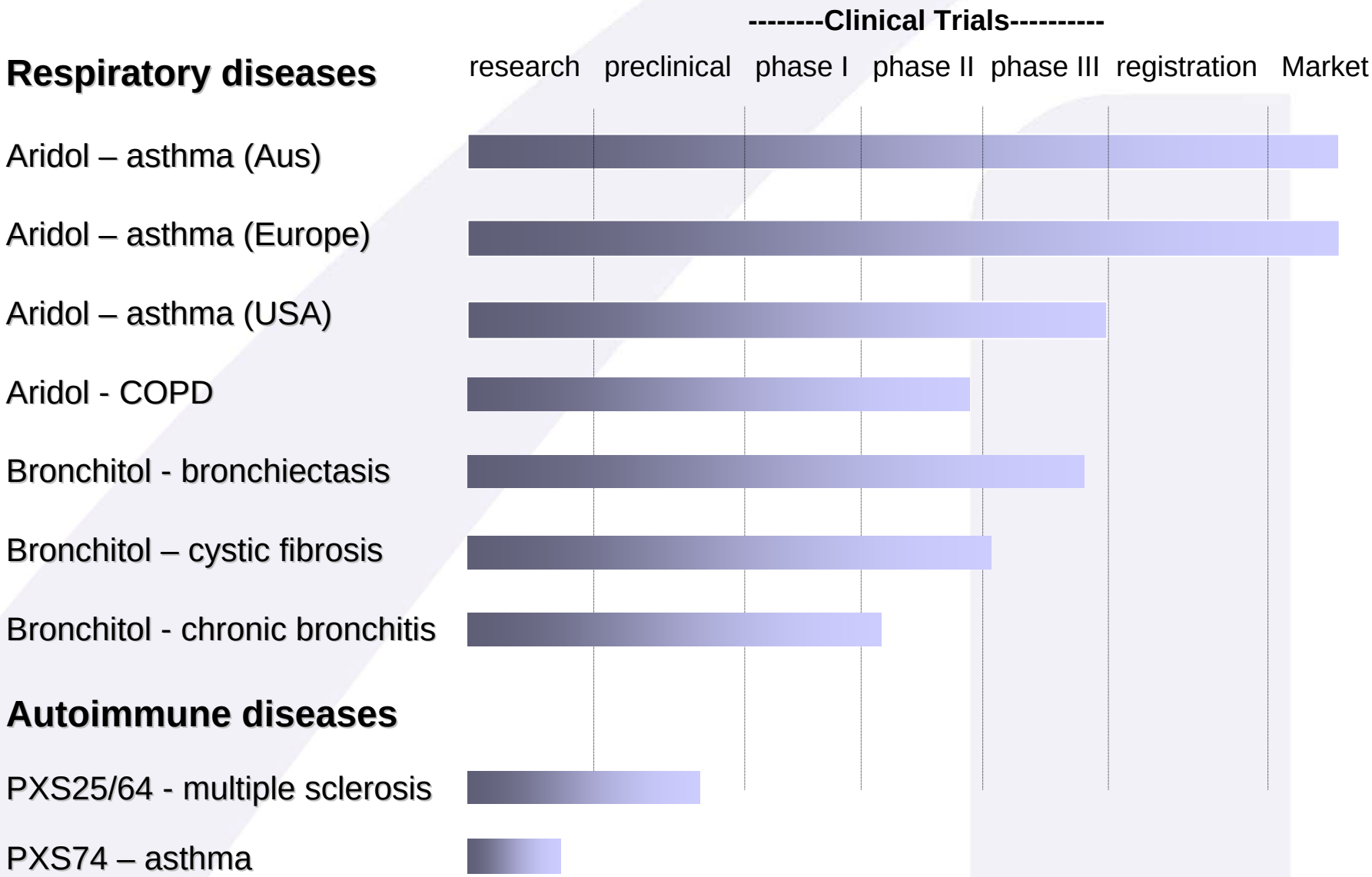
Annual General Meeting

26 October 2006

Summary……

Objective	The development of products for respiratory and autoimmune diseases
Lead products	Aridol: management of asthma and COPD Bronchitol: therapeutic for cystic fibrosis and COPD
Discovery	PXS64 - multiple sclerosis
Listings	ASX (Nov 2003): PXS; NASDAQ (Aug 2005): PXSL
Location	Sydney, NSW, Australia
Facility	GMP Manufacture of lead products
Employees (30/06/06)	65
Cash (30/06/06)	A$98 million
Shares outstanding Options outstanding	177m (11.8m ADS) 10.2m
Key patents	Aridol & Bronchitol granted in USA, Australia, Asia; pending in EU, Canada and Japan
Analyst coverage	Wilson HTM INVESTMENT GROUP; CIBC World Markets; J | M | P SECURITIES; Bell Potter SECURITIES LIMITED

Development Pipeline



Significant Milestones met for FY 2006

1.	**US Orphan Drug designation for Bronchitol in CF**	July
2.	Approval to begin Canadian CF trial	
3.	ADR's listed on Nasdaq	August
4.	**CF-201 (cystic fibrosis) trial results positive**	
5.	Commence enrolment COPD study	September
6.	Global Capital Raising announced	
7.	**Global Capital Raising – completed**	November
8.	**EU Orphan Drug designation for Bronchitol in CF**	
9.	Canadian CF dose finding study commences	
10.	**A305 enrols first patient**	December
11.	European CF study commences (Brompton)	
12.	First European distributor	January
13.	Swiss distributor	February
14.	European operations commence	
15.	Aridol recommended for approval by ADEC	
16.	PXS admitted to ASX 300	March
17.	Peter Farrell joins PXS	
18.	Brett Charlton resigns as director/Board now independent	
19.	**TGA approval of Aridol**	
20.	**TGA licence of factory upgraded**	April
21.	Board change - Carrie Hillyard leaves	
22.	Enrolment complete for Aridol in COPD	
23.	**First patient enrolls in Phase III bronchiectasis trial (B305)**	
24.	End of Phase II with FDA/EMEA re CF Phase III	
25.	First commercial supply of Aridol to US	June

Significant milestones FY2007 (so far…)

• **Aridol marketing application filed in Switzerland**	July
• First investor conference call	August
• **Phase III US trial with Aridol (A305) complete**	
• Board change (Brigitte Smith to retire)	September
• Greek Aridol distributor	October
• **UK approval for CF trial**	
• Italian Aridol distributor	
• **Swedish approval to market Aridol**	

Near term catalysts to end 2006……

Bronchitol – bronchiectasis

- Europe Phase III trial to complete enrolment

Bronchitol – cystic fibrosis

- Phase II dosing study to complete enrolment
- Commencement of Phase III trial (EU)

Bronchitol – chronic bronchitis

- Phase II hospital study to commence

Aridol

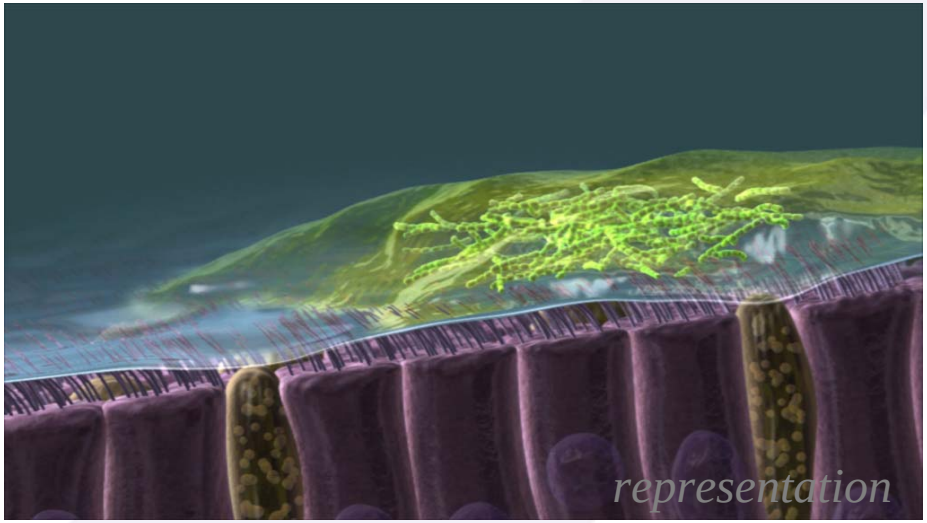
- US Phase III clinical data
- Initiation of European Union approval process
- Prediction of COPD treatment response clinical data

PXS64

- Completion of preclinical studies

Osmotic clearance of abnormal mucus……

Before treatment

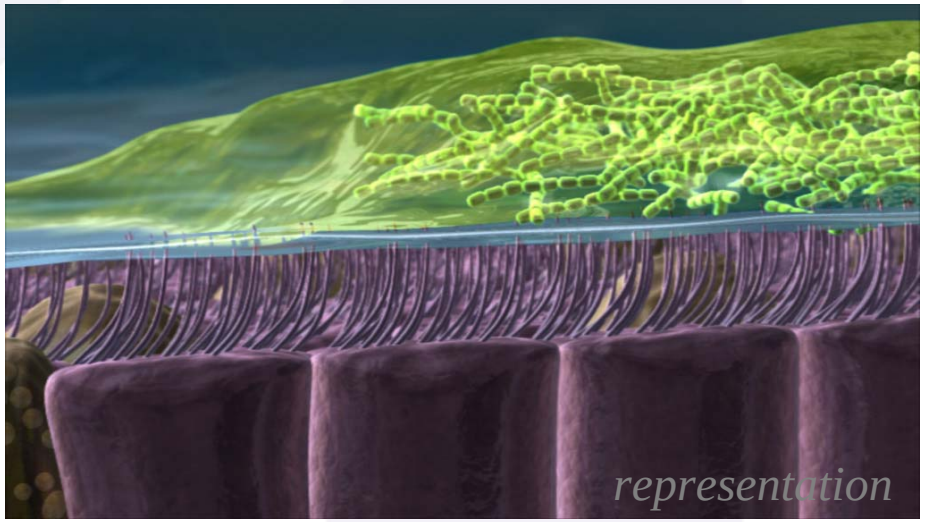


Lung surface dehydrated

Airway surface fluid layer impaired

Lung defense and hygiene compromised

After Bronchitol administration

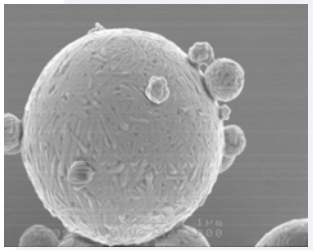


Lung rehydrated

Airway surface liquid restored

Normal lung clearance

Bronchitol - bronchiectasis



Background

- Abnormal, irreversible dilation of the lower airways
- Daily mucus production, constant coughing, breathlessness, recurrent acute bronchitis with infective exacerbations : low quality of life
- In 30-50% of cases, the cause remains unknown
- Normal lung clearance impaired
- 500,000 affected worldwide (110,000 in the U.S.)[1]

Current treatments: bronchodilators, antibiotics

- No drugs proven effective to clear mucus

1: Clin Pulm Med 2005;12:205

Bronchitol - bronchiectasis

Phase III trial (for Europe)

- scheduled close of recruitment - end 2006
- data - mid 2007

Primary endpoints

- quality of life
- mucus clearance

Design

- 354 patient, placebo controlled, double blind, randomised 12 week treatment

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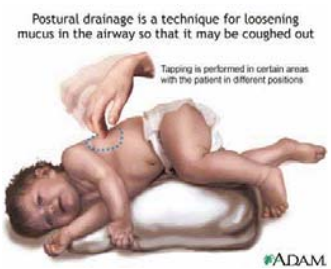
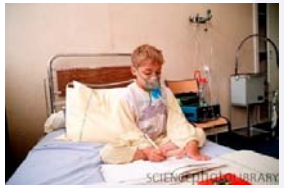
Phase III trial (for U.S.)

- to commence 2007

Bronchitol – cystic fibrosis





Background

- Genetic disorder affecting 75,000 worldwide (30,000 in U.S.)
- Poorly hydrated, tenacious, thick mucus
- Current life expectancy is 31 years

Current treatments: rhDNase and tobramycin

- Delivered by nebulizer (preparation, sterilization)
- rhDNase (Pulmozyme): US$265mm @ ~30% penetration
- Tobramycin: US$233mm

Bronchitol – cystic fibrosis registration.....

Phase III trial (EU & Aus):

- Commence dosing end 2006
- Primary endpoint: same as Phase II (FEV_1)
- Placebo-controlled, 6 month dosing
- Scheduled completion mid 2008

Phase III trial (US) to commence 1H 2007

- Similar size, design to EU/Aus trial
- Scheduled completion mid 2008

Orphan drug designation – EU and USA

Bronchitol – clearance of lung secretions

Proof of concept demonstrated with ICU patients

- Currently supplied on request to patients with life threatening condition

Clinical conditions include:

- asthma, COPD, cystic fibrosis, secondary respiratory disease, neurogenic disorder

Complete acute care pilot study (COPD) end 2006

Complete pivotal Phase III study end 2007

- 30 million COPD exacerbations per year in the U.S.[1]
- 1 million U.S. emergency room visits per year

1: ATS San Diego 2006

Aridol™

A rapid and simple test for airways inflammation that facilitates diagnosis and management of asthma.

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Potential clinical applications for Aridol

An easy to use, 'point of care' test with a high degree of sensitivity and specificity for airway inflammation

1. **Asthma diagnosis and assessment of disease severity[1]**

2. **Monitor patient's disease / managing effectiveness of treatment[2]**

3. **Identification of COPD patients who will respond to steroids[2]**

NOTES: *1 = Evidence available from phase 3 study*

2 = Proof of concept only; definitive studies ongoing / planned

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International Regulatory Status

Australia

- Launched

European marketing authorization

- Approved for marketing in Sweden Oct 2006
- Rest of Europe through Mutual Recognition Procedure
  - Anticipated notification Q1 2007
- Swiss Dossier submitted July 2006
- 1st marketing partners appointed

USA

- Phase III data expected Oct-Dec 2006

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Asthma diagnosis – Phase III trial results

Results: Sensitivity to inhaled steroid usage yields valuable disease insights in treated asthmatics

	Aridol Positive		Aridol Negative	
	Not on ICS N = 87	**Using ICS N = 204**	**Not on ICS N = 37**	**Using ICS N = 159**
Clinical diagnosis of asthma N=487	Asthmatic with active airway inflammation that will respond to ICS	Maintain or increase ICS dosage	Consider alternative diagnosis	Well controlled asthmatic. Consider reducing dosage of ICS

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U.S. Asthma Phase III trial (DPM-A305)

Primary end point

- Comparison of Aridol and exercise and methacholine and physician diagnosis
- Safety

Subjects

- 415, aged 6 – 40, male and female with symptoms suggestive of asthma but no definitive diagnosis. FEV_1 >70%

No of sites

- 30

Status

- Recruitment closed. Data due Q4 2006

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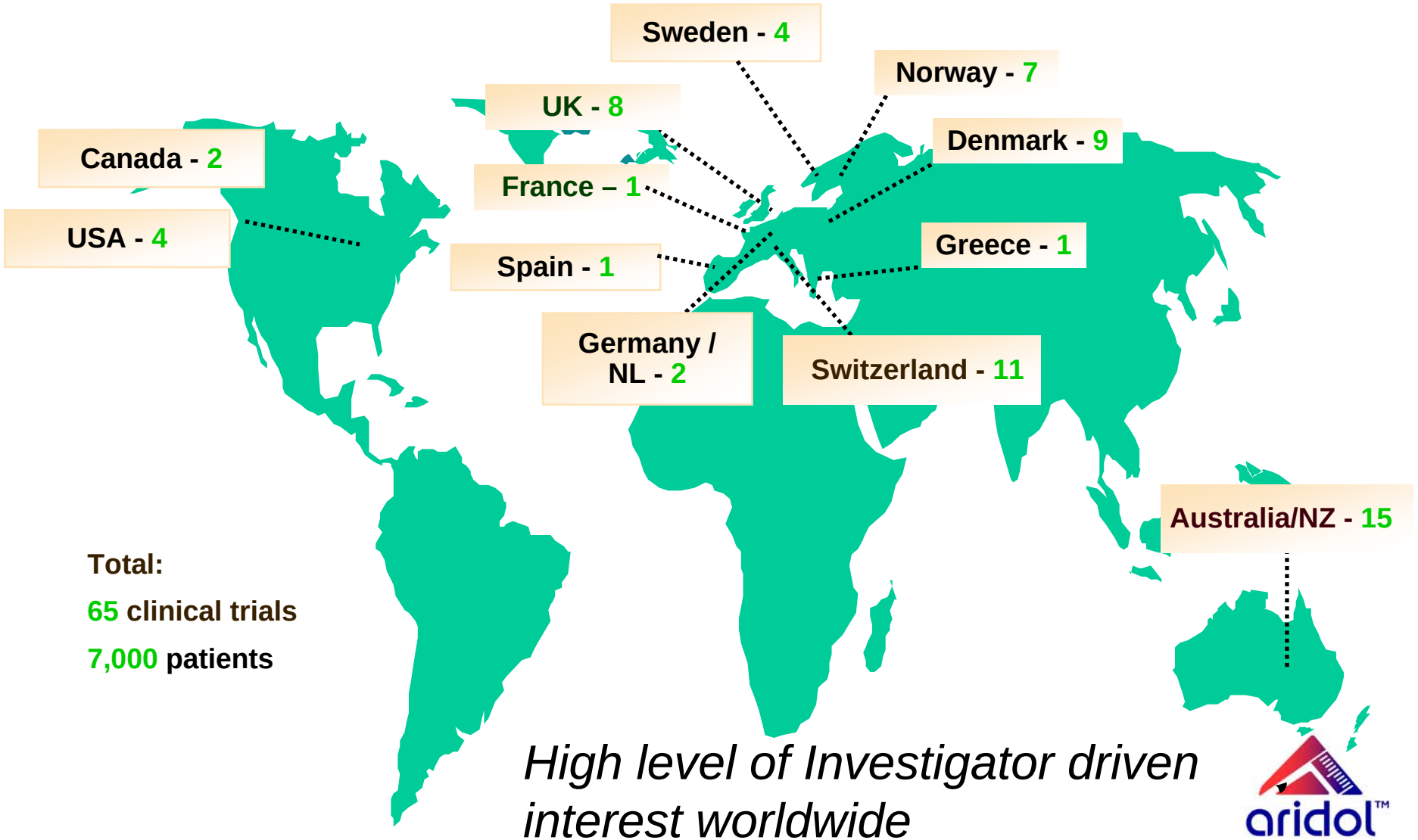
Worldwide development of Aridol……



Total:

65 clinical trials

7,000 patients

High level of Investigator driven interest worldwide

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Addressable market summary (US, Europe and Japan)

- Bronchitol – chronic bronchitis
  - Total patients — 64 million
  - Seeking treatment — 23 million
- Bronchitol – bronchiectasis
  - Total patients — 550,000
  - Seeking treatment — 500,000
- Bronchitol – cystic fibrosis
  - Total patients — 75,000
  - Seeking treatment — 75,000
- Aridol – asthma
  - Total patients — 45 million
  - Severe persistent — 6 million

Near term catalysts ahead…..

Milestone	4Q-06	1Q-07	2Q-07	3Q-07
Aridol				
Ph III US clinical data				
Launch - Sweden				
COPD clinical data				
Bronchitol – cystic fibrosis				
PII dosing study data				
Commence PIII trial (EU)				
Combination trial enrolled				
Bronchitol – bronchiectasis				
PIII trial enrolment complete				
PIII data available				
File EU marketing application				
Bronchitol – COPD				
Commence PII hospital trial				
Data available				
PXS64				
Complete preclinical studies				

Financial Overview

Financial Statements

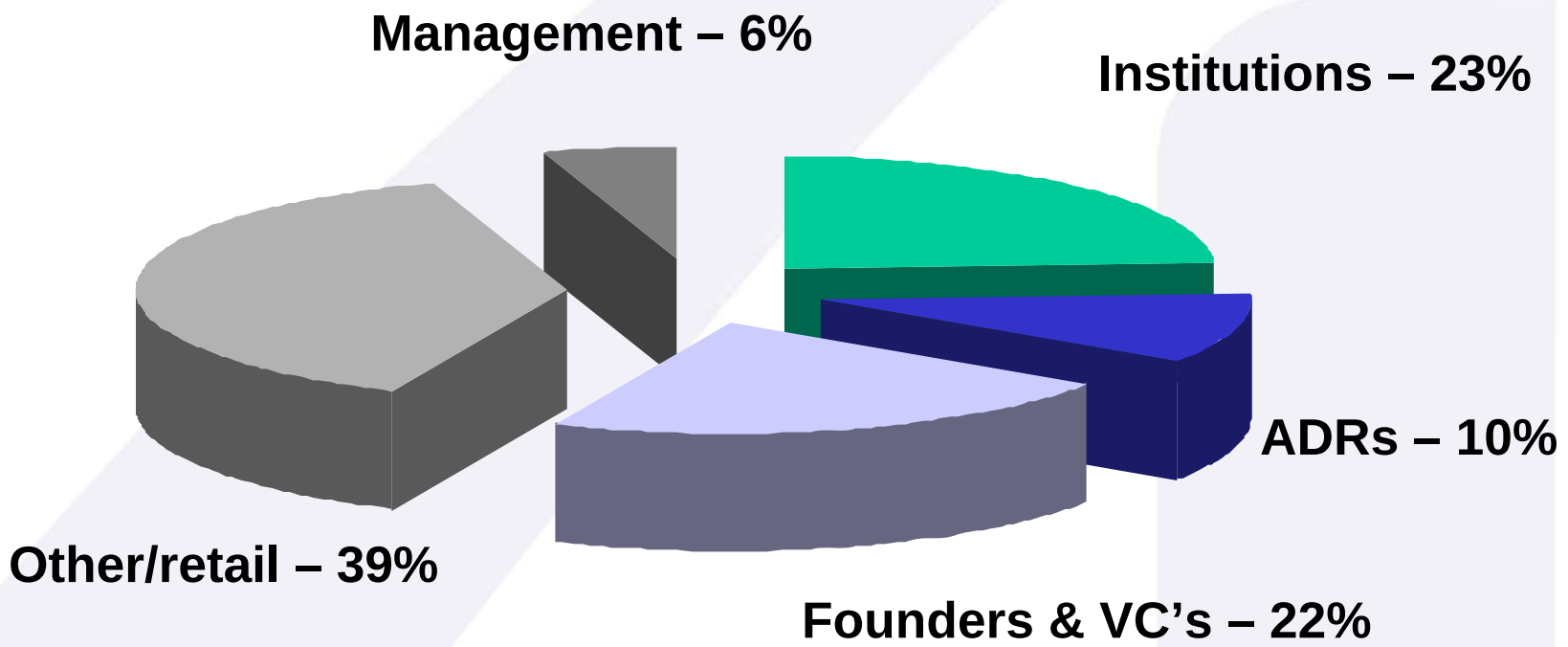
	Year ended 30 June				
	2002	2003	2004	2005	2006
	A$	A$	A$	A$	A$
	(in thousands)				
Income Statements					
Revenue from sale of goods	-	-	-	-	8
Cost of sales	-	-	-	-	(2)
Gross profit	-	-	-	-	6
Interest	43	284	1,075	1,702	4,282
Grant income	646	779	1,152	1,219	1,299
Other income	-	43	48	-	-
Expenses					
Research & development	(1,151)	(2,051)	(6,301)	(9,269)	(16,978)
Administration	(140)	(1,103)	(2,461)	(3,134)	(4,386)
Commercial	-	-	-	(963)	(1,951)
Loss before income tax	(602)	(2,048)	(6,486)	(10,445)	(17,728)
Income tax expense	-	-	-	-	(5)
Loss for the year	(602)	(2,048)	(6,486)	(10,445)	(17,733)

Financial Statements

	As at 30 June				
	2002	2003	2004	2005	2006
	A$	A$	A$	A$	A$
	(in thousands, except per share data)				
Balance Sheets					
Cash and cash equivalents	750	7,384	25,217	33,390	97,840
Plant & equipment	116	1,515	1,474	2,477	3,205
Total Assets	2,144	10,495	28,261	37,937	104,267
Total liabilities	190	802	1,630	2,470	5,379
Total shareholders' equity	1,953	9,693	26,631	35,467	98,888
Share Data					
Ordinary shares on issue	11,200	11,200	108,016	134,770	176,904
Converting preference shares	16,000	46,816	-	-	-
Options on issue	3,680	9,024	10,751	10,914	9,692

Share Capital

(including options – proforma with AGM approvals)



30 September 2006: 177m shares; 10.6m options

No of shareholders: 4,311 (~200 on Nasdaq)