



ASX Announcement

20 December 2010

SHARE TRADING POLICY

Pursuant to the Australian Securities Exchange listing rule 12.9, attached is a copy of Pharmaxis Ltd's Share Trading Policy.

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Pharmaxis Ltd Share Trading Policy

1. Introduction

Ordinary Shares of **Pharmaxis Ltd** are listed on the Australian Securities Exchange (**ASX**) and its American Depositary Shares (**ADS**) are able to be traded in the US through a Level I American Depositary Receipt (ADR) program. Directors, officers and employees of Pharmaxis are encouraged to be shareholders of the Company. Additionally, a number of Directors, officers and employees of Pharmaxis may become shareholders of the Company by way of the Company's employee equity plans. Trading of the Company's Ordinary Shares is governed by, amongst other things, the Corporations Act 2001 (**Corporations Act**) and the ASX Listing Rules and trading of the ADSs is governed by the U.S. Securities Exchange Act of 1934 (**Exchange Act**). The provisions regulating the trading of Ordinary Shares on the ASX prohibit people in possession of "Inside Information" from using the information to trade in the relevant shares or to communicate that information to others. It is therefore important that Directors, officers and employees of Pharmaxis exercise due care in the timing of any trading in Pharmaxis shares, and ensure that at all times they comply with the law in connection with trading Pharmaxis shares. For the purposes of this policy Ordinary Shares and ADS are referred to as "shares" or "securities".

2. Purpose

This policy sets out the Company policy on trading in Pharmaxis shares by the Directors, officers and employees of the Company. The purpose of this policy is:

- to assist Directors, officers and employees and certain of their associates to comply with their personal obligations to avoid conduct known as "insider trading";
- to protect Pharmaxis against potentially damaging adverse inferences being drawn that any of its Directors, officers or employees and certain of their associates may have engaged in unlawful activity, or acted for their personal benefit using information not generally available to the public; and
- to enable Pharmaxis to comply with its obligations under applicable securities legislation and ASX Listing Rules.

3. What is "Insider Trading"?

The Corporations Act contains three distinct, but related, offences of insider trading. In summary terms, the offences prevent a person in possession of "Inside Information" from the following actions:

- to trade in the relevant securities or to enter into an agreement to trade in the securities of the Company;
- procuring another person to trade in the relevant securities or to enter into an agreement to trade in the securities of the Company; or
- directly or indirectly communicating the Inside Information, or causing the Inside Information to be communicated, to another person who is likely to trade in the securities in the Company or procure someone else to trade in the securities of the Company.

The prohibitions relate to the Company's Ordinary Shares and ADSs and all other forms of securities including options, debentures, and units.

The U.S. securities laws have generally analogous provisions.

In general terms, "Inside Information" is regarded as being information:

- that a person possesses or is taken to possess which is not generally available and which the persons knows or reasonably ought to know is not generally available; and
- if made generally available, a reasonable person would expect the information to have a material effect on the price or value of the shares (**price sensitive information**). A reasonable person would be taken to expect information to be price sensitive information if the information would influence people who commonly invest in shares in deciding whether or not to trade the Company's shares.

Inside Information could relate to internal actions, proposals or intentions of the Company or actions of parties external to the Company.

Examples of internal actions, proposals or intentions of the Company that may constitute Inside Information include, but are not limited to:

- mergers, acquisitions, sales or reconstructions;
- significant disputes or litigation;
- liquidity and cash flow information;
- changes in the asset values or valuations;
- profit and profit forecasts;
- buybacks of the Company's shares;
- capital raisings/share issues;
- awarding of government research grants;
- dividend announcements;
- recruitment or resignation of key personnel;
- results from preclinical or clinical trials or other material events arising in the course of preclinical or clinical trials;
- registration of the Company's product by a government agency in a material market authorising the sale of the Company's products to commence; and
- significant agreements with other companies.

Examples of actions by parties external to the Company that may constitute Inside Information include:

- substantial acquisitions or disposals of the Company's shares;
- changes to the competitive environment in which the Company operates; and
- takeover and merger activity.

4. Penalties

Civil and criminal penalties for breaches of prohibitions are severe and include substantial fines and/or imprisonment for up to five years under Australian law.

5. Trading Shares

In order to assist Directors, officers and employees to avoid breaching the prohibitions, this policy:

- stipulates “Trading Blackout Periods” during which no trading may be carried out;
- details the people to whom relevant aspects of the policy apply; and
- sets out when approval is required from the Company and when the Company is required to be notified after trading activity.

6. Trading Blackout Periods

Unless otherwise advised by the Company Secretary, Trading Blackout Periods are in force from the following dates:

- 1st January
- 1st April
- 1st July
- 1st October
- Other periods as advised by the Company Secretary in anticipation of significant announcements to the market (or otherwise).

Trading Blackout Periods remain in force until advised by the Company Secretary. Typically the Company Secretary will close a Trading Blackout Period following release to the market of any one of the following Company announcements:

- Quarterly Report to Shareholders;
- Updated Investor Presentation;
- Annual General Meeting

7. People to Whom This Policy Applies

7.1. Employees and Persons Connected with Employees

This policy extends to all Employees and certain people connected to Employees including:

- their spouse;
- any of their children (including step-children) less than 18 years old;
- their nominee, including an investment manager managing funds on their behalf (subject to paragraph General Exceptions below);
- a trust of which they, any member of their immediate family, or any family controlled company, are the trustee or beneficiary;
- a person in partnership with them or any of their connected persons mentioned above (acting in his or her capacity as such); and
- a company which they or their family control.

7.2. Designated Persons

Designated Persons for the purpose of this policy are as follows:

- Directors and the Company Secretary of Pharmaxis;
- Direct reports to the Chief Executive Officer, and their direct reports;
- any other person who is notified that they are a Designated Person by the Pharmaxis Chief Executive Officer or the Company Secretary; and
- persons connected with Designated Persons as described in paragraph 7.1.

These persons are referred to in this Policy as “Designated Persons”.

8. Trading Rules

8.1. General rules for All Employees (including Designated Persons)

- Employees of the Company must at all times abide by the rules and regulations governing the trading of shares in the Company including, without limitation, any applicable provisions of the Corporations Act, the ASX Listing Rules and this policy.
- Employees must not trade in Pharmaxis securities or enter into an agreement to trade in Pharmaxis securities when they are in possession of Inside Information.

- Employees with Inside Information must not at any time procure another person to acquire, or dispose of, or enter into an agreement to acquire, or dispose of, the shares of the Company.
- Employees with Inside Information must not at any time, directly or indirectly, communicate any Inside Information, or cause the information to be communicated if the employee knows, or ought to reasonably to know, that the other person would be likely to acquire or dispose, or enter into an agreement to acquire or dispose, of the relevant shares or procure another person to acquire or dispose of the shares.
- Employees are not permitted to trade in Pharmaxis securities under this policy during a Trading Blackout Period. There are no exceptions to this requirement.
- From time to time Employees may gain Inside Information of the shares of another company as a result of their involvement with the company. The insider trading provisions apply equally to that information.
- Employees must not trade in Pharmaxis derivatives or enter into transactions which operate to limit the economic risk of holding unvested securities (shares, options or performance rights) in Pharmaxis. The exercise of options or performance rights granted under the Pharmaxis Employee Option Plan does not constitute trading in derivatives.
- Employees (other than Designated Persons) are permitted under this policy to trade in Pharmaxis securities other than during a Trading Blackout Period, provided they are not in possession of Inside Information relating to Pharmaxis which has not been made public and are in compliance with this policy and the law.

8.2. Share Trading Policy Applicable to Designated Persons

Designated Persons are permitted to trade in Pharmaxis securities under this policy other than during a Trading Blackout Period, provided they are not in possession of Inside Information relating to Pharmaxis which has not been made public, they and are in compliance with this policy and the law, and they have sought and obtained prior written clearance from the Company Secretary (see Trading Approvals below).

8.3. Notification of Trading by Directors

Each of the Directors is required to notify the Company Secretary within two business days after any change in their interests in Pharmaxis securities, or the interests of any of the persons listed above who are associated with them and fall within the broader definition of Designated Persons.

This enables Pharmaxis to notify the ASX of the change in the Director's or connected person's interests, which must occur by the end of the business day following the receipt of the notification.

9. **Insider Information Relating to Other Companies**

- If Directors, officers or employees have price sensitive information relating to a company

other than Pharmaxis, which has been obtained as a result of their involvement with the Company, the same principles apply in relation to the trading of shares in that company. Apart from the application of the insider trading restrictions, Directors, officers and employees are also bound by obligations of confidentiality in relation to information obtained in the course of their duties in respect of third parties.

10. Trading Approvals

- When a Trading Approval is required, it is to be obtained in writing (including email) from the Company Secretary before the person trades in Pharmaxis securities (including trading in shares issued on the exercise of employee options). The Company Secretary must obtain approval from the Pharmaxis Chairman in order to trade in Pharmaxis securities.
- To obtain a Trading Approval a person must submit a request for approval in writing giving and include a statement that the person is not in possession of any Inside Information and that to the best of their knowledge and belief they are in compliance with this policy and the law.
- If approval is given, the person may ordinarily trade shares within the five business days after receiving the approval. The person will be notified if their ability to trade shares changes within those five business days. A further application will need to be made if no trading takes place within the five business days.
- Persons may not be given clearance to trade in Pharmaxis securities under this policy where price sensitive, non-public information exists in relation to a matter, even though they may not have access to the information.
- Persons who have been told that they cannot trade must not communicate this fact to others.

11. General Exceptions to the Trading Restrictions

This Policy does not apply in the following circumstances

- Trading in a managed securities portfolio where the person is not in a position to influence a choice of the securities acquired or traded in the portfolio;
- Trading under a dividend reinvestment plan where the person has given a standing instruction to reinvest dividends;
- Exercise of options granted under the Pharmaxis Employee Option Plan. However, this policy does apply in respect of the trading in any shares issued as a consequence of the exercise of employee options.

12. Confidentiality Agreements with External Advisers

It is possible that, as a result of acting for or advising Pharmaxis, external advisers to Pharmaxis may have access to price sensitive information affecting Pharmaxis securities.

Whilst these external advisers are not covered by this policy, it is Pharmaxis policy to require such external advisers to enter into confidentiality agreements.

13. Compliance with Share Trading Policy and the Law

Directors, officers and employees should be aware that they might be charged with criminal offences under the rules and regulations associated with the prevention of insider trading. Accordingly, it is the responsibility of each Director, officer and employee to ensure that they abide by this policy and the law. The law also provides for a range of other prohibitions and penalties relating to dealing with shares including market manipulation, false trading and market rigging and misleading and deceptive conduct, none of which are covered by this policy.

Failure to comply with this policy is considered cause for termination of employment.