

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Pharmaxis Ltd

ABN

75 082 811 630

Quarter ended ("current quarter")

30 September 2023

Consolidated statement of cash flows	Current quarter \$A'000	Year to date \$A'000
1 Cash flows from operating activities		
1.1 Receipts from customers	803	803
1.2 Payments for	-	-
(a) research and development	(2,536)	(2,536)
(b) product manufacturing and operating costs	(635)	(635)
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	(2,754)	(2,754)
(f) administration and corporate costs	(718)	(718)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	178	178
1.5 Interest and other costs of finance paid	(113)	(113)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other	-	-
1.9 Net cash from / (used in) operating activities	(5,775)	(5,775)

2 Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	-	-

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3	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	4,400	4,400
3.6	Repayment of borrowings (lease payments)	(655)	(655)
3.7	Transaction costs related to loans and borrowings	(166)	(166)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	(20)	(20)
3.1	Net cash from / (used in) financing activities	3,559	3,559

4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,230	9,230
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(5,775)	(5,775)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,559	3,559
4.5	Effect of movement in exchange rates on cash held	131	131
4.6	Cash and cash equivalents at end of period	7,145	7,145

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Reconciliation of cash and cash equivalents	Current quarter	Previous quarter
5 at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	\$A'000	\$A'000
5.1 Bank balances	818	484
5.2 Call deposits	3,534	5,978
5.3 Bank overdrafts	-	-
5.4 Other (Term deposits)	2,793	2,768
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	7,145	9,230

6 Payments to related parties of the entity and their associates	Current quarter
	\$A'000
6.1 Aggregate amount of payments to related parties and their associates included in item 1	207
6.2 Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7 Financing facilities	Total facility amount at quarter end	Amount drawn at quarter end
	\$A'000	\$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	4,400	4,400
7.2 Credit standby arrangements	Nil	Nil
7.3 Other (please specify)	Nil	Nil
7.4 Total financing facilities	4,400	4,400

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7.5 **Unused financing facilities available at quarter end**

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Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

7.6 Paddington Street Finance Pty Ltd has provided to Pharmaxis Ltd an advance against the Company's 2023 R&D tax incentive entitlements. The loan is secured by a general charge over the Company, other than assets related to the recently divested mannitol business unit. The loan matures on the date which is the sooner of: the date upon which the R&D tax rebate for FY23 is paid by the Australian Tax Office; and 31 December 2023. Refer to announcement dated 8 August 2023.

8 Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	5,775
8.2 Cash and cash equivalents at quarter end (item 4.6)	7,145
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	7,145
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	1.24
<p><i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i></p>	
8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
<p style="padding-left: 40px;">8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?</p>	
<p><u>Answer:</u> No. The net operating cash flows in the quarter ending 30 September 2023 are not indicative of operating cash flows over the next two quarters for the reasons as outlined below:</p> <ul style="list-style-type: none"> • Receipt of the Company's 2023 R&D tax credit of ~\$5.2 million, expected in the December quarter of 2023. • Receipt of a milestone payment of £0.9m (approximately A\$1.7 million) under a grant from Parkinson's UK when the first patient is dosed in the Company's iRDB clinical trial, scheduled for early November 2023. • The recently announced and completed (18 October 2023) sale of the mannitol business unit (MBU) significantly reduces expenses and also results in a number of additional cash inflows to the company: <ul style="list-style-type: none"> ○ Under the sale agreement certain costs are assumed by the purchaser from completion and Pharmaxis is also reimbursed for substantially all of its remaining MBU expenses over the period to 30 June 2024. The MBU had a negative EBITDA of \$1.3m for the September quarter. As the sale closed half way through the 	

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December quarter Pharmaxis will save 1 ½ quarters of negative MBU EBITDA (\$1.95m based on September quarter EBITDA).

- The sale of the MBU also provides for a number of non operating cash inflows over the next 2 quarters:
 - The reimbursement from the purchaser of the MBU includes rent over this 1 ½ quarter period. Rent applicable to the MBU is approximately \$0.6m per quarter (\$0.9m in total).
 - The sale agreement also provides for Pharmaxis to be paid for inventory over the next two quarters and for Pharmaxis to retain accounts receivable. In total Pharmaxis expects to receive approximately \$1.3m over the next two quarters.
- In addition the Company will make a non operating cash outflow to repay approximately \$4.6 million (including interest) from the proceeds of its R&D tax credit to discharge the loan advanced in August 2023.

The above is summarised as follows:

	Cash	Cash used in quarter
<u>September quarter</u>	7,145	- 5,775
Cash balance required to cover 2 quarters operating cash flows		- 11,550
<u>Expected changes to operating cash flow over next two quarters</u>		
2023 R&D tax credit expected December quarter		5,200
Elimination of MBU negative EBITDA for 1 1/2 quarters		1,950
Adjusted operating cash flow for next two quarters		- 4,400
Reimbursement of MBU rent for 1 1/2 quarters	900	
Payments received for closing MBU inventory and closing accounts receivable	1,300	
Grant milestone expected in December quarter	1,700	
Repayment of loan and interest from proceeds of R&D tax credit	- 4,600	
Adjusted cash balance	6,445	

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The response in 8.6.1 above demonstrates that cash available to the Company is greater than its requirements for the next two quarters.

However, the Company regularly assesses its funding options in support of its ongoing development programs and operations.

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes, based on the matters detailed in 8.6.1 and 8.6.2 above.

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Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 31 October 2023

Authorised by: Pharmaxis Audit and Risk Committee
David McGarvey
Chief Financial Officer and Company Secretary

(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.