

15 November 2006

Manager of Company Announcements  
Australian Stock Exchange  
Exchange Centre  
Level 3  
20 Bridge Street  
Sydney NSW 2000

Dear Sir/Madam,

**Proposed Issue of Securities – Options**

I refer to the announcement earlier today relating to the appointment of Mr John Villiger to the Pharmaxis board of directors.

Pharmaxis advises that the board of directors has resolved to grant 200,000 options to Mr John Villiger under and in accordance with the terms of the Pharmaxis Employee Option Plan. Other independent directors of Pharmaxis were each previously granted 200,000 options at the time of their respective appointments. The terms of the option grant to Mr Villiger are as follows:

- Number of options to be granted: 200,000
- Exercise price: \$3.2258, calculated under the terms of the Pharmaxis Employee Option Plan as the volume weighted average price of Pharmaxis ordinary shares on the ASX on the five business days prior to the date of grant.
- Expiry: 14 November 2016
- Vesting: 25% of options to vest at each of 30 June, 2007, 2008, 2009 and 2010.
- Issue price: Nil
- The options were granted on 15 November 2006 and are subject to receipt of shareholder approval under and in accordance with the Listing Rules of the Australian Stock Exchange. A resolution seeking approval for the grant of the options will be tabled at the next general meeting of Pharmaxis. If approved, Pharmaxis will file an Appendix 3B at that time.

Sincerely,



David McGarvey  
Company Secretary