

15 August 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 – Employee Options

In accordance with Listing Rule 3.10.3, Pharmaxis advises that, following a review of employee and director performance for the year ended 30 June 2006, the directors have resolved to grant options under the Pharmaxis Ltd Employee Option Plan as follows:

Options to Employees

Class of security	Number to be issued	Principal terms	Issue price	Purpose of issue	Shareholder approval required	Issue to class
Unlisted employee options over Pharmaxis Ltd ordinary shares	649,500	Exercise price of \$1.917. Vesting: 25% of options to vest at each of 30 June, 2007, 2008, 2009 and 2010, subject to approval by Remuneration and Nomination Committee of the Board. Options expire 14 August 2016	Nil	To be issued to 41 employees of the company under, and in accordance with, the Pharmaxis Ltd Employee Option Plan	No	No

Options to Executive Director

Class of security	Number to be issued	Principal terms	Issue price	Purpose of issue	Shareholder approval required	Issue to class
Unlisted employee options over Pharmaxis Ltd ordinary shares	150,000	Exercise price of \$1.917. Vesting: 25% of options to vest at each of 30 June, 2007, 2008, 2009 and 2010, subject to approval by Remuneration and Nomination Committee of the Board. Options expire 14 August 2016	Nil	To be issued to an executive director under, and in accordance with, the Pharmaxis Ltd Employee Option Plan	Shareholder approval will be sought at the 2006 Annual Meeting	No

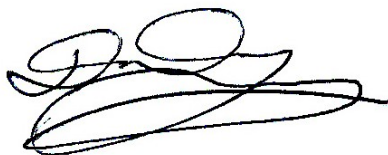
Options to Independent Directors

Class of security	Number to be issued	Principal terms	Issue price	Purpose of issue	Shareholder approval required	Issue to class
Unlisted employee options over Pharmaxis Ltd ordinary shares	128,957	Exercise price of \$1.917. Vesting: 100% at 26 October 2006 ⁽¹⁾ . Options expire 14 August 2016	Nil	To be issued to four independent directors under, and in accordance with, the Pharmaxis Ltd Employee Option Plan	Shareholder approval will be sought at the 2006 Annual Meeting	No

(1) Following a review of director remuneration during the year, non executive directors may now choose to receive options in lieu of cash for part or all of their remuneration. As a result, the Board has adjusted the vesting schedule for options granted to non executive directors so that the options referred to above vest within the current remuneration year.

The Company will lodge relevant Appendix 3Bs when required by the Listing Rules of Australian Stock Exchange.

Sincerely,



David McGarvey
Company Secretary