PHOSPHAGENICS

12 September 2006

The Manager
Company Announcements Office
Australian Stock Exchange Limited

Dear Sir

Phosphagenics Limited - Exercise of Options - 9 June 2009

Following the receipt of an application to exercise options, the Board of Directors has allotted, in aggregate, and with effect from 12 September 2006, 1,008 new ordinary fully paid shares upon the exercise of 1,008 June 2009 options.

This allotment has increased the issued share capital to 546,770,964 shares (POH) and decreased the June 2009 options (POHOB) to 59,634,224 options.

In addition, the Company has granted a further 200,000 options pursuant to the terms of the company's Employee Share Option Plan on the following terms:

Issue Price	nil	
Exercise Price	A$0.3562	
Expiry Date	28 August 2011	
Vesting Dates	Grant	50,000
	01.01.07	50,000
	01.07.07	50,000
	01.01.08	50,000

In summary the issued securities of the Company now comprise:

	ASX CODE	
QUOTED		
Ordinary Shares	(POH)	546,770,964
June 2009 (20 cents)	(POHOB)	59,634,224
TOTAL QUOTED SECURITIES		606,405,188
UNQUOTED		
ESOP Options	**(MISC)**	3,800,000
Other Options	**(POHAK)**	500,000
TOTAL UNQUOTED SECURITIES		4,300,000

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Enclosed is an Appendix 3B Notice covering the issue of new shares and applying for the quotation of the shares under ASX Code : POH.

Yours faithfully
Phosphagenics Limited

per Mourice Garbutt
Company Secretary
p\asx\exercise of options 12 09 06

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5 Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003.

Name of entity

PHOSPHAGENICS LIMITED (FORMERLY VITAL CAPITAL LIMITED)

ABN

32 056 482 403

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	(1) ORDINARY SHARES and (2) ESOP OPTIONS
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	(1) 1,008 ORDINARY SHARES (2) 200,000 ESOP OPTIONS
3	Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	(1) EXERCISE OF JUNE 2009 OPTIONS AT 20 CENTS EACH INTO ORDINARY FULLY PAID SHARES; AND

+ See chapter 19 for defined terms.

	(2)	GRANT UNDER THE COMPANY'S ESOP ISSUE PRICE NIL EXERCISE PRICE A$0.3562 VESTING DATE GRANT 50,000 01.01.07 50,000 01.07.07 50,000 01.01.08 50,000
4	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	YES
5	Issue price or consideration	(1) EXERCISE PRICE OF 20 CENTS A SHARES AND (2) REFER PART 1 – 3(2)
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	(1) PURSUANT TO THE EXERCISE OF JUNE 2009 OPTIONS (2) GRANT UNDER ESOP
7	Dates of entering +securities into uncertificated holdings or despatch of certificates	(1) 12 SEPTEMBER 2006 (2) MISC

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the securities in clause 2 if applicable)	546,770,964	ORDINARY SHARES (POH)
		59,634,242	JUNE 2009 OPTIONS (POHOB)

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the securities in clause 2 if applicable)	3,800,000 500,000	ESOP OPTIONS OTHER OPTIONS(POHAK)

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	ALL NEW SHARES TO RANK EQUALLY

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the +securities will be offered	
14	+Class of +securities to which the offer relates	
15	+Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has +security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	
19	Closing date for receipt of acceptances or renunciations	

20	Names of any underwriters	
21	Amount of any underwriting fee or commission	
22	Names of any brokers to the issue	
23	Fee or commission payable to the broker to the issue	
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of +security holders	
25	If the issue is contingent on +security holders' approval, the date of the meeting	
26	Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled	
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	
28	Date rights trading will begin (if applicable)	
29	Date rights trading will end (if applicable)	
30	How do +security holders sell their entitlements *in full* through a broker?	
31	How do +security holders sell *part* of their entitlements through a broker and accept for the balance?	

+ See chapter 19 for defined terms.

32 How do +security holders dispose of their entitlements (except by sale through a broker)?

33 +Despatch date

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of securities
(*tick one*)

(a) ✓ Securities described in Part 1

(b) ☐ All other securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

+ See chapter 19 for defined terms.

Entities that have ticked box 34(b)

38	Number of securities for which +quotation is sought	
39	Class of +securities for which quotation is sought	
40	Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities? If the additional securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another security, clearly identify that other security)	

		Number	+Class
42	Number and +class of all +securities quoted on ASX (*including* the securities in clause 38)		

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act. Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- We warrant that if confirmation is required under section 1017F of the Corporations Act in relation to the +securities to be quoted, it has been provided at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

12 SEPTEMBER 2006

Sign here: .... Date: ....
(Company Secretary)

MOURICE GARBUTT

Print name: ....
p\asx\3b exercise of options 12 09 06

+ See chapter 19 for defined terms.