PHOSPHAGENICS

7 December 2004

**The Manager**
**Company Announcements Office**
**The Australian Stock Exchange Limited**

Dear Sir

**re : Phosphagenics Limited**

**Relinquishment of Pooled Development Fund Licence**

As announced, the Company intends to relinquish its Pooled Development Fund (PDF) registration on 16 December 2004.

Enclosed for release to the market is a copy of a letter currently being dispatched to members. The letter is designed to provide clarification of the taxation consequences of this event for members.

Yours faithfully
Phosphagenics Limited

per Mourice Garbutt
Company Secretary
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PHOSPHAGENICS

6 December 2004

Dear Phosphagenics Share and Option Holders

**re: Pooled Development Fund (PDF) Licence Relinquishment**

As previously advised, Phosphagenics Limited ("Phosphagenics") intends to hand back its Pooled Development Fund (PDF) registration on 16 December 2004. This means that after 16 December 2004 ("the Hand Back date"), Phosphagenics will revert to being a standard corporation for both the Corporations Act and for tax purposes.

This notice is designed to provide clarification of the tax consequences of this event for share and option holders.

**For Shareholders:**

**The first trade of Phosphagenics shares on the ASX on 17 December 2004 will automatically set the cost base for future tax purposes that will apply to all existing shareholders (regardless of your actual historic purchase cost).**

For example:

- if the first trade of POH on 17 December is at 35 cents, 35 cents will be the cost base for future tax purposes of POH shares for all existing shareholders.

**Tax and PDF legislation provides an "automatic" process for this 'Hand Back.' Therefore, shareholders need do nothing prior to or on 17 December 2004.**

**For Option holders:**

The taxation status change for option holders over the 'Hand Back' date is unique – and option holders should be aware that they have several alternatives to consider.

Under the PDF Act, options can only enjoy a PDF taxation advantages after conversion into shares.

Depending on the cost base set by that first ASX sale, there may or may not be a taxation benefit for an option holder converting prior to 17 December 2004. We therefore recommend that you discuss your specific circumstances with your financial advisor.

The Phosphagenics Board has determined to allow option conversion to occur until close of business, Wednesday 15 December 2004. The Company will also seek to expedite the issue of any shares arising from this conversion.

**For all equity holders:**

Following the relinquishment of the PDF licence Phosphagenics will:

- notify the Australian Stock Exchange of the cost base price
- "post" the information to the Company's website; and
- write to you advising you of the cost base price

The Board of Phosphagenics is confident that your Company is now making considerable progress in both the Nutraceutical and Pharmaceutical activities. Recent announcements and communications such as the following have underlined the progress being made.

- 3 December — Successful Share Purchase Plan raising
- 23 November — Major global pharmaceutical company endorses POH's drug delivery platform technology
- 17 November — Baker Heart Research Institute and POH form alliance for potential new diabetes drug
- 3 November — Further UK placement

For a fully summary of recent announcements, please visit the Company's website at : www.phosphagenics.com

The Board is looking forward to a year in which Phosphagenics may take important strides in its development into a significant drug and vitamin company.

If you have any questions regarding the PDF 'Hand Back' please contact Phosphagenics' Company Secretary Mourice Garbutt on 03 9605 5917. As all equity holders will be affected by this change in the Company's underlying taxation status, the Board of Directors of Phosphagenics also advises you to seek your own financial advice to reflect your exact circumstances.

Yours faithfully
Phosphagenics Limited

Associate Professor Andrew Vizard
Chairman