

PHOSPHAGENICS

20 September 2005

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

Dear Sirs

**re : Transdermal delivery of insulin signals potential breakthrough for
diabetic treatment**

The Board of Directors is pleased to advise that the Company has achieved a major breakthrough by successfully delivering insulin through the skin of animals using its patented transdermal drug delivery system TPM-01.

Enclosed for release to the market is a copy of a media announcement to be released by the Company today.

Yours faithfully
Phosphagenics Limited

Mourice Garbutt
Company Secretary
poh\asx\delivery of insulin 20 09 05

Phosphagenics Limited

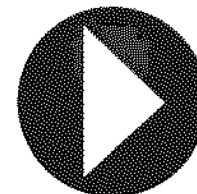
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For immediate release



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20 September 2005

Transdermal delivery of insulin signals potential breakthrough for diabetes treatment

ASX and AIM listed biotechnology company, Phosphagenics Limited ("Phosphagenics") today announced it has achieved a major breakthrough by successfully delivering insulin through the skin of animals using its patented transdermal drug delivery system TPM-01. The technology is non-invasive and patient-friendly and has the potential to minimise the number of insulin injections required by diabetic patients.

There are more than 194 million diabetics worldwide, and in 2003 global sales of human insulin reached US\$4.7 billion, highlighting the prospective market for transdermal insulin delivery.

There is currently no transdermal insulin commercially available and at present, insulin is administered only by injection with some patients requiring three to four injections daily.

Transdermal drug delivery is the administration of drugs using a gel or patch applied to the skin. Phosphagenics' recent animal trials have demonstrated the ability of larger protein molecules or peptides, such as insulin and parathyroid hormone, to be delivered through the skin and enter the bloodstream.

Dr Esra Ogru, Vice President Research & Development for Phosphagenics, said that the method presently used for delivering insulin, injections, is uncomfortable and associated with the risk of bleeding or infection. It is also expensive because of the need for syringes and needles.

"The advantages of non-invasive insulin delivery through the skin are patient acceptability and a sustained delivery of the drug over an extended period of time, which could substantially improve management of the disease."

"Furthermore, our novel platform technology does not irritate the skin, a problem commonly associated with many other transdermal devices," Dr Ogru added.

Dr Ogru said the market opportunities for the overall technology are extremely broad.

Clinical trials of a TPM-01 insulin product are scheduled to commence in early 2006 after further enhancements. To bring this technology to fruition, Phosphagenics will be seeking additional funds through a combination of grants, commercial partnerships and capital raisings.

ENDS

For further information, please contact Associate Professor Andrew Vizard, Phosphagenics Limited on +61 3 9605 5900 or 0417 013 486.

About Phosphagenics Limited

Phosphagenics is an evolving pharmaceutical and nutraceutical company with a diversified portfolio of technologies.

Phosphagenics is based in Melbourne, Australia. Its shares are listed on the Australian Stock Exchange (POH) and the London Stock Exchange's Alternative Investment Market (PSG).

About diabetes

Diabetes is an illness that occurs as a result of problems with the production and supply of the hormone insulin.

Digested food is turned into glucose, a form of sugar, which is used as the body's energy source. Insulin, which is produced in the pancreas, enables muscles and other tissues to absorb glucose from the bloodstream.

When an individual has diabetes, either their pancreas does not produce the insulin they need or their body cannot use its own insulin effectively. As a result, people with diabetes do not use enough of the glucose in the food they eat. This leads to the amount of glucose in the blood increasing, a condition referred to as "high blood sugar" or "hyperglycaemia". High levels of glucose in the blood can lead to medical complications.

The International Diabetes Foundation (IDF) estimates that direct and indirect healthcare costs associated with diabetes exceed US\$153 billion globally. IDF believes that some costs are preventable through disease control and management that decreases the longer term costs of complications, such as blindness and vision impairment, cardiovascular disease and kidney failure.

At present there is no cure for diabetes.