



25 May 2006

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

Dear Sir

Phosphagenics announces positive preclinical trial results for its transdermal insulin formulation

Attached for release to the market is an announcement relating to the Company's preclinical trial results for its transdermal insulin formulation.

Yours faithfully
Phosphagenics Limited

per Mourice Garbutt
Company Secretary
plaxx\preclinical trials insulin 25 05 06

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Phosphagenics announces positive preclinical trial results for its transdermal insulin formulation

Melbourne, VIC, Australia, 25 May 2006, Phosphagenics Limited (ASX: POH) (AIM: PSG) today announced positive results from the preclinical trial of its transdermal insulin delivery technology. The results indicate that Phosphagenics' transdermal carrier, TPM-02, successfully delivered insulin through the skin of non-diabetic pigs, significantly reducing blood glucose concentrations. The formulation is being developed as a novel way to administer insulin to diabetics.

In the study, conducted at Primary Industries Research, Victoria, Australia, the pigs were fasted overnight and received a continuous infusion of dextrose (a form of glucose), 30 minutes after applying TPM-02/insulin to the animals' skin. The concentration of glucose in the blood was tested at regular time intervals. The group that received TPM-02/insulin (6 pigs) had significantly lower ($p=0.005$) blood glucose levels than the control group (7 pigs), thereby indicating the transdermal delivery and subsequent activity of insulin.

The independent principal investigator of the study, Professor Frank Dunshea, Department of Primary Industries, Victoria, said: "The study has successfully demonstrated the ability of TMP-02/insulin to deliver insulin across the skin of pigs at levels sufficient to lower glucose in the blood.

These results are impressive, as the non-diabetic pig model is considered to be robust for both testing the penetration of drugs across skin as well as for determining the efficacy of diabetes therapies: there is typically a close likeness between pigs and humans where transdermal delivery is concerned."

The study was a progression from a similar glucose tolerance study carried out in rats in September 2005. A human Phase I study in healthy volunteers will commence in Q3, 2006, with William Hsu MD, clinical investigator at the Joslin Diabetes Center of Harvard Medical School as a principal investigator.

Dr Hsu commented: "This is an important result. A topical human insulin would be a highly advantageous treatment modality for both Type 1 and Type 2 diabetes."

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Notes to Editors

About Phosphagenics' Transdermal Carrier Technology

Phosphagenics patented transdermal technology is a carrier that utilises existing natural transport mechanisms to "carry" drugs across the skin without disrupting the surface of the skin. In contrast, alternative transdermal technologies either: rely on passive diffusion across skin membranes improving drug penetration with solvents, enhancers or lasers that modify the properties of the outermost layers of the skin; or, use electrical or thermal technologies to "push" drugs through the skin.

Both formulations of the carrier (TPM-01 and TPM-02) have anti-inflammatory and anti-erythema properties which minimise skin irritation, can provide sustained transdermal delivery of drugs and can deliver a range of drugs through the skin. TPM-01 delivers small molecule drugs (e.g. morphine, fentanyl, oxycodone, atropine, estradiol, testosterone) and TPM-02 delivers both small and large molecule drugs (e.g. insulin, PTH, proteins).

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 the pancreas does not produce the insulin that is needed or the 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 an increase in the amount of glucose in the blood, 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.

The world market for insulin is estimated to be worth more than US\$5.5 billion per annum and growing.

About Phosphagenics Limited

Phosphagenics is a pharmaceutical and nutraceutical company with a diversified portfolio of technologies encompassing drug delivery, drug enhancement, and active ingredients for the nutraceutical industry (dietary supplements, functional foods and personal care products).

Phosphagenics' shares are listed on the Australian Stock Exchange (ASX: POH) and the Alternative Investment Market of the London Stock Exchange (AIM: PSG). In March 2006 the Company also announced the initiation of a Level 1 American Depositary Receipt (ADR) programme in the US with The Bank of New York (PPGNY.PK). This programme will enable the trading of the Company's shares in the US 'Over the Counter' market. Further information regarding Phosphagenics can be found at www.phosphagenics.com.