



12 January 2007

**The Manager
Company Announcements Office
ASX Limited**

Dear Sir/Madam,

Re: Nestlé Nutrition enters commercial discussions with Phosphagenics

Phosphagenics Ltd ("Phosphagenics") (ASX Code: POH) (AIM Code: PSG) announced today that Nestlé Nutrition has exercised its option to finalise the existing commercial agreement to use Phospha-E® for the treatment and prevention of metabolic syndrome.

Under the terms of the option agreement, both parties must consent to all public announcements, and further details will be released once Phosphagenics has received Nestle Nutrition's consent.

Yours faithfully
Phosphagenics Limited

per Mourice Garbutt
Company Secretary
asx/Phospha-E 12 01 07

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