PHOSPHAGENICS

25 May 2007

The Manager
Company Announcements Office
ASX Limited

Dear Sir

re : PHOSPHAGENICS LIMITED

ANNUAL GENERAL MEETING ("AGM")

CHAIRMAN'S ADDRESS

Enclosed for release to the market is a copy of the Chairman's address to be given at the Company's AGM of shareholders in Melbourne this afternoon.

Yours faithfully
Phosphagenics Limited

per Mourice Garbutt
Company Secretary
poh\asx\2007 agm address

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CHAIRMAN'S ADDRESS TO SHAREHOLDERS

ANNUAL GENERAL MEETING – 25th May 2007

Associate Professor Andrew Vizard

At last year's AGM, I stood before you and outlined Phosphagenics' path to pursuing commercial success: by creating new commercial alliances in the nutraceutical division; by developing manufacturing capabilities; by progressing our platform transdermal delivery technology and by introducing Phosphagenics to global, rather than just local, capital markets.

At this AGM, I can say with a deal of certainty that we have successfully moved down that path and are significantly closer to achieving our commercial goals. During the past year, we made significant progress in both our pharmaceutical and nutraceutical divisions. We completed a scale-up of our manufacturing plant. We strengthened our financial position, with a $17 million capital raising and a $3.2 million government grant over the next three years. In addition, we delivered on our promise to actively participate on a global level by initiating operations in the US and held discussion with many foreign collaborators and investment companies.

Today, I will provide you with a year-in-review for 2006 and how, as a company, we have grown. I will also explain where we are heading and how we intend to get there.

As you are aware, although Melbourne-based, Phosphagenics is a globally driven biotechnology company focused on the discovery of new and cost effective ways to enhance the bioavailability, activity, safety and delivery of proven pharmaceutical and nutraceutical products.

Last year, our Managing Director Harry Rosen and I outlined our business model, and I would like to expand on developments in each of the three areas outlined in the slide: nutraceutical, manufacturing and pharmaceutical.

Let me begin with nutraceuticals.

Nutraceuticals is the use of vitamins and nutritious products to improve human health. Commercially, the nutraceutical business is predominantly based on developing active ingredients for the following market segments:

- Dietary Supplements - vitamin capsules & tablets;
- Personal Care - skin care products; and potentially the largest sector
- Functional Foods and Beverages - nutritionally enhanced foods.

Phosphagenics' first commercial product is Phospha E®, a novel patented derivative of vitamin E, and is available as:

- A personal care ingredient (Vital ET™) – distributed globally by ISP.

- A dietary supplement (Ester E) – distributed in the US, Canada and Indonesia.

Phosphagenics does not intend to become a direct marketer of products to consumers. Our aim is to manufacture and supply the active ingredients to partners or distributors where commercially feasible. Therefore, our route-to-market strategy for our nutraceutical products is through partnering with companies that have established distribution networks within the relevant market segments – our aim is to create alliances with world leaders in their fields.. Phosphagenics' nutraceutical business is a revenue-generating growth business. International sales by ISP of Vital-ET® in the personal care market as well as sales of Ester E® as a vitamin supplement continued to provide a valuable income stream during 2006.

An important shift occurred in our dietary supplement position during 2006. In October, we announced that we had assigned the licensing rights to our patented dietary product, Phospha E® to NBTY Inc. This is a positive move for Phosphagenics. NBTY, a NASDAQ listed company is the leading vertically-integrated manufacturer, marketer and distributor of nutritional supplements in the US, with a market share of more than 30 per cent, and global sales of more than $US1.8 billion annually.

NBTY Inc. is just one of three new relationships with leading global companies for our nutraceutical business.

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As I mentioned, the functional food and beverage market is the biggest target for our nutraceutical business. It was therefore very pleasing that we were able to build on our strong relationship with Nestlé Nutrition, a division of Nestlé, the world's leading food company. In January 2007, following the successful preclinical trials, Nestlé exercised its option to negotiate – on an exclusive basis – a commercial agreement with us for the use of our Phospha E® to treat and prevent metabolic syndrome. The results of the two pre-clinical dose response trials announced to the market in December 2006, confirmed that when given orally, Phospha E® significantly reduced many of the key biomarkers associated with metabolic syndrome: inflammation and cardiovascular disease. Additionally, the most appropriate dosage required to commence human clinical trials was also determined. We are now working together with Nestlé to finalise the protocol for these trials.

Additionally, during 2006 we signed an alliance with a major cosmetic company that unfortunately cannot be named as yet.

I reiterate: a key strategy is to create alliances with global leaders in their respective fields. This strategy has its downside, as dealing with large organisations takes time. But we ask for a little patience on the basis that we believe the rewards will be worth the wait.

Manufacturing.

As Harry outlined at the last AGM, licensing a part of our intellectual property and then manufacturing our phosphorylated compounds to supply to the licensee presents an attractive financial model for the company.

I am pleased to say that we have completed the scale up of our manufacturing plant and we are now in a position to manufacture, on a commercial scale, tocopheryl phosphates, the base product of many of our pharmaceutical and nutraceutical products. The plant cost about half a million dollars to build and is designed to produce approximately 100 tonnes of phosphorylated product per year. We now have the capacity to supply our current and future licensing partners.

Pharmaceuticals

Phosphagenics' pharmaceutical division is centered on:

- Drug delivery – enhancing delivery of existing drugs orally or through the skin
- Drug enhancement – augmenting the biological activity of existing drugs by adding a phosphate group to the chemical structure of the drug

Let me emphasise how important this division is for us. In my opinion, this is the foundation from which our greatest successes will come.

The route-to-market for Phosphagenics' pharmaceutical products is through partnering with a larger pharmaceutical company, at the appropriate stage in a product's development, to maximise return on the company's R&D investment.

In 2006, we further expanded our pipeline of products, with the successful completion of a pre-clinical trial on our patented anti-cancer agent, GTP-0805. This trial confirmed that when given orally in combination with tamoxifen – a well established breast cancer treatment – GTP-0805 inhibited the rate of tumour growth by more than three times the rate observed when compared to tamoxifen alone. This provides significant opportunities for us and we are now investigating the combination of GTP-0805 with other cancer drugs and in other forms of cancer.

In January 2006, we released the results of our TPM-01/Morphine Phase 1b clinical trial which confirmed that our patented transdermal drug delivery technology, TPM-01, successfully delivered morphine through human skin. Following this, we completed large-scale chronic toxicology studies that provided crucial data for inclusion in our investigational new drug package, as well as providing supporting safety data for examining repeat doses of TPM-01/Morphine in humans.

Market research has confirmed that our transdermal platform is ideally suited for pain management products beyond morphine. In particular oxycodone, a leading drug used in pain management, was identified as natural fit for our technology. Consequently, we undertook pre-clinical animal studies that indicated our transdermal platform effectively delivers oxycodone through skin. We are now well on the way to building a very significant pain management franchise and we will be actively exploring the commercial opportunities during the next year.

We began last year with very exciting pre-clinical data on our patented transdermal delivery insulin product, TPM-02/Insulin. During the year we proceeded to validate our scientific data in the clinic, as demonstrated with the results of our Phase 1a trial in August 2006. These clinical results were extremely positive, showing that one topical application of TPM-02/Insulin, applied as a gel to human skin, allowed insulin to safely penetrate human skin and be delivered into the blood stream over a sustained period of time – a major breakthrough for the company.

The Board took the view that these results were so compelling that the company should rapidly progress to Phase 2 testing of transdermal insulin. Not only can transdermally delivered insulin expand the US$ 7 billion market by providing a non-invasive and effective treatment for many of the world's 194 million diabetics, more importantly, it has the ability to improve the quality of life of millions of diabetic sufferers who depend on numerous injections each and every day. With this in mind, we returned to the capital markets and our shareholder base and raised $17 million, more than necessary to progress TPM-02 into the next stage of development – Phase 2 trials.

We also applied for a Government grant under the Pharmaceutical Partnerships Program and we were pleased to announce earlier this month that our application was successful. The Australian government is continually finding ways to support the biotech sector and we are gratified to be one of its few successful applicants.

As a result, the company will be in a position of strength, both financially and scientifically, when the time comes to negotiate a licence agreement with a large pharmaceutical company.

In short, we have the money in the bank to support our great science and clinical data that we developed over the year.

Dr Esra Ogru our Executive VP, R&D, will be expanding on our R&D activities during her presentation. I'd like to take this opportunity to highlight one area that Esra will talk about in more detail.

Research results and consequent discussions with commercial entities have confirmed that we have very significant opportunities in the dermatological market – in delivering active ingredients for skin treatment safely and effectively into the skin. This previously unrealised potential will be actively pursued and fleshed out by Phosphagenics during the year.

I also take this opportunity to thank Esra and her team at Monash University for their hard work and dedication. They have worked tirelessly to constantly deliver high-quality science. I also thank Harry and his corporate team for translating that science into commercial value.

Another area that we particularly focused on during the year was building awareness of the company in the global capital markets. In March 2006, we successfully established a Level 1, American Depository Receipts (ADR) facility for trading Phosphagenics' stock on the US Over-the-Counter market. This is in addition to our Australian Stock Exchange (ASX) and our Alternative Investment Market (AIM) listing, and ensures that our shares can now be traded in Australia, Europe and the US. We also expanded our operations by opening an office in New York, currently both Harry Rosen and Esra Ogru are spending 80 per cent of their time in the US to support and strengthen commercial discussions with large pharmaceutical companies and the investment community in line with our strategy.

As we have progressed down our path to commercialisation, with the ultimate goal of maximising shareholder value, we have carefully protected our assets. We continue to work diligently with our Australian and US specialist patent attorneys to ensure that our IP is sufficiently protected. We now have a total of 21 patent families covering such broad areas as the manufacturing process of molecules and delivery systems, actual compounds and formulations, and the use of phosphate derivatives in such broad areas as drug delivery, cancer therapy and cardiovascular disease.

Let me finish by providing a brief outlook for Phosphagenics.

Over the next 12 months, we will continue to build upon our recent successes both in terms of our R&D and in the commercialisation of our intellectual property.

Specifically, in 2007 we plan to:

- Commence Phase 2 clinical trials of our transdermal insulin product TPM-02/Insulin.

- Continue to gather data on our pain management program with the commencement of a Phase 1 clinical study investigating the pharmacokinetics of transdermal oxycodone using our novel transdermal carrier TPM and also continue to investigate the absorption, metabolism and efficacy of morphine administered using our novel transdermal carrier TPM via an occlusive patch system.

- Commence Phase 1 clinical trials on our oral APA-01 product combined with a statin for the treatment of atherosclerotic disease.

- Continue to work with world leading organisations like, Nestlé Nutrition and NBTY Inc., to further develop and bring new products to market.

In summary, we significantly strengthened our position in 2006 and I look forward to 2007.