

19 October 2007

**Company Announcement**



**Dietary Supplement Update**

Phosphagenics Limited (ASX: POH; AIM: PSG; OTCQX: PPGNY) provides an update on developments with its dietary supplement commercial partner NBTY Inc. ("NBTY").

As advised to the market in October 2006, NBTY acquired the Ester-E® license agreement between Phosphagenics and Zila Inc. as a consequence of its purchase of Zila Nutraceuticals Inc. ("ZNI"). This agreement, signed in 2003, was for an initial five year term and granted the rights to market Phosphagenics' vitamin E phosphate as a dietary supplement in the US, Canada and Indonesia.

Since NBTY's acquisition of ZNI, Phosphagenics and the NBTY group have been in discussions to amend the terms of the license agreement. The parties have been unable to reach agreement and consequently, the NBTY group has given notice to terminate the agreement.

Under the terms of the agreement, the termination will be effective six months after notice. Phosphagenics will therefore be entitled to minimum royalties as specified in the agreement until April 2008 and anticipates minimal financial impact as the agreement was due to expire only a few months later, in July 2008.

Harry Rosen, Phosphagenics President and CEO, said: "Nestlé Nutrition, our partner for medical foods, and Phosphagenics have recently announced a phase 2 clinical trial to establish the efficacy of our vitamin E phosphate in the management of metabolic syndrome.

"We will now pursue alternative commercial arrangements for our vitamin E phosphate in the dietary supplement market. Additionally, following our positive preclinical studies, termination of this agreement opens opportunities to explore and potentially reposition and leverage the use of our vitamin E phosphate in a multitude of markets, thus extracting additional value from the product."

**ENDS....**

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**Phosphagenics Limited**

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## **APPENDIX AND NOTES TO EDITORS**

### **About Phosphagenics Limited**

Phosphagenics is a Melbourne-based, 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.

Phosphagenics' core technology is built around the science and application of phosphorylation, a process where the addition of a phosphate group has been found to enhance the bioavailability, activity and safety of existing pharmaceuticals and nutraceuticals, as well as to assist in the production of drug delivery platforms.

Phosphagenics' shares are listed on the Australian Stock Exchange (POH) and the London Stock Exchange's Alternative Investment Market (PSG). An ADR – Level 1 program was established in the U.S. with The Bank of New York Mellon (PPGNY) for U.S. investors to trade in Phosphagenics' stock on the 'over-the-counter' market. In July 2007, this was upgraded to the International OTCQX, a new premium market tier in the U.S. for international exchange-listed companies, operated by Pink Sheets, LLC.

For more information, please visit Phosphagenics' web site at [www.phosphagenics.com](http://www.phosphagenics.com)

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### **Safe Harbor Statement**

This press release contains forward-looking statements based on current expectations of future events. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialise, actual results could vary materially from the Phosphagenics' expectations and projections. Risks and uncertainties include general industry conditions and competition; economic conditions, such as interest rate and currency exchange rate fluctuations; technological advances and patents attained by competitors; challenges inherent in new product development, including obtaining regulatory approvals; domestic and foreign health care reforms and governmental laws and regulations.