11 February 2008

Company Announcement

Progression of Phosphagenics and Nestlé Nutrition's Phospha E® trial

Phosphagenics Limited ("Phosphagenics") (ASX: POH; AIM: PSG; OTCQX: PPGNY) and Nestlé Nutrition (Nestlé) today announced that their joint phase 2 human clinical trial to establish the efficacy of Phosphagenics' Phospha E® in the management of metabolic syndrome is advancing at three sites in Adelaide, Australia.

Based on current recruitment rates of study participants, the double-blind phase 2 trial, which is fully funded by Nestlé, is expected to be completed in mid-2008.

This phase 2 clinical trial follows two pre-clinical dose response trials completed by Nestlé and Phosphagenics in 2006. The results of those studies confirmed that, when given orally, Phospha E® significantly reduces many of the key biomarkers associated with metabolic syndrome.

Metabolic syndrome is characterised by a group of risk factors that increase the risk of diabetes, coronary heart disease and other diseases associated with plaque build up in artery walls.

The companies have agreed the principal terms of a commercialisation agreement, which will grant a worldwide exclusive license to Nestlé for the use of Phospha E® in medical foods and for Phosphagenics to be the exclusive manufacturer and supplier of Phospha E® to Nestlé. The final commercial agreement is due to be signed on completion of the phase 2 trial.

Harry Rosen, President & CEO at Phosphagenics said: "We believe the agreed terms will deliver value to all parties and we look forward to building on the already strong relationship we have with Nestlé, the world's largest food company."

ENDS….

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

About Nestlé Nutrition

Nestlé Nutrition is an autonomous business within the Nestlé group managing and developing the group's speciality nutrition brands. Through science-based nutrition products and services, Nestlé Nutrition helps enhance the quality of people's lives by supporting health and providing care for specific consumer groups with special nutrition needs at every stage of life.

About 22 000 employees in more than 70 markets are part of Nestlé Nutrition. Its product portfolio – covering infant nutrition, healthcare nutrition, performance nutrition and weight management – includes such trusted and well-recognised brands as: NAN, GERBER, LACTOGEN, NESLAC, CERELAC, BOOST, NUTREN, PEPTAMEN, RESOURCE, OPTIFAST, POWERBAR, MUSASHI and JENNY CRAIG.

For more information, please visit Nestlé Nutrition' web site at www.nestlenutrition.com.

About the Phosphagenics / Nestlé Pre-Clinical Studies

The final results of the two pre-clinical dose response trials announced to the market on December 14th, 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. In these trials, animals treated with varying doses of Phospha E® were shown to have statistically significant reductions in key parameters such as plaque formation, aortic vascular dysfunction, cholesterol, triglycerides and LDL-C (so-called bad cholesterol).

About Metabolic Syndrome

Metabolic syndrome is characterised by a group of metabolic risk factors –abdominal obesity and elevated blood pressure, cholesterol, triglycerides and blood glucose. The root causes of metabolic syndrome are overweight/obesity, physical inactivity, and genetic factors. It is estimated that about 27% of adults in the US have metabolic syndrome and that one in three overweight or obese people in the US have this condition. The condition is being diagnosed with increasing frequency.

About Phospha E®

Phospha E® is a patented derivative of vitamin E that has superior properties compared to its parent molecule. For example, Phospha E® has been shown to be better absorbed than vitamin E, both orally and through the skin, to lower cholesterol and triglycerides, prevent the formation of plaque in heart arteries, as well as having unique anti-inflammatory properties.

Phospha E® has applications across all three nutraceutical market segments, and is currently sold internationally as a dietary supplement by NBTY Inc (under the name of Ester-E™) and is marketed worldwide in the personal care market as Vital ET™ by ISP Corporation.

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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.