



PHOSPHAGENICS

Newsletter April 2012

Message from the CEO

The progression of our oxycodone patch towards FDA approval and the expansion of the Elixia® and BioElixia™ distribution networks remains our prime and consuming focus. We expect that by year's end we will have commenced our Phase 3 trial for oxycodone, as well as establishing the international division of our personal care business, BioElixia™.

We are in commercial discussions with several companies in other areas of Phosphagenics' endeavours, particularly personal care (licensing), topical diclofenac and animal health, with the aim of achieving commercial outcomes towards the latter part of this year. These discussions are often lengthy and arduous but any deals will serve to reinforce the diverse commercial opportunity our platform technology offers for multiple revenue streams.

Dr Esra Ogru
Joint Chief Executive Officer

Our significant capital raising and strong share price performance since 2011 indicates a tremendous investor interest in our stock from both retail and institutional investors alike. The large increase in the liquidity of our shares is also attractive to institutional investors. We will continue to meet and educate investors about our company, its revenue opportunities and business strategies that have been implemented to maximise our evolving platform technology.

The transitional phase from a research company to a company commercialising its technology is extremely exciting to everyone involved. As a consequence of this increased commercial activity, we have strengthened our commercial team both in Australia and the USA.

2011-2013 will go down as pivotal years in the evolution of our company.



Management Profile Update

Strengthening our Commercial Team



Hugh Alsop

Phosphagenics recently appointed Hugh Alsop as Vice President, Operations and Business Development.

Hugh joined Phosphagenics from Acrux Ltd. where he was Director of Business Development since August 2006. During his time at Acrux, Hugh played an important role in the development and licensing of Axiron[®], a novel transdermal

testosterone product to Eli Lilly, which at the time was the largest single product licensing deal completed by an Australian biotechnology company.

Hugh has over 15 years experience in the pharmaceutical industry and holds a Bachelor of Science with Honours (in Chemistry) from the University of Melbourne and an MBA from the Melbourne Business School.



Key Program - Oxycodone Trial Results

On 15th February Phosphagenics released the results of its single dosing trial conducted at Royal Adelaide Hospital's CMAX facility.

The results demonstrated that the new patch delivered 4.5 times more oxycodone over 72 hours into the blood compared to the original prototype developed by Phosphagenics more than a year ago. Impressively, these results were achieved with a patch that was half the size of the original one. Phosphagenics' senior regulatory adviser, Lee S. Simon MD, former Division Director of Analgesic, Anti-inflammatory and Ophthalmologic Drug Products at the FDA commented, "The delivery profile from this patch is extremely interesting and points to the need to engage with the FDA as soon as is practically possible. These results indicate that Phosphagenics is well on the way to creating a unique product."

The next stage of our clinical development will be a multiple dosing study which will start as soon as some formulation changes have been completed. This will be aimed at producing an improved commercial patch. With the total global pain market exceeding \$40 billion annually and with opioids contributing about a third of this market, the potential for our patch product is substantial.

The delivery of oxycodone through a patch offers numerous benefits over its oral administration. These include reduction in side effects related to the G&I tract, minimisation of potential for overdose, reduction in the rate at which drug tolerance develops and improved patient compliance. Additionally, our patch will reduce possible abuse as the extraction of the oxycodone is very difficult.



BioElixia™ - Our International Brand

Platform for Growth

Since our last newsletter we have launched our BioElixia™ BodyShaper product, through AS Watson's outlets in Singapore.

With the launch of the BioElixia™ brand in Asia, we are confident that we are positioning our brand for international expansion with sales expected to commence in Europe and USA during 2012.

Our expansion into Asia and other international markets will, in time, transform the company's personal care operations into a profitable division. We hope to see the emergence of our BioElixia™ brand as a truly international player in the global personal care markets.

On 15th March we announced that Phosphagenics signed an agreement with Korean Drug Company Ltd. to supply BioElixia™ exclusively to outlets in South Korea. The agreement is subject to minimum

volumes. Their range of clients includes health and beauty salons, drugstores, and medical and dermatological clinics totalling over 9,000 outlets throughout South Korea and South East Asia.

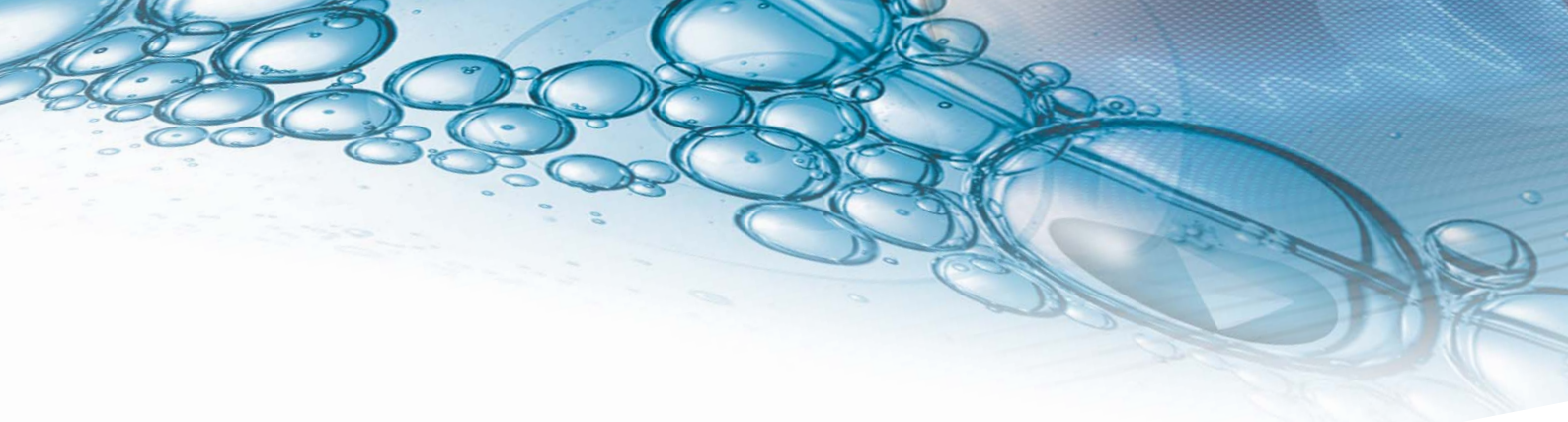
Update on Elixia®- Australia

The Elixia® sales in 2011 were in line with analysts' expectations, with the most substantial contribution coming from TVSN, Myer and online sales.

Domestic sales of Elixia® in the first quarter of 2012 have been subdued, reflecting the well publicised, tough retail environment in Australia.

Whilst we concentrate on increasing international sales of our BioElixia™ business, the launch of a new formulation for BodyShaper®, the addition of new retailers and a strong marketing campaign should result in continued growth in our domestic sales during the course of the year.





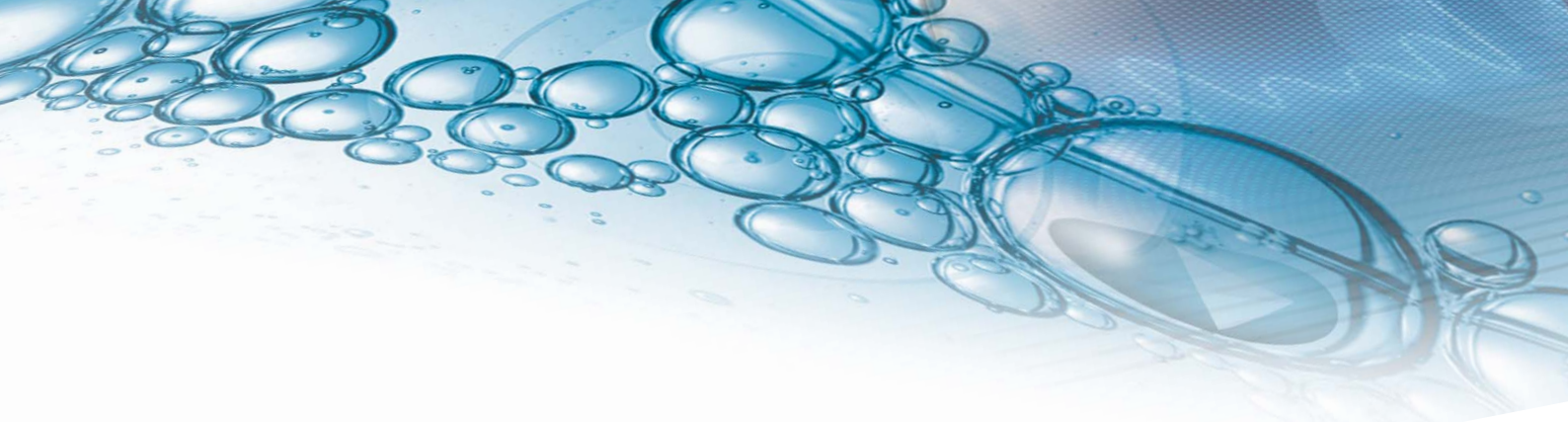
Diclofenac

In the December quarter of 2011 we announced our first licensing deal for diclofenac, a non steroidal anti-inflammatory drug, with an Indian pharmaceutical company, Themis Medicare Ltd. Under the arrangements, Themis Medicare will manufacture and distribute a TPM/diclofenac gel exclusively in the Indian market. At the time of entering into the agreement, Phosphagenics felt this would lead to similar arrangements in other parts of the world and recently announced a pre-license material transfer agreement for diclofenac with Japanese company Nippon Zoki Pharmaceutical Co., Ltd.

Nippon Zoki will test our formulation and, if the tests succeed and agreement is reached on final terms, will enter into a licensing agreement for the US and Japanese markets where it is sold as a prescription drug. In many countries, including Australia, diclofenac is sold as an over the counter product and the company is in discussions with a global pharmaceutical company in relation to this market.

The global sales of diclofenac for oral and topical application is around \$1 billion. It therefore represents an excellent opportunity of becoming a good contributor to future earnings.





Other Key Projects

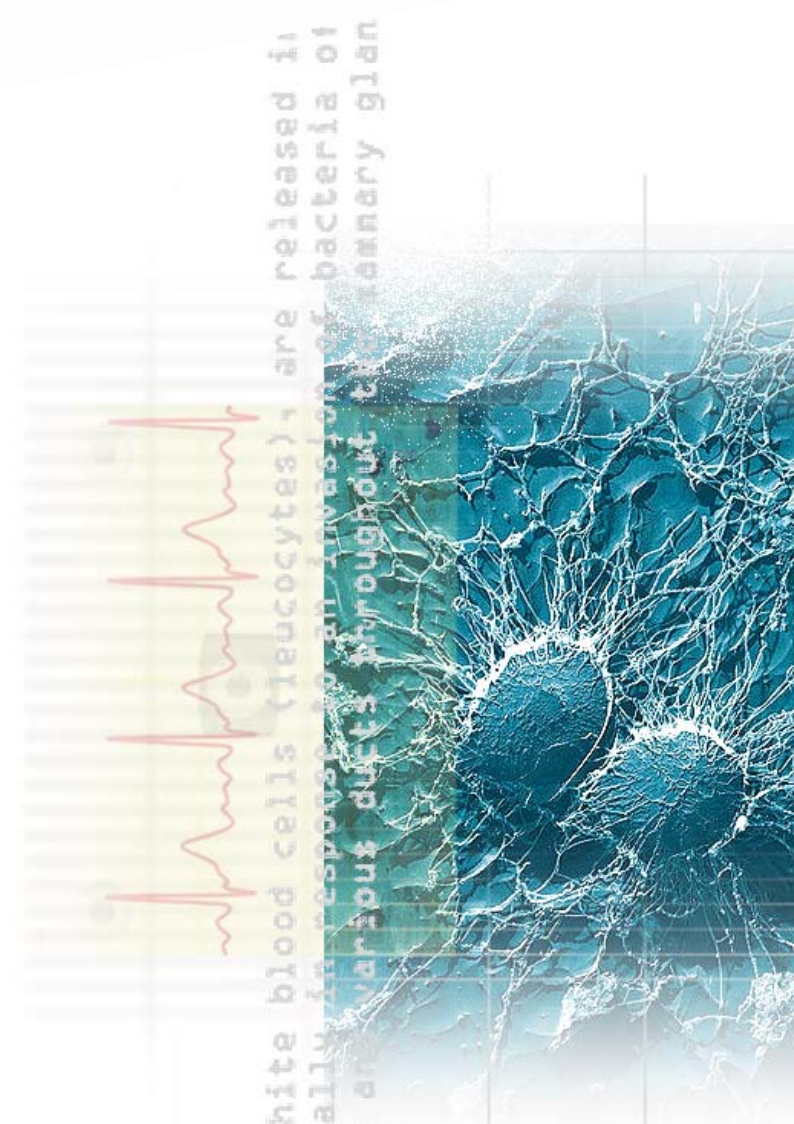
Animal Health

Mastitis Management Australia Pty. Ltd. (MMA), together with Phosphagenics, continues discussions with international companies relating to the use of TPM® as a delivery platform for animal health. MMA is currently developing the protocols for a mastitis trial that will commence towards the end of 2012 with a view to registering the mastitis product and thereby enabling marketing claims to be made for the product. Successful studies will result in significant revenues for the company as this market will require the manufacture and sale of substantial amounts of TPM® product to meet anticipated future demand.

Global Licensing Opportunity

Our global personal care arrangement announced in September continues to move forward with a number of ongoing products currently under assessment.

These trials involve a range of applications and, if successful, is likely to lead to a commercial agreement in the medium term.



Mastitis occurs when white blood cells (leucocytes) are released in the mammary gland, usually in response to an invasion of bacteria of milk-secreting tissue, and various ducts throughout the mammary gland.



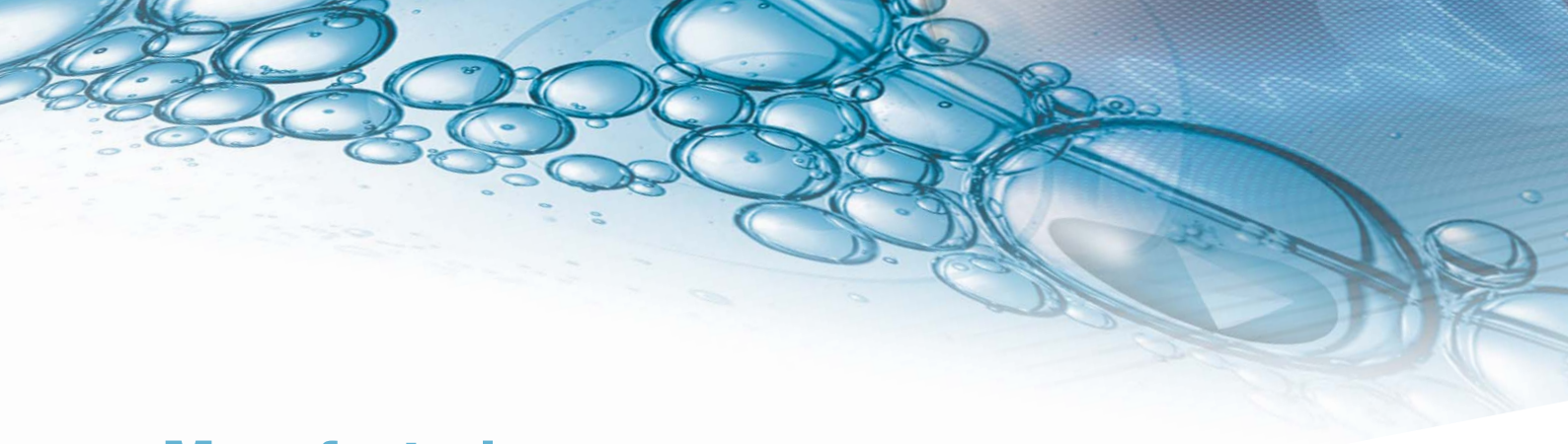
Latest News

INTAS Pharmaceuticals Limited

Phosphagenics recently announced a licensing deal with Intas Pharmaceuticals Limited (India) for the use of TPM[®] in three anti-ageing formulations. The agreement is exclusive for India. Intas Pharmaceuticals Limited will manufacture and market these products through its extensive network of dermatologists and general physicians. Phosphagenics will receive royalties on the sale of finished products, as well as revenue from the sale of TPM[®] to Intas Pharmaceuticals Limited. We expect that products will be launched in the second half of 2012.

This arrangement demonstrates the diversity of the type of deals available to Phosphagenics in the personal care market generally, but also in each area of its commercial effort. In these types of arrangements, Phosphagenics will not only receive income from the sale of TPM[®] products but additionally will receive royalties from licensing its TPM[®] platform technology. These deals are complimentary and not competitive with our BioElixia[™] globalisation strategy.



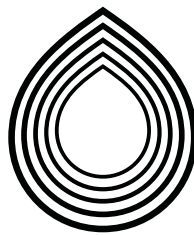


Manufacturing

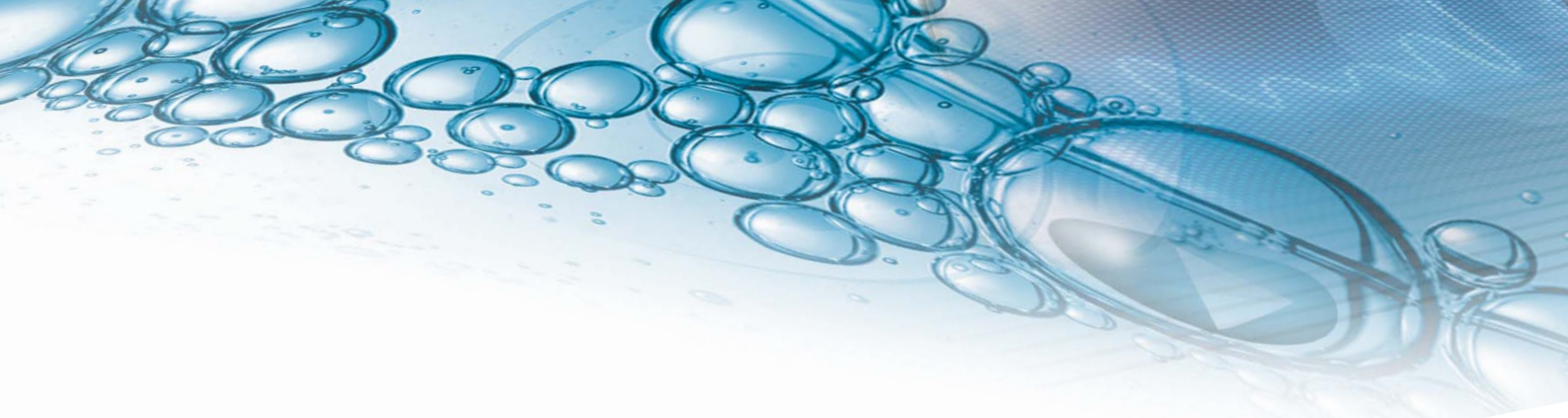
The manufacture of TPM[®] by Phosphagenics in our dedicated manufacturing facility in Melbourne continues to be a potentially significant contributor to future revenues. Discussions of an arrangement for the use of the TPM[®] technology in the personal care mass market continue, and a successful conclusion would generate a significant demand for TPM[®] material. This demand, combined with demand arising from successfully commercialising any other products, would dramatically increase production levels.

We continue to develop commercial opportunities in animal health and human supplements as this does not impact our oxycodone technical development, the prime focus of the company. Potential TPM[®] demand for commercial products may require an increase in manufacturing capacity.

However, the unique, patented manufacturing process for TPM[®] is easily and cheaply scalable and the manufacture of TPM[®] material will become a significant business and revenue contributor in its own right.



WITH TPM[®] DELIVERY
TECHNOLOGY



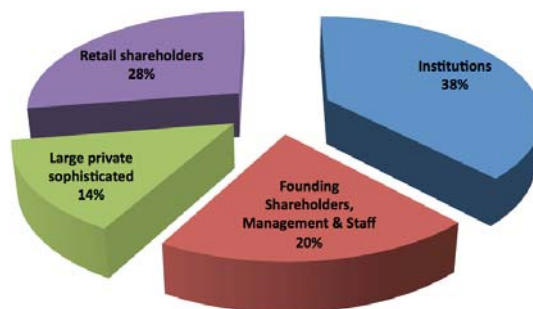
Share Price Activity

In early December the share price broke through the technical barrier of 18c and reached the highest prices for 2011. By year's end we finished at 21.5c and were trading with a market capitalisation in excess of \$200 million. The price since then has traded on large volume between 18.5c and 24c. This high volume has reflected very strong buying by institutions and sophisticated large private investors.

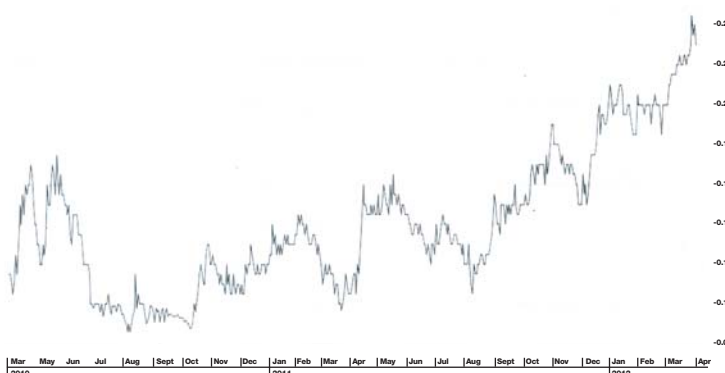
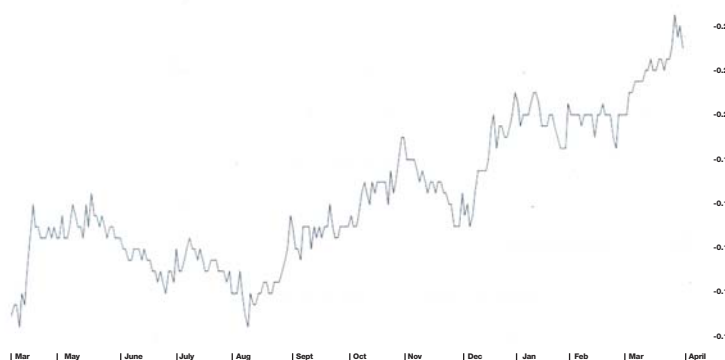
The increased volumes reflect in part significant international interest where our CEO, Dr Esra Ogru, has been presenting, but also the need for index funds to include Phosphagenics as part of their portfolio. The increase in market capitalisation combined with good trading volumes qualified our company for inclusion in the ASX 300 index. The next critical level to be reached of around \$270 million market capitalisation would take the company into the ASX 200 index. This would likely introduce more international and local funds to our company as the ASX200 is the index that the Share Price (futures) index is based.

We see the institutionalisation of our share register as a very important development that has accelerated over the last 12 months, and the extent to which we now have a stronger influence by larger investors is shown in the pie chart. We are indeed fortunate now to have a healthy balance between small and large investors on our register.

Phosphagenics Shareholders % of company



This graph shows that institutions and large private investors now hold a larger proportion of the company than they have historically. As the market capitalisation increases, this trend is likely to continue.



Phosphagenics Limited
11 Duerdin Street, Clayton VIC 3168 Australia
Ph: +61 3 9565 1119 | Fax: +61 3 9565 1151
Security Codes: ASX(POH); OTCOX(PPGNY)
www.phosphagenics.com | email: info@phosphagenics.com

