

19 February 2008



Company Announcement

Phosphagenics Initiates US Clinical Trials For Its Topical Retinoic Acid

Phosphagenics Limited ("Phosphagenics") (ASX: POH, AIM: PSG, OTCQX:PPGNY) today announced the initiation of a human clinical trial for its lead dermatological product, retinoic acid, a form of vitamin A. This trial represents the Company's first clinical trial to take place in the U.S. and denotes the commencement of the Company's planned expansion into targeted, non-systemic delivery of drugs.

This trial follows a number of pre-clinical studies that demonstrated both an increase in dermal absorption of retinoic acid when formulated with Phosphagenics' proprietary drug delivery platform (TPM), and a significant reduction in irritation scores. The clinical trial is a double blinded study that will involve 90 subjects and is being conducted at Broomall, PA-based cyberDERM Inc., a contract research organisation focused on developing and refining innovative bio-instrumental and computerised methods for non-invasive analysis of skin structure, its functions and effects of topical treatments. This trial is expected to be completed by the end of the second quarter, 2008.

According to the American Journal of Dermatology, retinoic acid is prescribed most often as the topical treatment of choice for acne. However, it is poorly soluble, is associated with irritation and dryness of the skin and, in some cases, can cause liver damage when substantial amounts enter the systemic circulation. Irritation though, is the most common adverse effect and is observed in approximately 90% of users. Additionally, according to The American Dermatological Association Inc., half of the patients who end their retinoic acid treatment cycle prematurely do so because of irritation. Consequently, practitioners are often reluctant to prescribe retinoic acid in large quantities and, typically, marketed formulations contain between only 0.025% and 0.1% of the active, which often serves to dilute the effectiveness of retinoic acid. Despite this, the U.S. market for topical prescription retinoids, such as retinoic acid, for acne treatment exceeds US\$300 million annually.

"A new formulation with the ability to deliver greater absorption of retinoic acid, reduce irritation and dryness and limit systemic circulation would significantly increase practitioners' flexibility in prescribing the product," said Harry Rosen, President & CEO of Phosphagenics. "It would enable physicians to prescribe greater doses of retinoic acid and/or maintain current dosing while achieving improved efficacy and substantially limiting adverse effects. Such a product would have the potential to expand the current market, and would likely capture a significant proportion of the existing market."

"In our previously completed pre-clinical studies, we were able to consistently demonstrate an increase in retinoic acid delivered, a reduction in irritation scores, as well as limit the delivery of retinoic acid into the systemic circulation, which is important because of its side

Phosphagenics Limited

ACN 056 482 403 ABN 32 056 482 403
Level 2, 90 William Street Melbourne VIC 3000
Telephone: 61 3 9605 5900 Facsimile: 61 3 9605 5999
Web page: www.phosphagenics.com
Email: info@phosphagenics.com

effects. Our objective is to replicate these results in our human trial and deliver a safer, more effective acne treatment to consumers as quickly as possible.”

In addition to retinoic acid, Phosphagenics is developing a number of other product candidates utilising its targeted, non-systemic delivery technology, including multiple anti-inflammatory and analgesic compounds.

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

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.

Company Contact Details:

Dr. Esra Ogru
Phosphagenics Limited
EVP Research & Development
Tel +61 3 9605 5900

Mary McSwiggan (Bennett)
Phosphagenics Limited
Investor Relations Manager
Tel +61 3 9605 5907

U.S. Investor and Media Contacts:

Brian Ritchie
Financial Dynamics
Tel +1 212 850 5683