

8th December 2008



Company Announcement

Positive Phase 1 Clinical Trial Results for Transdermal Lidocaine

Trial Demonstrates Increased Dermal Penetration of TPM/Lidocaine Compared to Topical Anaesthetic Xylocaine[®]

Phosphagenics Limited (“Phosphagenics”) (ASX: POH; OTCQX: PPGNY) today announced the successful completion of a phase 1 clinical trial that examined the ability of its patented drug delivery system, TPM, to topically deliver the pain relief drug, lidocaine, safely into humans. The trial demonstrated that the patented lidocaine formulation was able to deliver a significantly greater amount of lidocaine into the localised area of the skin compared to a leading commercial product.

Lidocaine is a well known topical anaesthetic, sales of which exceeded US \$1.2 billion in 2007. It is used for a wide variety of ailments, including temporary relief of rashes, stings, sprains, strains, bites, and burns. This clinical trial compared the dermal penetration and measured the systemic exposure of lidocaine between one of the leading marketed products, Xylocaine[®] (5% lidocaine), and Phosphagenics’ TPM/lidocaine (5% lidocaine).

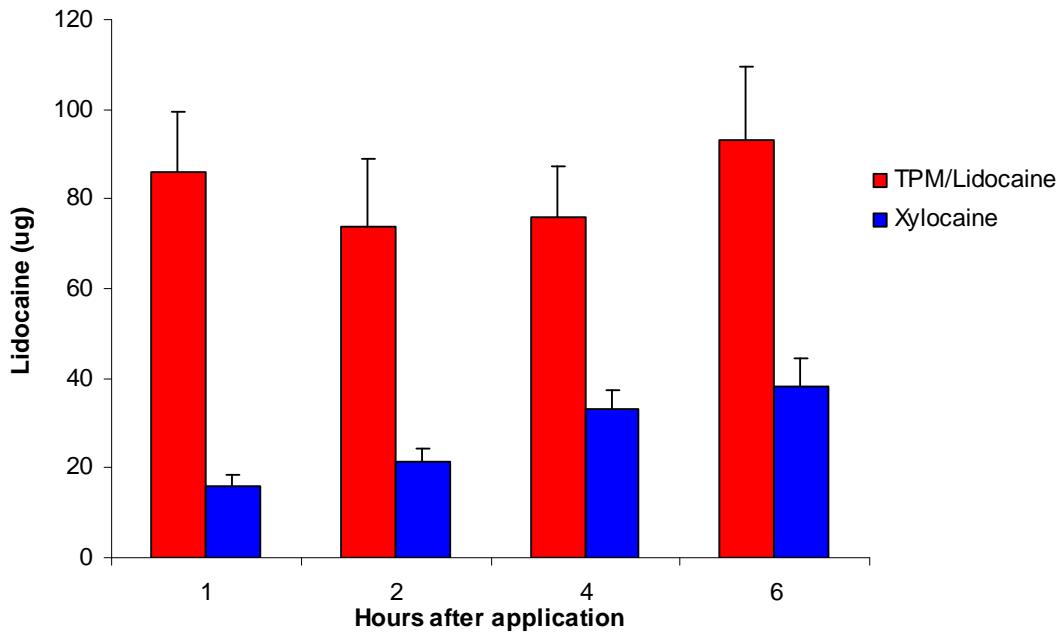
One hour after application, TPM/lidocaine delivered 500 percent more ($p < 0.001$) lidocaine into the stratum corneum, the outer layer of the skin, than the commercial product, Xylocaine[®] (Figure 1). Phosphagenics’ TPM/lidocaine also augmented the depth of penetration, with 450 percent ($p < 0.01$) more lidocaine found in the deepest layers of the skin sampled.

TPM/lidocaine significantly increased the amount, rate, and depth of lidocaine penetration into the skin compared to Xylocaine[®], parameters that are normally expected to produce a local analgesic effect. Despite the increase in dermal drug delivery, TPM/lidocaine did not increase the plasma lidocaine concentration compared to Xylocaine[®] after 6 hours.

Dr Esra Ogru, Executive Vice President of Research and Development at Phosphagenics said; “While we have previously demonstrated the penetrative power of our TPM technology, the success of this trial validates the versatility and precision of Phosphagenics’ drug delivery platform in humans. We view this as a major achievement for our company and look forward to moving ahead with further clinical trials.”

The open label, single centre study was conducted at the Centre for Pharmaceutical Research, University of South Australia, under the guidance of Principal Investigator Dr. David Foster. 11 healthy adult volunteers enrolled in the bioavailability trial of dermal and systemic pharmacokinetics, which incorporated secondary endpoints of safety and tolerability.

Figure 1. Dermal absorption of lidocaine after topical application of the TPM/lidocaine and Xylocaine® formulations



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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

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.

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