



Phosphagenics AGM - 31 May 2017

Chairman's Address

Good morning ladies and gentlemen and welcome to the Annual General Meeting of Phosphagenics Limited.

My name is Greg Collier, and I have recently been appointed as Chairman of the Phosphagenics Board of Directors, following Mr Peter Lankau's decision to step down as Chairman. I would like to thank Peter for the valuable contribution he has made to Phosphagenics throughout the transformational period the Company has been through over the past two years and look forward to continuing to work with him in his role as an Independent Director. I would also like to thank Dr Geert Cauwenbergh, who retired from the Board yesterday, for his input and commitment to the Company over the last three years.

I know Phosphagenics well and was appointed to the Board as an Independent Director in 2015. I have also worked in the Biotechnology sector for over 20 years in a range of ASX listed companies and prior to entering the commercial world I was a Professor with a BioSciences speciality. So I am very pleased to be addressing you here today as Chairman, and recapping on the progress and successes of the past year – or indeed two years – which give me confidence in a strong future for Phosphagenics.

The company continued to make excellent progress over this past year, executing on the strategic business plan that was laid out in 2015, under our then newly appointed Managing Director at that time, Dr Ross Murdoch and our re-structured Board.

At that time, we restructured our business into three key business areas - Human Health, Animal Health & Nutrition and Personal Care and, and in conjunction with other management restructuring initiatives, we have been successful in developing a much leaner and more commercially focussed organisation. We undertook a systematic process to re-build the foundations of the business, resolve difficult legacy issues and set the stage for us to rebuild confidence and attract new partners and commercial opportunities.

There have been many positive, tangible outcomes as result of these efforts:

We have significantly improved our operating efficiency, to reduce costs, and focus our efforts on the programs that have the best chance of success.

We have increased the validation and recognition of our technology, demonstrating that it is backed by scientific rigour, with a significant increase in publications and having a meaningful presence in leading industry forums.

We have established a partnership with Terumo Corporation, a leading multinational Japanese healthcare company who we started working with in 2016. We are now also engaged in discussions with multiple partners across all of our business divisions whose goals are aligned with our own – to commercialise and realise value from our TPM[®] technology.

Many of the legacy issues that have slowed and complicated our company's progress in recent years have also now been resolved. The arbitration with ProPhase was settled in November and resulted in a favourable outcome for our shareholders with the full use and ownership of the disputed licence for Over-The-Counter pharmaceutical applications for TPM[®] being returned to

Phosphagenics. We ceased our partnership with IAH, in a favourable manner. Although the terms of the settlement are confidential, we are pleased with the outcome, which now enables us to move forward and extract greater value from this particular asset.

The most significant legacy issue remaining for Phosphagenics is the Mylan Arbitration which has recently reached an important milestone. As shareholders may have seen from our ASX announcement a few days ago, the Independent Expert Evidence was submitted. This supports multiple causes of action. If Phosphagenics was to succeed on all aspects of all its claims, the maximum total damages assessed by Phosphagenics' independent experts is approximately US\$300.4m. While there is no guarantee or certainty as to the outcome, it is potentially extremely value and significant for our shareholders and I believe the time and cost to pursue this action is completely justified.

Ross will talk to the Mylan Arbitration and the timetable in more detail during his address.

Our business restructuring strategy has also been very focussed on extending our cash runway. Since late 2015, we have delivered significant improvements and cost reductions in our manufacturing processes. We have a much greater manufacturing capacity, almost 20x capacity in fact, and this part of the business is now profitable. Our headcount has reduced from 43 to 18 people and we have consolidated operations onto primarily one site significantly reducing our yearly fixed costs.

Our focus is now on executing on the commercial opportunities management have working hard in 2016 to identify and set up. We continue to engage in multiple active discussions with potential partners across each of our three businesses, and each business portfolio has some key milestones scheduled for delivery in 2017. While Ross will present these in more detail I would briefly like to touch on some key commercial targets we have identified as priorities.

In the Human Health portfolio we are highly focussed on our Terumo relationship and extension of the partnerships across further product areas. The joint R&D work we are conducting brings with it valuable data, expertise and possible additional milestone payments. We have also reorientated our internal R&D focus towards TPM[®] enhanced injectables and believe we have several valuable assets that can improve the formulation of existing or novel compounds.

The focus for the Animal Health portfolio will be to continue utilising the strength of our trial data to advance towards a commercial agreement with a leading player in the sector. In Personal Care we will be relaunching our Vital ET[®] product with our global distribution partner Ashland to drive sales growth and utilise the manufacturing efficiencies we have worked so hard to deliver.

To conclude I would like to re-iterate to shareholders that the Phosphagenics Board and management team are committed to delivering value for our shareholders. We believe that our business strategy is working, especially as we are increasingly engaging with a greater number of interested parties regarding our TPM[®] technology. We aim to translate these discussions into deals and value opportunities.

Finally, I'd like to thank my fellow Board members, our employees and our shareholders for your continued support and look forward to sharing with you our progress as we target the important milestones we have outlined today.

Greg Collier
Chairman

31 May 2017, Melbourne, Australia:

AGM – CEO Address



AGM Address
Non-Confidential Presentation
31 May 2017
www.phosphagenics.com
(ASX: POH, OTCQX: PHOAF)

Safe Harbour Statement

This presentation, and any representations made before, during or after the presentation, may include forward-looking statements that are inherently subject to risks and uncertainties. These statements relate to, but are not limited to: (1) the safety or efficacy of, or potential applications for, Phosphagenics' TPSP[®] platform technology; (2) the strength of Phosphagenics' intellectual property; (3) the timelines for Phosphagenics' clinical trials and regulatory processes for its different products; (4) the scalability and efficiency of manufacturing processes; (5) revenue projections, market share expectations, share price expectations and capital requirements.

Actual results may differ from the expectations expressed in these forward-looking statements, and the differences may be material (whether positive or negative). The risks that may cause Phosphagenics' actual results, performance or achievements to be materially different from those expressed or implied by such forward-looking statements, include but are not limited to: (1) risks inherent in the development, approval and commercialisation of potential products; (2) uncertainty of clinical trial results or regulatory approvals or clearances; (3) changes to market trends or government laws or regulations; (4) the potential need for future capital; (5) dependence upon collaborators; and (6) protection of intellectual property rights, among others. Accordingly, you should not place undue reliance on these forward-looking statements.

Good morning, I too would like to say “thank you” for coming today. I hope you find this morning informative and that by the end you share my enthusiasm that Phosphagenics is in better shape, with better opportunities in front of it, than it has for considerable time. I hope today I can fill you with the “confidence” I have for the Company and its prospects over the next 12-24 months.

What Shareholders are asking

“...The promise of a new Board and new CEO is that it will change and improve the Company. It's been two years and the share price doesn't reflect this - what's improved?...”

“...A lot of emphasis, time and money appear focused around the Mylan Arbitration - What is going on?...”

“...What do we have to hang our hopes on moving forward - in particular when will Terumo be signed?...”

Phosphagenics has been operating for over 12 years and I have now been CEO of your Company for two of these. Over the past month or so Greg Collier and I have met a number of key shareholders and potential investors to not only introduce Greg as the new Chairman but also to get a first-hand update on what are the key questions on shareholders' minds.

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Three key questions were almost universal:

1. The promise of a new Board and new CEO is that it will change and improve the company. It's been two years and the share price doesn't reflect this – so what's improved?
2. A lot of emphasis, time and money appear focused around the Mylan Arbitration - What is going on – can we get more information? and
3. What do we (shareholders) have to hang our hopes on moving forward – in particular when will Terumo be signed?

Let me deal with each of these in turn.

Question 1: What have we been doing for the past two years?

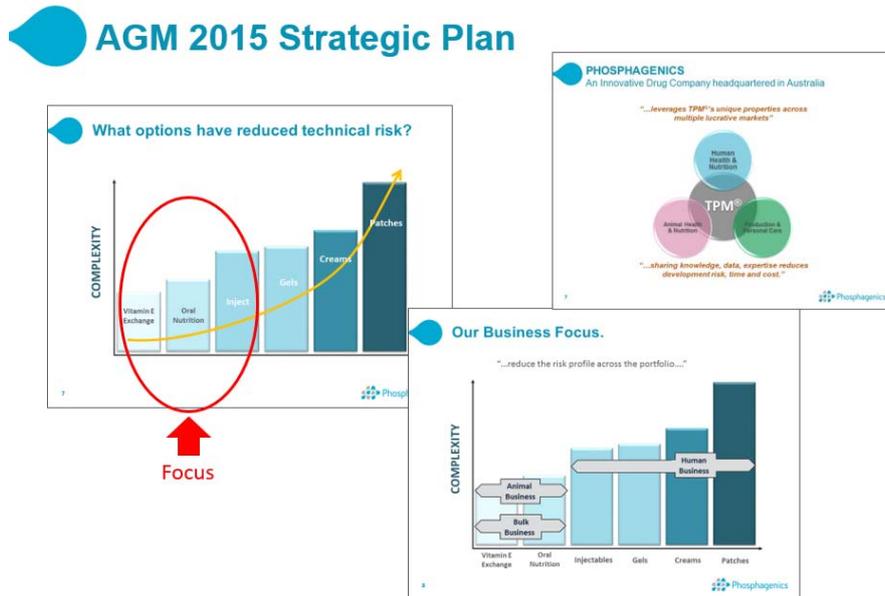
The first and most important question I asked when I came to Phosphagenics, and it is a question I continue to ask, "Is TPM® the right technology on which to build an innovative biotech company?" I think I can speak for the other directors here when I say none of us would have joined the Company or would continue if we didn't believe there is value in the technology and that TPM® provides an attractive basis on which to build.

My focus for the majority of the last two years has been to reshape Phosphagenics, in a way that allows us to build on the promising initial work that has been done over the previous years. Like a renovation that requires updated wiring, plumbing and stumps, much of the skilled and essential work that has gone on ends up in the background – relatively unseen from the outside. A good example of this is the large amount of additional work that was needed to achieve the 10 manuscripts for publication I promised at my first AGM. Despite the initial work and findings being completed up to 12 years ago, a considerable amount of detailed work was still required to build and complete credible publications. I am pleased to say we have achieved our target with 10 now either published or submitted for publication. Establishing, and demonstrating, this provides additional scientific rigour that is very important for our external reputation and commercial prospects.

Manuscripts for Publication

	Title (shortened)	Journal	Subject(s) supported	Status
1	Topical OxyC Gel in a Rat Model of Inflammatory Pain Produces Pain Relief	J. Pharm. Sci.	Local pain relief with oxycodone; TPM-OxyC patch	Published July '15
2	TPM as a novel lipid-based transdermal drug delivery carrier	Drug Del. & Trans. Research	TPM platform; solubilization, transdermal, oral, injectables	Published Sep '16
3	Randomized, DB, placebo-controlled study of TPM in metabolic syndrome & dyslipidemia	Nut. Met. & Cardio. Disease	Oral pharmacodynamic effects of TPM	Submitted Under review
4	PK, safety and tolerability of a TPM/OxyC transdermal patch system: a Phase I study	Pain Management	Transdermal platform; TPM-OxyC patch	Published April '17
5	The effect of TPM on the progression of Atherosclerosis in mice	Clin. & Exp. Pharm. & Phys.	Oral pharmacodynamic effects of TPM	Submitted Under review
6	Transdermal OxyC patch for PHN: a randomized, double-blind, controlled trial	Pain Management	Local pain relief with oxycodone; TPM-OxyC patch	Published April '17
7	PK, safety and tolerability of a TPM/OxyM transdermal patch system: a Phase I study	Pain Management	Transdermal platform; TPM-OxyM patch	Submitted Under review
8	TPM enhances the oral bioavailability of CoQ10 as model poorly soluble drug	J. Controlled Release	TPM platform; oral delivery; animal feeds	Submitted Under review
9	TPM enhances the solubilization of lipophilic drugs during digestion	AAPS PharmSciTech	TPM platform; oral delivery; animal feeds	Submitted Under review
10	Bioavailability of Omega-3 through TPM during Oral Administration in Rats	Nutrients	TPM platform; oral delivery; animal feeds	Submitted Under review

Part of the skill that the new Board and I bring to Phosphagenics is an understanding what partners see as currently competitive, sellable and valued. What may have been appropriate, attractive and even acceptable for sale a few years ago may have been superseded or may no longer be valued. So we have continued to ask, "What are the key features that will bring-in buyers and make us attractive today?"



As I also highlighted at my first AGM, two years ago, after a detailed review, I designed a plan to focus our efforts on a select number of opportunities across three business areas, Human Health, Animal Health and Production. We needed to create better supported products, improve focus and credibility, improve capacity, improve quality, and rework our partnership strategy in the three business areas. Much of this work is now complete and sits in the background, supporting us as we negotiate deal opportunities. The activities which have significantly been developed over the past 12 months are listed on the following slide.



Within the Human Health business, some of the more visible examples of the results from this extensive work are:

- the expanded license for TPM[®]/Diclofenac gel (a relatively stale opportunity two years ago) now having the license expanded from 1 to 17 countries with regular new launches; and
- the initial three R&D program agreements we have with Terumo, and the fourth a draft Term Sheet for the TPM[®]/Oxymorphone patch signed earlier this year which is moving towards a signed agreement hopefully in the very near future.

Considerable foundational work has also been done in the area of Animal nutrition. This is essential not only to capture initial interest but also to ensure that when potential partners undertake their own tests we know a positive result will be obtained. In the past 12-18 months we have:

- Completed two major trials in pigs: indicating TPM[®] positive effect on Feed Efficiency
- Completed a major trial in poultry: indicating TPM[®] positive effect on Feed Efficiency
- Initiated a long term Cattle study investigating TPM[®] effect on milk quality and fertility due to show results before the end of the year
- Resolved legacy contract issues freeing global rights for potential partners
- Published relative data supporting enhanced nutritional benefits.

Further success in meeting our business goals requires an ability to make TPM[®] and in some cases Vital ET[®] more efficiently, with vastly increased capacity and at reduced cost. Ensuring the protection and production efficiency of our manufacturing process has been a high priority over the past 12 months and I am pleased to say that this has been a success. Our production capability has increased more than 10 fold with the cost of goods reduced to almost a quarter of what it was.

Having said this we remain committed to an appropriate balance between collecting data and approaching partners. We continue to build each of our assets to the appropriate level to facilitate quality and valuable partnerships.

As we released a shareholder newsletter update late last week, penned by Dr Collier and myself, outlining many of our achievements across the Company, I won't regurgitate all the points here but would like to emphasise some the take home messages:

Progress to date and forward focus

Business focus

- Structure and Board - Biotech experienced
- Management - with goals for revenue and deliverables

Cost and financial longevity

- Culture
- Extended runway into 2018
- Consolidated headcount, reduced offices
- Improved revenue margin
- "Partner supplemented R&D"

Future focus

- R&D focused on more POC efficient delivery targets - Injectables
- Legacy partnership management - a priority
- Protect and strengthen our intellectual property
- "Partnered R&D targets"
- Comprehensive data sets

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The changes over the past two plus years have made us more Business focused

- Structure – we have changed the Board’s skill set to be more Biotech experienced
- Management for each business area – We have put in place a General manager with appropriate goals and rewards for Revenue and deliverables
 - And production and workflow improvements
 - And improved quality systems

We have made cost and financial longevity a priority through

- A cost conscious culture
- consolidated headcount, and reduced offices (and the associated inefficiencies),
- initiating a model of “partner supplemented R&D”

which have all worked to....

- extend the runway into 2018
- and this is now being further supplemented by the
- improved revenue margin through reduction in COGs for TPM® and Vital ET®

Moving into the future our focus will continue to:

- move our R&D efforts into areas where Proof of Concept can be achieved with less time and resources – a good first step is TPM® injectables
- Sort our legacy partnerships freeing runway for improved returns and broad global deals
- Protect and strengthen our intellectual property
- Ensure our R&D targets are relevant and partnered or imminently “partnerable”
- Ensure the work we do provides usable, comprehensive data that convince partners

I feel confident that these improvements put the business in a better place to deliver shareholder value over the next 12-18 months than it has been for many years.

Question 2: What is going on with the Mylan Arbitration?

POH/Mylan Arbitration Timeline

- Arbitration is a Confidential process
- Phosphagenics can only provide material information to the market, in accordance with its ASX continuous disclosure obligations.



"...If Phosphagenics was to succeed on all aspects of all its claims, the maximum total damages assessed by Phosphagenics' independent experts is approximately US\$300.4m...."

Before I begin discussing anything about the Arbitration, I would like to stress that the Arbitration is a confidential proceedings and we are only at liberty to disclose information when, and if, it becomes a requirement under the ASX disclosure rules. We take the confidentiality of this procedure very seriously and despite many requests from shareholders to the contrary, this will remain our position through to any outcome – whether it be a decision by the Arbitrator or settlement.

As I am sure you have seen by now, we have put out two further pieces of information related to the Mylan Arbitration over the past week:

- A timetable of events (as part of the shareholder newsletter) and
- An ASX announcement around the formal submission of Expert witness statements confirming the quantum of damages claims.

In line with the timetable set for the Arbitration, late last week we submitted external witness statements. We have now submitted both our expert and factual written evidence. This disclosure trigger "at last" allowed shareholders to quantify the previous released comments stating "the potential for substantial quantum". But it is important to note that there is no guarantee or certainty of the Arbitration outcome, and this action could settle or resolve for considerably less or even zero.

The next stage of the Arbitration involves Mylan filing "reply Independent Expert evidence". A Pre-Evidentiary Hearing where the two parties' experts meet and debate assumptions is presently scheduled for September/October 2017. If you are interested in a more complete outline of the expected timetable please look at the timetable published in the company's shareholder update lodged with the ASX on 26 May 2017

I would like to leave this topic assuring you that both Management and the Board remain convinced in the merits of pursuing this Arbitration on behalf of the Company and its shareholders.

Question 3: What is happening with the Terumo deal and what should shareholders be looking forward to in the next 6-12 months?

There are several key events that I had hoped we could have announced prior to the AGM but unfortunately, although progressing well, these have been just taking a little longer to complete. One thing I would like to make clear - while it is always tempting to push for an early result so as to meet some deadline, I want shareholders to understand that I will never do this if it leads to a substandard agreement or puts the agreement at risk.

Key points of interest moving forward

- The Mylan Arbitration
- The Terumo TPM[®]/Oxymorphone patch development deal
- The sale of BioElixia[®]
- Our cash position and funding

As we move forward in 2017, the four points I see as of most interest to the shareholders I have met recently are:

- The Mylan Arbitration
- Our cash position and funding
- The Terumo TPM[®]/Oxymorphone patch development deal
- The sale of BioElixia[®]

I have already dealt with the Arbitration previously so let me briefly address the others.

Let me start with our cash position. It has raised a number of questions since the release of our financials in February. Despite having extended the runway considerably since joining Phosphagenics, at the end of 2016 we had approx. \$6M in cash and just over \$2.4M in receivables due from the R&D Tax incentive. We project that with this we have cash into March 2018. To ensure we continue a strong financial position however we believe will need to inject capital into the company at some stage and are looking at all options including third party funding, partnerships, capital raising etc and will keep shareholders fully informed.

We are very excited with the progress we have made over the last 12 months to build our relationship with a significant Japanese Healthcare company - Terumo. In previous roles I have completed several Japanese deals and understand that these can take considerable time - longer than deals with US based companies. But that in the long run the investment is worth it, as Japanese companies make excellent long term partners. It is not unusual for these deals to take upward of 18 or more months to complete. We are obviously still well within this timeframe and have already built a strong mutually beneficial relationship that spans three R&D projects including the development of a TPM[®] enhanced version of Propofol (one of the world's leading anaesthetic agents).

We are now actively negotiating the fourth - an agreement to develop and commercialise our TPM®/Oxymorphone patch. I am pleased to say that, having signed a draft term sheet in January, the negotiations are progressing well and we are hopeful that we will be in a position to announce something in the very near future.

In parallel with initiating Due Diligence on the Oxymorphone patch, Terumo also indicated interest in the Oxycodone patch. Their exclusivity on due diligence expired several months ago but we have not as yet received a formal decision from them on this asset. Whilst I would like to think that Terumo may want to take on a fifth project, at present I cannot give any assurances of this and I see that the level of focus they are applying to the others may preclude this. On a positive note we do have other parties that have shown preliminary interest in this although these are early.

In addition to TPM®/Propofol development with Terumo I would quickly like to mention that we have a number of other injectables that are under formulation development. We will be moving these forward over the next few months and hope to be able to bring more information on these to the market over 2017.

As you will have noted, late last year we had a successful resolution to an Arbitration with ProPhase which had entangled our BioElixia® brand and prevented its sale. The resolution of this Arbitration returned global OTC TPM® rights to Phosphagenics and freed us to sell the BioElixia® brand which had effectively laid dormant for almost two years by that time. We have had several suitors interested in the brand and are at present well advanced in discussions and negotiation around the sale. I had hoped that we could have had a new partner taking the brand forward by this AGM but this is taking just a little more time to finalise.

In conclusion, as I have said we have a number of simultaneous business development discussions ongoing, right at this moment, and hope to be able to add to the number of partnerships over the next 12-24 months. We believe that this, combined with our internal and partnered R&D effort, will provide a strong news flow over the remainder of 2017.

So ... again thank you for your patience. I realise this was a long presentation but let me reiterate that we have made a lot of progress this year. I believe that we have a rejuvenated Company and as I said at the conclusion of my previous addresses: It remains my commitment to do all I can to regain the value that has disappeared from shareholders over the past few years and then build from there.

Thank you.

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About Phosphagenics

Phosphagenics Limited is focused on developing and commercialising innovative Human Health, Animal Health and Personal Care products using its proprietary drug delivery system called TPM[®] (Targeted Penetration Matrix). TPM[®] is derived from Vitamin E using a unique, proprietary and patented process and has been proven to enhance the solubility and oral, dermal and transdermal absorption of drugs and nutrients.

Amongst its major projects, Phosphagenics' is developing TPM[®] enhanced patches, gels and injectable products for the human health market and is also developing TPM[®] to enhance the feed efficiency and health of livestock.

Phosphagenics' shares are listed on the Australian Securities Exchange (POH) and its ADR – Level 1 program in the US is with The Bank of New York Mellon (PPGNY).

Inherent Risks of Investment in Biotechnology Companies

There are a number of inherent risks associated with the development of pharmaceutical products to a marketable stage. The lengthy clinical trial process is designed to assess the safety and efficacy of a drug prior to commercialisation and a significant proportion of drugs fail one or both of these criteria. Other risks include uncertainty of patent protection and proprietary rights, whether patent applications and issued patents will offer adequate protection to enable product development, the obtaining of necessary drug regulatory authority approvals and difficulties caused by the rapid advancements in technology.

Forward-looking Statements

Certain statements in this announcement may contain forward-looking statements regarding company business and the therapeutic and commercial potential of its technologies and products in development. Any statement describing company goals, expectations, intentions or beliefs is a forward-looking statement and should be considered an at-risk statement. Such statements are subject to certain risks and uncertainties, particularly those risks or uncertainties inherent in the process of developing technology and in the process of discovering, developing and commercialising drugs that can be proven to be safe and effective for use as human therapeutics, and in the endeavour of building a business around such products and services.

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