



ASX Limited
Market Announcements Office

Phosphagenics Market Update

Board recommends Return of Capital to shareholders from any net return of Mylan arbitration

1 September 2017, Melbourne: Australian drug delivery company, Phosphagenics Limited (ASX: POH; OTCQX: PPGNY), announced today that its Board of Directors has agreed that in the event Phosphagenics is successful in its ongoing arbitration with Mylan and receives a material payment from Mylan, it will seek to recommend that a return of capital be made to shareholders of any cash proceeds received (after legal costs). At present, the intention is that any potential quantum would be calculated using the following equation: 30% of net cash proceeds below AU\$50M plus 50% of cash proceeds received between AU\$50M and AU\$100M plus 70% of cash proceeds received above AU\$100M. The proposal will be subject to shareholder approval after any award is announced and received.

In 2011/12 Phosphagenics signed agreements with Agila Specialties Private Ltd to develop and market Phosphagenics' TPM[®]/Daptomycin injectable. In 2013 Strides Shasun sold Agila Specialties Private Ltd, together with the agreements, to Mylan. Phosphagenics filed arbitration documents in 2016 asserting that both Agila and Mylan breached the agreements. Phosphagenics' independent experts believe maximum total damages could approach US\$300M. The arbitration hearing is to be conducted in Singapore in October/November 2017, with a decision anticipated in the first half of 2018.

Further background to the Board's recommendation is included in the updated corporate non-confidential presentation released to the market as part of this announcement and also available on the Phosphagenics website.

Dr Ross Murdoch, CEO of Phosphagenics, said, "2017 has been a busy year for Phosphagenics, culminating in our recent successful announcements around the sale of our BioElixia[®] brand and signing of the Development Agreement supporting our TPM[®]/Oxymorphone Patch. It has now become clear that shareholders have begun to focus on the potential outcomes of the Mylan arbitration. We believe it is very important that Management and the Board strike a reasonable balance with any positive arbitration award, keeping enough in the Company to ensure ongoing support of operations and short to medium term goals, while also looking for an opportunity to return funds to shareholders who have ultimately carried the risk and cost of this action."

Dr Greg Collier, Chairman of Phosphagenics, said, "While there are no guarantees that any award will be received, as a Board we believe the time is right to ensure in the minds of shareholders, and the market, that our intention is to seek an opportunity to return a meaningful amount to shareholders, if we are in a position to do so after any successful award."

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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.

www.phosphagenics.com