



September 2017

Entitlement Offer Presentation

TPM[®] : World leading delivery technology

www.phosphagenics.com
(ASX : POH)



Cautionary statements

Nature of this document

This presentation has been prepared by Phosphagenics Limited (**Phosphagenics, POH or Company**) in relation to a proposed partially underwritten, pro rata non-renounceable entitlement offer (**Entitlement Offer**) of new shares to be made under section 708AA of the *Corporations Act 2001* (Cth) (**Corporations Act**) (as modified by ASIC Corporations Instrument 2016/84). The Entitlement Offer will be made to eligible shareholders of Phosphagenics.

Not an offer

This presentation is not a prospectus, product disclosure statement or other offering document under Australian law (and will not be lodged with ASIC) or any other law and does not contain all the material information which a prospective investor may require in evaluating a possible investment in Phosphagenics. This presentation is for information purposes only and is not an invitation or offer of securities for subscription, purchase or sale in any jurisdiction. Any decision to purchase new shares must be made on the basis of each investor's own investigations and inquiries into the Company on the basis of the information to be contained in the Entitlement Offer booklet to be prepared and issued to eligible investors and a review of Phosphagenics' other periodic and continuous disclosure announcements lodged with the ASX, which are available at www.asx.com.au.

The offer booklet for the Entitlement Offer will be available following its lodgement with ASX. Any eligible shareholder who wishes to participate in the Entitlement Offer should consider the offer booklet and Phosphagenics' other periodic and continuous disclosure announcements in deciding to apply for new shares under that offer. Any eligible shareholders of Phosphagenics with a registered address in Australia or New Zealand, or Singapore or Hong Kong to the extent Phosphagenics can make the offer in those jurisdictions in accordance with applicable securities laws, who wish to apply for new shares under the Entitlement Offer will need to apply in accordance with the instructions contained in the Entitlement Offer booklet and the entitlement and application form.

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Cautionary statements (cont.)

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Determination of eligibility of shareholders for the of the Entitlement Offer is determined by reference to a number of matters, including legal and regulatory requirements, logistical and registry constraints and the discretion of Phosphagenics. Phosphagenics disclaims any duty or liability (including for negligence) in respect of that determination and the exercise or otherwise of that discretion, to the maximum extent permitted by law.



Cautionary statements (cont.)

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This document may contain forward-looking statements. Forward looking statements are only predictions and are subject to risks, uncertainties and assumptions which include (but are not limited to) commodity prices, currency fluctuations, economic and financial market conditions in various countries and regions, environmental risks and legislative, fiscal or regulatory developments, political risks, project delay or advancement, approvals and cost estimates.

These statements relate to, but are not limited to: (1) the safety or efficacy of, or potential applications for, Phosphagenics' TPM® 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 and capital requirements; (6) the outcome of the Mylan arbitration.

The forward looking statements contained in this document are not guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of the Company, its directors and management, and may involve significant elements of subjective judgment and assumptions as to future events which may or may not be correct. Refer to the Key Risks section of this document for a summary of certain general and Company specific risk factors that may affect Phosphagenics. There can be no assurance that actual outcomes will not differ materially from these forward looking statements. A number of important factors could cause actual results or performance to differ materially from the forward looking statements, including the risk factors set out in this document. Investors should consider the forward looking statements contained in this document in light of those disclosures. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this document. Any forward looking statement in this document is valid only at the date of issue of this document. Subject to any continuing obligations under applicable law and the ASX Listing Rules, or any other listing rules or financial regulators' rules, the Company, its subsidiaries and the Company's personnel do not undertake any obligation to update or revise any information or any of the forward looking statements in this document if events, conditions or circumstances change or that unexpected occurrences happen to affect such a statement. Sentences and phrases are forward looking statements when they include any tense from present to future or similar inflection words, such as (but not limited to) "believe," "estimate," "anticipate," "plan," "predict," "may," "hope," "can," "will," "should," "expect," "intend," "is designed to," "with the intent," "potential," the negative of these words or such other variations thereon or comparable terminology, may indicate forward looking statements.

Past performance

Past performance information given in this presentation is given for illustrative purposes only and should not be relied upon as (and is not) an indication of the Company's views on its future financial performance or condition. Investors should note that past performance, including past share price performance, of Phosphagenics, cannot be relied upon as an indicator of (and provides no guidance as to) future Company performance including future share price performance

Investment Risk

An investment in the Company's shares is subject to investment and other known and unknown risks, some of which are beyond the control of the Company. Phosphagenics does not guarantee any particular rate of return or the performance of the Company, nor does it guarantee the repayment of capital from the Company or any particular tax treatment. Persons should read the Key Risks section of this document for a non-exhaustive summary of the key issues that may affect the Company and its financial and operating performance.



Entitlement Offer overview

Offer Size & Structure	<ul style="list-style-type: none">Entitlement Offer to raise up to approximately A\$4.7 million by way of a partially underwritten, 1 for 4 pro-rata non-renounceable entitlement offer to existing shareholders (Entitlement Offer)Up to 315,491,490 new POH shares (New Shares) to be issued (subject to rounding of fractional entitlements)Applicants who take up their full entitlement under the Entitlement Offer will be able to apply for additional New Shares under a shortfall facility¹
Offer Pricing	<ul style="list-style-type: none">Offer price of A\$0.015 per New Share, represents a (based on the last traded price on confirm):<ul style="list-style-type: none">14% discount to TERP² of A\$0.0174;17% discount to the last traded price of A\$0.018; and21% discount to the 5 day VWAP of A\$0.019
Use of proceeds	<ul style="list-style-type: none">The net proceeds raised from the Entitlement Offer will provide funds for Phosphagenics to progress the Mylan arbitration as well as continue the development and partnership of the TPM Opioid Patches, the TPM Injectable Portfolio, the TPM Animal Health opportunities and cash on hand for working capital and other purposes, and fund the costs of the Entitlement Offer
Timing	<ul style="list-style-type: none">Entitlement Offer to open on 3 October 2017 and close on 12 October 2017
Ranking	<ul style="list-style-type: none">New Shares issued under the Entitlement Offer will rank equally with existing shares on issue
Pre-commitments	<ul style="list-style-type: none">A number of existing shareholders have pre-committed to take up some or all of the entitlements amounting to approximately \$567,000A number of shareholders have agreed to partially underwrite the Entitlement Offer to the amount of approximately \$980,000. In particular, Australian-based directors Greg Collier, David Segal and Ross Murdoch (or their related entities) have underwritten the Entitlement Offer to the value of \$30,000, \$30,000 and \$25,000 respectively. The director underwriters have waived their entitlement to an underwriting fee (5.0% for non-director underwriters).
Partial underwriting	

1. The Entitlement Offer will include a shortfall facility, under which Eligible Shareholders who take up their full Entitlement will be able to apply for additional Shares (subject to a cap) in the Entitlement Offer from a pool of New Shares made up of those not taken up by other Eligible Shareholders or by shareholders that are ineligible to participate in the Entitlement Offer. There is no guarantee that applicants under this shortfall facility will receive all or any of the New Shares they apply for under the shortfall facility.

5 2. The Theoretical Ex-Rights Price (**TERP**) is the theoretical price at which POH shares should trade immediately after the ex-date for the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which shares trade immediately after the ex-date for the Entitlement Offer will depend on many factors and may not equate to TERP.



Sources and uses of funds - \$4.7m cash raised

This table displays the intended use of funds if the maximum of \$4.7m is raised

Sources	\$m	Uses	\$m
Cash balance at 31 August 2017	3.024	Mylan arbitration	1.7
R&D rebate	1.195	Continue the development and partnership of the TPM Opioid Patches	2.4
Cash raised from Entitlement Offer	4.7	TPM Injectable portfolio	0.3
		TPM Animal Health opportunities	0.7
		Costs of the Entitlement Offer	0.15
		Cash on hand for working capital and other purposes	3.669
Total sources of funds	8.919	Total uses of funds	8.919



Sources and uses of funds - \$3m cash raised

This table displays intended use of funds if \$3m is raised (approximately 60% of the offer)¹

Sources	\$m	Uses	\$m
Cash balance at 31 August 2017	3.024	Mylan arbitration	1.7
R&D rebate	1.195	Continue the development and partnership of the TPM Opioid Patches	2.4
Cash raised from Entitlement Offer	3.0	TPM Injectable portfolio	0.3
		TPM Animal Health opportunities	0.7
		Costs of the Entitlement Offer	0.15
		Cash on hand for working capital and other purposes	1.969
Total sources of funds	7.219	Total uses of funds	7.219

¹ The actual amount raised will depend on shareholder participation in the entitlement offer. The Company has received pre-commitments and agreed partial underwriting that represents \$1.547 million in total.

Entitlement Offer Timetable

	Date (AEST ¹ unless otherwise stated)
Announcement of Entitlement Offer	Tuesday, 26 September 2017
POH Shares begin to trade on an “ex-entitlement” basis	Friday, 29 September 2017
Record Date for determining Eligible Shareholders under the Entitlement Offer	Monday, 2 October 2017
Entitlement Offer opens and Entitlement Offer Booklets despatched	Tuesday, 3 October 2017
Entitlement Offer closes	Thursday, 12 October 2017
Allotment of New Shares issued under the Entitlement Offer	Thursday, 19 October 2017
Despatch of holding statements and normal trading of New Shares issued under Entitlement Offer	Friday, 20 October 2017

Note: The above timetable is indicative only and subject to variation. POH reserves the right to alter the timetable at their discretion and without notice, subject to ASX Listing Rules

1. AEST refers to Australian Eastern Standard Time



Post entitlement issue capital structure

	Pre Raising	Post Raising (assuming \$4.7m is raised)	Post Raising (assuming \$3m is raised)
Shares	1.261 Billion	1.577 Billion	1.461 Billion
Cash and R&D rebate	\$4.219M (August 2017)	\$8.919M	\$7.219M
Market Cap (at \$0.018)	\$22.7M	\$28.4M	\$26.3M



Risks of Rights Issue

Mylan arbitration

The Mylan arbitration remains a substantial focus for Phosphagenics in 2017. Both the TPM[®]/ Daptomycin product itself, and the damages Phosphagenics is seeking, represent significant value potential for the company and contribute to the ongoing protection of the company's Intellectual Property.

It was announced in May 2017 that Phosphagenics had filed its expert report in respect of the Mylan Arbitration which included an independent expert assessment of the damages claimed. If Phosphagenics was to succeed on all aspects of all its claims, the maximum total damages assessed by Phosphagenics' independent experts is approximately US\$300.4 million. This is the aggregate amount in respect of the individual claims arising from the multiple causes of action, each of which carries its own probability of success with the arbitrator (the Singapore International Arbitration Centre).

It should be noted however that it is likely Mylan will challenge the assumptions which underlie the calculation of this claimed quantum and will continue to contend that it is not otherwise liable in respect of the various claims. Therefore, there can be no assurances as to the outcome of the Arbitration proceedings.

The arbitration remains on schedule for hearing in October/November 2017. In the meantime, Phosphagenics may also consider settlement discussions with Mylan, which would take into account various commercial considerations and risks to the company. If Phosphagenics is awarded damages and Mylan does not make payment, Phosphagenics will be required to undertake further proceedings.

Arbitration by its nature is uncertain and while Phosphagenics has commenced the action, the outcome of the Mylan arbitration may not be known for some time and may ultimately not be successful. If the arbitration against Mylan is unsuccessful, Phosphagenics may be ordered to pay costs.

Revenue value

The revenue for the first half of 2017 was largely made up of the payment received from Terumo Corporation in exchange for exclusive negotiation rights in respect of the TPM[®]/Oxymorphone patch in the Japanese market. Under the terms of the non-binding term sheet, Phosphagenics received a non-refundable payment of 35 million JPY (approximately A\$400,000) associated with the signing of the term sheet, in exchange for granting exclusive negotiation rights to Terumo.

Decline of sales of key product

Production & Personal Care revenue declined significantly in the first half of 2017 as sales of key product VitaIET[®] declined substantially due to inventory overstocking by global distribution Ashland in prior periods.

Uncertainty of market acceptance of Phosphagenics' products

Sales and growth in sales of Phosphagenics' products depends on the level of acceptance by medical practitioners and pharmaceutical companies. While the company has continued to make sales in the research market, market penetration among clinical specialists is in a much earlier phase and the company has not yet penetrated the primary care market.



Risks of Rights Issue

Healthcare funding and reimbursement

Level of market acceptance of the company's products is dependent to some degree on levels of reimbursement from governments and private health insurers for the use of the company's products. If the level of expected funding is not received, there may be less take up in the market due to higher costs.

Reduced R&D tax incentive

The Australian government may change the current R&D legislative regime and reduce the incentive.

Clinical Development

There are inherent risks involved with the development of pharmaceutical products including failure to achieve safety and/or efficacy end points in clinical trials. Phosphagenics cannot guarantee that its research and development activities will lead to the development and successful commercialisation of its products.

Regulatory Risks

As with any company involved in developing pharmaceutical products, Phosphagenics must comply with the regulatory framework in any country in which it intends to market its products.

To obtain regulatory approval for the commercial sale of its products, Phosphagenics must prove that its products are both safe and effective for use in each proposed indication. There can be no guarantees that regulatory approval to sell future products will be obtained in a reasonable timeframe or at all.

International markets

Phosphagenics operates across a number of jurisdictions and therefore there are certain risks inherent in operating internationally such as unexpected changes and regulatory requirements, fluctuations and currency exchange rates, technology export and import restrictions or prohibitions, fees or reductions in business, political instability, war and other economic or political risks. Such events could adversely affect the ability of the company to grow internationally.



Risks of Rights Issue

Reliance on Partners and Commercial Agreements

Phosphagenics relies on its partnership with Terumo Corporation and has recently signed an Oxymorphone Development Agreement with Terumo Corporation. However, negotiations in relation to a definitive sale or licensing agreement continue and Phosphagenics may not be able to negotiate such an agreement on favourable terms or at all.

Competing products

Phosphagenics is aware of several other companies seeking to develop similar products. As such, products may be brought to market which are safer, more effective and/or more cost effective.

Third party contractors

Phosphagenics relies on third parties such as contract research organisations, to conduct clinical trials. If these contractors do not fulfil their duties in a timely fashion, or with appropriate skill, Phosphagenics may not receive regulatory approvals for, or be able to commercialise, their products.

Funding

The proposed application of funds set out in this information booklet is based on estimates and assumptions about certain events and circumstances (including the Mylan arbitration) which have not yet taken place, and are therefore subject to variation and possible non fulfilment. There can be no assurances as to the accuracy of estimated expenditure or funding needs described in this presentation. If this offer is not fully subscribed, and in the absence of other sources of funding on a timely basis, then Phosphagenics may not be able to fund all activities.

Dependence on key personnel

The operations and future success of Phosphagenics will depend upon the efforts and abilities of its key executives. The loss of any of these people's services could adversely affect Phosphagenics.

Future capital needs

It may be necessary for Phosphagenics to raise additional funds in order to undertake further product development or fund other needs which arise. There is no assurance that such funding will be available to Phosphagenics in the future or that it will be available on acceptable terms.



International offer restrictions

This document does not constitute an offer of new ordinary shares ("New Shares") of the Company in any jurisdiction in which it would be unlawful. In particular, this document may not be distributed to any person, and the New Shares may not be offered or sold, in any country outside Australia except to the extent permitted below.

Hong Kong

WARNING: This document has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (the "SFO"). No action has been taken in Hong Kong to authorise or register this document or to permit the distribution of this document or any documents issued in connection with it. Accordingly, the New Shares have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO). No advertisement, invitation or document relating to the New Shares has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to New Shares that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted New Shares may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

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New Zealand

This document has not been registered, filed with or approved by any New Zealand regulatory authority under the Financial Markets Conduct Act 2013 (the "FMC Act"). The New Shares are not being offered to the public within New Zealand other than to existing shareholders of the Company with registered addresses in New Zealand to whom the offer of these securities is being made in reliance on the FMC Act and the Financial Markets Conduct (Incidental Offers) Exemption Notice 2016.

Other than in the entitlement offer, the New Shares may only be offered or sold in New Zealand (or allotted with a view to being offered for sale in New Zealand) to a person who:

- is an investment business within the meaning of clause 37 of Schedule 1 of the FMC Act;
- meets the investment activity criteria specified in clause 38 of Schedule 1 of the FMC Act;
- is large within the meaning of clause 39 of Schedule 1 of the FMC Act;
- is a government agency within the meaning of clause 40 of Schedule 1 of the FMC Act; or
- is an eligible investor within the meaning of clause 41 of Schedule 1 of the FMC Act.

Singapore

This document and any other materials relating to the New Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of New Shares, may not be issued, circulated or distributed, nor may the New Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the New Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire New Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

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