



PHOSPHAGENICS

31 May 2010

**THE MANAGER
COMPANY ANNOUNCEMENTS OFFICE
ASX LIMITED**

Dear Sirs

**re : PHOSPHAGENICS LIMITED
Annual General Meeting**

Attached for release to the market is a copy of each of the addresses to be given to members at today's Annual General Meeting by the Chairman, Associate Professor Andrew Vizard and the Joint CEO, Dr Esra Ogru.

Yours faithfully
Phosphagenics Limited

Mourice R Garbutt
Company Secretary
poh\asx\2010 agm alv address 31 05 10

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 its 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

Phosphagenics Limited

ACN 056 482 403 ABN 32 056 482 403

11 Duerdin Street, Clayton Victoria 3168 Australia

Telephone: +61 3 9565 1119 Facsimile: +61 3 9565 1151

Web : www.phosphagenics.com Email: info@phosphagenics.com



CHAIRMAN'S ADDRESS TO SHAREHOLDERS

AGM – 31 May 2010

2009 was a year in which Phosphagenics achieved many of its goals.

At last year's Annual General Meeting, you may remember that I gave firm guidelines on our plans for 2009.

The guidelines I provided were as follows:

During 2009 we would focus our product pipeline on the following basis:

1. Systemic delivery of pharmaceutical drugs using TPM™;
 - Complete a Phase 1 clinical study investigating topical oxycodone
 - Complete the optimisation of our insulin formulation
2. Localised delivery of drugs using TPM™;
 - Complete a Phase 2 clinical study for lidocaine
3. Personal care;
 - Accelerate our personal care product development
4. Collaborative research and development projects with third parties.
 - Plan to enter into arrangements to develop new products or develop their New Chemical Entities

And finally, at the appropriate time, we would pursue licensing arrangements for all of the products under development;

I will now provide an overview of your Company's performance in 2009 against those guidelines.

Firstly,

Systemic delivery of pharmaceutical drugs using TPM™

In 2009, Phosphagenics moved closer to its goal to become the first company in the world to deliver oxycodone and insulin transdermally in a painless, user-friendly manner.

Our aims at the start of the year were to complete a Phase 1 study investigating transdermal oxycodone and to complete the optimisation of our transdermal insulin product, both of which were achieved.

Progress with transdermal oxycodone was particularly encouraging, with a number of important milestones being reached - culminating at the end of the year with results from a Phase 1b human trial, which demonstrated that daily application of the TPM™ oxycodone matrix patch delivered therapeutic levels of oxycodone into the bloodstream in a reproducible, consistent and sustained manner.

We aim to return to the clinic with our transdermal oxycodone patch very soon.

Our transdermal insulin project also met its target.

By the end of 2009, Phosphagenics had completed all its pre-clinical insulin trials, with the newly developed TPM™ insulin patch and improved formulation showing superior results.

Finding an alternative way to deliver insulin into the bloodstreams of diabetic patients without the use of injections is one of the absolute 'Holy Grails' of the pharmaceutical industry and planning for the return to human trials is now underway.

Localised delivery of drugs using TPM™

At last years AGM I announced that we aimed to complete a Phase 2 study of localised delivery of TPM/lidocaine.

Subsequently, however, the Company decided to defer the lidocaine program in favour of developing another product that appeared potentially superior - TPM/diclofenac.

Diclofenac is one of the leading products of a class of drugs known as 'non-steroid anti-inflammatory drugs' with global sales exceeding US\$1.2 billion. Diclofenac is used to reduce inflammation and pain associated with inflammation of tendons or joints (tendonitis or arthritis) and acute injuries.

In late 2009, Phosphagenics successfully completed a Phase 1b Clinical Trial that demonstrated increased delivery of TPM/diclofenac when compared to the current market-leading product.

Following these exciting results, the study design and relevant documentation for a Phase 2 efficacy study in humans were subsequently completed. However, in December 2009, the US FDA announced it would require a warning on packaging of a recently registered topically applied diclofenac. Phosphagenics is seeking expert regulatory advice to assess whether these recent changes will affect our program and commercialisation strategies for this product.

Personal care products

The goal we announced this time last year was to accelerate our personal care product line, with the aim of having cosmetic products onto the shelves by the start of 2010.

.From a financial perspective, as well as being potentially highly lucrative, cosmetics and cosmeceuticals are attractive to Phosphagenics because products can be commercialised more quickly at less cost and risk.

How did we perform? I think it would be fair to say that we more than met our targets.

In July 2009, we granted a license to the New York-based luxury beauty company, Le Métier de Beauté, to manufacture and sell cosmetic products using TPM™ technology, with profits divided between both parties. The initial two high-end products were successfully launched in November in prestigious Neiman Marcus and Bergdorf Goodman retail stores. Further additions to the product range are now being explored. Although revenues are not expected to be significant initially, this arrangement allows us to enter into the profitable personal care market without any financial exposure whilst maintaining substantial financial upside.

In February of this year we signed an agreement appointing Pulse Pharmacies as our exclusive Australia-wide distributor of Phosphagenics' new Elixia™ skincare product range. Elixia was launched nationally in March and products are now on the shelves of more than 70 Pulse Pharmacies, Vitamin Me and Roy Young stores, as well as online.

Finally, the Company also signed a collaborative research and option agreement with Metabolic Pharmaceuticals Limited, in which Phosphagenics may elect to license Metabolic's patented compound AOD9604 for use as a cosmeceutical product aimed at reducing cellulite and subcutaneous fat. A potential 'blockbuster' product. Should the research prove to be successful, we expect that a fat reduction cream could be launched within a year.

Collaborative research and development projects with third parties

Because of the unique attributes of the TPM™ delivery platform, Phosphagenics is often approached by third parties interested in using TPM™ to enhance the delivery of their products. When strategically appropriate, Phosphagenics will enter into contracts to assess TPM™ based formulations with third parties, especially when the full costs of the research is funded by the third party and when there is a potential for substantial economic benefits to Phosphagenics should the projects succeed.

In February this year, we entered into a research and option agreement with the global specialty biopharmaceutical company CSL Limited. The collaboration focuses on evaluating Phosphagenics' proprietary TPM™ technology to deliver a number of CSL's large protein-based products. Transdermal delivery of these products is extremely challenging and will represent a world first if successful. During 2010 CSL will assess whether results justify continuing the program to the next phase of development.

Similarly, in March we signed a global agreement with Novartis Animal Health, a business unit within the global Novartis Group, to develop an insulin delivery system for the treatment of diabetes in companion animals.

Novartis will pay the costs of developing the insulin product, and should it elect to pursue the formulations resulting from the collaboration, Phosphagenics will receive an initial payment, milestone payments and royalties.

We believe this agreement opens new opportunities for Phosphagenics in the veterinary market as well as providing strong support to our human transdermal insulin program.

Licensing

The final goal that we set for Phosphagenics this time last year was, at the appropriate time, we would pursue licensing arrangements for any of the products under development.

An example of such an arrangement was announced in March of this year, when Phosphagenics and the NASDAQ-listed ProPhase Corporation (formally called Quigley Corporation) formed a strategic joint venture, called Phusion Laboratories, to develop a wide range of over the counter (OTC) remedies for worldwide distribution and sale.

In this arrangement, Phusion was granted a worldwide, exclusive, royalty-free license to the TPM™ technology for use in OTC products.

From Phosphagenics' perspective, the arrangement provides a dedicated pathway for the commercialisation of our OTC products, enables Phosphagenics to keep complete exposure to the up-side potential of any product that is developed, whilst harnessing ProPhases' considerable experience in distribution, sales and marketing of OTC products. Additionally, ProPhase made a one time payment to Phosphagenics of US\$1 million and issued to Phosphagenics 1.44 million shares in ProPhase stock (valued at about \$3.2 million). ProPhase also contributed US\$500,000 of initial capital and committed up to US\$2 million to initial development and marketing costs of new products.

Product identification and development by Phusion is now under way.

Finance and people

I will now make a few short comments about Phosphagenics' financial position and our people.

Your Directors are committed to maintain Phosphagenics in a strong cash position.

We opened 2009 with \$12.9 million in cash and then, in October, raised \$7 million by way of a fully underwritten share purchase plan offered to all shareholders. This helped us finish the year with \$10.9 million in cash, sufficient to support an aggressive program of commercialisation.

In line with our increased commercial focus, a Business Analyst, a Marketing Manager for Personal Care and an IP Attorney (part-time) were appointed.

The consolidation of all our staff at our new premises at Clayton was successfully completed during 2009.

It is also pleasing to report some internal appointments and the progression of several of our key staff. Dr Esra Ogru, previously leading our research and development, was appointed Chief Operating Officer, and then appointed as joint CEO, Dr Paul Gavin was promoted to Vice President, Research and Development, Dr Roskan Libinaki was promoted to Vice President Research and Development, Nutraceuticals and Dr Divyang Butala was recently promoted to Vice President, Bioanalytical and CMC. My congratulations to them all.

Finally, as you are aware I am retiring as a Director at the end of this AGM – after 9 years as Chairman of the Company.

During that period we have seen the transformation of the Company from a small investment vehicle to one of Australia's larger biotechnology companies.

We have grown, even through difficult global economic circumstances.

Our Australian-developed intellectual property has successfully moved from concepts on paper, through test tube studies, past animal studies and is now progressing through rigorous human clinical trials.

Our focus has swung from basic science discoveries to commercially-driven product development programs. Large multi-national pharmaceutical companies now actively seek collaborative arrangements with us.

We have matured, and the retirement of the founding chair is just another sign of that maturity.

I leave the Company satisfied that all the elements required to increase shareholder value are in place: skilled innovative researchers, quality management, secure intellectual property and a high-value R&D pipeline that will support the establishment of numerous global commercial opportunities.

I take this opportunity, on behalf of the board, to thank all staff at Phosphagenics, who have been the driving force that secured the future of your Company.

As announced in April, Jon Addison will assume the role of Chairman of the Board of Directors at the conclusion of this meeting. I am pleased to take this opportunity to formally introduce Jon to the meeting as the incoming Chairman.

I now ask Dr Esra Ogru, your joint CEO, to speak.



PHOSPHAGENICS

**May 2010
Annual General
Meeting**

Delivering More...

Through Innovation in Transdermal Delivery

Safe Harbor

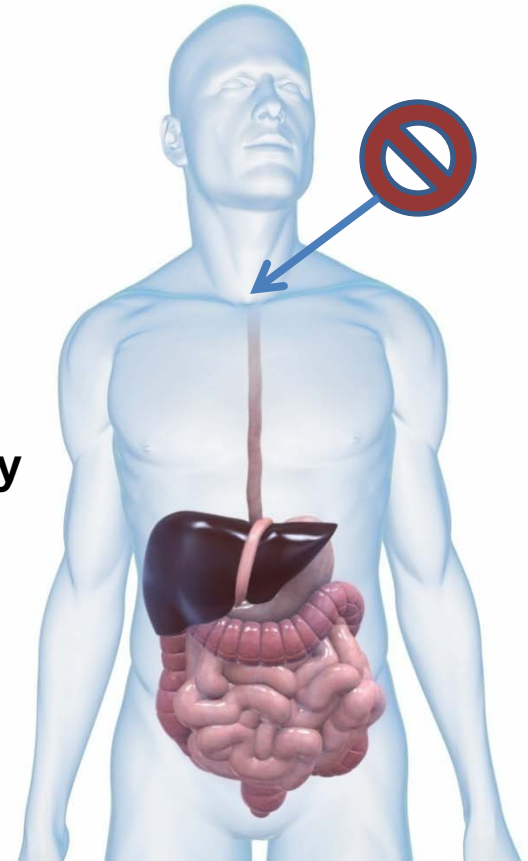
This presentation contains forward-looking statements based on current expectations of future events. If underlying assumptions prove inaccurate or unknown risks or uncertainties materialise, actual results could vary materially from the Phosphagenics' expectations and projections. Risks and uncertainties 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.

Transdermal Benefits

For the patient:

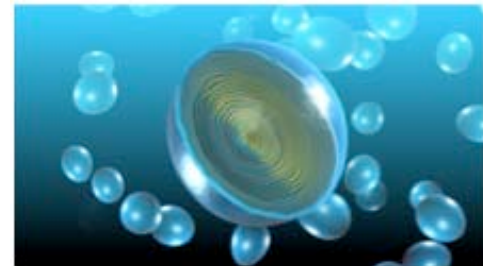
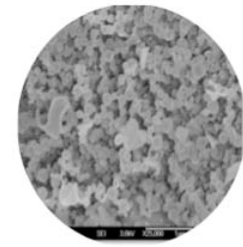
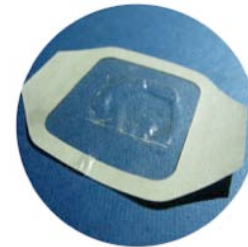
- Eliminate first pass metabolism
- Provide steady delivery/blood levels
- Increase compliance/convenience
- Reduce systemic drug interactions
- **Growing MARKETS**

**Versus
Oral
Delivery**

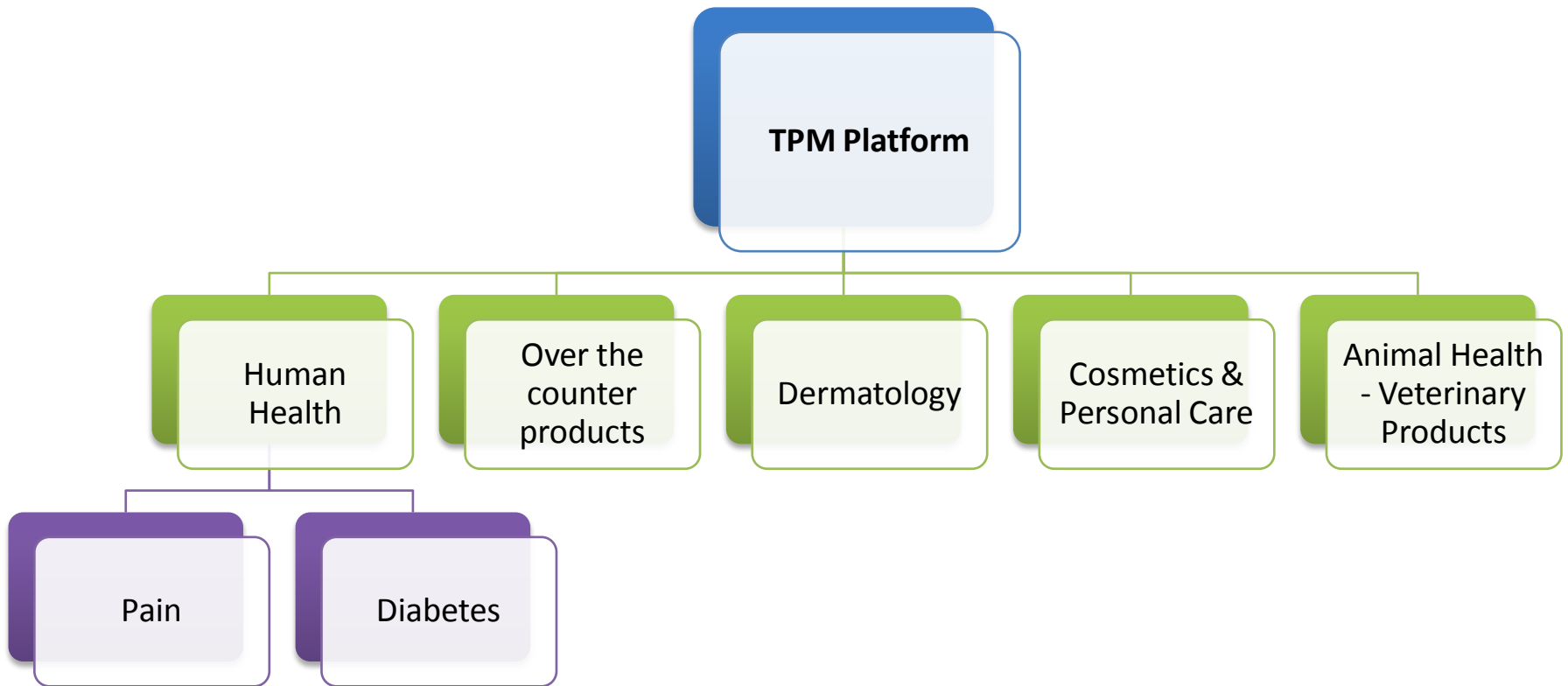


TPM Delivery System

- TPM™ is a clinically-proven, first in class penetration enhancer
 - Able to deliver small and large molecules ✓
 - Non- irritation & non-invasive ✓
 - Versatile (patch, gel, emulsion...) ✓
 - Targeted/controlled delivery ✓
 - Systemic
 - Dermal



Validated Technology



Accomplishments since last AGM

- **TPM/oxycodone**
 - Developed successful patch systems
 - Completed a successful RIPT study and phase 1B study
 - Mapped out a commercial and development strategy
- **TPM/insulin**
 - Developed patch system
 - Completed pre-clinical development
 - On going clinical development program

Accomplishments since last AGM

- **Commercial Deals**

- Novartis Animal Health
- CSL – Australia
- ProPhase (formerly known as Quigley)
- Global dermatology company
- Global cosmetic company
- Pulse Pharmacy, Vitamin Me & Roy Young
- Le Métier de Beauté
- Metabolic Pharmaceuticals

- **Product Launches:**

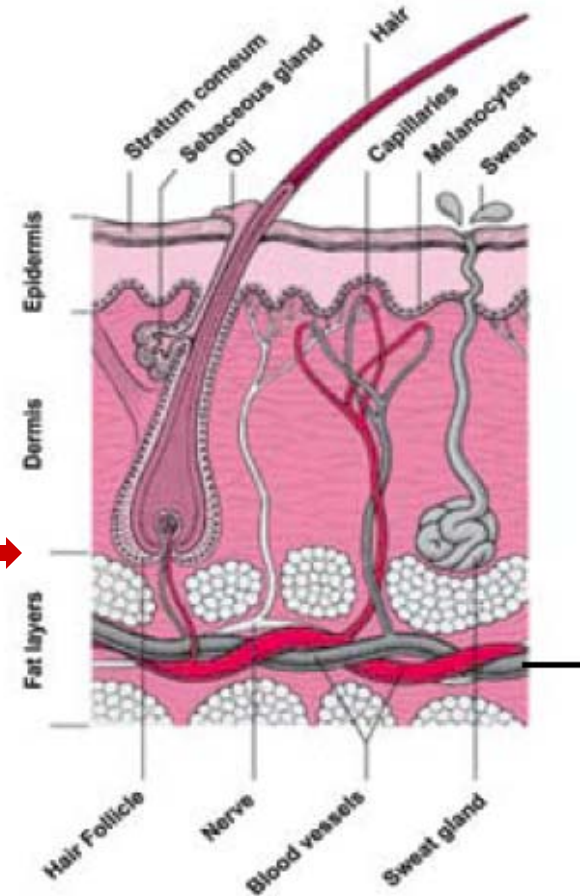
- Elixia Australia
- Le Métier de Beauté USA

The logo for CSL, featuring the letters 'CSL' in a bold, red, sans-serif font with a small trademark symbol.The logo for Novartis Animal Health, featuring a stylized orange and blue flame-like icon to the left of the text 'NOVARTIS ANIMAL HEALTH' in a blue, sans-serif font.The logo for Pulse Pharmacy, featuring a green ECG line that forms the letter 'p' followed by the word 'pulse' in blue and 'PHARMACY' in green below it.The logo for Vitamin Me, featuring the text 'VITAMINME' in white, bold, sans-serif font inside a black speech bubble shape, which is set against a red rectangular background.The logo for ProPhase Labs, featuring a blue water drop icon to the left of the text 'ProPhase LABS' in a green, sans-serif font.The logo for ISP, featuring the letters 'ISP' in white, bold, sans-serif font inside a red square.

Dermal Delivery: *TPM delivers more, faster and without irritation or disruption of the skin*

Why targeted dermal delivery?

- Non-systemic / localised delivery
- Targeted delivery
- Less R&D expenditure
- **Easier route to market – short term returns**



Targeted Dermal Delivery

TPM™ is currently being used to develop products for:

- Over the counter products
 - Skin care
 - Topical lotions
- Cosmetics
 - Anti-aging products - high price point points
 - Novel products; AOD for cellulite reduction
- Dermatology
 - Anti-acne products
 - Dermatitis



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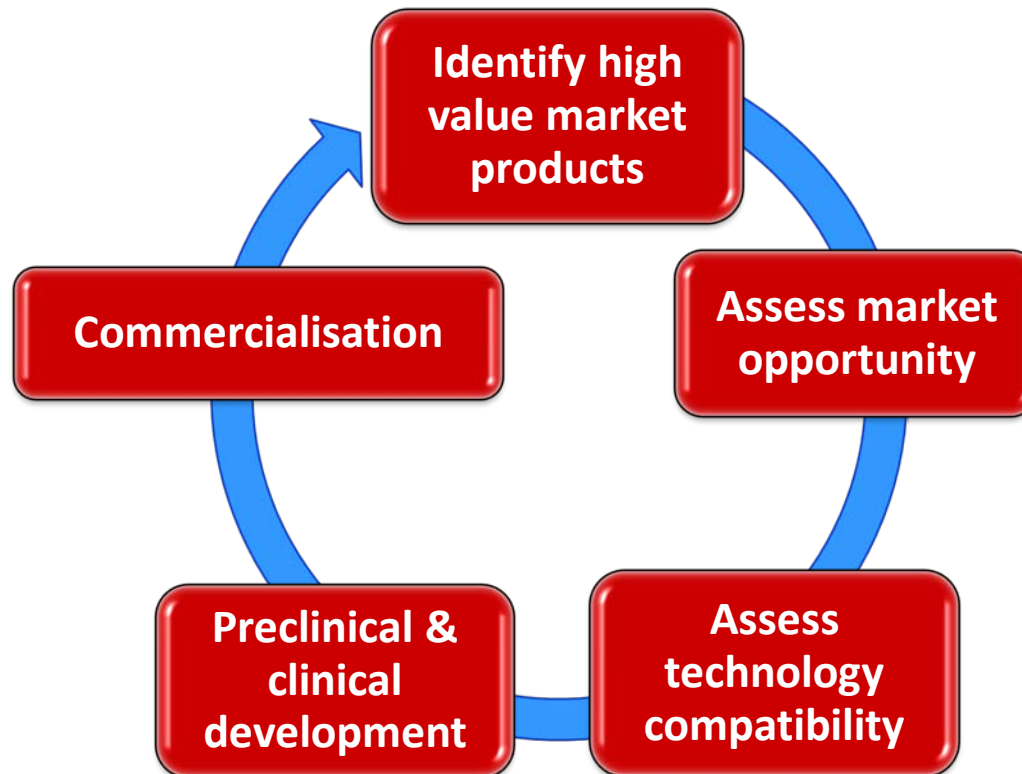
Future Strategies

Leveraging our technology across many areas – creating new product opportunities and maximising share holder value.....

- **Enter into commercial partnerships**
 - Launch new products for cosmetics and OTC – high value products – shorter route to market
 - Expand our technology – large molecule delivery
 - Short term return and long term growth

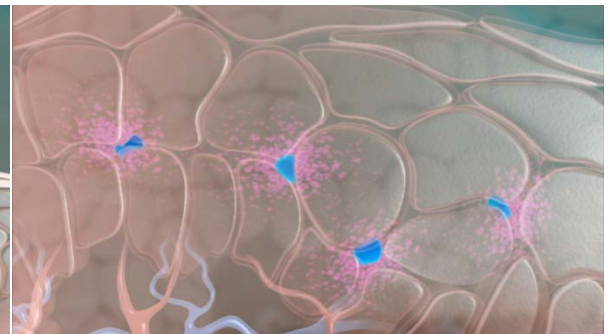
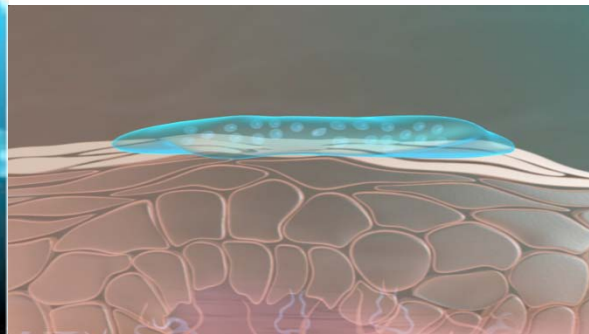
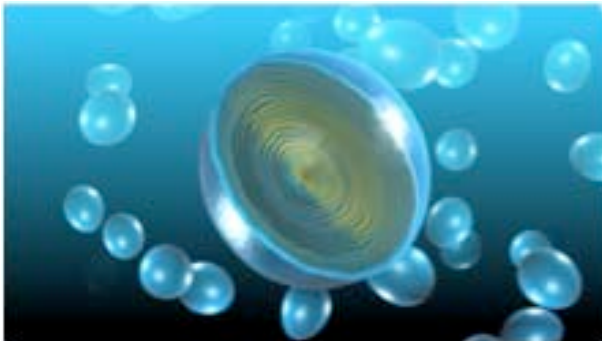
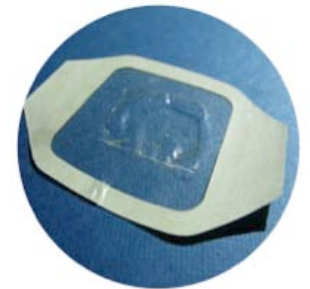
Future Strategies

Our focus will remain on the development of TPM/oxycodone and TPM/insulin products



Future Strategies

- Strong, focused management & development team
- Commercial & development strategies
- Develop high-value products in high-value markets
- Short term return, long term growth
- Maximising on investments
- **Key : Unique, versatile technology**





PHOSPHAGENICS

Thank You

Delivering More...

Through Innovation in Transdermal Delivery

www.phosphagenics.com