

Company Announcement

Phosphagenics to raise \$5.6 million to fund clinical trials

- *New issue of 62.22million shares at 9 cents per share to fund product rollouts and clinical trials for new therapeutic products*

14 March 2011, Melbourne, Australia: Phosphagenics Limited (ASX: POH, OTCQX: PPGNY) advises that it has received firm commitments for \$5.6 million and will place 62.22 million shares at 9 cents per share to institutions, professional and sophisticated investors. The placement was arranged and managed on behalf of Phosphagenics by Lodge Partners.

The funds will be primarily used to:

- advance the later stage clinical trials of Phosphagenics core development product - the world's first oxycodone pain relief patch. The Company is collaborating with 3M to optimise the patch and expects to begin Phase 2 clinical trials for its enhanced oxycodone patch later in 2011;
- fund product rollouts of its new cosmetic range, including its new anti-cellulite cream.

Phosphagenics TPM® technology can deliver many compounds topically in a non-invasive manner without causing sensitisation or irritation. This has application in the dermatology drug development market and also within the skin care and cosmetic markets.

Importantly, the broad utility of the TPM® technology, and its value as a delivery agent, is being increasingly recognised. In calendar 2011 Phosphagenics has already announced:

- a collaboration to develop a topical anti-cellulite over the counter product;
- an expansion of its product range and a larger distribution deal with up-market New York-based skin products company, Métier Tribeca;
- a collaboration with a private US dermatology company to develop a psoriasis product; and
- a collaboration to develop a product to combat a major problem for the dairy industry - mastitis in milk producing cows.

The appointment of Southern Cross Equities (SCE) as the Company's corporate advisor has ended by mutual consent. Accordingly, the 10 million unvested options granted to SCE in April 2010 have now lapsed. The 5 million options that vested in SCE on the signing of the agreement last year remain.

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About Phosphagenics

Phosphagenics is commercialising drug delivery applications based on its novel transdermal (drugs administered via skin) TPM® – Targeted Penetration Matrix technology. TPM® is a patient friendly and cost effective system used to deliver proven pharmaceutical and nutraceutical products.

The lead product advancing through clinical trials is an oxycodone matrix system for the relief of chronic pain.

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).

www.phosphagenics.com