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Company Announcement

POSITIVE RESULTS FROM PHASE 1B STUDY OF PHOSPHAGENICS' TRANSDERMAL OXYCODONE PATCH

Transdermal oxycodone represents a significant advance in the treatment of chronic pain; Phosphagenics aims to become the first company to offer an oxycodone patch that will provide sustained pain relief

Phosphagenics Limited ("Phosphagenics") (ASX: POH; OTCQX: PPGNY) today announced positive results from a Phase 1b clinical study using the Company's patented TPM™ (Targeted Penetration Matrix) for the transdermal delivery of oxycodone. This successful trial showed that daily application of a TPM™-oxycodone patch delivered therapeutic bloodstream levels of oxycodone in a reproducible, consistent and sustained manner.

"The ability to reach therapeutic oxycodone plasma concentrations from a transdermal patch is a major achievement, and the sustained blood levels of this drug appear very suitable for chronic pain management," said Professor Guy Ludbrook, Principal Investigator for the study and Head of Discipline, Anaesthesia & Intensive Care, at the Royal Adelaide Hospital. "After a dose of oral oxycodone pain relief is provided for only a matter of hours. The use of Phosphagenics' oxycodone patch may provide sustained drug delivery for a matter of days, thus removing some of the peaks and troughs of pain relief associated with oral treatment."

The open label, single centre pharmacokinetic study in 20 healthy volunteers was conducted at the Royal Adelaide Hospital. The primary objective of the study was to compare the delivery profiles of two transdermal patch candidates containing TPM™, a matrix and reservoir system, following daily application over a ten-day period. Plasma oxycodone concentrations were monitored throughout the study to assess which of the two patch systems produced the best delivery profile.

Results from the study demonstrate that oxycodone plasma concentration increased throughout the entire ten day dosing period after daily application of the matrix patch. Average plasma concentrations reached therapeutic levels and continued to rise daily during the ten day study. Rapid drug elimination was also evident immediately after the removal of the final matrix patch on the tenth study day.

The matrix patch had an oxycodone delivery profile which was much superior to the reservoir patch. Due to the evident superiority of the matrix patch over the reservoir system, as well as its greater potential to reduce drug abuse, Phosphagenics will continue development of only the matrix patch.

"The oxycodone Phase 1b trial was a very critical study and a key milestone for Phosphagenics, going beyond a proof of concept and demonstrating that our patch system can reproducibly deliver therapeutic amounts of oxycodone into the bloodstream. The therapeutic blood levels, the rapid elimination when the patch was removed, and the lack of skin irritation observed during the study, together with the likelihood that the patch will reduce drug abuse, makes our TPM™-oxycodone patch extremely attractive commercially," said Dr Esra Ogru, Phosphagenics' Chief Operating Officer. "The continued increase in oxycodone concentrations over the duration of the experiment surpassed even our own expectations,

and further validates the power of TPM™ for transdermal delivery. We believe that this product will be ideal for management of chronic pain.”

As a consequence of this breakthrough clinical trial, Phosphagenics is planning the next stage of its oxycodone development. Under the guidance of Professor Guy Ludbrook, Phosphagenics has assembled an advisory panel of international pain experts to plan the path forward into phase 2/3 trials and beyond. It expects to commence its next clinical study in the second half of this year.

About TPM™

Phosphagenics' TPM™ delivery system is capable of topically delivering small molecules, such as opioids and large molecules such as insulin, into the blood circulation in a non-invasive manner. Phosphagenics has pioneered the development of TPM™ to significantly improve the therapeutic value of many drugs. The oxycodone matrix patch is the fifth product candidate based on Phosphagenics' TPM™ technology to enter clinical development, and the first transdermal system to successfully deliver therapeutic oxycodone plasma concentrations for the management of pain without causing sensitization or irritation.

Several cosmeceutical products utilising TPM™ are currently being commercialised through corporate partners. Other products based on Phosphagenics' TPM™ technology in clinical development include products for the treatment of diabetes, pain, dermatology and other diseases.

About Opioids

Opioid therapies have been and will continue to be a vital part of chronic and acute pain management regimens and U.S. sales of oxycodone, one of the leading drugs for pain management, exceed US\$1.5 billion annually. Transdermal delivery of opioids can be advantageous in order to help improve the quality of life of many patients. This mode of drug administration offers many advantages when compared to the traditional oral route of drug delivery, including avoidance of hepatic first-pass metabolism, the potential for long-term controlled release with smoothing of the typical peak-trough plasma drug concentration profiles associated with multiple dosing regimens, the ease of administration, and the possibility of immediate withdrawal of the treatment. Phosphagenics' TPM™ technology is designed to overcome the fact that the majority of the opioids used in clinical practice do not have ideal physicochemical properties that would allow them to reach therapeutic plasma levels by passive skin permeation.

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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.

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