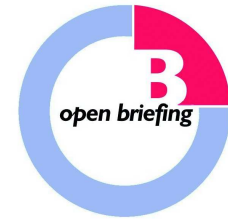


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Progen Pharmaceuticals Limited
16 Benson Street
Toowong, Queensland 4066

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Progen Pharmaceuticals Limited (ASX code PGL, NASDAQ code PGLA) has recently announced a U.S. registered direct share placement to raise US\$32.8 million (A\$39.6 million) and a 1:9 non-renounceable entitlements offer that is expected to raise an additional A\$34.1 million (US\$28.2 million). Cash and cash equivalents as of December 31, 2006 were A\$30.0 million. Why have you decided to raise A\$73.7 million at this stage? What will the funds be used for?

CEO Justus Homburg

Our focus continues to be on the timely development and commercialisation of PI-88 and our other technologies. Over the coming weeks and months, we will be making commitments to several organisations that will assist us in driving PI-88 towards commercialisation as rapidly as possible. So it's important for us to secure the financial foundation that will enable us to do this.

This capital raising was a critical piece in the planning, execution and timely launch of the Phase 3 trial in primary liver cancer and it was important for this to be secured in the first half of 2007 in order to support this critical development process.

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Why was the capital raising completed at a discount to the share price?

CEO Justus Homburg

As is often the case just prior to key data announcements by biotechnology companies, our share price has been somewhat volatile over the last few months. The pricing for this capital raise represented an 18 percent discount to the previous five days volume weighted average price (VWAP) which is within the typical range for transactions of this nature.

In addition to securing the financing necessary to complete all of the clinical development and commercialisation work for PI-88, this capital raise will fund all of our other existing clinical opportunities.

We've significantly expanded our U.S. investor base and strengthened our NASDAQ presence with this U.S. placement. This presence has been, and will continue to be critical to the future development of the Company over the coming months and years. The recent strengthening of the Australian Dollar versus the U.S. Dollar over the past several months has had a bit of an impact on the relative NASDAQ and ASX valuations, but this raising was done at a premium to the December capital raise.

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You recently announced a US\$60 million F-3 Shelf Registration Statement with the U.S. Securities and Exchange Commission (SEC). After the US\$32.8 million placement you can still issue up to US\$27.2 million. What is your future capital raising strategy?

CEO Justus Homburg

The US\$60 million figure used in the shelf registration not only covers the US\$32.8 million placement, but also the shares being issued to our NASDAQ holders under the entitlements offer. It is usual for companies to file a shelf registration for an amount in excess of the current requirements.

This capital raise was planned to provide us with the necessary funding to move PI-88 to first registration and commercialisation, as well as to support all of our other development programs and operational needs. It places us in a position of strength that we're confident will translate into shareholder value. Based on our current planned activities we don't foresee any other near-term capital raising requirements.

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Why have you chosen now as the appropriate time to increase your U.S. activities?

CEO Justus Homburg

The U.S. is an important pharmaceutical market and we've always said our goal is to realise the full potential of Progen with our NASDAQ listing. We are committed to driving PI-88 towards registration. With respect to commercialisation, we have various options open to us and once those options take on more definitive characteristics, we'll release our commercialisation strategy to the market.

We believe the timing was right to begin investor marketing in the U.S. and that's why we've brought on the services of public relations and investor relations support there in order to develop a strong globally focused communications program that combines to provide a powerful foundation for future shareholder value development.

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Can you describe the type of U.S. investors that have participated in this round of financing and were you able to attract top tier firms?

CEO Justus Homburg

The U.S. placement was subscribed to by a number of top tier, biotechnology focused, institutional investors with long term investment horizons, which we think is critical to driving the future valuation of Progen.

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Does this capital raising mean that you do not require a partner to commercialise your anti-cancer drug PI-88? Do you have the resources to do it on your own?

CEO Justus Homburg

Clearly, we've now positioned ourselves where we can successfully drive PI-88 towards registration independently. We don't require a partner to achieve that and therefore we can expedite our efforts to get PI-88 into the market place and treat patients as quickly as possible.

At this stage, our commercialisation options are open. It will be easier to build our commercial infrastructure in some markets than others and partnering still remains an option for us to move towards commercialisation. Liver cancer is an indication in which we have substantial expertise, but we will continue to assess partnering opportunities should they provide our shareholders with greater value.

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Last month you announced the 48 week final results and data analysis for the Phase 2 trial evaluating PI-88 in liver cancer at the European Association for the Study of the Liver (EASL) and the American Association for Cancer Research (AACR). What were the main findings of the final results and data analysis?

CEO Justus Homburg

The trial, which was designed to assess the effectiveness of treating liver cancer patients with PI-88 following surgical removal of their liver tumours, found that treatment with 160mg of PI-88 showed an improvement in the rate of tumour non-recurrence of 25 percent and prolonged the time to tumour recurrence from 27 to 48 weeks, or by 78 percent; thus building successfully on the 30-week results announced in December 2006.

We set out to evaluate the effect on rates of non-recurrence and determine the appropriate dosage and possible efficacy of PI-88 in prolonging the time patients remain disease free. Patients in this stage of the Phase 2 trial were randomly assigned to one of three groups to receive either the standard of care (with no PI-88 treatment), 160 mg of PI-88, or 250 mg of PI-88, over 36 weeks with a 12 week

follow-up period. The results exceeded the statistical threshold necessary for the primary objective in this stage of the study.

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Given the trial was designed as a 2-stage Simon design and this announcement covered only stage one of the trial protocol, can you comment on the statistical significance of the results?

CEO Justus Homburg

The primary end point at stage one was statistically significant. The statistical analysis was conducted as per the original protocol and it has exceeded the statistical threshold necessary for dose selection at the end of stage one, based on improvement in the primary endpoint of disease-free rate at 48 weeks. That's using the complicated method that was required for the first stage of a Simon-two-stage design approach. In fact, we were two-fold better than the minimum value required to reach statistical significance.

Although this stage of the trial was not set-up to assess statistical significance in the secondary end-point of disease-free survival, it's the disease-free survival data for the 160mg arm that's causing excitement with clinicians and provides us with significant confidence that we can design a disease-free survival endpoint in a larger Phase 3 trial that will be successful. We achieved statistical significance at a 0.09 level which, for a sample size of roughly 50 patients per arm, is extremely encouraging.

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The results have provided sufficient evidence to proceed to Phase 3 with PI-88 under a Special Protocol Assessment (SPA) with the U.S. Food and Drug Administration (FDA) without a second stage Phase 2 study. Are there any other risks to proceeding to Phase 3 development?

CEO Justus Homburg

There are always a number of risks and clearly a number of development compounds moving into Phase 3 fail to meet the required end points. The primary issue for us will be whether or not we actually achieve a statistically relevant result, but based on what we've learnt in the Phase 2 study, we're confident this is achievable.

Our initial focus is on recruiting all patients in a timely manner. We are going to be moving from one country, Taiwan, in which we did the Phase 2 trial, to up to 11 other countries. Obviously, the Phase 3 program is much broader in nature, but we are confident that we have the appropriate resources in place to effectively design and execute the trial.

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In the first half ended 31 December 2006 Progen recorded a net operating cash burn of \$4.6 million. What is the likely rate of cash burn for the remainder of fiscal 2007? Will this increase next year with the progression to Phase 3 development of your cancer drug, PI-88?

CEO Justus Homburg

For the fiscal year ending June 2007, we project that we'll have a net operating cash expense of approximately A\$12 to A\$15 million. Much of that will be driven by the costs associated with launching the Phase 3 trial, manufacturing sufficient material to run the trial and getting a number of service providers in place for the start of the trial. For the subsequent two fiscal years to June 2008 and June 2009, we project expenditures of between A\$25 and A\$30 million per year, with slightly more being expensed in the later year.

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How are you progressing with the preparations for Phase 3 trials? When will patient recruitment begin?

CEO Justus Homburg

We are right on schedule with the design of the trial and we expect patient recruitment to begin before the end of this year. We'll be reviewing one more iteration with the FDA on the overall protocol and we've already started the trial registration process in Asia, North America and Europe.

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How is the Company tracking against its key milestones for 2007? What are the key milestone achievements marking continued progress towards first registration of PI-88 being targeted during the 2007 financial year?

CEO Justus Homburg

The production of PI-88 material to support this Phase 3 trial, as well as all of our other Phase 2 trials and several other new Phase 2 trials that we're currently evaluating, equates to 20 times what we've manufactured historically. That's been a rather significant development and a key milestone for us to deliver on.

Clearly, we're now in the position where we have all the financial resources in place for the Phase 3 program and the rest of our Phase 2 programs. We're on track with planning all of our other supporting clinical development programs. We intend to initiate the Phase 3 trial towards the end of 2007.

We also intend to announce Phase 2 from our lung cancer program in the third calendar quarter this year. Our timeline has slipped a bit here primarily because we're awaiting the evaluation of the scans by an independent panel. The lung cancer trial was characterised by performing a significant number of scans for all of the patients involved in the trial, so that we could learn more about tumour development in those patients.

We remain on track to recruit patients into our Melanoma trial by the end of this year and intend to report the results next year.

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Thank-you Justus.

For further information on Progen Pharmaceuticals Limited, visit www.progen.com.au or call Sarah Meibusch on +61 7 3842 3333.

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