



PROGEN PHARMACEUTICALS LIMITED

ABN 82 010 975 612

PROSPECTUS

For a non-renounceable entitlements offer of 1 New Share for every 9 Shares held at an offer price of \$5.74 per New Share to raise approximately \$34.1 million.

In addition, for every 2 New Shares issued under the Entitlements Offer, Shareholders will receive 1 New Option entitling them to subscribe for 1 additional Share.

The Entitlements Offer follows the successful completion of the Placement that raised US\$32.8 million, and closed on 9 May 2007.

CO-UNDERWRITER OF THE ENTITLEMENTS OFFER

CO-UNDERWRITER OF THE ENTITLEMENTS OFFER

Bell Potter
SECURITIES LIMITED



Investment in securities offered by this Prospectus should be considered speculative.

IMPORTANT NOTICE

This Prospectus is dated 10 May 2007. A copy of this Prospectus has been lodged with ASIC on that date. ASIC takes no responsibility for the contents of this Prospectus.

No Shares or Options will be issued or allotted on the basis of this Prospectus later than 13 months after the date of this Prospectus.

Progen has applied to ASX for quotation of the New Shares and the New Options. ASX takes no responsibility for the contents of this Prospectus. The fact that ASX may quote the New Shares and New Options is not to be taken in any way as an indication of the merits of Progen.

Before deciding to invest in Progen, you should read and understand the entire Prospectus and, in particular, in considering Progen's prospects, you should consider the risk factors that could affect Progen's performance. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek advice from your professional adviser before deciding to invest. Investing in Progen involves risks. See 'Risk Factors' in Section 6 for a discussion of certain risk factors that you should consider before deciding to invest in Progen.

No person is authorised to give any information or to make any representation in connection with the Offer that is not contained in this Prospectus or has not been released to ASX with the authorisation of Progen.

The Application Form accompanying this Prospectus is important. For non-US Shareholders, please refer to the instructions in Section 5 of this Prospectus regarding applying for your Entitlement. Applications can only be submitted on a valid Application Form that is only available with this Prospectus.

Restriction

The Entitlements Offer in this Prospectus does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation.

It is the responsibility of any Applicant to ensure compliance with any laws of a country relevant to their Application. Return of a duly completed Application Form will be taken by Progen as a representation that there has been no breach of such laws and that the Applicant is an Eligible Shareholder.

Shareholders outside Australia and New Zealand should refer to Section 2.11 of this Prospectus.

Offers in Australia and New Zealand

No action has been taken to lodge this Prospectus in any jurisdiction outside of Australia or, except as described below in relation to the US Offer, to otherwise permit a public offering of New Shares or New Options in any jurisdiction outside Australia and New Zealand. The invitation to apply for New Shares and New Options which is made in this Prospectus is to be made in Australia and New Zealand only.

Offer extended to US shareholders

The Entitlements Offer is extended to holders of our NASDAQ listed Shares.

The US Offer will be made to holders of our NASDAQ listed Shares in the US Prospectus. The US Prospectus will include information on how holders of our NASDAQ listed Shares can apply for their Entitlement.

New Shares and New Options will not be offered to holders of Shares with registered addresses in the United States other than under the US Offer in the US Prospectus.

General

This Offer is non-renounceable so Entitlements may not be sold and if you decide not to apply for and take up your Entitlement, it will lapse and form part of the shortfall.

Individual applicants are responsible for determining their allocations of New Shares and New Options before trading in them. Eligible Shareholders trade New Shares and New Options before receiving confirmation of their allocation at their own risk.

Shareholders who take no action in respect of their Entitlement will receive no benefits. An Application Form is enclosed with this Prospectus.

Prospectus availability

This Prospectus is available in electronic form at www.progen.com.au and www.asx.com.au only for persons within Australia. Persons who access the electronic form of this Prospectus must ensure that they download and read the entire Prospectus.

A printed copy of this Prospectus is available free of charge by calling Computershare Investor Services Pty Limited on 1300 552 270 or 07 3237 2100.

Definitions and glossary, financial amounts and time

Definitions of certain terms used in this Prospectus are contained in Section 8. All references to currency are to Australian dollars and all references to time are to Brisbane time, unless otherwise indicated.

All references to proceeds of the Offer assume a US dollar: Australian dollar exchange rate of A\$1.00 to US\$0.8271 (the "**Exchange Rate**") which is the average interbank rate as at 2 May 2007 being the exchange rate at which the Offer Price was calculated by reference to the US Offer Price.

Enquiries

For further information in relation to the Offer, please call Progen's Company Secretary, Mr Linton Burns on +61 7 3842 3333.

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KEY OFFER DETAILS

<u>NEW SHARES</u>	
New Share offer price Australia and New Zealand	\$5.74
New Share offer price for US Offer	US\$4.75
Number of New Shares to be Issued	Approx 5,941,343 (subject to rounding of Entitlements)
Entitlement	1 New Share for each 9 Shares held as at 5.00 pm Brisbane time on the Record Date
Amount to be raised under the Offer	Approx \$34,103,308 (before expenses and subject to exchange rates)
Underwriting	Fully underwritten by Bell Potter Securities Limited and Emerging Growth Capital Pty Ltd
<u>OPTIONS</u>	
Number of New Options to be Issued	Approx 2,970,672 (subject to rounding of Entitlements)
Option Exercise Price	\$8.40 per New Option
Entitlement	1 New Option for each 2 New Shares subscribed for in the Entitlements Offer
Consideration per Option	Nil
<u>COMPLETED PLACEMENT</u>	
Placement issue price	US\$4.75
Number of Shares issued in Placement	6,900,000
Amount raised in the Placement	US\$32,775,000 (A\$39.6 million at Exchange Rate)
Number of Shares on issue following the Offer and Placement	59,413,427

IMPORTANT DATES

Lodgement: lodgement of Prospectus with ASIC	:	10 May 2007
Record Date: The date for determining eligibility of Shareholders to participate in the Offer (at 5:00pm AEST)	:	21 May 2007
Prospectus sent to Shareholders: Anticipated despatch of Prospectus and Application Forms	:	24 May 2007
Closing Date: The last day for receipt of Applications (at 5:00pm AEST)	:	18 June 2007
Allotment and Despatch Date: Anticipated despatch of holding statements for New Shares and New Options	:	26 June 2007
First Trading Date: Trading of New Shares and New Options expected to commence	:	27 June 2007

This timetable is indicative only and subject to change. The Directors generally reserve the right to vary these dates, including the Closing Date without prior notice. The Directors also reserve the right not to proceed with the whole or part of the Offer any time before allotment. In that event, the relevant Application Money will be returned without interest.

LETTER FROM THE CHAIRMAN

10 May 2007

Dear Shareholder,

Your Directors are pleased to offer you an opportunity to subscribe for New Shares with attaching New Options in Progen's non-renounceable Entitlements Offer.

In summary, this is a 1 for 9 Entitlements Offer of New Shares at an issue price of \$5.74 per New Share. The Entitlements Offer is underwritten by Bell Potter Securities Limited and Emerging Growth Capital Pty Ltd and Progen expects to raise approximately \$34.1 million through the issue of approximately 5.94 million New Shares together with approximately 2.97 million New Options. The Offer Price is equivalent (calculated at the Exchange Rate) to the price at which the recent Placement was completed.

The free attaching New Options (one for every two New Shares) have an exercise price of \$8.40 and can be exercised up until 28 May 2010. The Company will apply for the New Options to be quoted on ASX.

We are pleased to be able to extend the Entitlements Offer to holders of our NASDAQ listed Shares. Those shareholders will receive the US Offer in a separate US Prospectus.

The Entitlements Offer is the completion of a capital raising plan encompassing the domestic institutional placement undertaken in December 2006 raising \$20.0 million, the share purchase plan completed in February 2007 raising \$5.4 million, and the Placement of 6.9 million Shares, at US\$4.75 per Share that completed on 9 May 2007 that raised US\$32.8 million.

The Placement along with this Entitlements Offer will provide additional working capital to primarily fund the conduct of the Phase 3 clinical development of PI-88 in post-resection liver cancer, the conduct of trials of PI-88 in other indications and the development of other product candidates.

We recently announced the final stage I results of our Phase 2 randomised trial of patients who had previously undergone surgical removal of liver cancer. The data from this 48 week trial demonstrated that patients who received 160 mg/day PI-88 had an increased time to tumor recurrence from 27 to 48 weeks, or a 78 percent improvement, as compared to the no treatment group. These results support our aggressive pursuit of the development of PI-88 towards registration and commercialisation.

In addition to PI-88, Progen has an active drug discovery program that has identified a portfolio of therapeutic targets that play key roles in cancer, and potentially other serious diseases. We plan to continue to optimise these compounds and conduct further research leading to clinical development under an Investigational New Drug application submitted to the US FDA.

Your Directors draw your attention to the courses of action available to you as set out in Section 5. The Number of New Shares and New Options for which you are invited to apply is set out on the accompanying Application Form. Your Directors also draw your attention to Section 6, Risks, and ask that you carefully consider the potential risks outlined before making an investment under this Prospectus.

The proceeds of the Entitlements Offer will enhance the future of the Company and on behalf of the Board, I invite you to consider the contents of this Prospectus and encourage you to participate in the Entitlements Offer.

Yours sincerely,

Mr Stephen Chang, Chairman

1. INVESTMENT HIGHLIGHTS AND KEY RISKS

1.1 Overview

Progen is a globally focused biotechnology company committed to the discovery, development and commercialisation of small molecule therapeutics primarily for the treatment of cancer.

Our lead pipeline product candidate, PI-88, is a multi-targeted cancer therapeutic which is currently in development for the treatment of post-resection liver cancer, metastatic melanoma, non-small cell lung cancer, or NSCLC, multiple myeloma and hormone refractory prostate cancer.

The lead indication for PI-88 is for the treatment of post-resection liver cancer. We recently announced randomised Phase 2 results in this indication that provide us with the confidence to aggressively pursue the development of PI-88 towards registration and commercialisation.

According to the International Journal of Cancer, liver cancer, or hepatocellular carcinoma is the third most common cause of cancer death in the world. There are currently no FDA-approved therapies in the post-resection adjuvant setting. We believe that patients with post-resection liver cancer exhibit a high unmet clinical need for which PI-88 may offer the first effective pharmacological therapy.

In addition to our lead candidate, PI-88, we are actively engaged in other drug development efforts. Our second product candidate, PI-166, is a targeted therapy currently in a Phase 1b clinical trial for the treatment of inoperable primary liver cancer. PI-166 is a formulation with a very high affinity for primary liver cancer cells. Based on interim data gathered to date, no drug-related side effects of PI-166 have been observed in patients enrolled in the trial.

Complementing our clinical development programs, we have an active discovery research program. The team's efforts are primarily focused on the design and development of novel small molecules based on the inhibition of carbohydrate-protein interactions involved in disease processes. We also operate a manufacturing facility that provides contract manufacturing and bioprocess technology development services to Australian and overseas-based clients. This facility manufactures PI-88 and prepares PI-166 for all clinical trials that have been conducted to date.

1.2 Investment Highlights

Progen recently announced the final stage I results of its Phase 2 trial of PI-88 in patients who had previously undergone surgical removal of liver cancer. The 48 week data demonstrated that:

- Treatment with 160 mg of PI-88 showed an improvement in disease-free rate, the primary

endpoint, of 25 percent and prolonged the time to tumour recurrence (disease free survival) from 27 to 48 weeks, or by 78 percent;

- The final results confirmed the trend identified in the 30-week assessment that PI-88 significantly delayed the recurrence of disease and increased the likelihood that the patient would be disease free; and
- The 160 mg dosing level of PI-88 revealed a strong safety and tolerability profile and few adverse events directly or possibly related to treatment.

Treatment with the 250 mg dose resulted in thirteen patients discontinuing treatment early, partly due to adverse events that are possibly related to this dose level treatment regime. This impacted the results seen from this treatment arm. The 250 mg dose of PI-88 reduced the disease-free rate by approximately 19 percent as compared to the control group, from 50 percent to 41 percent at 48 weeks and was inseparable from the control group as to disease-free survival.

This data demonstrates the strong benefit PI-88 provides in slowing the return of liver cancer and provides us with the confidence to aggressively pursue the Phase 3 development of PI-88.

By demonstrating strong efficacy in a randomised Phase 2 study, PI-88 has a significantly higher probability of being commercialised and proceeding to the market.

We are currently planning a multinational Phase 3 trial of PI-88 amongst patients in a post resection liver cancer setting at a dose of 160mg/day. It is currently anticipated that this trial will commence in the second half of 2007. This trial will be designed with overall survival and disease-free survival endpoints.

Our strategy is to grow the Company into a sustainable biotechnology company by:

- Discovering and developing novel small molecule therapeutics using our proprietary drug discovery technology platform;
- Expanding our product candidate pipeline through in-licensing; and
- Establishing strategic collaborations for the development and commercialisation of our product candidates.

We believe that our core scientific and management teams have a track record in drug discovery and in selecting and advancing promising product candidates through preclinical and human clinical trials, demonstrating proof of efficacy, and moving

product candidates towards registration and commercialisation.

1.3 Substantial Market Opportunity

According to the International Journal of Cancer, liver cancer, or hepatocellular carcinoma, is the third most common cause of cancer death worldwide.

The American Cancer Society estimates that there were over 500,000 new cases of liver cancer diagnosed worldwide in 2005. An estimated 18,510 new cases were diagnosed, with 16,200 deaths, in the U.S. in 2006. Liver cancer prevalence is high in Asia and Africa, where hepatitis B is especially virulent, while in Japan, Europe, and the United States, liver cancer incidence is predominantly attributed to underlying hepatitis C infection.

The International Journal of Cancer estimates that 80% of new liver cancer cases will occur in developing countries. Based on a 2005 Frost & Sullivan report there are approximately 350,000 annual incidences of liver cancer in China, 50,000 in Europe, 50,000 in Japan, 20,000 in South Korea, and over 50,000 elsewhere in South East Asia.

According to the Journal of Clinical Oncology, between 70% and 85% of liver cancer patients are diagnosed with an advanced or unresectable form of the disease. For patients with resectable tumours their recurrence rates are among the highest of any solid tumour, approaching 75-100% at 5 years, according to the Annals of Surgery.

We believe that PI-88's dual mechanism of action is particularly well suited for patients with resectable liver cancer because PI-88 aims to reduce the spread of first tumour cells and minimize growth of new blood vessels to the tumour.

Our goal is to develop and commercialise PI-88 for treatment in the post-resection population so as to reduce the incidence of recurrence of the disease, prolong the time to recurrence and ultimately improve the survival of patients with resectable liver cancer.

There are currently no FDA-approved therapies for post-resection liver cancer.

These factors all contribute to a significant high unmet medical need combined with limited treatment alternatives and a rationale for a registration strategy targeting this indication first.

Our market development strategy is based on a registration approach for PI-88 in post-resection liver cancer targeting U.S., Europe, Japan, China, Taiwan, Korea and other South East Asian countries. This registration plan is directly related to the economic opportunity available to PI-88 in this key indication. The Phase 3 clinical development plan will be designed to effectively support the registration plan.

1.4 Progression to Phase 3

With the completion of the Entitlements Offer we will have the cash resources required to conduct the Phase 3 development of PI-88 in post-resection liver cancer.

Progen has already made significant progress in preparing for the Phase 3 development, including:

- The establishment of a clinical advisory board comprising world-renowned liver cancer experts;
- Continued dialogue with the FDA in relation to the development of a viable Phase 3 clinical trial design through the Special Protocol Assessment process;
- The production of clinical trial product requirements to facilitate the commencement of the trial as quickly as possible;
- The planning and commencement of the necessary regulatory and recruitment processes to open trial sites as quickly as possible; and
- The completion of long-term toxicity studies of PI-88 which are required by regulatory agencies, including the US FDA, before the commencement of late stage clinical trials.

Our Phase 3 trial protocol(s) will be designed so that, conditional upon achieving the trial end-point, the results will be statistically significant to support registration.

1.5 Risks

There are a number of risk factors, both specific to Progen and of a general nature, which may affect the future operating and financial performance of Progen and the value of an investment in Progen. These risk factors are discussed in more detail in Section 6 of this Prospectus and include the following:

- share market conditions;
- economic conditions;
- lack of products that are approved for commercial sale;
- risk of not becoming profitable;
- risk of not being able to complete development of current products;
- delays in clinical trials and inability to enrol patients in clinical trials;

- delays in manufacturing products;
- inability to independently commercialise products;
- reliance on third parties to conduct research;
- inability to enter into new licensing arrangements;
- inability to raise capital;
- reliance on key personnel;
- uncertainty of market acceptance of products;
- lack of sales, marketing and distribution capacity;
- government and other third party regulation of pricing of products;
- product liability;
- technological change and competition;
- reliance on patents and know how;
- regulatory and change of law risks; and
- general risks associated with holding securities in this sector including share price volatility and illiquidity.

2. DETAILS OF THE OFFER

2.1 Description of the Offer

Progen is inviting applications, by way of a 1 for 9 non-renounceable Entitlements Offer, for approximately 5,941,343 New Shares at an Offer Price of \$5.74 per New Share (US\$4.75 per New Share in the US Offer) with one free New Option for each two New Shares to each Eligible Shareholder to raise approximately \$34,103,308 (before costs and subject to exchange rates).

The Offer is being made to Australian and New Zealand Shareholders under this Prospectus. The US Offer is being made to those Shareholders who hold our NASDAQ listed Shares under the US Prospectus.

2.2 Offer is non-renounceable

The Offer is non-renounceable, which means your Entitlement cannot be sold.

2.3 Offer underwritten

The Offer is underwritten by Bell Potter Securities Limited and Emerging Growth Capital Pty Ltd. A summary of the terms of the underwriting agreement, including the circumstances in which that agreement may be terminated, is contained in section 7.

2.4 Entitlements

Shareholders who are on the Company's Share Register at the close of business on the Record Date, being 5.00 pm Brisbane time on 21 May 2007 are invited to apply for 1 New Share for every 9 Shares held at that time, at a price of \$5.74 per New Share.

Fractional Entitlements will be rounded up to the nearest whole number of New Shares. For this purpose, holdings in the same name are aggregated for calculation of Entitlements. If Progen considers that holdings have been split to take advantage of rounding, Progen reserves the right to aggregate holdings held by associated Shareholders for the purpose of calculating Entitlements.

In addition, for every 2 New Shares issued under the Entitlements Offer, Shareholders will receive 1 New Option entitling them to subscribe for 1 additional Share. If the number of New Shares that you are issued is not a multiple of two, the number of New Options to be issued will be calculated on the basis of the number of New Shares that is rounded down to a multiple of two.

No separate subscription price is payable in respect of the New Options. New Shares and New Options may not be applied for separately.

An Application Form setting out the number of New Shares and New Options for which you are invited to apply accompanies this Prospectus.

Shareholders are not obliged to apply for and subscribe for the New Shares and New Options which will comprise their Entitlements but those who do not do so will have their percentage shareholding in the Company diluted.

2.5 Offer Price

The Offer Price of \$5.74 represents a discount of approximately 20% to the 5 day volume weighted average closing price of Shares on ASX of \$7.21 on 1 May 2007, being the last day of trading before the announcement of the Offer.

2.6 Placement

Immediately prior to the Offer contained in this Prospectus, Progen raised additional capital for the purposes described in Section 3. This additional capital has been raised through a placement to institutional and sophisticated investors in the US and Australia of approximately 6.9 million Shares at US\$4.75 per Share to raise approximately US\$32.8 million before costs.

2.7 Size of offer and use of proceeds.

Under the Offer, approximately 5.94 million¹ New Shares are being offered together with 2.97 million New Options. The Entitlements Offer will raise approximately \$34.1 million before costs. The Company will use the proceeds of this Offer and the Placement as set out in Section 3. It is expected that approximately \$2.18 million will be applied to the expenses of the Offer.

2.8 Actions Required by Shareholders

An explanation of the actions required by Shareholders is set out in Section 5.

2.9 Allotment and Application Money

All Eligible Shareholders who apply for New Shares and New Options under the Offer will receive their Entitlement in full.

New Shares and New Options will be issued only after all Application Money has been received and ASX has granted permission for the New Shares and New Options to be quoted. It is expected that New Shares and New Options will be issued on 26 June 2007 and trading of the New Shares and New Options on ASX is expected to commence on 27 June 2007.

¹ There are 250,667 Options on issue which may be exercised before the Record Date. If all vested Options are exercised before the Record Date the New Shares issued under the Entitlements Offer will increase by approximately 27,852. The Company will round up the number of New Shares to be issued under the Entitlements Offer to the nearest whole number in respect of each Shareholder. The actual number of New Shares is likely to increase but the amount of the increase is not able to be calculated as at the date of this Prospectus.

All Application Money received before New Shares and New Options are issued will be held in a special purpose account. After Application Money is refunded (if required) and New Shares and New Options are issued to Applicants, the balance of funds in the account plus accrued interest will be received by Progen.

The Company has applied for the quotation of all New Shares and New Options on ASX. If the New Shares and New Options which are issued are not quoted by ASX within three months after the date of this Prospectus (or any longer period permitted by law) Progen will refund all Application Money in full.

2.10 Closing Date

The closing date to apply for your Entitlement is 5.00 pm Brisbane time on 18 June 2007.

The Company reserves the right to cancel the Entitlements Offer at any time before allotment.

2.11 Treatment of Overseas Shareholders

Subject to section 2.12, the Offer which is contained in this Prospectus is not being extended to any Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand because of the small number of such Shareholders, and the cost of complying with applicable regulations in jurisdictions outside Australia and New Zealand.

The Offer contained in this Prospectus to Eligible Shareholders with registered addresses in New Zealand is made in reliance on the Securities Act (Overseas Companies) Exemption Notice 2002 (New Zealand). Members of the public in New Zealand who are not existing Shareholders on the Record Date are not entitled to apply for any New Shares.

Recipients may not send or otherwise distribute this Prospectus or the Application Form to any person outside Australia (other than to Eligible Shareholders).

2.12 US Offer

The Entitlements Offer is extended to holders of our NASDAQ listed Shares. The US Offer will be made to holders of our NASDAQ listed Shares in the US Prospectus which will be accompanied by an Application Form. The US Prospectus will include information on how holders of our NASDAQ listed Shares can apply for their Entitlement.

The price payable for New Shares by holders of our NASDAQ listed Shares under the US Offer of US\$4.75 is the US dollar equivalent to the price payable in Australian dollars under this Prospectus, calculated at the Exchange Rate.

To the extent the USD:AUD exchange rate changes before the Company issues the New Shares under the US Offer and converts the proceeds to Australian dollars, the amount received by the Company from the

issue of New Shares to holders of NASDAQ listed Shares may differ from the amount received from other Shareholders under the Offer contained in this Prospectus.

2.13 Rights attaching to New Shares

From issue, the New Shares issued under this Prospectus will rank equally in all respects with existing Shares. Summaries of the important rights attaching to Shares as set out in the Company's Constitution are contained in Section 7 of this Prospectus.

2.14 Terms of New Options

The Exercise Price of New Options is \$8.40 per New Option. The New Options are exercisable at any time on or prior to the Option Expiry Date of 28 May 2010.

Progen will apply for Official Quotation of the New Options on the ASX.

The New Options may be exercised in parcels of not less than 500 New Options (unless the entire holding of New Options is less than 500, in which case the entire holding may be exercised), by lodging an Exercise Notice with the Share Registry.

The complete terms of the New Options are set out in Section 7.2 of this Prospectus.

3. PURPOSE AND EFFECT OF THE ENTITLEMENTS ISSUE

3.1 Use of Proceeds

We intend to use the net proceeds from the Offer and the Placement for general corporate purposes, including the conduct of a Phase 3 clinical trial of PI-88 in post-resection liver cancer, the conduct of clinical trials of PI-88 in other indications, the development of our portfolio of other compounds and to facilitate in-licensing or acquiring other technologies which may include funding future acquisitions.

3.2 Effect of the Entitlements Offer

The principal effects of the Entitlements Offer will be to:

- increase the Company's cash reserves by approximately \$34.1 million before taking into account the costs of the Entitlements Offer (see section 7.12);
- provide the Company with additional capital for the purposes referred to in Section 3.1; and
- increase the total number of issued Shares (refer Section 3.3).

Pro-forma consolidated historical financial information is provided in Section 3.5 summarising the effect of the Entitlements Offer.

3.3 Effect of the Entitlements Offer on capital structure

The effect of the Offer on the Company's issued share capital will be as follows:

Ordinary Shares	Number
Existing Shares at 31 December 2006	44,321,828
Issued on exercise of Employee Options	28,500
Issued to Medigen Biotechnology Corporation	1,232,600
Issued in Share Purchase Plan	989,156
Issued in Placement	6,900,000
Subtotal as at date of Prospectus	53,472,084
Issued in Entitlements Offer	5,941,343
Total	59,413,427²

² There are 250,667 vested Options on issue which may be exercised before the Record Date. If all vested Options are exercised before the Record Date the New Shares issued under the Entitlements Offer will increase by approximately 27,852. The Company will round up the

The number of Shares to be issued under the Entitlements Offer may vary slightly due to rounding up to the nearest whole number.

The Company has and will have on successful completion of the Offer the following Options on issue assuming that none of the Options are exercised before the Record Date or before Completion of the Offer.

Class	Exercise Price \$	Number
Existing Options at 31 December 2006	Various	648,500
Exercised	\$2.79	28,500
Issued	\$5.42	20,000
Subtotal at date of Prospectus	Various	640,000
Issued in Entitlements Offer	\$8.40	2,970,672
Total		3,610,672

The number of New Options to be issued under the Entitlements Offer may vary slightly due to rounding down to the nearest whole number.

3.4 Market price of Shares

The highest and lowest closing market prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the respective dates of those sales were:

Highest: \$9.49 on 12 April 2007

Lowest: \$5.75 on 5 March 2007

The volume weighted average sale price on ASX of the Company's Shares during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC was \$7.25.

The latest available market sale price of the Company's Shares on ASX before the date of lodgement of this Prospectus with ASIC was \$5.82 on 9 May 2007.

3.5 Effect of the Entitlements Offer on Company's financial position

Set out below is the historical Balance Sheet of the Company as at 31 December 2006 and a pro forma

number of New Shares to be issued under the Entitlements Offer to the nearest whole number in respect of each Shareholder. The actual number of New Shares is likely to increase but the amount of the increase is not able to be calculated as at the date of this Prospectus.

Balance Sheet of the Company after the Entitlements Offer, including the US Offer, and certain other transactions as if they had all occurred on 31 December 2006. The historical Balance Sheet has been extracted from the Company's Half Year Financial Report lodged with ASX on 21 February 2007. The Half Year Financial Report has been subject to review (in accordance with Australian Auditing Standards) by the Company's Auditor.

The financial information prepared below is prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

The pro forma balance sheet assumes that proceeds of the US Offer and the Placement are converted into Australian dollars at the Exchange Rate.

Historical and pro forma balance sheet

	As at 31 December 2006 (reviewed) ¹	Share Purchase Plan ²	Shares Issued to Medigen ³	Placement ⁴	Entitlements Offer ⁵	Pro Forma as Adjusted
	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000	A\$'000
ASSETS						
Current Assets						
Cash and cash equivalents	30,030	5,331		36,398	31,919	103,678
Trade and other receivables	176					176
Short-term deposits	87					87
Prepayments	361					361
Total Current Assets	30,654	5,331		36,398	31,919	104,302
Non-current Assets						
Property, plant and equipment	1,328					1,328
Total Non-current Assets	1,328					1,328
TOTAL ASSETS	31,982	5,331		36,398	31,919	105,630
LIABILITIES						
Current liabilities						
Trade and other payables	5,237		(2,932)			2,305
Interest-bearing liabilities	173					173
Provisions	225					225
Unearned government grants	10					10
Total Current Liabilities	5,645		(2,932)			2,713
Non-current liabilities						
Provisions	232					232
Unearned government grants	18					18
Total Non-current Liabilities	250					250
TOTAL LIABILITIES	5,895		(2,932)			2,963
NET ASSETS	26,087	5,331	2,932	36,398	31,919	102,667
EQUITY						
Issued capital	107,408	5,331	8,306	36,398	31,919	189,362
Other reserves	287					287
Accumulated losses	(81,608)		(5,374)			(86,982)
TOTAL EQUITY	26,087	5,331	2,932	36,398	31,919	102,667

¹ As lodged with the ASX on 21 February 2007, and which has been subject to review by Progen's auditor, Ernst & Young.

² The Share Purchase Plan was completed on 5 February 2007 from which Progen raised \$5.33 million net of expenses through the issue of 989,156 shares at \$5.42 per share.

³ Shares issued to Medigen Biotechnology under an agreement terminating the Agreement for Strategic Alliance.

⁴ The Placement was completed on 9 May 2007 from which Progen raised US\$32,775,000 before expenses through the issue of 6,900,000 shares at US\$4.75 per share.

⁵ Completion of the Entitlements Offer and the US Offer, net of expenses.

4. COMPANY INFORMATION

PI-88

Our lead product candidate, PI-88, is a carbohydrate-based small-molecule which is currently undergoing clinical development in several different oncology indications.

PI-88 is believed to work via two mechanisms. First, it inhibits the enzyme heparanase, which plays an important role in tumour spread and invasion through surrounding tissues. Tumours must ordinarily degrade the basement membrane and extracellular matrix of surrounding tissues in order to grow and heparanase is an enzyme that facilitates this process. By inhibiting this degradation process, PI-88 reduces the ability of tumours to expand and spread.

Second, PI-88 exerts an anti-angiogenic effect by inhibiting the interaction between growth factors, heparan sulfate and cellular receptors. As tumours grow, they require additional blood supply to provide oxygen and nutrients. The generation of these new blood vessels to supply additional blood supply is a process known as angiogenesis, and it is controlled in part by proteins such as Vascular Endothelial Growth Factor, or VEGF, and Fibroblast Growth Factor, or FGF-1 and FGF-2, binding to their receptors. PI-88 competitively binds to these growth factors, limiting their ability to bind to heparan sulfate and their receptors. Angiogenesis has been widely validated as an important target in the development of novel anti-cancer therapies.

Our Goal

Our goal is to commercialise PI-88 as a cytostatic anti-cancer therapy, beginning with liver cancer and progressing into a range of other types of cancer. Cytostatic drugs are designed to stop tumours from spreading or recurring, as compared to cytotoxic drugs which are designed to destroy tumour cells, but which often have adverse effects in normal cells, leading to toxicity.

All of our PI-88 clinical trials to date are being conducted under an Investigational New Drug, or IND, application issued by the United States Food & Drug Administration or FDA. In addition, PI-88 has been designated by FDA as an orphan drug for the treatment of high-risk stage II, stage III and stage IV melanoma. We believe PI-88 may also be eligible for orphan drug designation in other areas.

The Phase 2 post-resection liver cancer study was originally designed as a two-stage trial, with the first stage intended to determine optimal dosing and the second to demonstrate efficacy. In April 2006, we met with the FDA and discussed our registration path for PI-88. Following this meeting we decided to proceed directly to Phase 3 development after completion of the first stage, thereby bringing PI-88 into Phase 3 trial several years earlier than would otherwise have been possible.

In the April 2006 meeting, the FDA also recommended that Progen submit Special Protocol Assessments (SPAs) for its Phase 3 trials. We are in the process of discussing the terms of an SPA for PI-88 for the use in post-resection liver cancer with the FDA at this time.

Progen is currently in the process of finalising a global Phase 3 development plan with the intention of bringing PI-88 to market in this indication as swiftly and efficiently as possible. Although there is the possibility, if various criteria are met, that Progen may obtain approval for PI-88 on the basis of a single Phase 3 trial, the FDA has recommended that we conduct two Phase 3 trials for the liver cancer indication.

Phase 2 Trial Results

We recently announced the final stage 1 results of the Phase 2 trial of PI-88 in patients who had previously undergone surgical removal of liver cancer. The 48 week data demonstrated that 160 mg of PI-88 showed an improvement in disease-free rate, the primary endpoint, of 25 percent and prolonged the time to tumour recurrence (disease-free survival) from 27 to 48 weeks, or by 78 percent, building on the 30-week results announced in December 2006.

The first stage of the randomised, two-stage multi-centre Phase 2 trial was designed to determine the appropriate dosage and possible efficacy of PI-88 in reducing tumour recurrence in liver cancer patients who had previously undergone surgical removal of the cancer. 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.

Summary of results:

- Treatment with 160 mg of PI-88 increased the disease-free rate by approximately 25 percent, from 50 percent to 63 percent at 48 weeks
- Treatment with 160 mg of PI-88 increased the time to recurrence of disease (disease-free survival) by approximately 78 percent, from 27 to 48 weeks
- The final results confirmed the trend identified in the 30-week assessment that PI-88 delayed the recurrence of disease and increased the likelihood that the patient would be disease free for a longer period
- The 160 mg dosing level of PI-88 revealed a strong safety and tolerability profile and few adverse events directly or possibly related to treatment

As the 160mg dose was well tolerated and showed positive results in this study, Progen has decided to pursue the 160 mg dose of PI-88 in the Phase 3 development.

Treatment with the 250 mg dose resulted in thirteen patients discontinuing treatment early partly due to adverse events, possibly related to treatment at this dose level. This impacted the results seen from this treatment arm. The 250 mg dose of PI-88 reduced the disease-free rate by approximately 19 percent as compared to the control group, from 50 percent to 41 percent at 48 weeks, and was inseparable from the control group as to disease-free survival.

Aside from liver cancer, PI-88 has completed a Phase 2 clinical trial in multiple myeloma and melanoma and Phase 2 randomised trials are also currently underway in NSCLC, metastatic melanoma and hormone-refractory prostate cancer. We believe there is potential for PI-88 to have a therapeutic role in other cancers as well, but we have elected to focus on these five tumour types initially.

We have retained worldwide commercial rights to PI-88. We continue to assess strategic partnering opportunities in parallel with our ongoing internal commercialisation efforts. At the appropriate time, we intend to select collaborators for later-stage clinical development and commercialisation of PI-88.

PI-88 Market Overview

Our drug development efforts are focused on oncology. Despite the approval of numerous new therapeutic products in the past 10 years, over half a million Americans died of cancer in 2005, according to the American Cancer Society, making cancer, after heart disease, the second leading cause of death in the United States.

While we believe that PI-88 may prove to be applicable to a broad range of cancer indications, we have focused our PI-88 clinical development efforts to date on liver cancer, metastatic melanoma, NSCLC, multiple myeloma and post refractory prostate cancer.

PI-88 belongs to the new class of angiogenesis inhibitors that have only recently been introduced. Angiogenesis inhibitors currently available include Avastin®, Sutent®, and Nexavar®. These three anti-angiogenesis products are currently registered in a limited number of cancer indications:

- Avastin® is registered for use in colorectal cancer, lung cancer, and breast cancer.
- Sutent® is registered for use in Gastro-Intestinal Stromal Tumour, or GIST, and renal cell carcinoma, or kidney cancer.
- Nexavar® is registered for use in renal cell carcinoma.

Company annual reports indicate that the three angiogenesis inhibitors generated a total of \$2.75 billion in world-wide revenues for the year ending December 2006.

According to the International Journal of Cancer, liver cancer, or hepatocellular carcinoma, is the third most common cause of cancer death worldwide. The

American Cancer Society estimates that there were over 500,000 new cases of liver cancer diagnosed worldwide in 2005. An estimated 18,510 new cases were diagnosed, with 16,200 deaths, in the U.S. in 2006. Liver cancer prevalence is high in Asia and Africa, where hepatitis B is especially virulent; while in Japan, Europe, and the United States, liver cancer incidence is predominantly attributed to underlying hepatitis C infection.

The International Journal of Cancer estimates that 80% of new liver cancer cases will occur in developing countries. Based on a 2005 Frost & Sullivan report there are approximately 350,000 annual incidences of liver cancer in China, 50,000 in Europe, 50,000 in Japan, 20,000 in South Korea, and over 50,000 elsewhere in South East Asia.

According to the Journal of Clinical Oncology between 70% and 85% of liver cancer patients are diagnosed with an advanced or unresectable form of the disease. For patients with resectable tumours their recurrence rates are among the highest of any solid tumour, approaching 75-100% at 5 years, according to the Annals of Surgery.

We believe that PI-88's dual mechanism of action is particularly well suited for patients with resectable liver cancer because PI-88 aims to reduce the spread of first tumour cells and minimize growth of new blood vessels to the tumour.

Our goal is to develop and commercialise PI-88 for treatment in the post-resection population so as to reduce the incidence of recurrence of the disease, prolong the time to recurrence and ultimately improve the survival of patients with resectable liver cancer.

There are currently no FDA-approved therapies for post-resection liver cancer.

These factors all contribute to a significant high unmet medical need combined with limited treatment alternatives and a rationale for a registration strategy targeting this indication first.

Our market development strategy is based on a registration approach for PI-88 in post-resection liver cancer targeting U.S., Europe, Japan, China, Taiwan, Korea and other South East Asian countries. This registration plan is directly related to the economic opportunity available to PI-88 in this key indication. The Phase 3 clinical development plan will be designed to effectively support the registration plan.

Our Strategy

We intend to develop and commercialise novel therapeutics primarily for cancer. Key elements of our strategy include:

- *Leveraging in-house expertise and capabilities in product development.* We believe that our core scientific and management teams have a track record in drug discovery and in selecting and advancing promising product candidates

through preclinical and human clinical trials, demonstrating proof of efficacy, and moving product candidates towards registration and commercialisation.

- *Discovering and developing novel small molecule therapeutics using our proprietary drug discovery technology platform.* We will continue to focus our drug discovery research programs on the discovery and development of novel small molecule therapeutics for cancer and other serious diseases that over time will feed our product candidate pipeline and leverage our drug development infrastructure.
- *Expanding our product candidate pipeline through in-licensing.* In addition to our internal drug development efforts, we intend to selectively in-license lead compounds and new therapies for cancer and other serious diseases at early stages of development.
- *Establishing strategic collaborations for the development and commercialisation of our product candidates.* Where appropriate to optimise clinical development and maximize value creation, we intend to complement our internal capabilities by selectively entering into collaborations with pharmaceutical and biotechnology companies to complete product development and move our product candidates into the marketplace, as well as to improve our ability to move new compounds into the clinic.
- *Capitalizing on our in-house manufacturing capabilities to support the development and commercialisation of our product candidates.* We have manufactured PI-88 and formulate PI-166 for all our preclinical and clinical trials to date at our manufacturing facility. For our PI-88 Phase 3 clinical trial our facility will complete the first step in the manufacturing process. We intend to leverage our experience in bioprocess manufacturing technologies to support the development and commercialisation of our present and future product candidates.
- *Establishing and maintaining a strong intellectual property portfolio.* We plan to continue to aggressively pursue patent protection in the United States and other significant markets, as well as protect trade secrets and know-how, as our drug discovery technologies uncover additional small molecule product candidates or as necessitated by our in-licensed development programs.

Our Other Product Candidates

PI-166

PI-166, our second product candidate in oncology, is a targeted cytotoxic drug candidate currently in a Phase 1b clinical trial for inoperable primary liver cancer. PI-166 is a novel combination of an active small organic chemical molecule and a delivery vehicle that directs the active drug constituent to the tumour site. PI-166 is

being developed for potential application in the treatment of advanced liver cancer.

A Phase 1 clinical trial of PI-166 was initiated in Sydney, Australia in 2003. Due to slower than expected recruitment from the centre, two additional sites have been added. The primary objective of this trial is to investigate the safety and tolerability of escalating doses of PI-166 in patients with advanced stage primary liver cancer where surgical intervention is no longer an option. Based on interim data to date, no drug-related side effects of PI-166 have been observed in patients enrolled in the trial.

Research Pipeline

We have an active drug discovery research program that has identified a portfolio of therapeutic targets that play key roles in cancer, and potentially in other serious diseases. Our discovery team is designing, synthesizing and screening small molecule compounds directed at these targets. This research program was partially funded by an AusIndustry START grant until June 2005. In August 2005, we were successful in being awarded a further AusIndustry grant known as a Commercial Ready Grant that will continue to partially fund this program until August 2008.

The first class of novel compounds emerged from this program in late 2005. These compounds have been shown to inhibit heparanase and bind to the pro-angiogenic growth factors VEGF, FGF-1 and FGF-2. The compounds have been tested in several models of angiogenesis and demonstrated *in vitro* and *in-vivo* anti-angiogenic activity and suitable pharmacokinetic profiles. We plan to optimise the compounds and conduct further research in relevant disease models before selecting lead compounds for formal toxicity studies and pursuing an IND leading to clinical development

Manufacturing

We operate a current good manufacturing practice, or cGMP, certified pilot manufacturing facility that provides contract manufacturing services to the biotechnology industry, earning revenues on a fee for service basis. Contract and consulting services revenues constituted approximately 56%, 100% and 100% of our sales revenue for the fiscal years ended June 30, 2004, 2005, and 2006, respectively. The facility also manufactures PI-88 and prepares PI-166 for all clinical trials that have been conducted to date.

On 29 November 2006, we received notification from the FDA that the appropriate, chemistry, manufacturing and control, or CMC, procedures have been put in place to progress PI-88 to Phase 3 clinical trials. This notification follows our end-of-phase 2 CMC meeting with the FDA, held on 24 October 2006, and enables us to manufacture PI-88 for our upcoming Phase 3 clinical trial. Our facility will manufacture the first step in the process, while a large U.S.-based contract manufacturing company has been

contracted to produce the final active ingredient. We expect to have manufactured more than 150,000 doses of PI-88 in advance of the Phase 3 clinical trial that is expected to commence during the second half of 2007.

Patent Rights, Licenses and Proprietary Technology

Patents

We own or have exclusive rights to 10 patent families, incorporating 23 granted patents and 28 filed applications, including granted composition of matter and method of use patent families on our lead product candidate, PI-88, in countries including the U.S., Australia, Taiwan, China, South Africa, and New Zealand. The PI-88 composition of matter patent application has been accepted in Canada and filed in countries including Europe and Japan. The PI-88 composition of matter patent expires in 2016.

Licenses

We have an exclusive worldwide license from the Australian National University in Canberra, Australia, to five families of patents and patent applications relating to PI-88. Our license rights terminate on 10 March, 2028, which is expected to be after the expiration of the last patent under this licence. Our license with the Australian National University requires us to pay the University a portion of PI-88 related payments that we receive, including royalties on sales of PI-88, as well as on any fees we receive from sublicensing this technology. In addition, we are the assignee to a sixth patent application.

We also have an exclusive worldwide license from the University of New South Wales in Sydney, Australia, to PI-166. Our license rights terminate on expiration of the last patent forming part of the technology or, if no patent issues, in 2012 with an option to extend until 2022. Our license with the University of New South Wales requires us to pay the University a portion of PI-166 related payments that we receive including royalties on sales of PI-166 as well as on any fees we receive from sublicensing this technology.

Corporate Information

Progen was incorporated in September 1989 in Queensland.

Progen is jointly listed on the Australian Securities Exchange under the symbol "PGL" and the NASDAQ Capital Market under the symbol "PGLA."

We employ approximately 45 people across two sites in discovery research, clinical development, manufacturing, business development and administration. We have manufacturing and drug discovery facilities in Darra, Queensland in Australia. Our website address is www.progen.com.au. We do not incorporate the information on our website into this prospectus, and you should not consider it part of this prospectus.

5. ACTION REQUIRED BY SHAREHOLDERS

5.1 What Eligible Shareholders may do

The number of New Shares and New Options to which Eligible Shareholders may apply (your Entitlement) is shown on the accompanying Application Form.

If you do not apply for and take up your Entitlement, then your percentage holding in the Company will be diluted.

Eligible Shareholders may:

- apply for all of your Entitlement (refer Section 5.2);
- apply for part of your Entitlement and allow the balance to lapse (refer Section 5.3); or
- not apply for any part of your Entitlement (refer Section 5.4).

Foreign Shareholders may not take any of the steps set out in Sections 5.2 to 5.4.

Holders of NASDAQ listed Shares should refer to the US Prospectus for the actions available to them under the US Offer.

5.2 Applying for all of your Entitlement

If you wish to apply for all of your Entitlement, complete the accompanying Application Form for New Shares in accordance with the instructions set out in that form.

You should then forward your completed Application Form together with your Application Money in accordance with Section 5.5 to reach the Company's Share Registry no later than 5.00 pm Brisbane time on 18 June 2007.

5.3 Applying for part of your Entitlement and allowing the balance to lapse

If you wish to apply for part of your Entitlement and allow the balance to lapse, complete the accompanying Application Form for the number of New Shares you wish to apply for and follow the steps required in accordance with Section 5.2. If you take no further action, the balance of your Entitlement will revert to the Underwriters and you will receive no payment in respect of it.

5.4 Not apply for any part of your Entitlement

Entitlements are non-renounceable, so Eligible Shareholders who do not wish to apply for some or all of their Entitlement cannot sell or trade all or part of their Entitlement on ASX. You will receive no

payment for any part of your Entitlement which reverts to the Underwriters.

5.5 Payment

The Offer Price for New Shares is payable in full on application by a payment of \$5.74 per New Share. The Application Form must be accompanied by a cheque or bank draft for the Application Monies.

Cheques or bank drafts must be drawn in Australian currency on an Australian bank and made payable to "Progen Pharmaceuticals Limited - Share Application Account" and crossed "Not Negotiable". Applicants must not forward cash. Receipts for payment will not be issued.

You should ensure that sufficient funds are held in relevant account(s) to cover the cheque(s). If the amount of your cheque(s) for Application Money is not sufficient to pay for the number of New Shares you have applied for, you may be taken to have applied for such lower number of New Shares (and corresponding number of New Options) as your cleared Application Money will pay for or your Application may be rejected.

CHEQUES SHOULD BE MADE PAYABLE TO "PROGEN PHARMACEUTICALS LIMITED - SHARE APPLICATION ACCOUNT" AND CROSSED "NOT NEGOTIABLE".

You are also able to pay by B-Pay. The B-Pay details are included on the Application Form. If you choose to pay by B-Pay you do not have to return the Application Form.

5.6 Enquiries

If you have any questions about the Offer please contact the Company's Share Registry.

Alternatively, contact your stockbroker or other professional adviser.

5.7 Brokerage

No brokerage or stamp duty is payable by Shareholders who apply for New Shares and New Options.

6. RISKS

You should be aware that there are various risks to an investment in our Shares and Options, including those summarised below. You can review a more detailed description and analysis of these risk factors in Progen's US Registration Statement which is available on the Company's website (www.progen.com.au) or by contacting the Company using the contact details at the back of this Prospectus. You should carefully consider these risk factors, together with all of the other information included in this prospectus, before you decide to subscribe for New Shares and Options under the Offer.

If any of the following risks, or other risks not presently known to us or that we currently believe to not be significant, develop into actual events, then our business, financial condition, results of operations or prospects could be materially adversely affected. If that happens, the market price of our Shares could decline, and you may lose all or part of your investment.

GENERAL RISK FACTORS

General economic and sharemarket conditions.

Our performance may be significantly affected by changes in economic conditions, and particularly conditions which affect the biotechnology industry. Profitability of our business may be affected by factors such as market conditions, interest rates, inflation and consumer demand.

In addition, our Shares trade on the ASX and NASDAQ share markets, and our Share price could fluctuate due to broader stock market trends.

PROGEN SPECIFIC BUSINESS RISK FACTORS

We do not have any products that are approved for commercial sale.

We have not sufficiently advanced the development of our product candidates, PI-88 and PI-166, to obtain regulatory approval for commercial sale, and, accordingly, have not begun to market or generate revenues from their commercialisation.

PI-88, PI-166 and any of our future product candidates will require significant additional investments in:

- research and development;
- preclinical testing and clinical trials;
- manufacture and supply;
- regulatory and sales and marketing activities; and

- regulatory approval prior to any commercial sales.

Despite our ongoing efforts and continued investment in PI-88, PI-166 and our future product candidates, neither PI-88 or PI-166, nor any of our future product candidates may ever be approved for commercial sale.

We may not achieve profitability.

We expect to incur significant additional operating losses over at least the next several years and to increase our cumulative losses substantially as we expand our research and development and preclinical activities and commence additional clinical trials of PI-88 and PI-166. Even if PI-88, PI-166 or any of our other product candidates are successfully developed and approved for commercial sale, they may not generate sufficient revenues to enable us to continue to sustain our losses, or to ever be profitable.

There is a significant risk that we may not be able to complete the development of PI-88 or PI-166, or develop other product candidates.

There is no certainty that we will be able to develop PI-88, PI-166 or any future product candidates adequately to successful commercialisation, or that our research will lead to the discovery of additional product candidates. Moreover, we may be unable to successfully develop any of our current and future product candidates.

Delays in our clinical trials.

We do not know whether planned clinical trials will begin on time or whether we will complete any of our clinical trials on schedule, or at all. Our ability to commence and complete clinical trials may be delayed by many factors, including:

- government or regulatory delays, including delays in obtaining approvals from the FDA, the TGA, and other applicable review boards;
- slower than expected patient recruitment;
- our inability to manufacture or prepare, as applicable, sufficient quantities of PI-88, PI-166 or any of our other product candidates;
- unforeseen safety issues; and
- lack of efficacy during the clinical trials.

Product development costs to our collaborators and us will increase if we have delays in testing or approvals or if we need to perform more or larger clinical trials than planned. Any such delays could have a material adverse effect on the development and commercial prospects of our product candidates and our business, financial condition and results of operations.

Inability to enrol patients for clinical trials.

Our clinical trials may be suspended at any time for a variety of reasons. Completion of clinical trials depends on, among other things, our ability to enrol a sufficient number of patients, which is a function of many factors.

We have in the past experienced, and may again experience difficulties in enrolling patients in our clinical trials, particularly due to the rate of incidence for our target indications in certain populations, as well as the geographical locations we have selected for conducting our clinical trials. Any such difficulties could increase the costs or affect the timing or outcome of these trials and could prevent us from completing these trials.

Failure to perform additional PI-88 clinical trials in other indications.

If our product candidates are approved for one or more initial indications and are successfully commercialized, our strategy calls for performance of additional clinical trials in other indications. We may not be able to initiate such additional trials due to a number of factors.

Any failure to initiate additional clinical trials in other indications could have a material adverse effect on our business.

Delays in manufacturing PI-88 and PI-166.

We operate a manufacturing facility that has manufactured PI-88 and prepared PI-166 for preclinical studies and clinical trials to date. We may not, however, be able to manufacture or prepare, as applicable, sufficient quantities of PI-88, PI-166 or any of our other product candidates in a cost-effective or timely manner. Any delays in production would delay our preclinical and clinical trials which could have a material adverse effect on our business, financial condition and results of operations.

For our planned PI-88 Phase 3 trial in post-resection liver cancer, we have contracted an external organisation to finalize the production of bulk PI-88 in a facility that is FDA compliant with current good manufacturing practices.

We may not be able to obtain adequate supplies of PI-88 from our existing contract manufacturer and/or negotiate a second supply agreement with an alternate contract manufacturer to manufacture sufficient supplies of PI-88. If we are unable to do so, our ability to successfully complete our ongoing clinical trials or commercialise PI-88 will be significantly impaired and our results of operations and prospects would be materially adversely affected.

Inability to independently commercialise products.

Our strategy for developing and commercialising our product candidates includes entering into various relationships with pharmaceutical or biotechnology companies to provide us with funding and/or to perform research, clinical development, regulatory clearance, commercial scale manufacturing, sales, marketing or distribution activities relating to PI-88, PI-166 or some or all of our current or future product candidates.

If we are unable to establish collaborative arrangements on appropriate terms, we may have to reduce or delay further development of PI-88, PI-166 and our other product candidates and/or increase our expenditures and undertake the development and commercialisation activities at our own expense. If we elect to fund our research and development programs on our own, we will need to obtain additional financing, which may not be available on acceptable terms, or at all.

Limited oversight of contract research organisations.

We intend to engage third party contract research organisations to help us with the conduct of the Phase 3 trial of PI-88 in post-resection liver cancer. These organisations may not perform all of their obligations under arrangements with us. If contract research organisations and other third parties do not perform clinical trials in a satisfactory manner or breach their obligations to us, the development and commercialisation of our product candidates may be delayed or precluded and could substantially harm our development and marketing efforts and delay or prevent regulatory approval of our product candidates. If we are unable to rely on clinical data collected by others, we could be required to repeat, extend the duration of, or increase the size of our clinical trials and this could significantly delay commercialisation and require significantly greater expenditures.

Limited personnel to oversee out-sourced clinical testing and regulatory approval process.

We intend to engage a contract research organisation or organisations to assist with the conduct of the Phase 3 trial of PI-88 in post-resection liver cancer. We currently have limited personnel to oversee these efforts. We intend to hire additional personnel skilled in the clinical testing and regulatory compliance process to oversee the contract research organisations involved in clinical testing of our compounds. If we are unable to do so, it may adversely affect the commencement date and conduct of our Phase 3 trial and other clinical development activities.

Inability to enter into new licensing arrangements.

A component of our business strategy is in-licensing drug compounds developed by other commercial or academic entities. Competition for promising compounds is intense. Moreover, negotiating and implementing such arrangements is a lengthy and complex process. If we are not able to identify additional licensing opportunities or enter into licensing arrangements on acceptable terms, if at all, our ability to develop a diverse portfolio of product candidates will be adversely affected.

Need for additional financing in the future.

We have been unprofitable to date and expect to incur losses over the next several years as we expand our drug discovery and development programs and preclinical testing, including clinical trials of PI-88, PI-166 and our other product candidates. Our actual cash

requirements for these activities will depend upon numerous factors.

We are currently planning a Phase 3 trial of PI-88 in patients with post-resection liver cancer. We anticipate that we will require substantial additional funds in order to conduct this and other clinical trials, as well as to complete the research and development of our other existing and future product candidates.

We cannot be certain that our capital raising program completed in recent months, including the Entitlements Offer will be sufficient to fund the planned Phase 3 development of PI-88 as well as our other drug development efforts.

Any shortfall in funding could result in our having to curtail our operations, including our research and development and clinical trial activities, which could have a material adverse effect on our business, financial condition and results of operations.

Ability to attract and retain key personnel.

Our success is highly dependent on the continued contributions of our principal management and scientific personnel and on our ability to develop and maintain important relationships with leading academic institutions and scientists. Competition among pharmaceutical and biotechnology companies for qualified employees is intense, and we cannot be certain that we will be able to continue to attract and retain qualified scientific and management personnel. We also have relationships with leading academic and scientific collaborators who conduct research at our request or assist us in formulating our research and development strategies. These academic and scientific collaborators are not our employees and may have commitments to other entities that may limit their availability to us.

Acceptance of our products in the marketplace is uncertain.

There is no certainty that our products will achieve market acceptance even if they are approved by the TGA and the FDA.

Moreover, due to the prevalence of liver cancer in Asia, if PI-88 or any of our other product candidates for the treatment of liver cancer obtain regulatory approval for commercialisation, we anticipate that we will need to commercialise our products in numerous foreign markets within Asia, including China. We have limited foreign regulatory, clinical and commercial expertise and resources. Our ability to penetrate these markets is subject to numerous risks and uncertainties, any of which could adversely affect our ability to successfully commercialise our product candidates.

Lack of sales, marketing and distribution capability.

We currently have no experience in marketing, sales or distribution of pharmaceutical products. If we develop any commercially marketable products and

decide to perform our own sales and marketing activities, we will require additional management, will need to hire sales and marketing personnel, and will require additional capital. We cannot make any assurances that qualified personnel will be available in adequate numbers or at a reasonable cost, that additional financing will be available on acceptable terms, or at all, or that our sales staff will achieve success in their marketing efforts.

Failure to establish sufficient marketing capabilities may have a material adverse impact our potential revenues and results of operations.

Healthcare insurers and other organisations may not pay for our products, or may impose limits on reimbursement.

The continuing efforts of governments, insurance companies, health maintenance organisations and other payors of healthcare costs to contain or reduce healthcare costs may affect our future revenues and profitability, as well as the availability of capital.

In Australia and certain foreign markets, the pricing or profitability of prescription pharmaceuticals is already subject to government control. We expect initiatives for similar government control at both the state and federal level to continue in the United States and many other foreign markets. The adoption of any such legislative or regulatory proposals could have a material adverse effect on our potential revenues and results of operations.

Our ability to commercially exploit any of our future products, if approved, will depend in part on the extent to which reimbursement for the cost of our products and related treatment will be available from government health administration authorities, private health coverage insurers and other organisations.

We may have product liability exposure.

The importation of biological products entails the risk of product and manufacturer's liability. Our limited product and manufacturer's liability insurance coverage may not be adequate to protect us in the event of a successful product or manufacturer's liability claim and may not continue to be available on commercially reasonable terms. The testing, marketing and sale of human health care products also entails an inherent risk of product liability.

**RISKS ASSOCIATED WITH OUR
TECHNOLOGY AND INTELLECTUAL
PROPERTY**

Potential technological changes.

We are engaged in the biopharmaceutical field, which is characterized by extensive research efforts and rapid technological progress. Research and discoveries by others may render some or all of our programs or product candidates uncompetitive or obsolete.

Our business strategy is based in part upon new and unproven technologies to the development of pharmaceutical products for the treatment of cancer and other serious diseases. Unforeseen problems may develop with these technologies or applications and it is possible that commercially feasible products will not ultimately be developed by us.

Technological change and competition.

The biotechnology and pharmaceutical industries are subject to rapid and significant technological change. Our competitors in Australia and elsewhere are numerous and include, among others, major pharmaceutical companies, large biotechnology firms, universities and other research institutions. These competitors may develop technologies and products that are more effective than any that we are developing, or which would render our technology and products obsolete or non-competitive.

Our ability to further develop our products may be adversely affected if any of our competitors were to succeed in obtaining regulatory approval for their competitive products sooner than we would.

Ability to protect our intellectual property and our proprietary technology.

Our success will depend in large part on whether we can:

- obtain and maintain patents to protect our own products;
- obtain licenses to the patented technologies of third parties;
- operate without infringing on the proprietary rights of third parties; and
- protect our trade secrets and know-how.

Patent matters in the biotechnology and pharmaceutical industries are highly uncertain and involve complex legal and factual questions. Statutory differences in patentable subject matter may limit the protection we can obtain on some or all of our inventions outside Australia, which could have a material adverse effect on our business, financial condition and results of operations.

Competitors may independently develop similar products or processes, duplicate any of the products or processes developed or being developed by us or licensed to us, or design around the patents owned or licensed by us, or that any patents owned or licensed by us will provide us with competitive advantages.

Protection and control of trade secrets.

In addition to patented intellectual property, we also rely on unpatented technology, trade secrets, confidential information and know-how to protect our technology and maintain our competitive position. Trade secrets are difficult and potentially costly to protect. Failure to obtain or maintain trade secret

protection could have a material adverse effect on our business.

Insufficient patent protection internationally.

Our product candidates are not protected by patents in certain countries, which means that competitors may be free to sell products that incorporate the same technology that is used in our products in those countries. In addition, the laws and practices in some foreign countries may not protect intellectual property rights to the same extent as in the United States or Australia. Our lack of patent protection in one or more countries, or the inability to obtain, maintain or enforce intellectual property rights in one or more countries, could adversely affect our ability to commercialise our products in those countries and could otherwise have a material adverse effect on our business.

RISKS ASSOCIATED WITH GOVERNMENT REGULATION

Need for government approvals.

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived therefrom will be, subject to regulation by numerous governmental authorities in Australia, the United States, the United Kingdom and elsewhere. Delays in obtaining regulatory approvals or changes to those approvals could adversely affect the development and commercialisation of our product candidates and could have a material adverse impact on our business, financial condition and results of operations.

Failure to comply with government regulations.

To date, we have derived revenues from contract manufacturing services. Our contract manufacturing operations include some manufacturing processes that are required to comply with the applicable cGMP requirements of the TGA, the Australian Office of Gene Technology Regulator and the Australian National Registration Authority (agricultural and veterinary chemicals). Any potential failure to comply with cGMP requirements or with any other international requirements could have a material adverse impact on our business, financial condition and results of operations.

Changes in legislation and policy.

Any material changes in interest rate, exchange rate, relevant taxation and other legal regimes and government policies may adversely affect our operations, the use of our financial resources and the market price of our ordinary shares.

RISKS ASSOCIATED WITH OUR SHARES

Stock price volatility and illiquidity.

The market price for our ordinary shares, like that of the securities of other biotechnology companies, has fluctuated substantially and may continue to be highly

volatile in the future. We believe that the following factors, in addition to other risk factors described above and elsewhere in this annual report, will continue to significantly affect the market price of our ordinary shares:

- the results of preclinical testing and clinical trials by us and our competitors;
- developments concerning research and development, manufacturing, and marketing alliances or collaborations by us and our competitors;
- announcements of technological innovations or new commercial products by us and our competitors;
- litigation;
- economic and other external factors; and
- period-to-period fluctuations in our operating results.

In addition, stock markets have experienced extreme price and volume fluctuations. These fluctuations have especially affected the stock market price of many high technology and healthcare-related companies, including biotechnology companies, and, in many cases, are unrelated to the operating performance of the particular companies. We believe that these broad market fluctuations may continue to affect the market price of our ordinary shares.

There is no certainty that there will continue to be an active trading market in our ordinary shares.

Dilution of ownership.

If we raise additional capital through the issuance of equity or securities convertible into equity, existing holders of our securities may experience dilution. Those securities may have rights, preferences or privileges senior to those of the holders of our Shares or quoted Options.

7. ADDITIONAL INFORMATION

7.1 Nature of the Prospectus

This Prospectus is a short form prospectus issued under section 713 of the Corporations Act which allows the issue of a short form prospectus in relation to offers of securities where those securities are of a class which have been quoted for twelve months before the date of that prospectus.

7.2 New Option terms

Set out below are the terms of the New Options:

New Option Entitlement

Subscribers will be issued with 1 New Option for every 2 New Shares issued under this Prospectus.

If the number of New Shares that you are issued is not a multiple of two, the number of New Options to be issued will be calculated on the basis of the number of New Shares that is rounded down to a multiple of two. That is, if are issued 5 New Shares the calculation of the number of New Options to be issued will be based on a holding of 4 New Shares.

Exercise Rights

Each New Option will entitle you to subscribe for one Share.

Exercise Price

The exercise price for each New Option is \$8.40 (**Option Exercise Price**).

Exercise of Options

You may elect to exercise all or part of your New Options at any time prior to 5.00pm (Brisbane time) on 28 May 2010 (**Expiry Date**) by lodging an Exercise Notice together with payment with the Share Registry.

The New Options may be exercised in parcels of not less than 500 New Options (unless your entire holding of Options is less than 500, in which case you may exercise your entire holding), by lodging an Exercise Notice with the Share Registry.

If you choose to exercise all or part of your holding, the Exercise Notice must be accompanied by the subscription monies of the relevant Shares, being the number of New Options an Optionholder wishes to exercise multiplied by the Option Exercise Price.

Issue of Shares

Upon exercise of a New Option, Progen will, within the time period required by the Listing Rules, issue to the Optionholder the relevant number of Shares equal to the number of New Options for which an Exercise Notice has been lodged with Progen.

All Shares issued upon exercise of the New Options in accordance with these terms will rank equally in all respects with issued Shares.

Trading

Progen will apply for Official Quotation of the New Options on the ASX. If Official Quotation is granted, Optionholders will be able to trade their New Options independently from any Shares held by them. There is no requirement for an Optionholder to hold Shares.

New Issues

Optionholders will not be entitled to participate in new issues of Shares to Shareholders (including bonus issue and other pro rata issues). However, Progen will ensure that, for the purposes of determining entitlements to any such issue, Optionholders will be notified of the proposed issue at least 7 Business Days before the record date of any proposed issue. This may give Optionholders the opportunity to exercise the New Options prior to the date for determining entitlements to participate in any such issue.

Re-organisation of Capital

If there is a re-organisation of the issued capital of Progen (including consolidation, subdivision, reduction, return or cancellation), the terms of the Options and the rights of the Optionholder will be amended to the extent necessary to comply with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

7.3 ASX listing

The Company participates in CHESS and will despatch holding statements in lieu of share certificates that set out the number of New Shares and New Options issued to each successful Applicant under this Prospectus.

It is the responsibility of Applicants to determine their allocation before trading in the New Shares or New Options. Applicants who sell New Shares or New Options before they receive their statement do so at their own risk.

7.4 Rights attaching to New Shares

The rights attaching to ownership of Shares (including New Shares) are:

- described in the Constitution; and
- regulated by the *Corporations Act*, the Listing Rules and the general law.

The following is a summary of the key provisions in the Constitution and the principal rights of shareholders as set out in the Constitution. This summary is not exhaustive, nor does it constitute a definitive statement of the rights and liabilities of shareholders.

Meetings and notices

Each shareholder is entitled to receive notice of and to attend general meetings of the Company and to receive all notices, financial reports and other documents required to be sent to shareholders under the Constitution, the Corporations Act or the Listing Rules.

Voting

At meetings of shareholders, every shareholder present in person or by proxy, attorney or representative has one vote on a vote taken by a show of hands, and, on a poll has one vote for every fully paid Share held by him or her, and a proportionate vote for every partly paid Share. A poll may be demanded by the chairperson of the meeting, by any five shareholders present in person or by proxy, attorney or representative or by any one or more shareholders who are together entitled to not less than 5% of the votes that may be cast on the resolution on a poll.

Dividends

Dividends are payable out of the Company's profits and are declared or determined to be payable by the Directors.

Transfer

A shareholder may transfer all or any of its Shares by:

- in the case of an ASTC-regulated transfer, in any manner required or permitted by the Listing Rules or ASTC Settlement Rules; and
- in other cases, using any written transfer instrument in any common form or form approved or adopted by ASX or the Directors.

The Directors may decline to register any transfer where permitted to do so by the ASX Listing Rules and must decline to register a transfer of:

- Shares where required by the ASX Listing Rules; or
- Restricted Securities which may be in breach of the Listing Rules or any escrow arrangement entered into by the Company.

Liquidation Rights

Each Share ranks equally in the event of liquidation.

Variation of Rights

Subject to the ASX Listing Rules, the rights attached to the Shares may be varied with the consent in writing of shareholders holding three-quarters of the Shares or by a special resolution passed at a separate

meeting of the holders of the Shares in accordance with the Corporations Act.

The Directors may, subject to the restrictions on allotment of shares imposed by the Constitution, the Corporations Act and the ASX Listing Rules, from time to time issue and allot further shares on such terms and conditions as they see fit.

Alteration of constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

Indemnification of Directors

To the extent permitted by law, the Company indemnifies every person who is or has been an officer of the Company and indemnifies every person who is or has been an officer of the Company against reasonable legal costs incurred in defending an action for a liability incurred or allegedly incurred by the person as an officer of the Company

7.5 Dividends

The Company seeks to provide value to shareholders through appreciation in the price of its Shares. The Directors do not anticipate that the Company will pay dividends in the foreseeable future.

7.6 Continuous reporting and disclosure obligations

The Company is a "disclosing entity" (as defined in the Corporations Act) and as such is subject to regular reporting and disclosure obligations under the Corporations Act and the ASX Listing Rules.

These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purpose of ASX making the information available to the stock market conducted by ASX. In particular, the Company has an obligation under the ASX Listing Rules (subject to certain limited exceptions), to notify ASX once it is, or becomes aware of information concerning the Company which a reasonable person would expect to have a material effect on the price or value of the Company's Shares.

The Company is also required to prepare and lodge with ASIC yearly and half-yearly financial statements accompanied by a Directors' statement and report, and an audit or review report as appropriate.

Copies of documents lodged with ASIC in relation to the Company may be obtained from, or inspected at, an office of ASIC.

Since lodging the Company's Annual Report for the year ended 30 June 2006, the Company has made the following announcements to ASX:

Date	Description of ASX Announcement
10 May 2007	F3 - US Registration Statement
9 May 2007	Completes Placement Fundraising
4 May 2007	Appendix 3B - Entitlements Issue
4 May 2007	Appendix 3B: Registered Direct Placement
4 May 2007	Fundraising Activities
3 May 2007	Change in substantial holding from AMP
2 May 2007	Trading Halt
26 April 2007	Correction to Appendix 3B
24 April 2007	Appendix 3B
16 April 2007	PI-88 Final Phase 2 Data in Post Resection Liver Cancer
30 March 2007	Ceasing to be a substantial holder
29 Mar 2007	Certificate of Registration for Progen Pharmaceuticals
29 Mar 2007	Official name change to Progen Pharmaceuticals Limited
29 Mar 2007	Appendix 3B
23 Mar 2007	Progen files F-3 Shelf Registration with US SEC
21 Mar 2007	Appendix 3B
16 Mar 2007	Results of General Meeting
16 Mar 2007	Progen General Meeting Presentation
16 Mar 2007	Chairman's Address to Shareholders
14 Mar 2007	Amendment to General Meeting Agenda
12 Mar 2007	PI-88 Data to be Presented at Key International Conferences
07 Mar 2007	Appendix 3B
22 Feb 2007	Appendix 3B
21 Feb 2007	Half Year Results Advice
21 Feb 2007	Half Yearly Report/Half Year Accounts
16 Feb 2007	Appendix 3B
15 Feb 2007	Notice of General Meeting
13 Feb 2007	Appendix 3B
05 Feb 2007	Change of Director's Interest Notice
05 Feb 2007	Change of Director's Interest Notice
05 Feb 2007	Change of Director's Interest Notice

Date	Description of ASX Announcement
05 Feb 2007	Appendix 3B
05 Feb 2007	SPP exceeds expectations with \$5.4 million raised
31 Jan 2007	Change in substantial holding for PGL
31 Jan 2007	Appendix 3B
19 Jan 2007	Appendix 3B
16 Jan 2007	Director Resignation & App 3Z
16 Jan 2007	Appendix 3B
16 Jan 2007	Buys back PI-88 royalty obligation from Medigen
12 Jan 2007	Appendix 3B
10 Jan 2007	Change in substantial holding for PGL
02 Jan 2007	Section 708A(5) Notice
22 Dec 2006	Private Placement Completed
22 Dec 2006	Appendix 3B
21 Dec 2006	Appendix 3B
19 Dec 2006	Appendix 3B
19 Dec 2006	Appendix 3B
19 Dec 2006	Capital Raising to Progress PI-88 Towards Phase 3
18 Dec 2006	Trading Halt
18 Dec 2006	Change in substantial holding x 3
14 Dec 2006	Teleconference Access Details
13 Dec 2006	Teleconference Dial-In Details
13 Dec 2006	Presentation - Dec 2006 HCC Data for Investors
13 Dec 2006	Open Briefing. Progen.CEO on Phase 2 Preliminary Results
13 Dec 2006	Positive Results for Phase 2 Liver Cancer Trial
12 Dec 2006	Trading Halt
07 Dec 2006	Change in substantial holding for PGL
04 Dec 2006	Appendix 3B
01 Dec 2006	Appendix 3B
30 Nov 2006	Results of Meeting
30 Nov 2006	CEO's Address to Shareholders
30 Nov 2006	AGM 2006 Chairman's Address
29 Nov 2006	FDA Provides Manufacturing Clearance for Phase III Trial

Date	Description of ASX Announcement
14 Nov 2006	Becoming a substantial holder
30 Oct 2006	Annual General Meeting Announcement 2006
30 Oct 2006	Annual Report 2006
30 Oct 2006	Response to ASX Query
04 Oct 2006	Changes its NASDAQ ticker symbol to PGLA
02 Oct 2006	Appendix 3B - Issue of Employee Options

The information in these documents may be of interest to investors and their financial advisers.

The Company will provide a copy (free of charge), to any person who requests it in the period starting from the date of this Prospectus and ending on the Closing Date of the 2006 Annual Report, the 31 December 2006 half-year accounts and any of the announcements made to ASX referred to above.

Alternatively, these documents may be viewed at the ASX's website www.asx.com.au.

7.7 Taxation

Generally, the Directors consider that it is not appropriate to give advice regarding the taxation consequences associated with the Offer or applying for New Shares or New Options, or the subsequent disposal of any Shares or New Options subscribed for under this Prospectus. The Directors recommend that all Eligible Shareholders consult their own professional tax advisors.

Shareholders should be aware of the possible impact of a recent decision of the High Court of Australia in *Commissioner of Taxation v McNeil* [2007] HCA 5 (McNeil case). In that case, the High Court treated the market value of sell-back rights granted to a shareholder under a deed poll as ordinary income for Australian income tax purposes.

As a result of the comments made by the High Court in the McNeil case, it may be argued that the market value of the Entitlements, if and when they are received by Shareholders, are ordinary income for Australian income tax purposes.

The Australian Taxation Office has not yet publicly determined whether it considers the McNeil case as having application in circumstances similar to the Entitlement Offer. If it does so, Shareholders will be subject to income tax on the market value of their Entitlement when granted to them.

Accordingly, you should seek your own independent taxation advice before reaching conclusions as to the possible Australian taxation consequences of the Entitlement Offer on you.

7.8 Underwriting agreement

An Underwriting Agreement has been entered into between the Company and the Underwriters dated 3 May 2007 under which the Underwriters have agreed to underwrite the Entitlements Offer. Each Underwriter is liable only to underwrite 50% of any Shortfall Shares.

Relief from underwriting obligations

Each Underwriter may terminate its underwriting obligations under the Underwriting Agreement if any of the following events occurs.

- **(Prospectus not in agreed form):** The prospectus is issued in a form not previously agreed to by the Underwriters.
- **(Changes of law):** The Australian Government, State Government or Government of the US introduces a law or bill which is likely to have a material adverse effect on the offer being fully subscribed.
- **(Directors charged):** A director or proposed director is charged with or convicted with an indictable criminal offence.
- **(Breach of agreement):** The Company breaches the Underwriting Agreement.
- **(Breach of compliance rules):** The Company contravenes any provision of the Corporations Act, ASX Listing Rules, its Constitution, ASIC or ASX policies, any relevant US Act or regulation, or NASDAQ rules.
- **(Misstatement in the prospectus or US registration statement):** There is a misstatement, inaccuracy or omission in the Prospectus.
- **(Supplementary prospectus):** The Company becomes obliged to repay any moneys received from any applications or perform an obligation under s724 of the Corporations Act.
- **(Insolvency event):** An insolvency event occurs with respect to the Company.
- **(Quotation by ASX):** The New Shares issued to Australian investors or New Options are not approved for quotation by ASX or approval is withdrawn or qualified.
- **(Quotation by NASDAQ):** The US shares are not approved for quotation by NASDAQ or approval is withdrawn or qualified.

- **(Movement in the All Ordinaries Index):** The S&P/ASX All Ordinaries Index or the Composite Index of NASDAQ falls more than 7.5%.
- **(US dollar/Australian dollar currency movement):** There is a movement of 7.5% or more in US dollar representative rate per Australian dollar.
- **(Adverse change (financial position)):** There is an adverse change in the financial or trading position of the Company.
- **(Commencement or escalation of hostilities):** Hostilities are commenced or escalated (whether war is declared or not) or acts of terrorism occur involving any of the following countries: Australia, New Zealand, United Kingdom, United States of America, Republic of Indonesia, Taiwan (Republic of China), Republic of Russia (or former members of the USSR), Peoples Republic of China or Japan or in the Persian Gulf, or other hostilities between members of the Commonwealth of Independent States.
- **(Breach of Constitution):** The Company contravenes a provision of its Constitution.
- **(Unapproved alteration):** The Company alters its board of directors or capital structure.
- **(Adverse change (business activities)):** There is an adverse change in relation to the principal business activity of the Company.
- **(Certificate):** The Company does not issue a certificate to notify the Underwriters of the shortfall.
- **(Material contract):** A material contract is terminated, rescinded, altered or materially amended.
- **(Interest rate):** The Australian cash rate moves more than 50 basis points.
- **(Encumbrances):** An encumbrance is created or comes into existence over a Company asset.
- **(False or misleading information given to the Underwriters):** Any information supplied by the Company is or becomes false or misleading.
- **(ASIC hearing):** ASIC applies for an order under s1324 of the Corporations Act.
- **(ASIC or SEC prosecution):** ASIC or the SEC give written notice of their intention to prosecute the Company, any director or employee of the Company or any subsidiary of the Company or any of its related bodies.
- **(Court order):** An order is made by a Court in connection with the Prospectus.
- **(Action by authority):** The performance of the obligations of an Underwriter under the Underwriting Agreement is prevented or restrained.
- **(Withdrawal of consent):** Any person who has consented to the inclusion of his or her name in the Prospectus withdraws that consent.
- **(Prescribed occurrence):** A prescribed occurrence occurs in relation to the Company.
- **(Natural disaster):** There is a natural disaster which is likely to have a material adverse effect on the operations of the Company.
- **(Public statements):** An unauthorised public statement is made by the Company.
- **(ASIC or SEC proceedings):** ASIC or the SEC issues, threatens or commences an inquiry, investigation or proceedings regarding the issue, allotment or placement of the Shares issued under the Entitlements Offer or the Placement.
- **(Government proceedings):** Any authority commences or threatens to commence any action or proceedings against the Company.
- **(Disqualification of a director):** A director of the Company is disqualified from managing a corporation.
- **(Suspension in quotation):** Any securities issued by the Company and that have been the subject of quotation are suspended from quotation for more than 5 days.
- **(SEC stop order):** A stop order with respect to the effectiveness of the US registration statement shall have been issued under the *Securities Act* or proceedings initiated under section 8(d) or 8(e) of the *Securities Act*.

- **(No suspension or moratorium):** The occurrence of any suspension of trading generally on the New York Stock Exchange, NASDAQ or the ASX or any declaration of a banking moratorium by US Federal or State authorities or other applicable governmental authorities in commercial banking or securities settlement or clearance services in the United States or Australia.

The Company has indemnified the Underwriters against all losses, liabilities, claims and expenses in respect of:

- the Entitlements Offer or the Prospectus;
- being named in or otherwise referred to in any one of the Prospectus, the US Prospectus, the prospectus issued in respect of the Placement or any other notice, advertisement or other information published by or with the approval of the Company;
- a breach of any provision of the Underwriting Agreement.

As soon as practicable after the allotment of all the underwritten shares, the Company must pay the Underwriters:

- an underwriting commission of 5.85%; and
- other expenses (including legal fees of the Underwriters up to a maximum amount of A\$40,000).

7.9 Interests of Directors

Other than as set out below or elsewhere in this Prospectus, no Director has, or had within two years before lodgement of this Prospectus with ASIC any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the Company in connection with its formation or promotion, or the Entitlements Offer; or
- the Entitlements Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any Director:

- to induce him or her to become, or to qualify him or her as, a Director; or

- for services provided by him or her in connection with the formation or promotion of the Company, or the Entitlements Offer.

The directors have interests in Progen Shares and Options as follows:

Name	Number of Ordinary Shares	Number of Options
Justus Homburg	25,000	530,000
Stephen Chang	736,424	-
John Zalberg	16,772	-
Mal Eutick	15,923	-
Patrick Burns	500	-

Although some Options held by Directors have vested and could be exercised before the Record Date in order to participate in the Entitlements Offer those Directors holding Options do not intend to exercise them as the relevant exercise prices are above the current market price of Shares.

Directors' Remuneration

Under the Company's Constitution, the Directors are entitled to be paid such remuneration as is authorised by an ordinary resolution of the Company in general meeting (excluding remuneration of Managing or Executive Directors). The amount that the Company has currently authorised Directors to receive is a maximum of \$300,000 to be divided between them as Directors' fees. Currently the Directors receive \$180,000 in aggregate as Directors' fees.

If a Director undertakes any work additional to the ordinary duties of a Director, or undertakes travel for the Company's business at the request of the Board, the Directors may decide to pay that Director additional remuneration which is not included in the above limits. Directors are also entitled to reasonable travelling, accommodation and other expenses for attending meetings while engaged in the Company's business.

If the Directors appoint any Managing Director or Executive Director, they will determine the remuneration payable to that person for his or her services, which will be additional to the amount that the Company has authorised the Directors to receive.

7.10 Interests of Other Persons

Other than as set out below or elsewhere in this Prospectus, no person named in this Prospectus as performing a function in a professional, advisory or other capacity in connection with the preparation or distribution of this Prospectus, a promoter of the Company, or a financial services licensee named in the Prospectus as a financial services licensee involved in the Entitlements Offer, holds or held at any time within two years before lodgement of this Prospectus with ASIC any interest in:

- the formation or promotion of the Company;
- property acquired or proposed to be acquired by the company in connection with its formation or promotion or the Entitlements Offer; or
- the Entitlements Offer,

and no amounts have been paid or agreed to be paid and no benefits have been given or agreed to be given to any of those persons for services rendered by him or her in connection with the formation or promotion of the Company or the Entitlements Offer.

Clayton Utz have acted as lawyers to the Entitlements Offer for which an amount of \$66,000 exclusive of GST has been paid or has agreed to be paid.

The Underwriters have acted as underwriters to the Entitlements Offer, for which the amounts described in section 7.8 have been agreed to be paid.

7.11 Consents

The following parties have given written consent, which has not been withdrawn at the time of lodgement of this Prospectus with the ASIC, in the following terms:

Ernst & Young has given its consent to be named in the Prospectus as auditor of Progen and to the inclusion of statements referring to the historical reviewed accounts of Progen in the form and context in which they are included.

Clayton Utz has given its consent to be named in the Prospectus as lawyers to the Entitlements Offer in the form and context in which it is named.

Computershare Investor Services Pty Limited has given its consent to be named in the Prospectus as Share Registry in the form and context in which it is named.

Each of Bell Potter Securities Limited and Emerging Growth Capital Pty Ltd has given its consent to be named in the Prospectus as an underwriter in the form and context in which it is named.

Each of the companies and firms named in this Section:

- has not authorised or caused the issue of this Prospectus;
- has not made any statement in this Prospectus, or any statement on which a statement in this Prospectus is based, except where expressly stated above;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Prospectus

other than a reference to its name and except where expressly stated above; and

- was not involved in the preparation of the Prospectus or any part of it except where expressly attributed to that person.

7.12 Entitlements Offer expenses

The expenses of the Entitlements Offer including the US Offer are expected to be approximately \$2.18 million. These expenses include underwriting, corporate advisory, legal, listing and other administrative fees as well as printing, advertising and other expenses relating to the Prospectus.

All expenses are payable by the Company.

7.13 Privacy

If you apply for New Shares, you will provide personal information to the Company and Computershare Investor Services Pty Limited. Company laws and tax laws require some of the information to be collected and kept. The Company will collect, hold and use the information provided by you to process your application and to administer your investment in the Company.

If you do not provide the information requested in the Application Form, the Company and the Share Registry may not be able to process your application.

The Company may disclose your personal information for purposes related to your investment to the Company's agents and service providers. The types of agents and service providers that may be provided with your personal information and the circumstances in which your personal information may be shared are:

- the Share Registry for ongoing administration of the shareholder register,
- printers and other companies for the purpose of preparation and distribution of statements and for handling mail; and
- legal and accounting firms, auditors, contractors, consultants and other advisers for the purpose of administering, and advising, on the Shares and for associated actions.

The Company complies with its legal obligations under the Privacy Act 1988 (Cth).

You may request access to your personal information held by (or on behalf of) the Company. You may be required to pay a reasonable charge to the Share Registry in order to access your personal information. You can request access to your personal information by writing to or telephoning the Share Registry as follows:

7.14 Governing law

This Prospectus, the Entitlements Offer and the contracts formed on acceptance of the Applications are governed by the law applicable in Queensland, Australia. Each Applicant submits to the exclusive jurisdiction of the courts of Queensland, Australia.

7.15 Directors authorisation

Each Director of Progen Pharmaceuticals Limited has given, and has not withdrawn, their consent to the lodgement of this Prospectus with ASIC.

8. DEFINITIONS

These definitions are provided to assist persons in understanding some of the expressions used in this Prospectus.

AEST	Australian Eastern Standard Time	NASDAQ	NASDAQ Capital Market
Annual Report	The 30 June 2006 Annual Report of the Company as lodged with ASIC and ASX.	New Options	Options that the Company offers under this Prospectus at no additional cost to all successful Applicants at the ratio of one New Option for every two New Shares issued and with the terms set out in Section 7.2.
Applicant	A person who submits an Application Form.	New Shares	Shares which are the subject of the Offer under this Prospectus.
Application Form	The Application Form accompanying this Prospectus that sets out the number of New Shares and New Options for which you are invited to apply pursuant to the Entitlements Offer.	Offer	means the invitation to apply for New Shares and New Options under this Prospectus.
Application Money	Money received from Applicants in respect of their Applications	Offer Price	\$5.74 per New Share.
ASIC	Australian Securities and Investments Commission	Option	An option to subscribe for a Share.
ASTC Settlement Rules	means the operating rules of the settlement facility operated by ASX Settlement and Transfer Corporation Pty Limited, as amended from time to time.	Option Exercise Price	\$8.40.
ASX	ASX Limited.	Option Expiry Date	28 May 2010.
Auditor	Ernst & Young.	Optionholder	A person holding Options.
Board	The Board of Directors of Progen.	Prospectus	This Prospectus.
Business Day	Has the same meaning as in the Listing Rules.	Record Date	5.00 pm Brisbane time on 21 May 2007.
CHESS	ASX Clearing House Electronic Subregister System.	Register	The register of Shareholders of the Company.
Closing Date	5.00 pm AEST on 18 June 2007 or such earlier or later time as the Directors may determine.	Placement	The placement of the Company's Shares to US institutional and other investors recently completed.
Company or Progen	Progen Pharmaceuticals Limited ABN 82 010 975 612.	Progen	See definition of Company.
Constitution	The constitution of the Company	Securities Clearing House	The Clearing House which governs the administration of CHESS.
Corporations Act	<i>Corporations Act</i> 2001 (Cth).	Share Registry	Computershare Investor Services Pty Limited.
Directors	Directors of Progen.	Shareholders	Holders of Shares.
Eligible Shareholder	A Shareholder of the Company, as at the Record Date, other than a Foreign Shareholder.	Shares	Ordinary shares in the capital of the Company.
Entitlement	Each Shareholder's entitlement to be issued New Shares and New Options following application, subscription and acceptance of the application under the terms of the Offer.	Underwriters	Bell Potter Securities Limited ABN 25 006 390 772 and Emerging Growth Capital Pty Ltd ABN 16 093 677 180, severally.
Entitlements Offer	The non-renounceable pro rata invitation described in this Prospectus by the Company to apply for 1 New Share for 9 Shares at an issue price of \$5.74 per New Share and, for every 2 New Shares issued pursuant to the offer, 1 New Option.	US Offer	The invitation to apply for Shares on a 1 for 9 basis (together with New Options on a 1 for 2 basis) being made under the US Prospectus to Shareholders who hold Shares on the NASDAQ as at the Record Date.
Exchange Rate	Australian dollar exchange rate of A\$1.00 to US\$0.8271 (the " Exchange Rate ") which is the average interbank rate as at 2 May 2007.	US Offer Price	US\$4.75 per New Share.
Foreign Shareholder	A Shareholder, as at the Record Date, whose registered address is not situated in Australia or New Zealand.	US Prospectus	The prospectus containing the US Offer issued to Shareholders who hold Shares on the NASDAQ as at the Record Date.
Half Year Report	The 31 December 2006 Half Year Report for the Company as lodged with ASIC and ASX.	US Registration Statement	The Company's registration statement on form F-3 filed under the Securities Act of 1933 (USA), as amended, with the US Securities and Exchange Commission on 22 March 2007.
Listing Rules	The listing rules of ASX.		

9. CORPORATE INFORMATION

Directors

Mr Stephen Chang, Executive Director
Mr T Justus Homburg, Managing Director
Prof John Zalcberg, Non-Executive Director
Dr Mal Eutick, Non-Executive Director
Mr Patrick Burns, Non-Executive Director

Company Secretary

Mr Linton Burns

Registered and Head Office

16 Benson Street
Toowong, QLD 4066
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