Avexa and Progen Merger

Investor Forum Presentation

January 2009

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Next Generation
Australian Life Science Company

Structured to Create Shareholder Value

- **Streamlined clinical and corporate structure with a robust, balanced pipeline**
  - Asset portfolio covering large market indications (infectious disease and oncology)
  - Products at various stages of clinical development
- **Near-term value driver is ATC's Phase III program (anti-HIV drug candidate)**
  - One of only two new HIV therapies in phase III
  - Sufficient cash to bring program to key value generating milestones (24 week data)
  - Exciting oncology programs
- **Clinical development leadership and managerial expertise**
  - Leverage experienced R&D team to advance oncology and anti-viral programs
  - Executive team and Board of Directors focused on generating shareholder value
- **Healthy balance sheet enables the execution of strategy and opportunity**
  - Multiple licensing/partnerships opportunities

Superior Outcomes for both Shareholder Bases

- **Progen's rationale:**
  - Access to an advanced Phase III program with a strong probability of success, on very attractive terms
  - Diverse portfolio with infectious disease assets
  - Additional leverage to seek partnerships/out-licensing for all product candidates
  - The option of a significant cash return to shareholders while the merged entity's balance sheet remains strong
  - Potential for greater liquidity

- **Avexa's rationale:**
  - ATC's Phase III funded through to major value inflection point (24 week data)
  - Broadens portfolio with oncology assets backed by strong science
  - Additional leverage to seek partnerships/out-licensing for all product candidates
  - Strong balance sheet with projected cash of AUD $60 Million

Transaction Overview

Summary

- All scrip offer by Progen, implemented by Scheme of Arrangement between Avexa and its shareholders
- Prior to merger, Progen to propose to shareholders and conduct, if approved, a voluntary share buyback at AUD$1.10 per share for up to AUD$20 million
- Merged entity to be named Avexa Pharmaceuticals Limited

Terms

- 1 Progen share for every 12.857 Avexa shares[1]
- Exchange Ratio is based on Avexa's share price of AUD$0.105 per share (prior to transaction announcement) and an implied value of AUD$1.35 per Progen share
- Merged group to be owned approximately 56% by Progen shareholders and 44% by Avexa shareholders (assuming share buyback of AUD$20 million by Progen)

Key Conditions

- Avexa and Progen shareholder approval
- Regulatory approvals
- Other conditions as set out in the MIA

[1] This ratio may be adjusted under the terms of the Merger Implementation Agreement depending upon the level of liquid assets of Progen.

Anticipated Timetable to Complete Merger

Explanatory notice of merger and share buyback to be sent to Progen shareholders	Late January 2009
Scheme Booklet to be sent to Avexa shareholders	February 2009
Progen shareholder meeting to approve the merger and share buyback	Late February 2009
Avexa scheme meeting to approve the merger	March 2009
Progen share buyback conducted	Late March 2009
Merger implementation date	Early April 2009

Post Merger

Platform for Near-term Value Creation
and Long-Term Growth

Initial Key Activities

- **Execute ATC's development timeline**
  - Maintain pace to achieve 16 week data (Q2-09)
  - Continue regulatory guidelines and recruit patients to 24 week data (Q4 2010)
  - Potential NDA filing from 24 wk data (2011)
  - Continue partnering discussions
- **Assessing & execute partnering options around PI-88**
- **Evaluate combined portfolio**
  - Develop assets with nearest term shareholder value
  - Look to monetize or partner all assets where appropriate
- **Leverage extraordinary R&D expertise**
  - Ensure efficient cost-effective clinical development
  - Explore ways to generate revenue via creative partnerships

ATC is an Ideal Cornerstone Asset

Addressing Massive HIV Market

- **33M people are infected with HIV worldwide**
  - International AIDS conference 2008 states 2.7M new infections annually
  - 2M deaths each year
- **2M people in North America (1.2M) and Western Europe (1M) are living with HIV (2008)**
  - 500K patients or ~ 45% of U.S. HIV population receive treatment
  - 25-33% of patients infected in the U.S. are undiagnosed
- **3M people on antiretroviral therapy globally in 2007 vs 300K in 2003**
  - 10% of patients fail from frontline therapy
- **Treatment resistant HIV: a consistent problem**
  - Estimated 60% (or 320,000) of patients treated show signs of resistance
    - 2nd line or beyond
    - ~ 50% of 2nd line and beyond have M184V mutations

ATC's Value Snapshot

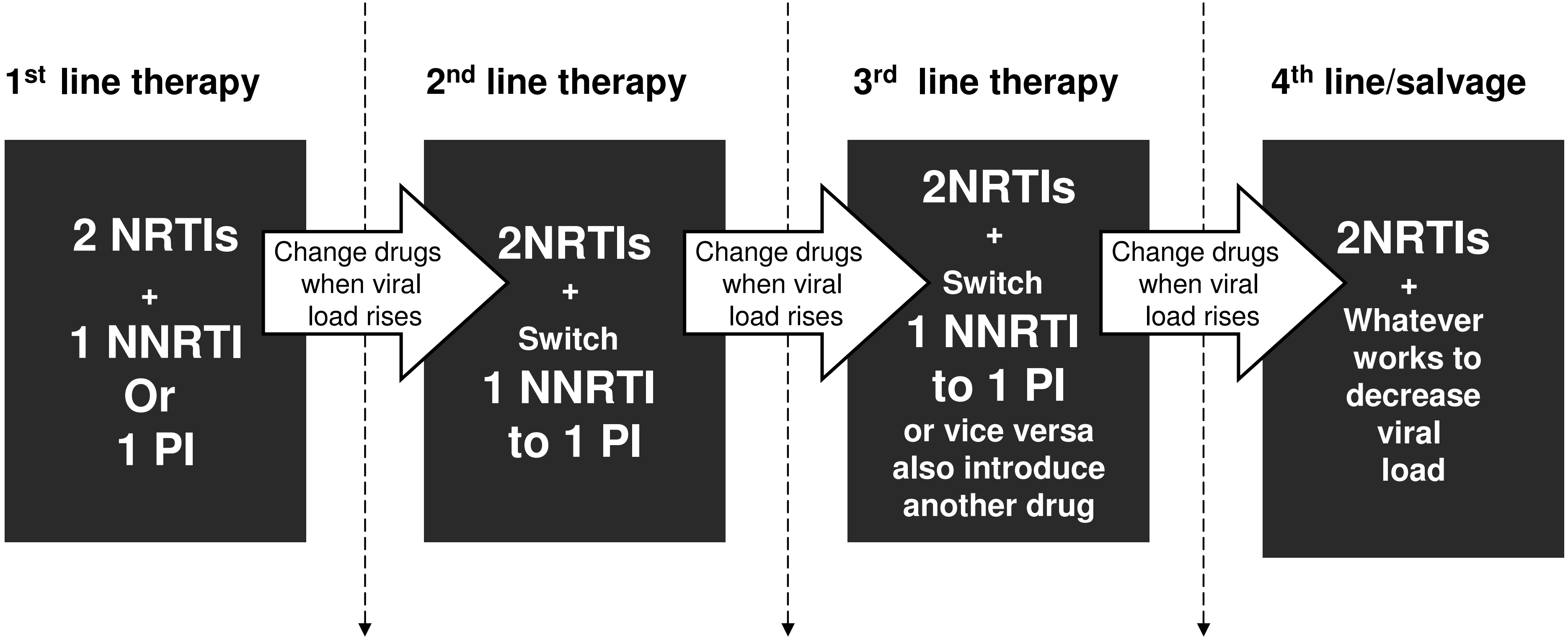
- **Safe**
- **Effective**
  - Clear antiviral effect
  - Clear positive effect on immune system
  - High barrier to resistance
- **Defined market to treat M184V and TAM resistance**
- **No interaction with other anti-HIV drugs (other than 3TC/FTC)**
  - Therefore easily made into a fixed dose combination
- **High probability of Phase III and "to market" success**
- **Clear unmet medical need**
- **Potential for licensing deals, including developing combination therapies**

Pedigreed Origin and Thorough Clinical Experience

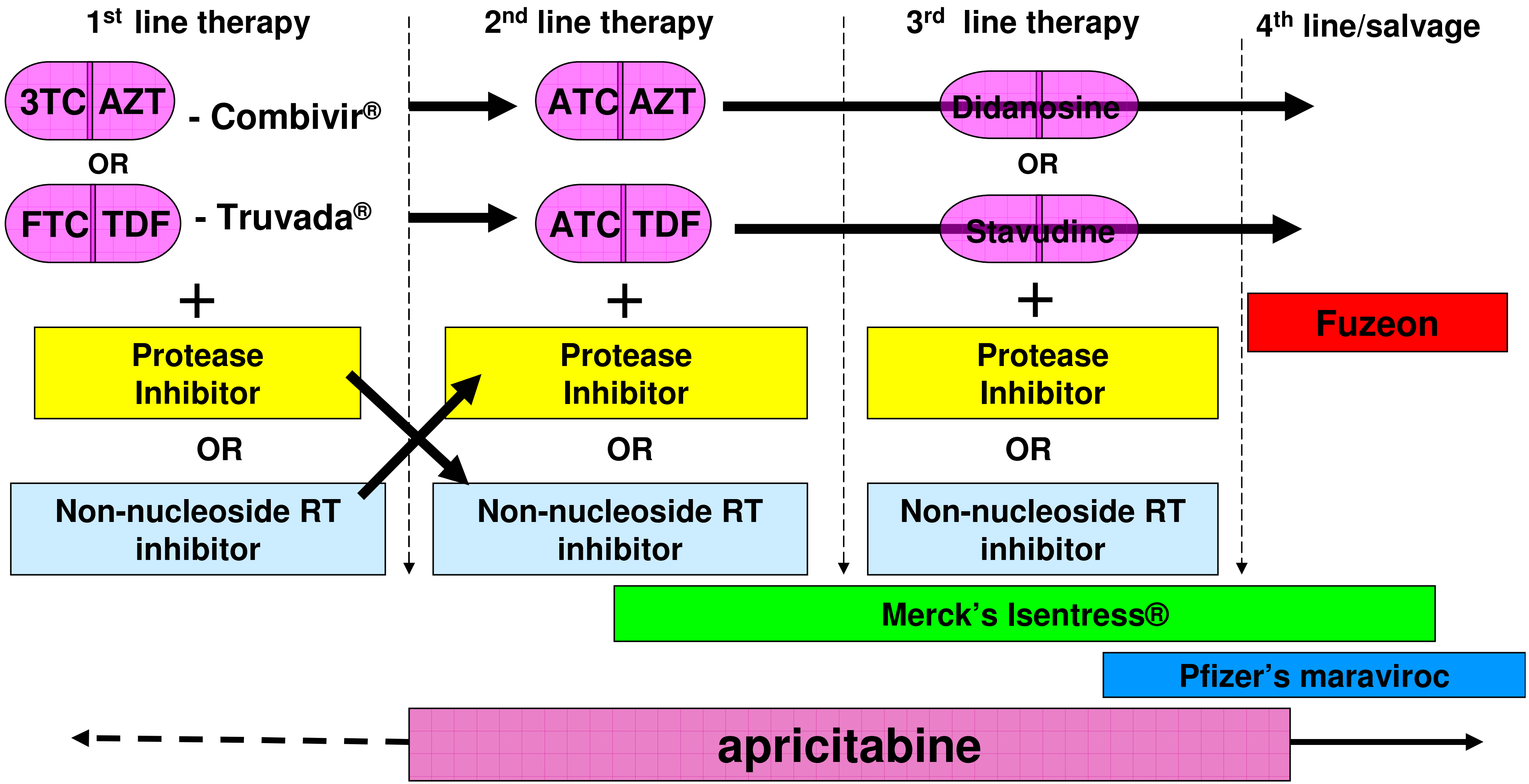
- **Discovered by Dr. Jonathan Coates, Avexa's co- founder and CSO**
    - An inventor of anti-viral drug 3TC (Epivir for HIV and Zeffix for HBV)
    - Former Project Leader for multiple anti-viral programs at GSK
- **IND granted with Fast-Track approval**
- **Six Phase I trials completed including:**
    - Single dose, Repeat dose
    - Tipranavir interaction study
- **Phase IIa completed:**
    - 10 day monotherapy in drug inexperienced HIV+ pts
    - Drop in viral load ranged -1.2 to -1.65 $\log_{10}$
- **Phase IIb study completed:**
    - 21 days data (blinded functional monotherapy)
    - 24 weeks data (ATC vs 3TC in optimized backgrounds)
    - 48 weeks data (ATC vs 3TC in optimized backgrounds)

Current HIV Patient Treatment Cascade

- **2 NRTIs remain constant as a resistance barrier**
- **All HIV therapy is a ‘cocktail’ of 2 or more drugs daily**



ATC's Prolific Role in Treatment Regime

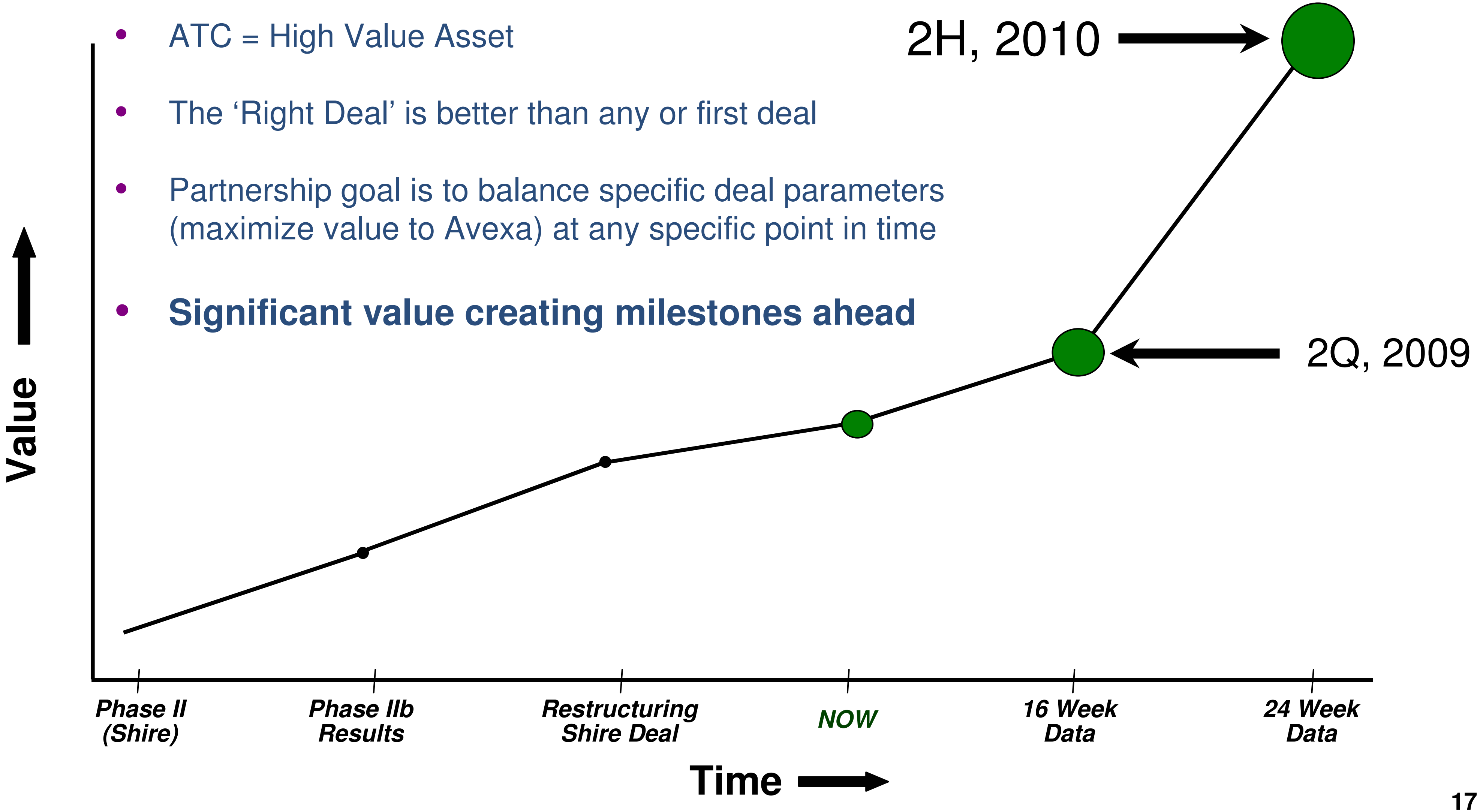


Near-term Commercial Positioning of ATC

- **Targeting 2nd line**
  - Estimates show 60% of patients (320,000) show signs of resistance
  - About 50% of patients on 2nd line treatment and beyond have the M184V mutation
    - The M184V mutation in HIV-1 RT is associated with high-level resistance to 3TC and low-level resistance to almost all the molecules that act as NRTIs
- **ATC has proven efficacy in M184V (NRTI mutation) & patients failing 3TC**
  - Also in TAMS (NRTI mutation) & NNRTI mutations
- **Potential in combination or as standalone**
  - Combined with generics
    - Combivir replacement
  - Combined with New Chemical Entities (NCE)
    - Merck's integrase inhibitor

Avexa – ATC Valuation/Partnering Concepts

- ATC = High Value Asset
- The 'Right Deal' is better than any or first deal
- Partnership goal is to balance specific deal parameters (maximize value to Avexa) at any specific point in time
- **Significant value creating milestones ahead**



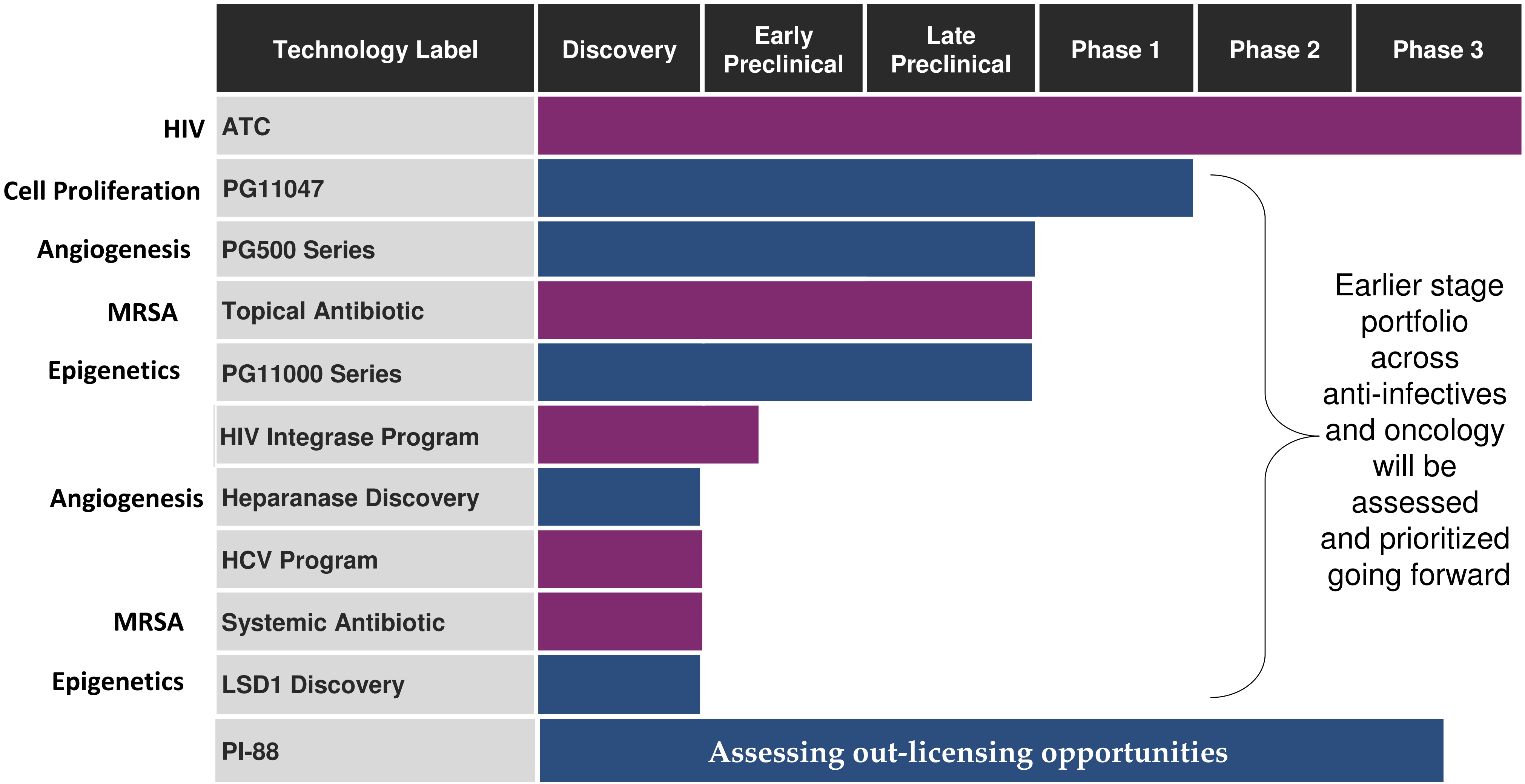
Current Status and Near-Term Value Drivers

- **Initiated Phase III Trials 1H 2008**
- **Recruiting 3TC & FTC resistant patients**
  - Same patient population as Phase IIb trial
    - i.e. patients failing 2nd line and beyond
- **First study has two doses of ATC plus control**
  - Initiated 1st study with 1200mg & 800mg vs 3TC in Dec '07
    - probing ATC safety profile at 1200mg for 1st 16 weeks
  - 130 sites initiated to date: 15 countries & 38 U.S. sites currently
- **2nd study single dose of ATC vs FTC**
- **Upcoming Milestones**
  - 1Q2009: Phase IIb extension study – 96 week interim analysis
  - 2Q2009: Phase III – Week 16 Data point
  - 4Q2009: Phase IIb extension study – Week 144 Final analysis
  - 2Q2010: Complete enrollment of Phase III Study
  - 4Q2010: Phase III – Week 24 data available

Beyond ATC

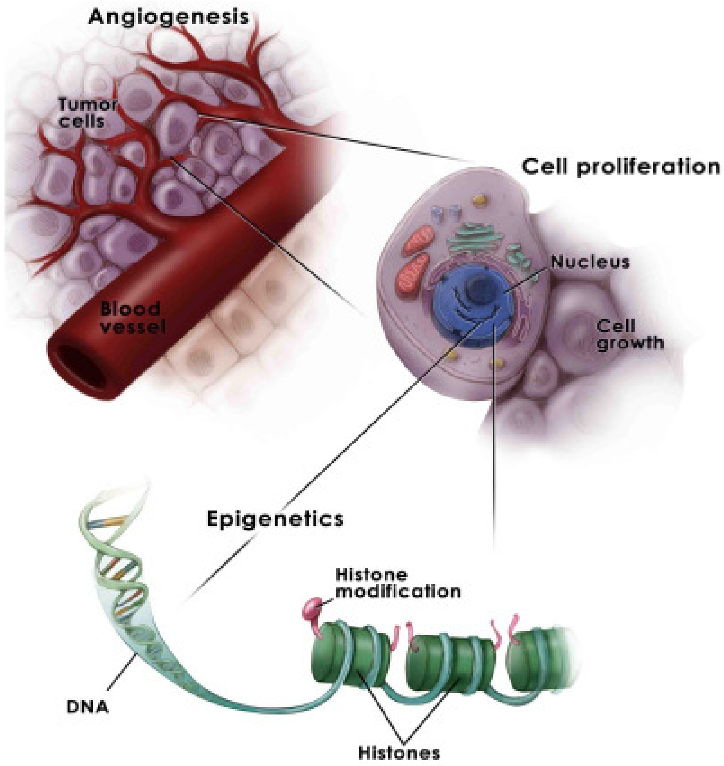
Advancing an oncology and infectious disease pipeline

Combined Asset Portfolio



A Balanced Portfolio

- **Platform of technology to develop more clinical program**
  - With commercialization opportunities
- **Three Oncology Technology platforms**
  - Angiogenesis
    - PG500 Series – PG545 identified as lead candidate
    - Heparanase Discovery Program – hit confirmation studies
  - Cell proliferation
    - PG11047 – phase I in solid tumours
  - Epigenetics
    - PG1100 Series – identified several compounds
    - LSD1 Discovery Program – screening to identify series



- **Infectious Disease Programs**
  - HIV Integrase Program – lead series selected
  - Antimicrobial Program – clinical candidate nominated
  - HCV Project – two hit series identified

The Roadmap Forward

Approved Merger Unlocks Full Potential

- **Creates one of Australia's leading biotechnology companies focused on small molecule drug development**
- **Unique opportunity to generate near-term shareholder value and corporate growth**
  - Well positioned to leverage ATC's progress while exploring options for balance of portfolio
  - Phase III and Phase I programs
  - Platform of earlier programs
  - Multiple partnering/licensing opportunities
- **Respective Boards recognized the need for Australian companies to pool resources**
  - Challenging economic climate
  - Superior scenario than remaining independent
  - Merged entity enables assets to realize potential
- **Merger offers Progen shareholders a partial cash return via a share buyback**

Leverage ATC to Generate Value for Shareholders Today and Beyond

- **ATC**
  - One of only two new HIV therapies in Phase III trials anywhere in the world
  - To date, every HIV therapy that has commenced Phase III testing has been approved in major markets
  - HIV market in excess of $8 billion
  - ATC will play a major role as potent agent in reconstituting the immune system
  - Major value driving milestones over the next 12-18 months
- **Diversified Pipeline**
  - Late pre-clinical and early clinical development projects backed by strong science in both oncology and anti-infectives
  - Small molecule drug discovery capabilities with application to epigenetics, angiogenesis, cell proliferation and viral replication
  - Synergies to progress faster through pre-clinical and clinical development at a lower cost

Avexa and Progen Merger

Investor Forum Presentation

Contact details

Julian Chick – + 61 (0)3 9208 4300

Justus Homburg – + 61 (0)7 3842 3333

AU: Investor Relations

Sabrina Antoniou

Blueprint Life Science Group

+ 61 2 9519 5537

US: Investor Relations

Remy Bernarda

Blueprint Life Science Group

+ 1 415 375 3340 x2022