ABN 82 010 975 612

Level 18, 101 Collins Street
Victoria 3000 Australia
Telephone: + 61 7 3273 9133
Facsimile: + 61 7 3375 1168
www.progen-pharma.com

2014 Form 20-F Filed with the US SEC

Melbourne, Australia, 13 November 2014. Progen Pharmaceuticals Ltd (ASX: PGL, OTC: PGLA) today releases its Form 20-F which has been filed with the U.S. Securities and Exchange Commission. The Form 20-F is the Company's Annual Report under the Securities Exchange Act of 1934.

For further information, please refer to the attached Form 20-F.

ENDS

About Progen Pharmaceuticals Ltd
Progen Pharmaceuticals Limited is a biotechnology company committed to the discovery, development and commercialization of small molecule pharmaceuticals primarily for the treatment of cancer. Progen has built a focus and strength in anti-cancer drug discovery and development. www.progen-pharma.com

For more information:
Blair Lucas
Company Secretary
+61 7 3273 9133
+61 403 358 638

This release contains forward-looking statements that are based on current management expectations. These statements may differ materially from actual future events or results due to certain risks and uncertainties, including without limitation, risks associated with drug development and manufacture, risks inherent in the extensive regulatory approval process mandated by, amongst others, the United States Food and Drug Administration and the Australian Therapeutic Goods Administration, delays in obtaining the necessary approvals for clinical testing, patient recruitment, delays in the conduct of clinical trials, market acceptance of PI-88, PG545, and other drugs, future capital needs, general economic conditions, and other risks and uncertainties detailed from time to time in the Company's filings with the Australian Securities Exchange and the United States Securities and Exchange Commission. Moreover, there can be no assurance that others will not independently develop similar products or processes or design around patents owned or licensed by the Company, or that patents owned or licensed by the Company will provide meaningful protection or competitive advantages.

Table Of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 20-F

☐ **REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

— OR —

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the fiscal year ended June 30, 2014

— OR —

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
for the transition period from _____ to _____

— OR —

☐ **SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
Date of event requiring this shell company report _____

Commission File Number: 000-29228

PROGEN PHARMACEUTICALS LIMITED

(Exact name of Registrant as specified in its charter)

Not Applicable
(Translation of Registrant's name into English)

Australia
(Jurisdiction of incorporation or organization)

Level 18, 101 Collins Street, Melbourne, VIC 3000, Australia
(Address of principal executive office)

Blair Lucas, Company Secretary,
Progen Pharmaceuticals Limited, Level 18, 101 Collins Street, Melbourne, Victoria 3000, Australia
Tel: +61 7 3273 9133, Fax: +61 7 3375 1168
(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange On Which Registered
Ordinary Shares	**Australian Securities Exchange and OTCQB**

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None
(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None
(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the Annual Report:
Ordinary Shares: 55,285,315 (as of June 30, 2014)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act:
☐ Yes ☑ No

Table Of Contents

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934:

☐ Yes ☑ No

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 from their obligations under those Sections.

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days:

☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

☐Yes ☑ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act (Check one):

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☑

Indicate by check mark which basis of accounting the Registrant has used to prepare the financial statements included in this filing:

☐ U.S. GAAP ☑ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other

If "other" has been checked in response to the previous question, indicate by check mark which financial statement item the Registrant has elected to follow:

☐ Item 17 ☐ Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

☐ Yes ☑ No

(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

☐ Yes ☐No

Table Of Contents

TABLE OF CONTENTS

Table Of Contents

References in this annual report to “Progen,” “we,” “our,” “us” and “the Company” refer to Progen Pharmaceuticals Limited.

All references to dollars, A$ or $ are to the currency of the Australian dollars (AUDs).

Table Of Contents

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain statements contained in this report may not be based on historical facts and are "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Forward-looking statements relate to future events or our future financial performance and include information concerning our possible or assumed future results of operations, business strategies, financing plans, competitive position, industry environment, potential growth opportunities, the effect of future regulation and the effects of competition. These forward-looking statements are only predictions and involve known and unknown risks, uncertainties and other factors which may cause our actual results, levels of activities, performance and other factors to be materially different from those anticipated in such forward-looking statements. In some cases, you can identify forward-looking statements by the use of words such as "anticipate," "expect," "intend," "plan," "seek," "may," "will," "should," "could," "would," "believe," "estimate," "project," "predict," "potential," "continue," or the negative of such terms or similar expressions. In particular, certain statements included herein under "Item 3. Key Information" and "Item 5. Operating and Financial Review and Prospects," including without limitation, those concerning the Company's strategy and competitive strengths, the Company's expectations and plans, the Company's collaborative revenues, research and development and general and administrative expenses, contain certain forward-looking statements concerning the Company's operations, performance and financial condition. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove in hindsight to be correct. Many important factors could cause actual results to differ materially from such expectations including, among others, those set forth in "Item 3. Key Information—Risk Factors" and "Item 4. Information on the Company—Australian Government Regulation and U.S. Government Regulation" (collectively, the "Risk Factors"). All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified by the Risk Factors. Other relevant risks may be detailed from time to time in the Company's press releases and filings with the Securities and Exchange Commission. We undertake no obligation to update these forward-looking statements to reflect events or circumstances that occur after the date of this report.

Table Of Contents

PART I

ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS

Not applicable.

ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3. KEY INFORMATION

Our consolidated financial statements appearing in this Annual Report on Form 20-F are prepared in Australian dollars and in accordance with the International Financial Reporting Standards, or IFRS, as issued by the International Accounting Standards Board, or IASB. Our consolidated financial statements appearing in this Annual Report on Form 20-F comply with both the IFRS and Australian Accounting Standards. In this Annual Report all references to "dollars", Australian dollars" "$" or "A$" are to the currency of Australia.

Item 3.A. Selected Financial Data

The following selected consolidated financial data for the five years ended June 30, 2014 should be read in conjunction with "Item 5. Operating and Financial Review and Prospects" below and our financial statements and related notes contained elsewhere in this Annual Report. Our financial statements and related notes have been prepared in accordance with International Financial Reporting Standards (IFRS).

The consolidated statement of financial position information as of June 30, 2014 and 2013 and the consolidated statement of comprehensive income data for fiscal 2014, 2013 and 2012 are derived from our audited financial statements included in this annual report. Consolidated statement of financial position information as of June 30, 2010, 2011 and 2012 and consolidated statement of comprehensive income information for fiscal 2011 and 2012 are derived from our audited financial statements which are not included in this annual report.

	For the years ended June 30,				
	2010	2011	2012	2013	2014
Consolidated Statement of Comprehensive Income Data:					
Revenue	$ 2,711,471	$ 3,610,695	$ 2,834,890	$ 3,510,103	$ 5,753,570
Cost of sales	$ 1,592,003	$ 2,085,718	$ 1,620,621	$ 2,272,807	$ 2,591,968
Other income	$ 150,371	$ 55,752	$ 56,195	$ 858,987	$ 694,888
Research and development expenses	$ 5,091,919	$ 2,882,947	$ 1,455,733	$ 940,161	$ 1,394,409
Manufacturing facility expenses	$ 434,640	$ 420,665	$ 1,050,328	$ 1,240,079	$ 2,103,622
Administration and corporate expenses	$ 7,053,169	$ 4,178,106	$ 1,813,782	$ 1,750,134	$ 2,141,309
Finance costs	$ 2,930	$ 3,636	$ 7,865	$ 5,115	-
Impairment loss	$ 2,644,186	$ 53,911	$ 1,494	-	-
Other expenses	$ 1,882,818	$ 139,170	$ 381,660	$ 252,928	$ 24,095
Net loss from operations	$ (15,839,823)	$ (6,097,706)	$ (3,440,398)	$ (2,092,134)	$ (1,806,945)
Provision for income tax	-	-	-	-	-
Net loss for the year	$ (15,839,823)	$ (6,097,706)	$ (3,440,398)	$ (2,092,134)	$ (1,806,945)
Other comprehensive income (loss)					
Foreign currency translation	$ 44,512	$ (12,049)	$ (1,926)	$ (244)	$ (178)
Total comprehensive income (loss) for the year	$ (15,795,311)	$ (6,109,755)	$ (3,442,324)	$ (2,092,378)	$ (1,807,123)
Basic and diluted loss per share (cents per share)	(64.1)	(24.7)	(13.9)	(7.5)	(3.3)

	As of June 30,				
	2010	2011	2012	2013	2014
Consolidated Statement of Financial Position Data:					
Cash and cash equivalents	$ 3,892,365	$ 6,332,589	$ 1,834,442	$ 1,447,774	$ 2,981,215
Working capital	$ 14,376,203	$ 8,630,252	$ 5,432,979	$ 9,616,876	$ 7,473,911
Total assets	$ 17,184,275	$ 12,180,433	$ 7,375,972	$ 10,554,638	$ 9,668,220
Capital stock	$ 155,583,443	$ 155,655,390	$ 155,777,317	$ 161,918,960	$ 162,017,316
Accumulated losses	$ (140,566,211)	$ (146,663,917)	$ (150,104,315)	$ (152,196,449)	$ (154,003,394)
Net assets	$ 15,017,232	$ 8,991,473	$ 5,673,002	$ 9,722,511	$ 8,013,922
Shares on issue	24,709,097	24,709,097	24,709,097	55,285,315[1]	55,285,315[1]

[1] Refer to note 15b

Table Of Contents

Currencies and Exchange Rates

The Company publishes its consolidated financial statements in Australian dollars. In this Annual Report, references to dollars, "$" or "A$" are to Australian dollars currency and references to "U.S. dollars" or "US$" are to U.S. currency. Solely for informational purposes, this Annual Report contains translations of certain Australian dollars into or from U.S. dollars at specified rates. These translations should not be construed as representations that the Australian dollars amounts actually represent such U.S. dollar amounts or could be converted into or from U.S. dollars at the rate indicated or at any other rate. Unless otherwise stated herein, the translations of Australian dollars into or from U.S. dollars have been made at $1.00 to US$0.9439, the Buying Rate on June 30, 2014.

The following table sets forth, for the periods and dates indicated, certain information concerning the Buying Rate for Australian dollars expressed in U.S. dollars per $1.00. The period average data set forth below is the average of the Buying Rate on the last day of each full month during the period. On September 30, 2014 the Buying Rate was $1.00 to US$0.87271.

2014 Month End	High	Low
June 30, 2014	0.94393	0.94267
July 31, 2014	0.93892	0.93055
August 31, 2014	0.93458	0.93406
September 30, 2014	0.87647	0.86845

Year end June 30,	Average
2009	0.74803
2010	0.88219
2011	0.98940
2012	1.03270
2013	1.02730
2014	0.91830

Item 3.D. Risk Factors

The risks and uncertainties described below are not the only ones that we face. Additional risks and uncertainties not presently known to us or that we currently believe to be immaterial may also adversely affect our business. If any of the following risks and uncertainties develops into actual events, our business, financial condition and results of operations could be materially and adversely affected, and the trading price of our ordinary shares could decline.

RISKS RELATED TO OUR BUSINESS

We are primarily engaged with activities at a stage in the development of pharmaceutical products where success is uncertain

Although we are presently generating revenues from the sale of contract manufacturing services, we have not sufficiently advanced the development of PG545 or our other product candidates to enable their registration, and, accordingly, have not begun to market or generate revenues from their commercialization. PG545 and other future pharmaceutical product candidates will require significant additional investment in research and development, preclinical testing and clinical trials, drug manufacture and supply, regulatory and sales and marketing activities, and regulatory approval prior to any commercial sales. Since being licensed to a third party, PI-88 (muparfostat) has generated revenues through milestone payments linked to its development. We cannot make any assurances that any of our product candidates or licensed products, if successfully developed, will generate sufficient or sustainable revenues to enable us to be profitable.

There is a significant risk that we may not be able to complete the development of PG545, PI-88 or develop other pharmaceutical products

We cannot make any assurances that we or our collaborative partners will be able to develop PG545, PI-88 or any future pharmaceutical product candidates adequately to successful commercialization, the development of one or more suitable collaborative partners, or a combination thereof, or that our research will lead to the discovery of additional product candidates, or that any of our current and future product candidates will be successfully developed, will be proven to be safe and efficacious in clinical trials, meet applicable regulatory standards and receive regulatory approval, will be capable of being produced in commercial quantities at reasonable costs, or will be successfully or profitably marketed, either by us or a collaborative partner. We also cannot make any assurances that the products we develop will be able to penetrate the potential market for a particular therapy or indication or gain market acceptance among health care providers, patients and third-party payers. We cannot predict if or when PG545, PI-88 or any of our other pharmaceutical products under development will be commercialized.

The results of on-going and future clinical trials of PG545 and PI-88 are uncertain and we or our collaborative partners will not be able to commercialize PG545, PI-88 or any of our other product candidates if we fail to adequately demonstrate their safety, efficacy and superiority over existing therapies

Before obtaining regulatory approvals for the commercial sale of any of our pharmaceutical products, we must demonstrate through preclinical testing and clinical studies that our product candidates are safe and effective for use in humans for each target indication. Conducting preclinical testing and clinical studies is an expensive, protracted and time-consuming process. Furthermore, the results of preclinical *in vitro* (within an artificial environment) and *in vivo* animal studies may not necessarily be predictive of results obtained in human clinical testing. Likewise, results from early clinical trials may not be predictive of results obtained in large-scale, later-stage clinical testing. In addition, even though a potential drug product shows promising results in clinical trials, regulatory authorities may not grant the necessary approvals without sufficient safety and efficacy data.

Table Of Contents

Until the July 2008 termination of the Phase 3 PATHWAY trial of PI-88 in liver cancer, we were embarking on the global registration of PI-88. Since the termination of this trial, we signed a License and Collaboration Agreement with a Taiwanese company Medigen Biotechnology Corporation ("MBC") for the worldwide rights of PI-88 in 2010.

MBC is currently conducting a randomized, placebo-controlled multinational Phase III clinical trial called ("PATRON") designed to confirm the efficacy and safety of PI-88 in the adjuvant treatment of hepatocellular carcinoma. The trial will enroll approximately 500 subjects globally with the majority of patients to be enrolled from Asia. Disease free survival is employed as the primary endpoint for efficacy assessment. Other endpoints such as time to recurrence, tumor recurrence rate and overall survival will be measured as secondary endpoints. The PATRON trial has clinical sites open in China, Taiwan and South Korea. MBC completed enrollment of 500 patients for the PATRON trial in December 2013.

MBC has received notification from the Taiwan Food and Drug Administration ("TFDA") stating that PI-88 has successfully qualified under the Cross Strait Pharmaceuticals R&D Scheme. The Cross Strait Pharmaceuticals R&D Scheme is a joint initiative between the TFDA and the Chinese State Food and Drug Administration, whereby Taiwan and China simultaneously examine Investigative New Drug Applications and New Drug Applications and mutually recognize data from clinical trials conducted in either country. The scheme both reduces repetition of clinical trials and advances PI-88's potential use in the Chinese market. Progen is entitled to milestone payments based upon the achievement of various stages of clinical development and royalties on sales following marketing approval.

In July 2014, MBC announced the results of the interim analysis for the PATRON trial. The results suggest that the activity of PI-88 did not achieve the highly significant statistical result which could have allowed Medigen to lodge an accelerated New Drug Application (NDA) with the Taiwan Food and Drug Administration (TFDA). Further analysis of the interim results will be undertaken by Medigen's independent committee of medical and statistical experts following the availability of data from BioClinica, a United States independent medical imaging company who are engaged to further review patients CT and magnetic resonance scans. The PATRON trial is currently ongoing and at this time is expected to continue until the end of trial at which point a final analysis will reveal whether PI-88 meets its primary endpoint of disease free survival in this life-threatening and unmet area of medical need for which there is currently no approved standard of care for adjuvant therapy.

We have completed the Phase 2 clinical trial to determine the safety and efficacy of PI-88 combined with the chemotherapy dacarbazine as first-line therapy in subjects with unresectable metastatic melanoma which commenced in 2005 in the United States and Australia,. The data showed that for the primary end-point of non-progression after 18 weeks of treatment, PI-88 did not provide additional benefit to patients with advanced melanoma when used in combination with dacarzabine, as this combination was not more efficacious than dacarzabine alone or for the secondary end-points of time to progression, progression free survival response rate and duration of response. Further clinical trials in this indication will not be pursued by Progen as we have granted a worldwide license to MBC for oncology indications for PI-88.

During 2010, the board of directors made the decision to divest the assets acquired in the CellGate transaction in February 2008 to enable the Company to focus on its core strengths – dual mechanism anti-angiogenesis compounds. The CellGate assets which include PG11047, PG11144 and the epigenetics assets, were rolled into a U.S. entity called Epi Pharmaceuticals Inc, in which Progen retained a significant stake. In 2012, the directors and shareholders decided to dissolve Epi Pharmaceuticals Inc after not being able to find a counterparty to provide ongoing funding to support and develop the assets. A Certificate of Dissolution was filed with the Delaware Division of Corporations on 30 October 2012.

Clinical trials may take several years to complete. The length of time varies substantially according to the type, complexity, novelty, patient recruitment into and intended use of the product candidate. We cannot make any assurances that, when clinical trials are completed by us or our collaborative partners, we will be able to pursue further clinical development, execute market development efforts, enter into a collaborative arrangement with a suitable pharmaceutical or biotechnology company to complete the development of, or commercialize our drug candidates. Nor can we make any assurances that once clinical trials are completed by us or a collaborative partner, we will be able to submit as scheduled a marketing approval request to the Australian Therapeutic Good Administration's (TGA) Drug Safety and Evaluation Branch, the U.S. Food and Drug Administration (FDA) or any other authority, or, that such request and application will be reviewed and cleared by any of these authorities, as applicable, in a timely manner, or at all.

During the course of clinical trials and toxicology studies, our product candidates may exhibit unforeseen and unacceptable drug-related toxicities or side effects. If any unacceptable toxicities or side effects were to occur, we may, or regulatory authorities may require us to, interrupt, limit, delay or abort the development of our potential products. In addition, unacceptable toxicities could ultimately prevent the clearance of our product candidates by the TGA or the FDA for any or all targeted indications. Even after being cleared by the TGA or the FDA, any of our products may later be shown to be unsafe or not to have its purported effect, thereby preventing widespread use or requiring withdrawal from the market. We cannot make any assurances that any of our other product candidates will be safe or effective when administered to patients.

In September 2011, Progen's Phase 1a PG545 human clinical trial by subcutaneous administration in advanced cancer patients was put on hold due to unexpected local injection site reactions seen in patients. These reactions appeared to be a very specific side effect in humans and were not seen to this extent in the extensive preclinical animal testing of the drug.

In December 2011, Progen announced that it would commence licensing discussions with potential partners to continue the preclinical and clinical development of PG545.

In December 2012, Progen announced that it had signed a confidential binding Term Sheet for a license with MBC. The license relates to the development and commercialization of PG545 for the prevention and treatment of hepatocellular carcinoma ("HCC") and non-oncology indications globally. Progen retains the rights for all other oncology indications for PG545.

In March 2013, Progen announced that they had executed the License Agreement with MBC pursuant to the binding Term Sheet. The specific terms of the License Agreement are in line with industry standards but are subject to commercial confidentiality. Progen received AUD$400,000, net of withholding tax, as an upfront payment pursuant to the License Agreement upon execution of the binding Term Sheet. Progen will receive further milestone payments from MBC as PG545 is developed for HCC and non-oncology indications and royalty payments from sales

Table Of Contents

Progen conducted further preclinical tests with the view of using an intravenous route (IV) of administration for PG545 moving forward and in August 2013 successfully completed a definitive four-week preclinical toxicology study using IV administration of PG545. The study was conducted in accordance with OECD Good Laboratory Practice (GLP) toxicology.

In October 2013, the Company commenced an open-label, multi-centre Phase 1a study of the safety and tolerability of intravenous infused PG545 in advanced cancer patients. In May 2014, the Company had completed treatment of the first patient cohort where each patient in the group received once-weekly 25mg doses of PG545 for four weeks. In September 2014, the Company had completed treatment of the second patient cohort where each patient in the group received once-weekly 50mg doses of PG545. The study is expected to enroll approximately 25 advanced cancer patients. The Company continues to foster potential partnerships and business relationships with large pharmaceutical and biotechnology companies for the licensing of PG545 in the field of oncology (excluding HCC) once it reaches the value inflection point of proof of concept.

We may experience delays in our clinical trials that could adversely affect our business and operations

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 applicable hospital ethics committees and internal review boards;
- Slower than expected patient recruitment;
- Our inability to manufacture or prepare, as applicable, sufficient quantities of pharmaceutical product;
- Unforeseen safety issues; and
- Lack of efficacy during clinical trials.

Patient enrollment is a function of, amongst other things, the nature of the clinical trial protocol, the existence of competing protocols, the size and longevity of the target patient population and the availability of patients who meet the eligibility criteria for the clinical trial. Delays in planned patient enrollment may result in increased costs, delays in trial completion or termination of clinical trials. Moreover, we have limited experience in conducting and managing clinical trials and may rely on third parties to assist us in managing and monitoring clinical trials. Any failure by these third parties to perform under their agreements with us may cause the trials to be delayed or result in a failure to complete the 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. Significant delays could have a material adverse effect on the commercial prospects of our product candidates and our business, financial condition and results of operations.

We may be unable to enroll a sufficient number of patients to complete our 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 enroll a sufficient number of patients, which is a function of many factors, including:

- the therapeutic endpoints chosen for evaluation;
- proximity of patients to clinical sites;
- the eligibility criteria for participation in the clinical trials;
- the size of the patient population required for meaningful analysis of the trial results;
- our ability to recruit clinical trial investigators with the appropriate competencies and experience;
- our ability to obtain and maintain patient consents;
- the risk that patients enrolled in clinical trials will drop out of the trials before completion; and
- competition for patients by clinical trial programs for other treatments.

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 may select 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.

We may not be successful in performing additional 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 the execution of additional clinical trials in other indications. We may not be able to initiate such additional trials due to a number of factors, including the following:

- we may not have sufficient financial or other resources to undertake such trials;

Table Of Contents

- we may be unable to secure sufficient support from leading authorities or influential parties to build trial protocols and support for conduct of a new trial;

- there may not be sufficient market size to warrant product development in other new indications; and

- the health care community may believe that our products are limited in use to the already-approved indications.

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

We have limited manufacturing experience, and delays in manufacturing sufficient quantities of PI-88 and PG545 for preclinical and clinical trials, whether internally or externally, may negatively impact our business and operations

We cannot make any assurances that we will be able to manufacture sufficient quantities of PI-88, PG545 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.

We may be required to enter into contracting arrangements with third parties to manufacture PG545 and our other product candidates for large-scale, later-stage clinical trials. We may need to enter into collaborative arrangements with other parties who have established manufacturing capabilities, or have third parties manufacture or prepare our products on a contract basis. We cannot make any assurances that we will have access on acceptable terms to the necessary and substantial financing that would be required to scale-up production and develop effective commercial manufacturing processes and technologies. We also cannot make any assurances that we will be able to enter into collaborative or contracting arrangements on acceptable terms with parties that will meet our requirements for quality, quantity and timeliness.

If we are unable to independently commercialize or establish and manage strategic collaborations to develop PI-88, PG545 or any of our other product candidates, we may have to reduce or delay product development and/or increase our expenditures

Our strategy for developing and commercializing 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, PG545 or some or all of our current or future product candidates. To date, we have secured a license with a Taiwanese company who is managing the development of PI-88 in oncology indications and PG545 for hepatocellular carcinoma and non-oncology indications. Establishing strategic collaborations is difficult and time-consuming. Our discussions with potential collaborators may not lead to the establishment of collaborations on favorable terms, if at all. If we are unable to establish collaborative arrangements, we may have to reduce or delay further development of or our product candidates and/or increase our expenditures and undertake the development and commercialization 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.

If we successfully establish strategic collaborations, the management of our relationship with collaborators will require significant time and effort from our management team, coordination of our research and development programs with the research and development priorities of our collaborators, and effective allocation of our resources to multiple projects. We cannot be certain that these relationships will result in the successful development or commercialization of our product candidates or the generation of sales revenue. If we enter into strategic collaborations at an early phase of product development, our success will in part depend on the performance of our corporate collaborators. Factors that could harm a successful collaboration include:

- Collaborators may delay clinical trials, underfund a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;

- Collaborators could independently develop, or develop with third parties, products that could compete with our current and future product candidates;

- Collaborators may not commit adequate resources to the marketing and distribution of our product candidates, limiting potential revenues from the commercialization of a product;

- Collaborators may not pursue further development and commercialization of compounds resulting from collaborations or may elect not to continue or renew research and development programs;

- The terms of our agreements with collaborators may not be favorable to us;

- Disputes may arise delaying or terminating the research, development or commercialization of our product candidates, resulting in significant litigation or arbitration, or causing collaborators to act in their own self-interest and not in the interest of our shareholders; and

- Collaborators may terminate their agreements with us if, for example, we fail to meet a required milestone or observe other obligations in those agreements.

Table Of Contents

Our limited oversight of contract research organizations may not be sufficient to avoid significant problems with the protocols and conduct of the clinical trials.

We engage third-party contract research organizations to help us with the conduct of our clinical trials. These organizations may not perform all of their obligations under arrangements with us. If contract research organizations and other third parties do not perform clinical trials in a satisfactory manner or breach their obligations to us, the development and commercialization of our product candidates may be delayed or precluded. We cannot control the amount and timing of resources these contract research organizations devote to our programs or product candidates. The failure of any of these contract research organizations to comply with any governmental regulations would 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 commercialization and require significantly greater expenditures.

Our efforts to discover, develop and commercialize new product candidates beyond PI-88 and PG545 are at a very early stage and, therefore, these efforts are subject to a high risk of failure

The process of successfully developing product candidates is very time consuming, expensive and unpredictable. We may not be successful in identifying, developing or commercializing any additional new product candidates.

We are operating with reduced Management oversight which could adversely affect our business and operations

Following Board and Senior Management changes in the last few years the Company has a much smaller Senior Management with an Executive Chairman and is now operating using a virtual business by outsourcing activities such as preclinical and regulatory functions. With less management oversight our business and financial condition may suffer.

We may require substantial additional financing in the future to sufficiently fund our operations, development efforts and research

We have been unprofitable to date and expect to incur losses over the next several years as we continue our drug discovery and development programs and preclinical testing and as we conduct clinical trials of PG545 and our other product candidates. Although our future capital requirements will depend on many factors, the Company estimates that the current cash and cash equivalents are sufficient to fund its on-going operations for at least 24 months from July 2014. This excludes capital requirements outside of normal operating activities.

We cannot, however, make any assurances that such funds will be sufficient to meet our actual operating expenses and capital requirements during this period. Our actual cash requirements may vary materially from those now planned and will depend upon numerous factors, including:

- The continued progress of our research and development programs;
- The timing, scope, results and costs of preclinical studies and clinical trials;
- The progress of licensing and partnering efforts;
- The cost, timing and outcome of regulatory submissions and approvals;
- Determinations as to the commercial potential of our product candidates;
- Our ability to successfully expand our contract manufacturing services, should we choose to do so;
- Our ability to establish and maintain collaborative arrangements; and
- The status and timing of competitive developments.

We may require additional funds to conduct future clinical trials, pursue regulatory clearances, prosecute and defend our intellectual property rights, establish commercial scale manufacturing facilities, develop marketing and sales capabilities and fund operating expenses. We have no established bank financing arrangements, and we cannot be certain that we will be able to establish such arrangements on satisfactory terms, or at all. We may seek such additional funding through public or private financings and/or through strategic alliances or other arrangements with corporate partners. We cannot, however, be certain that such additional financing will be available from any sources on acceptable terms, or at all, or that we will be able to establish strategic alliances or other arrangements with corporate partners on acceptable terms, or at all. Any shortfall in funding could result in our having to curtail our operations, including our research and development activities, which could have a material adverse effect on our business, financial condition and results of operations.

We have a history of operating losses and may not achieve profitability in the near future

We have incurred net operating losses in each year since we began operations in 1989. As of June 30, 2014, we had an accumulated deficit of $154,003,394 primarily attributable to our research and development activities. We expect to incur additional operating losses and to increase our cumulative losses substantially as we expand our research and development and preclinical activities. In addition, further losses are expected to be incurred in the continuation of our drug development programs.

Table Of Contents

Our research and development efforts will be seriously jeopardized if we are unable to attract and retain key personnel and cultivate key academic and scientific collaborations

We are a company with 34 employees as of October 20, 2014. 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 biotechnology and pharmaceutical 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 critical to our success. 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, or consulting or advisory contracts with, other entities that may limit their availability to us.

Acceptance of our products in the marketplace is uncertain, and failure to achieve market acceptance will negatively impact our business and operations

We cannot make any assurances that our products will achieve market acceptance even if they are approved by the TGA, the FDA, and the regulatory agencies of other countries. The degree of market acceptance of our products will depend on a number of factors, including:

- The receipt and timing of regulatory approvals for the uses that we are studying;
- The establishment and demonstration in the medical community of the safety, clinical efficacy and cost-effectiveness of our product candidates and their potential advantages over existing therapeutics and technologies; and
- The pricing and reimbursement policies of governments and third-party payers.

Physicians, patients, payers or the medical community in general may be unwilling to accept, use or recommend any of our products.

We may need to rely on the marketing and distribution capabilities of third parties

As a company, we currently have limited experience in marketing, sales or distribution of pharmaceutical products. If we develop any commercially marketable pharmaceutical products, we may be required to enter into marketing arrangements with other parties who have established appropriate marketing, sales and distribution capabilities. We cannot make any assurances that we will be able to enter into marketing arrangements with any marketing partner or that if such arrangements are established, our marketing partners will be able to commercialize our products successfully. Other companies offering similar or substitute products may have well-established and well-funded marketing and sales operations in place that will allow them to market their products more successfully. Failure to establish sufficient marketing capabilities may have a material adverse impact our potential revenues and results of operations. Alternatively, if we 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.

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

The drugs we strive to develop may be rejected by the marketplace due to many factors, including cost. The continuing efforts of governments, insurance companies, health maintenance organizations and other payers of healthcare costs to contain or reduce healthcare costs may affect our future revenues and profitability and those of our potential customers, suppliers and collaborative partners, 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. 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 our products successfully 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 organizations. Third-party payers, such as government and private health insurers, are increasingly challenging the price of medical products and services. Although the Australian government continues to provide a subsidy to certain prescribed prescription pharmaceutical products through the Pharmaceutical Benefits Scheme, uncertainty exists as to the reimbursement status of newly approved health care products and in foreign markets, including the United States. If third-party coverage is not available to patients for any of the products we develop, alone or with collaborators, the market acceptance of these products may be reduced which may adversely affect our future revenues and profitability. In addition, cost containment legislation and reductions in government insurance programs may result in lower prices for our products and could materially adversely affect our ability to operate profitably.

Exchange rate fluctuations will continue to affect our reported results of operations

Substantially all of our revenues are realized, and a significant portion of our operating costs are incurred, in Australian dollars. Movement in currency exchange rates will affect cash denominated in U.S. dollars and therefore will affect our reported results of operations.

RISKS ASSOCIATED WITH OUR TECHNOLOGY AND INTELLECTUAL PROPERTY

Potential technological changes in our field of business create considerable uncertainty

We are engaged in the biopharmaceutical field, which is characterized by extensive research efforts and rapid technological progress. New developments in research are expected to continue at a rapid pace in both industry and academia. Research and discoveries by others may render some or all of our programs or product candidates uncompetitive or obsolete.

Table Of Contents

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.

We may not be able to keep pace with technological change or with the advances of our competitors

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. Many of these competitors have greater financial and technical resources and manufacturing and marketing capabilities than we do. In addition, many of our competitors have much more experience than we do in preclinical testing and human clinical trials of new or improved drugs, as well as in obtaining FDA, TGA and other regulatory approvals.

We know that competitors are developing or manufacturing various technologies or products for the treatment of diseases that we have targeted for product development. Some of these competitive products use therapeutic approaches that compete directly with some of our product candidates. 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.

Our success depends upon our 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 relevant patented technologies of third parties;
- Operate without infringing on the proprietary rights of third parties;
- Protect our trade secrets and know-how; and
- Retain our valuable scientific staff who are experts on the subject matter.

Patent matters in biotechnology are highly uncertain and involve complex legal and factual questions. Accordingly, the availability and breadth of claims allowed in biotechnology and pharmaceutical patents cannot be predicted. Statutory differences in patentable subject matter may limit the protection we can obtain on some or all of our inventions outside Australia or prevent us from obtaining patent protection outside Australia, either of which could have a material adverse effect on our business, financial condition and results of operations. For example, methods of treating humans are not patentable in many countries outside Australia and the United States. Moreover, since patent applications in Australia and the United States are maintained in secrecy until the patent is issued, and since publication of discoveries in the scientific or patent literature often lags behind actual discoveries, we cannot be certain that we or any of our licensors were the first creator of inventions covered by pending patent applications or that we or our licensors were the first to file patent applications for such inventions. Additionally, the enforceability of a patent depends on a number of factors that may vary amongst jurisdictions. These factors may include the novelty of the invention, the requirement that the invention not be obvious in light of prior art (including prior use or publication of the invention), the utility of the invention, and the extent to which the patent clearly describes the best method of working the invention.

While we intend to seek patent protection for our therapeutic products and technologies, we cannot be certain that any of the pending or future patent applications filed by us or on our behalf will be approved, or that we will develop additional proprietary products or processes that are patentable or that we will be able to license any other patentable products or processes. We also cannot be certain that others will not 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. Furthermore, we cannot be certain that patents held by third parties will not prevent the commercialization of products incorporating the technology developed by us or licensed to us, or that third parties will not challenge or seek to narrow, invalidate or circumvent any of the issued, pending or future patents owned or licensed by us.

Our commercial success will also depend, in part, on our ability to avoid infringement of patents issued to others. If a court determines that we were infringing any third-party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. We cannot be certain that the licenses required under patents held by third parties would be made available on terms acceptable to us or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, manufacture or commercialization of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents, and any of these circumstances could have a material adverse effect on our business, financial condition and results of operations.

We may have to resort to litigation to enforce any patents issued or licensed to us or to determine the scope and validity of third party proprietary rights. Such litigation could result in substantial costs to be incurred by us and the diversion of our efforts. We may have to participate in opposition proceedings before the Australian Patent and Trademark Office or another foreign patent office, or in interference proceedings declared by the United States Patent and Trademark Office, to determine the priority of invention for patent applications filed by competitors. Any such litigation, interference or opposition proceeding, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could prevent us from developing, manufacturing or commercializing our products and could have a material adverse effect on our business, financial condition and results of operations.

In addition to patent protection, we rely on unpatented trade secrets and know-how and proprietary technological innovation and expertise that are protected in part by confidentiality and invention assignment agreements with our employees, advisors and consultants. We cannot make any assurances that we will have adequate remedies for any breach. In addition, third parties could independently develop the same or similar technologies.

Table Of Contents

If we are not able to protect and control unpatented trade secrets, know-how and other technological innovation, we may suffer competitive harm.

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 to protect. In order to protect proprietary technology and processes, we rely in part on confidentiality and intellectual property assignment agreements with our employees, consultants and others. These agreements may not effectively prevent disclosure of confidential information or result in the effective assignment to us of intellectual property, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information or other breaches of the agreements. In addition, others may independently discover trade secrets and proprietary information that have been licensed to us or that we own, and in such case we could not assert any trade secret rights against such party. Enforcing a claim that a party illegally obtained and is using trade secrets that have been licensed to us or that we own is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States and Australia may be less willing to protect trade secrets. Costly and time-consuming litigation could be necessary to seek to enforce and determine the scope of our proprietary rights, and failure to obtain or maintain trade secret protection could have a material adverse effect on our business.

We do not have patent protection in certain countries and we may not be able to effectively enforce our intellectual property rights in certain countries, which could significantly erode the market for our product candidates.

We intend to seek regulatory approval to market our product candidates in a number of foreign countries. 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. We, or our licensors, may not be able to effectively obtain, maintain or enforce rights with respect to the intellectual property relating to our product candidates in those countries. 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 commercialize our products in those countries and could otherwise have a material adverse effect on our business.

RISKS ASSOCIATED WITH GOVERNMENT REGULATION

We may not be able to obtain the extensive government approvals required to bring our pharmaceutical products to market

Our ongoing research and development activities are, and the production and marketing of our pharmaceutical product candidates derived there from will be, subject to regulation by numerous governmental authorities in Australia, principally the TGA, and by the FDA in the United States, the European Medicines Evaluation Agency (EMEA) of the European Union and the regulatory agencies of other countries. Prior to marketing, any therapeutic product developed must undergo rigorous preclinical testing and clinical trials, as well as an extensive regulatory approval process mandated by the TGA and, to the extent that any of our pharmaceutical products under development are marketed abroad, by foreign regulatory agencies including the FDA in the United States and the EMEA in Europe. These processes can take many years and require the expenditure of substantial resources. Delays in obtaining regulatory approvals could adversely affect the development and commercialization of our pharmaceutical product candidates and could have a material adverse impact on our business, financial condition and results of operations. Although we intend to make use of fast-track and abbreviated regulatory approval programs when possible, we cannot be certain that we will be able to obtain the clearances and approvals necessary for clinical testing or for manufacturing and marketing our pharmaceutical products candidates.

Our business and operations may be negatively impacted if we fail to comply with government regulations applicable to our current revenue generating business

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 current Good Manufacturing Practice (cGMP) requirements of the TGA, the Australian Office of Gene Technology Regulator and the Australian National Registration Authority (agricultural and veterinary chemicals), which govern the methods, controls, facilities and quality assurance procedures used in manufacturing, packing and storing biological and pharmaceutical products. In addition, certain international markets have quality assurance and manufacturing requirements that may be more or less rigorous than those in Australia. Our manufacturing facilities are also subject to periodic inspections by the TGA and the Australian National Registration Authority. 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 government legislation and policy may adversely affect us

While we do not anticipate in the near future any specific material changes in government legislation that may adversely affect us, 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

Our stock price may be volatile and the U.S. trading market for our ordinary shares is limited

The market price for our ordinary shares, like that of the securities of many 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;
- Determinations regarding our patent applications and those of others;

Table Of Contents

- Publicity regarding actual or potential results relating to medicinal products under development by us and our competitors;
- Proposed governmental regulations and developments in Australia, the U.S. and elsewhere;
- Litigation;
- Economic and other external factors; and
- Period-to-period fluctuations in our operating results.

In addition, stock markets have recently 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.

From time to time, there has been limited trading volume with respect to our ordinary shares quoted on the U.S. financial markets (OTCQB Market), but we cannot make any assurances that there will continue to be a trading market in our ordinary shares. We cannot make any assurance that the Company's securities will continue to be listed on a U.S. market.

U.S. shareholders may not be able to enforce civil liabilities against us

All of our directors and executive officers are non-residents of the United States, and all or a substantial portion of the assets of such persons are located outside the United States. As a result, it may not be possible for investors to affect service of process within the United States upon such persons or to enforce against them judgments obtained in U.S. courts predicated upon the civil liability provisions of the federal securities laws of the United States. There is doubt as to the enforceability in Australia in original actions, or in actions for enforcement of judgments of U.S. courts, of civil liabilities to the extent predicated upon the federal securities laws of the United States.

U.S. holders of our ordinary shares could be subject to material adverse tax consequences if we are considered a PFIC for U.S. federal income tax purposes

Based on our audited financial statements and relevant market and shareholder data, we believe we will be classified as a passive foreign investment company, or "PFIC", for U.S. federal income tax purposes for our June 30, 2014 taxable year. There is also a risk that we will be classified as a PFIC for U.S. federal income tax purposes in future years. Our status as a PFIC could result in a reduction in the after-tax return to U.S. holders of our ordinary shares and warrants and may cause a reduction in the value of such shares. We will be classified as a PFIC for any taxable year in which (i) 75% or more of our gross income is passive income or (ii) at least 50% of the average value of all our assets produce, or are held for the production of passive income. For this purpose, passive income includes interest, gains from the sale of stock, and royalties that are not derived in the active conduct of a trade or business. Because we receive interest and may recognize gains from the sale of appreciated stock, there is a risk that we will be considered a PFIC under the income test described above. In addition, because of our cash position, there is a risk that we will be considered a PFIC under the asset test described above. While we believe that the PFIC rules were not intended to apply to companies such as us that focus on research, development and commercialization of drugs, no assurance can be given that the U.S. Internal Revenue Service or a U.S. court would determine that, based on the composition of our income and assets, we are not a PFIC currently or in the future. If we were classified as a PFIC, U.S. holders of our ordinary shares could be subject to greater U.S. income tax liability than might otherwise apply, imposition of U.S. income tax in advance of when tax would otherwise apply, and detailed tax filing requirements that would not otherwise apply. The PFIC rules are complex and you are urged to consult your own tax advisors regarding the possible application of the PFIC rules to you in your particular circumstances.

As a foreign private issuer we do not have to provide you with the same information as an issuer of securities based in the U.S.

Given that we are a foreign private issuer within the meaning of the rules under the Exchange Act, we are exempt from certain provisions of that law that are applicable to U.S. public companies, including (i) the rules under the Exchange Act requiring the filing with the U.S. Securities and Exchange Commission ("SEC") of quarterly reports on Form 10-Q or current reports on Form 8-K; (ii) the sections of the Exchange Act regulating the solicitation of proxies, consents or authorizations in respect of a registered security; and (iii) the sections of the Exchange Act requiring insiders to file public reports of their stock ownership and trading activities and liability for insiders who profit from trades made in a short period of time. Thus, investors are not afforded the same protections or information which would be ordinarily available were they investing in a U.S. public corporation.

In accordance with the requirements of the Australian Securities Exchange and the Corporations Act 2001, we disclose annual and semi-annual results. Our results are presented in accordance with Australian Accounting Standards and International Financial Reporting Standards (IFRS). Our annual results are audited, and our semi-annual results undergo a limited review by our independent auditors. We lodge annual audited results presented in accordance with Australian Accounting Standards and IFRS as issued by International Accounting Standards Board with the SEC on Form 20-F. Subject to certain exceptions, we are also required to immediately disclose to the Australian Securities Exchange any information concerning us that a reasonable person would expect to have a material effect on the price or value of our shares. This would include matters such as (i) any major new developments relating to our business which are not public knowledge and may lead to a substantial movement in our share price; (ii) any changes in our board of directors; (iii) any purchase or redemption by us of our own equity securities; (iv) interests of directors in our shares or debentures; and (v) changes in our capital structure. We are required to provide our semi-annual results and other material information that we disclose in Australia in the U.S. under the cover of Form 6-K. Nevertheless, this information is not the same and may not be as much information as would be made available to investors were they investing in a U.S. public corporation.

Table Of Contents

Future issuances and sales of our stock could dilute your ownership and cause our stock price to decline

We intend to continue to finance our operations through the issuance of securities, if feasible, including by way of the public equity markets, private financings and debt. 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 ordinary shares. Additional financing may not be available to us on favorable terms, and financing available at less favorable terms may lead to more substantial dilution of existing shareholders.

If we fail to comply with internal controls evaluations and attestation requirements our stock price could be adversely affected

We are subject to United States securities laws, including the Sarbanes-Oxley Act of 2002 and the rules and regulations adopted by the SEC pursuant to such Act. As a foreign private issuer, under Section 404 of the Sarbanes-Oxley Act and the related regulations, we have previously been required to perform an evaluation of our internal control over financial reporting, including (1) management's annual report on its assessment of the effectiveness of internal control over financial reporting; and (2) our independent registered public accounting firm's annual audit of the effectiveness of internal control over financial reporting. In 2010, the enactment of the Dodd Frank Bill resulted in an exemption from Section 404(b) of the Sarbanes-Oxley Act for fiscal 2010 onwards, meaning that we did not have to comply with point (2) above. For further information, see "Item 15—Controls and Procedures—Management's Annual Report on Internal Control over Financial Reporting."

The requirements of Section 404(a) of the Sarbanes-Oxley Act are ongoing and also apply to future years. We expect that our internal control over financial reporting will continue to evolve as our business develops. Although we are committed to continue to improve our internal control processes and we will continue to diligently and vigorously review our internal control over financial reporting in order to ensure compliance with the Section 404 requirements, any control system, regardless of how well designed, operated and evaluated, can provide only reasonable, not absolute, assurance that its objectives will be met. Therefore, we cannot be certain that in the future additional material weaknesses or significant deficiencies will not exist or otherwise be discovered. If our efforts to remediate weaknesses identified are not successful or if other deficiencies occur, these weaknesses or deficiencies could result in misstatements of our results of operations, restatements of our financial statements, a decline in our stock price, or other material effects on our business, reputation, results of operations, financial conditions or liquidity.

Our Constitution and other Australian laws and regulations applicable to us may adversely affect our ability to take actions that could be beneficial to our shareholders

As an Australian company we are subject to different corporate requirements than a corporation organized under the laws of the United States. Our constituent document, or Constitution, as well as the Corporations Act 2001 and the ASX Listing Rules set forth various rights and obligations that are unique to us as an Australian company. These requirements may limit or otherwise adversely affect our ability to take actions that could be beneficial to our shareholders.

ITEM 4. INFORMATION ON THE COMPANY

Item 4.A. History and Development of the Company

We were incorporated in September 1989 as Almagest Pty. Ltd. in the State of Queensland, Australia, and changed our name to Progen Industries Pty. Ltd. in April 1990. In 1991, we converted to a public limited liability company under the name Progen Industries Limited and introduced our first life sciences products to the Australian market for use in DNA recombinant research. In March 2007, we changed our name to Progen Pharmaceuticals Limited to better reflect the Company's focus on the discovery and development of novel cancer therapies.

Since October 1993, we have been engaged in the research and development of small molecule pharmaceuticals, including heparanase inhibitors, that are potent and selective inhibitors of carbohydrate-protein interactions implicated in a range of disease states. Our research and development activities are conducted in collaboration with private industry and academic and research institutions in Australia, the United States and elsewhere.

As part of our focused strategy towards drug discovery and development, we sold our Life Sciences division in November 2003 and intend to pursue selective strategic alliances to complete product development and move our product candidates into the marketplace.

In February 2008, the Company acquired CellGate, Inc., a California-based oncology drug development company. This acquisition provided the Company with a product candidate in Phase 1 and multiple preclinical compounds.

For many years, PI-88 has been the lead product candidate in Progen's drug development pipeline. In March 2008, the Company commenced a Phase 3 human clinical trial of PI-88 in patients with post-resection liver cancer (the PATHWAY trial). In July 2008, the Company terminated this Phase 3 trial for commercial reasons.

Following the termination of the Phase 3 trials of PI-88 and its subsequent licensing, various requisitions were received from shareholders for general meetings to remove current board members and appoint new board members. Such meetings were held on January 9, 2009, March 27, 2009 and July 17, 2009. In the March 27 meeting, four Progen directors were removed from office. In the July 17 meeting, three shareholder candidates were appointed as directors of the Company.

On July 1, 2009, our subsidiary, PharmaSynth, executed a license agreement with a U.S.-based company, Global TransBiotech Inc. to conduct Phase 3 trials and subsequently commercialize muparfostat (formerly known as PI-88). This license agreement was terminated on April 8, 2010 due to a lack of progress in the compound's development.

Table Of Contents

On August 4, 2009, Progen instituted proceedings in the Supreme Court of Queensland ("the Court") against various shareholders alleged to have contravened section 606 of the Corporations Act 2001. Progen sought an order to restrain the respondents from contravening section 606 of the Corporations Act 2001, and further or alternatively, an order vesting all of the respondents' shareholdings in Progen in the Australian Securities & Investments Commission. On November 18, 2009, the parties reached a settlement designed to restore stability to the Company. The key aspects of the settlement were as follows:

- The respondents were not to cause a general meeting to be convened for a period of 18 months concerning resolutions electing, appointing or removing a director or otherwise affecting the tenure of directors or the composition of the Board;
- for a period of 18 months, the respondents were to cause their shares to be voted on resolutions electing, appointing or removing a director or otherwise affecting the tenure of directors or the composition of the Board, in accordance with the recommendations of a majority of directors of Progen;
- for a period of 18 months, the respondents are not to increase their shareholding in Progen, subject to certain exclusions;
- Progen was to pay Medigen Biotechnology Corp. $1.8 million in full and final settlement of a commercialization milestone arising from a previous agreement; and
- Progen was to immediately terminate the employment of its then CEO, T Justus Homburg.

On June 30, 2010, the Company signed a license and collaboration agreement with Medigen Biotechnology Corp. for the exclusive rights to PI-88. We are entitled to various milestone payments linked to progression in the development of PI-88 and to date have received two milestone payments, relating to regulatory approval to commence the trial (April 2011), and the commencement of patient recruitment (September 2011). We are also entitled to royalties on all product sales upon commercialization.

During the first half of 2010, Progen undertook a strategic review of its assets and the recommendation was made to the Board that the assets acquired in the February 2008 CellGate acquisition (CellGate Assets) should be divested to place a strategic focus on Progen's core competencies – dual mechanism oncology products.

On October 29, 2010, the Company closed its U.S. office based at 2479 East Bayshore Road, Suite 709, Palo Alto, California, 94303. The closure also resulted in the termination of two part-time positions and the Company's Chief Scientific Officer, Dr Laurence Marton.

Following the Board's decision to divest the CellGate Assets, Progen closed down the California and North Carolina offices of its subsidiary, Progen Pharmaceuticals Inc and has significantly scaled back its presence in the U.S. This has resulted in a substantial administrative cost saving for the Company.

The Company divested the intellectual property held by Progen Pharmaceuticals Inc to a new incorporated entity, Epi Pharmaceuticals Inc ("EPI"). EPI is incorporated in the USA and holds all of the epigenetic and cell proliferation assets acquired through the CellGate acquisition. The goals of the restructuring were to place the CellGate Assets and related assets into a separately funded or fundable vehicle in order to eliminate or minimize any existing and future obligations of Progen related to CellGate stockholders or the CellGate licensors, limit further investment by the Company into these programs and preserve potential returns for Progen shareholders.

Under this structure, a combination of equity and debt instruments, royalties and milestone payments were issued to various parties that were entitled to consideration pertaining to the development of the CellGate Assets. In return, Progen extinguished its obligations under the contracts with these parties, reducing the economics owed to these parties to make the assets investable, whilst itself retaining a significant interest in this new entity.

In exchange for giving up their right to the potential milestone payments, the former CellGate holders (including SLIL Biomedical Corporation which was previously acquired by CellGate) have received equity in EPI, along with Progen as follows:

Holder	Shares	% Ownership of EPI
CellGate holders	5,737,500 Series A Preferred	45
SLIL Biomedical	1,530,000 Series A Preferred	12
Progen	5,482,500 Series A Preferred	43

EPI entered into new amended and restated license agreements with Johns Hopkins University/Wayne State University and Wisconsin Alumni Research Foundation (WARF) to secure the epigenetic and cell proliferation assets, including PG11047, PG11144 and other epigenetics program compounds.

In January 2012, the Company issued EPI Convertible Promissory Notes ("Note") for the principal sum of AU$280,000.00, at an interest rate of 7% per annum. The maturity date of the Note and all accrued interest thereon shall be due and payable on the earlier of (i) the date of the Company's (or its sublicensee's) first receipt of approval from the U.S. Food and Drug Administration, of a New Drug Application, or from the European Medicines Agency, of a Marketing Authorisation Application, for any Product (as defined in that certain Amended and Restated Standard Exclusive License Agreement between the Company and WARF, dated May 10, 2011, (ii) the effective date of any Distribution or (iii) May 10, 2021.

If at the Maturity Date this Note has not been converted or repaid, then at Progen's election, the outstanding principal amount of the Note and all unpaid interest thereon shall either be due and payable by EPI in cash or shall automatically convert into shares of the Company's Series A Preferred Stock at a conversion price of $1.00 per share.

During 2012 EPI fully exhausted the principal sum as loaned under the Note.

In September 2012, the directors and shareholders of EPI decided to dissolve the entity after not being able to find a counterparty to provide ongoing funding to support and develop the assets. Following this decision, Progen does not expect to be repaid the sum loaned under the Note. A Certificate of Dissolution was filed with the Delaware Division of Corporations on 30 October 2012.

Table Of Contents

In November 2010, Progen commenced an open-label, single centre Phase I study of the safety and tolerability of PG545 in patients with advanced tumors. This study treated patients until it was stopped in September following unforeseen injection site reactions in patients. Progen conducted further preclinical tests with the view of using an intravenous (IV) route of administration for PG545 moving forward and in August 2013 successfully completed a definitive four-week preclinical toxicology study using IV administration of PG545 to support a new clinical trial being planned to commence in late 2013. The study was conducted in accordance with OECD Good Laboratory Practice (GLP) toxicology and the Company now intends to test the safety and tolerability of PG545 by IV administration in advanced cancer patients.

In August 2011, the Company completed a major restructure of its Board and senior management. As a result, the Board was reduced to three, CEO Sue MacLeman departed the Company and General Manager of Finance and Company Secretary Paul Dixon reverted to a consultancy arrangement with the Company. Further, the company relocated its executive offices to 2806 Ipswich Road, Darra QLD which was the existing premises of its manufacturing subsidiary, PharmaSynth.

In August 2012 the Company appointed an additional Company Secretary Blair Lucas. In October 2012 Paul Dixon resigned as Company Secretary and Blair Lucas replaced him. Paul Dixon also resigned as General Manager Finance and was replaced by Lee Horobin on a consultancy basis.

In May 2013, the Company successfully raised a material amount of capital totaling $6.42 million before costs from an underwritten non-renounceable rights issue and a private share placement putting the Company in a strong position to move forward with its drug development activities and facilitating the growth of wholly owned subsidiary biopharmaceutical manufacturer PharmaSynth Pty Ltd.

In July 2013, Dr. Woei-Jia Jiang resigned as non-executive director. Following this, Mr. Heng Tang was appointed as the Acting Managing Director and Mr. Indrajit Solomon Arulampalam was appointed as a non-executive director during July 2013. In August 2013, the Company appointed Dr. Keith Dredge as Director of Drug Development.

Dr. Woei-Jia Jiang resigned as Non-Executive Director in July 2013. On the same date, Mr. Indrajit Solomon Arulampalam was appointed as a Non-Executive Director. Mr. Heng Tang was also appointed as the Acting Managing Director.

At the Annual General Meeting on 28 November 2013, Mr Stuart James retired as Non-Executive Chairman. Following this, Mr. Indrajit Arulampalam was appointed as Non-Executive Chairman and Hongjen Chang was appointed as Non-Executive Director.

On 14 May 2014, Mr. Heng Tang ceased to be Acting Managing Director of Progen and became Managing Director of wholly-owned subsidiary, PharmaSynth Pty Ltd and Mr. Indrajit Arulampalam became Executive Chairman. Further the company changed its registered office to Level 18, 101 Collins Street, Melbourne, VIC.

We have incurred significant losses since our inception and as of June 30, 2014, our accumulated losses were $154,003,394. We expect to incur additional operating losses for the year ending June 30, 2015 on the development of our clinical product candidate PG545 as well as other potential product candidates.

To date, we have funded our operations primarily through sales of equity securities.

The Company's ordinary shares are listed on the Australian Securities Exchange (ASX: PGL) and on the OTCQB market (OTCQB: PGLA).

Corporate Information

Progen Pharmaceuticals Limited is incorporated under the laws of the Commonwealth of Australia and domiciled in the State of Queensland. Our corporate office is located at Level 18, 101 Collins Street, Victoria 4000. The principal executive office and the manufacturing facility is located at 2806 Ipswich Road, Darra Queensland 4076, Australia. Our telephone number is + 61 7 3273 9133.

We make available free of charge on or through our web site our annual reports on Form 20-F as soon as practicable after they are electronically filed with, or furnished to, the Securities and Exchange Commission. Our web site is located at www.progen-pharma.com. Information contained on our web site is not incorporated by reference into and does not form a part of this Annual Report.

Progen is a registered trademark of Progen Pharmaceuticals Limited. Trademarks, tradenames or service marks of other companies appearing in this Annual Report are the property of their respective owners**.**

Item 4.B. Business Overview

We are a globally focused biotechnology company committed to the discovery, development and commercialization of small molecule therapeutics primarily for the treatment of cancer.

The Company operates the Research and Development business segment primarily in Australia following the closure of the U.S. office in October 2010.

Products

Our work, together with others, has helped to create a pipeline of innovative products at various stages of development. Progen's principal day-to-day focus is the development of PG545 which is undergoing evaluation for safety and tolerability in advanced cancer patients and this Phase Ia trial should be completed by mid-2015. Further clinical trials is anticipated to assess PG545 in combination with other anticancer drug(s) and ultimately to test the effectiveness of PG545 in a specific cancer(s) thereafter.

Table Of Contents

Through licensing agreements with Medigen Biotechnology Corporation, our most advanced drug candidate, known as muparfostat (or PI-88) is currently in Phase III clinical trials for hepatitis-associated liver cancer following curative resection. Medigen's trial known as the PATRON trial (ClinicalTrials.gov Identifier: NCT01402908) is ongoing. Unfortunately, the cancer recurs in up to 50% of patients and there are no current treatments available for these patients.

We also continue to be interested in the emerging biology heparanase (and its inhibition) and the tumour microenvironment. We maintain some research efforts (termed Early Discovery) and provide assistance to, and possess a small stake in, Beta Therapeutics Ltd.The following table lists the Company's products currently under development:

Product	Principal Uses	Status	Next Significant Milestone
Muparfostat (PI-88)	Cancer	Phase 3 Clinical Development for adjuvant treatment of hepatocellular carcinoma (undertaken by Medigen)	●Completion of Phase 3 Liver Cancer Trial by Medigen
PG545	Cancer	Phase 1 Clinical Development	●Completion of Phase 1a clinical trial using IV administration ●Data analysis of Phase 1a clinical trial
PG545	Non-oncology and hepatocellular carcinoma	Licensed to Medigen	●Pre-clinical testing
Heparanase Inhibitors in conjunction with Beta Therapeutics	Cancer	Discovery	

PI-88

PI-88 Description

PI-88 is a carbohydrate-based small-molecule which is believed to work via two mechanisms. Firstly, it inhibits the enzyme heparanase, which plays an important role in tumor spread and invasion through surrounding tissues. Tumors 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 tumors to expand and spread. Secondly, PI-88 exerts an anti-angiogenic effect by inhibiting the interaction between growth factors, heparan sulfate and cellular receptors. As tumors 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 links to the binding domain of 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; however, PI-88, a First-in-Class heparanase inhibitor, employs a unique mechanism to target angiogenesis.

Most oncology drugs are designed to be toxic to the cancer, as their name – cytotoxics – indicates. These drugs are designed to eradicate tumor cells, often with adverse consequences for non-cancerous cells as well. Historically, the efficacy of cytotoxic compounds was measured by assessments such as the degree to which tumors shrink. PI-88 belongs to the class of cytostatic drugs. As the name implies, cytostatic drugs are designed to keep the disease stable, so the efficacy of these cytostatic drugs is measured by assessments such as time to disease recurrence, disease progression, time of stable disease, disease free survival, and overall survival.

License of muparfostat (PI-88) to Medigen Biotechnology Corp

On June 30, 2010, Progen announced that a binding license and collaboration agreement had been executed with Medigen Biotechnology Corporation (Medigen) for the development and commercialization of muparfostat globally.

The agreement grants Medigen the exclusive worldwide and sub-license rights for the commercialization of muparfostat for the therapeutic and prophylactic treatment of cancer. The agreement includes royalties on sales of muparfostat as well as milestones payments at the following time points:

- when regulatory approval is obtained for commencement of the Phase III trial;
- when the Phase III trial is commenced;
- when the Phase III trial is completed; and
- when regulatory approval is in place for the product to be marketed.

To date, Medigen has achieved the first two milestones. There are also additional milestone payments due to Progen based on follow-up market approvals. Progen is also contracted to manufacture the clinical trial material via its subsidiary company, PharmaSynth.

Table Of Contents

The intellectual property owned or licensed by Progen to Medigen includes the rights to PI-88 covered in the global patent family entitled "Preparation and Use of Sulfated Oligosaccharides". It does not include any intellectual property relating to Progen's PG500 series compounds. The term of the agreement is 15 years from the commencement date (July 1, 2010) unless terminated earlier in accordance with the agreement.

PI-88 Clinical Development Program

All clinical trials of PI-88 have been conducted under an active Investigational New Drug Application, or IND, with the FDA. In the preclinical and clinical studies executed to date, PI-88 has shown an acceptable safety and tolerability profile in clinical trials. PI-88 has also showed signs of clinical efficacy in PI-88's multinational clinical development program.

Phase 2 clinical trial of PI-88

Our metastatic melanoma trial recruited patients that have not previously received chemotherapy (i.e. first line patients). In this indication, the efficacy of PI-88 in combination with DTIC (dacarbazine) was investigated. DTIC is a chemotherapy drug used as standard first-line treatment for patients with newly diagnosed metastatic melanoma and the goal of the study was to determine whether PI-88 can increase efficacy in combination with DTIC. The approved anti-angiogenic drug, Avastin® (bevacizumab), has been shown to enhance efficacy in combination with chemotherapy in patients with various solid tumors, including bowel cancer, lung cancer and breast cancer. The PI-88 Phase 2 trial in combination with DTIC was conducted across seven sites in Australia and at three sites in U.S. The data showed that for the primary end-point of non-progression after 18 weeks of treatment, PI-88 did not provide additional benefit to patients with advanced melanoma when used in combination with decarzabine, as this combination was not more efficacious than dacarzabine alone or for the secondary end-points of time to progression, progression free survival response rate and duration of response.

Phase 3 PATRON clinical trial of PI-88

PI-88 is currently in a fully recruited, randomized, placebo controlled Phase III clinical trials (ClinicalTrials.gov Identifier: NCT01402908) to confirm the safety and efficacy of PI-88 in the adjuvant treatment of hepatocellular carcinoma after surgical resection.

Commercialization Strategy for PI-88

Worldwide oncology rights to PI-88 have been licensed to Medigen Biotechnology Corp, who will further develop and commercialize the compound and thus Progen will not undertake any further development in melanoma at this stage.

PG545

PG545 – a novel agent designed to target the tumour microenvironment

PG545 is a proprietary synthetic small molecule created to modulate the tumour microenvironment through multiple mechanisms of action. Building upon Progen's knowledge on compounds with potent anti-angiogenic and anti-metastatic agents, PG545 emerged from the PG500 series following extensive testing and has now been demonstrated to possess mechanisms that target five key processes within the tumour microenvironment (Figure 1)

Progen scientists and their collaborators have published and presented extensively on PG545 to demonstrate its effectiveness in a variety of cancer models. These findings, culminating from several years of research, now unequivocally reveal PG545's activity on the following processes critical for cancer development.

1. *Cell invasion and metastasis*
   PG545 is a competitive inhibitor of heparanase but also recently shown to reduce the expression of heparanase within primary tumours and metastatic tissue. This significantly reduces the formation of metastasis and improves survival in a model of breast cancer.

2. *New blood supply/angiogenesis*
   PG545 binds to angiogenic growth factors vascular endothelial growth factor (VEGF) and several members of the fibroblast growth factor (FGF) family[6] which leads to a reduction in angiogenesis and the function of the blood vessels[7]. This effect also reduces tumour growth, metastasis and increases survival in models of pancreatic cancer.

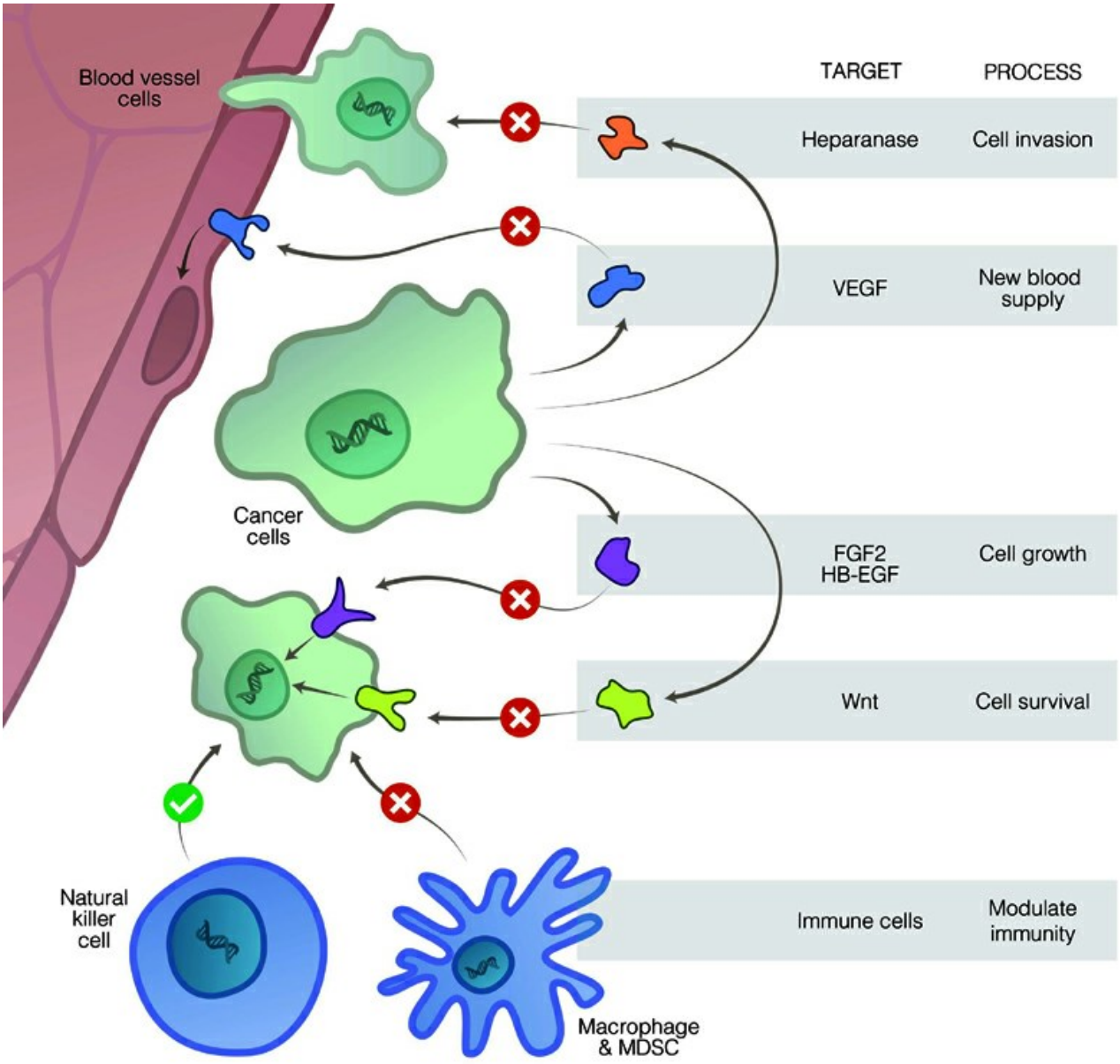
3. *Cancer cell growth*
   Blocking the activity of growth factors such as FGF2 and heparin binding-epidermal growth factor(EGF)-like growth factor (HB-EGF) in ovarian cells is also linked to greater effectiveness of PG545 (especially when administered in combination with chemotherapy) and enhances survival in models of ovarian cancer.

4. *Cancer cell survival*
   The inhibition of the Wnt protein by PG545 is a new finding currently being submitted for publication in a scientific peer-reviewed journal which further contributes to the unique activity of the compound. The Wnt pathway has recently become of tremendous interest as an avenue of new therapeutic opportunity. Dysregulation of Wnt proteins and its mediator ß-catenin has been implicated in many cancers of the colon, pancreas, ovary, lung, breast, kidney and leukemia and targeting this pathway is a major focus of pharmacological research and development.

5. *Immunomodulation*
   The latest findings by Progen's collaborators represent a key advancement for long-term responses against several cancer types. Regulation of the body's immune cells has long been associated with influencing survival outcomes in cancer patients. PG545 has been demonstrated to stop certain types of immune cell that are considered to promote cancer development. These cells are called macrophages and myeloid-derived suppressor cells (MDSCs) are capable of secreting pro-tumour enzymes including heparanase. However, PG545 has been shown to stop their infiltration into tumours in a model of pancreatic cancer. Emerging data now suggests that PG545 also modulates the immune system leading to the activation of natural killer (NK) cells which are very effective at destroying lymphoma, a form of blood cancer. Taken together, the studies suggest that PG545 can modulate the immune system to improve patient outcomes.

Table Of Contents

Figure 1: The targets that PG545 interacts with to modulate five key processes within the tumour microenvironment



PG545 Preclinical Development

This compound has been shown to inhibit solid tumor progression in a variety of animal models of melanoma (B16F1 syngeneic mouse model), breast cancer (T41 orthotopic mouse model), lung cancer (LLC/2 syngeneic mouse model), human colorectal cancer (HT29 xenograft model), human pancreatic cancer (MiaPaCa-2 xenograft model), human breast cancer (MDA-MB-231 xenograft model), human prostate cancer (PC3 xenograft model) and human liver cancer (HepG2 xenograft model and Hep3B orthotopic model). Importantly, these compounds also potently block the development of metastases as shown in the aforementioned B16F1, T41 and LLC/2 models.

Potent inhibition has also been observed in other *in vitro* models such as the tube formation assay and the rat aortic angiogenesis assay. Daily treatment or twice weekly treatment significantly reduced angiogenesis in the *in vivo* AngioSponge™ model. Blocking these interactions inhibits the angiogenesis and metastasis processes critical in tumor growth and progression.

Through a lead validation methodology incorporating aspects such as efficacy, pharmacokinetics, toxicology and ease of manufacture we have identified PG545 as the lead compound. Pharmacokinetic studies have demonstrated that half-life of PG545 in mice or rats is in the region of 21-50 hours and elimination is reasonably slow. Thus, the current dosing schedule of a once weekly subcutaneous injection has been found to be sufficient to maintain significant antitumor activity in many of the cancer models mentioned previously. Non-GLP toxicology studies have been completed in mice, rats and dog and data supports the progression of PG545 toward the clinic.

Table Of Contents

Phase I clinical trial of PG545

In late 2010 the Company opened the study entitled "an open-label, single centre Phase I study of the safety and tolerability of PG545 in patients with advanced tumors". During the study, patients experienced injection site reactions following sub-cutaneous injection with PG545. In September 2011, the Company decided not to continue with dose escalation and to close the study. Progen reviewed the route of administration and conducted preclinical studies to investigate intravenous injection as an alternative route of administration. In August 2013 the Company successfully completed a definitive four-week preclinical toxicology study using IV administration. PG545 entered a Phase 1 clinical trial in late 2013 to test the safety and tolerability by IV administration in advanced cancer patients. This trial is ongoing and expected to be completed by mid-2015. The primary objective of the study is to determine the maximum tolerated dose as defined by significant dose limiting toxicity. The study also aims to measure the levels of PG545 in the blood of patients and other laboratory tests to learn more about the safety and potential efficacy of PG545.

In May 2014, the Company completed treatment of the first patient cohort where each patient in this group received once-weekly 25mg doses of PG545. No dose limiting toxicities or significant adverse events were reported from the group following at least four weeks of treatment. In September 2014, the Company completed treatment of the second patient cohort where patients received 50mg doses of PG545 at once-weekly intervals for at least four weeks of treatment.

Research and Drug Discovery

Progen continues to be recognised for its contribtuion to the field of heparanase, particularly its role in cancer development and the efforts to create heparanase inhibitors. On 3 December 2013, Progen entered into an Assignment Agreement with Beta Therapeutics Pty Limited (Beta) providing intellectual property know-how on novel heparanase inhibitor small molecules. This allowed Beta to initiate new research with an aim to develop the know-how for use in the diagnosis, prevention or treatment and all pathologies and symptoms associated with Type 1, Type 2 or diabetes complications and inflammation or autoimmune disorders.

This followed a 2011 Diabetes Collaboration Framework Deed with the Australia National University ("ANU") and ANU Enterprise Pty Ltd. The Deed established a strategic collaboration where ANU will commercialise new diabetes therapeutics based on ANU research conducted by Professor Chris Parish and the research team at the John Curtin School of Medical Research. Beta was established as a spin-off company to drive the commercial development. Progen formally collaborates and consults with the ANU/Beta and holds a small stake in the company.

Manufacturing

PharmaSynth Pty Ltd (PharmaSynth), a subsidiary of the Company, operates 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. PharmaSynth's business is the provision of contract pharmaceutical manufacturing development services and manufacture of material for phase 1 to phase 3 clinical trials, as well as the manufacture of veterinary and animal health products.

Government Regulation

General

Regulation by government authorities in the U.S., Australia and other countries in which the Company operates is a significant factor in the development, manufacture and marketing of our proposed products and in our ongoing research and development activities. The nature and extent to which such regulation applies to us will vary depending on the nature of any products which may be developed by us. We anticipate that many, if not all, of our proposed products will require regulatory approval by governmental agencies prior to commercialization. In particular, human therapeutic products are subject to rigorous preclinical and clinical testing and other approval procedures of the FDA and similar regulatory authorities in European and other countries. Various governmental statutes and regulations also govern or influence testing, manufacturing, safety, labeling, storage and recordkeeping related to such products and their marketing. The process of obtaining these approvals and the subsequent compliance with appropriate statutes and regulations require the expenditure of substantial time and money, and there can be no guarantee that approvals will be granted.

The Company is also subject to various laws, regulations, policies, guidelines and recommendations relating to such matters as safe working conditions, laboratory and manufacturing practices, the experimental use of animals and the protection of the environment. Furthermore, there has been a general trend towards greater regulation of the pharmaceutical industry and its products.

Manufacturing

The manufacturing facility, run by PharmaSynth, is licensed by the Australian Therapeutic Goods Administration for the manufacture of biological-based starting materials for human therapeutics to cGMP and by the Australian Office of Gene Technology Regulator for the manufacture of large scale genetically modified organisms. In addition, certain international markets have quality assurance and manufacturing requirements that may be more or less rigorous than those in Australia. Our manufacturing facilities are also subject to regular inspections by the TGA. We cannot make any assurances that we will continue to be in compliance with cGMP requirements. Failure to comply with cGMP requirements or with any other international requirements could have a material adverse effect on our business, financial condition and results of operations.

Table Of Contents

Research and Development

The research and development, manufacture and commercialization of our pharmaceutical products are subject to regulation by governmental entities in Australia and other countries including the United States. Pharmaceutical products are subject to rigorous regulation by the TGA under the Australian Therapeutic Goods Act, by the FDA in the United States, and by similar health authorities in foreign countries under laws and regulations that govern, among other things, the testing, clinical trials, manufacture, safety, efficacy, labeling, storage, record keeping, advertising, promotion, export, marketing and distribution of such products. Product development and approval within this regulatory framework is uncertain and can take a number of years and require the expenditure of substantial resources. Any failure to obtain regulatory approval or any delay in obtaining such approvals could have a material adverse effect on our business, financial condition and results of operations.

Australian Government Regulation

The steps required before a drug may be approved for marketing in Australia generally include:

- Preclinical laboratory and animal testing;
- Submission to the TGA of a clinical trial notification, or CTN, or a clinical trial exemption, or CTX, application for human trials;
- Submission of an investigators' brochure and clinical protocols to the independent ethics committee, or IEC, of each institution at which the trial is to be conducted;
- Adequate and well-controlled clinical trials to demonstrate the safety and efficacy of the product;
- Development of chemistry, manufacture and control documentation, which demonstrates that the manufacture of the product conforms to GMP guidelines;
- Submission of the manufacturing, preclinical and clinical data to the TGA; and
- Approval by the TGA for inclusion in the Australian Register of Therapeutic Goods.

The testing and approval processes for a drug require substantial time, effort and financial resources. Furthermore, post-market surveillance must be carried out, and any adverse reactions to the drug must be reported to the TGA. We cannot make any assurances that any approval will be granted on a timely basis, if at all.

Preclinical studies include laboratory evaluation of the product as well as animal studies to assess the potential safety and efficacy of the product. The results of the preclinical studies are submitted to each investigator's IEC and, in some instances, to the TGA. Approval by each IEC and by the TGA is necessary before clinical trials can commence. An IEC is a review committee at each institution at which a study is conducted and is set up under guidelines of the Australian National Health and Medical Research Council. The role of an IEC is to review proposals for clinical trials, and approve and subsequently monitor the clinical trials. The IEC will consider, among other things, ethical factors and the safety of human subjects. We cannot make any assurances that submission to the applicable IECs and the TGA will result in authorization to commence clinical trials.

Clinical trials are typically conducted in three sequential phases that may overlap:

- Phase 1 clinical trials that involve the initial introduction of the drug into human subjects and the exploration of its safety (adverse effects), dosage tolerance, absorption, metabolism, excretion and pharmacodynamics;
- Phase 2 clinical trials that (i) evaluate the efficacy of the drug for specific, targeted indications, (ii) determine dosage tolerance and optimal dosage, and (iii) identify possible adverse effects and safety risks. Phase 2 trials usually involve studies in a limited patient population; and
- Phase 3 clinical trials that generally further evaluate clinical efficacy and further test for safety within an expanded patient population sufficient to provide statistically significant data.

In the case of products with a high risk of toxicity, the initial clinical trials are sometimes conducted in patients with the target disease rather than in healthy volunteers. Since these patients are already afflicted with the target disease, it is possible that such clinical trials may provide evidence of efficacy traditionally obtained in Phase 2 clinical trials. We cannot make any assurances that Phase 1, Phase 2 or Phase 3 testing will be completed successfully within any specific time period, if at all, with respect to any of our product candidates. Furthermore, the TGA and/or the applicable IEC may suspend clinical trials at any time on various grounds, including a finding that the subjects or patients are being exposed to an unacceptable health risk.

All PI-88 patient clinical trials have been conducted under an active IND application with the FDA, under a CTN application with the TGA for Australian sites and other health authority jurisdictions where relevant.

All PG11047 patient clinical trials have been conducted under an active IND application with the FDA.

The Phase 1a clinical trials (sub-cutaneous or intravenous administration) for PG545 are conducted under a CTN application with the TGA.

In order to obtain Australian marketing approval for a drug, the results of the preclinical studies and clinical trials, together with detailed information on the manufacture and composition of the product, are submitted to the TGA with a request for registration of the product in the Australian Register of Therapeutic Goods. The TGA may delay approval if applicable regulatory criteria are not satisfied, require additional testing or information, and/or require post-marketing testing and surveillance to monitor the safety or efficacy of a product. We cannot make any assurances that approval by the TGA will be granted on a timely basis, if at all. Also, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which such product may be marketed.

Table Of Contents

U.S. Government Regulation

FDA approval to market our drug products in the U.S. is expected to be undertaken by us or in conjunction with a commercial partner. The approval process of the FDA and TGA are similar, with substantial requirements for preclinical research, conduct of clinical trials, and manufacture of the product. Human clinical testing of a new drug requires the submission of an IND that must include the results of preclinical studies, together with manufacturing information and analytical data. We cannot make any assurances, however, that submission of an IND will allow us to commence clinical trials. In addition to the IND process, the clinical trial protocol also requires approval by the study sites Institutional Review Board (IRB), a similar process to the IEC review performed for Australian based trials. Furthermore, once trials have commenced, the FDA or IRB may stop the trials, or particular types of trials, by placing a "clinical hold" on such trials because of, for example, concerns regarding the safety of the product being tested. Such holds can cause substantial delay and, in some cases, may require abandonment of a product. In addition, Phase 4 clinical trials may be required by the FDA following initial license approval, to gain additional experience from the treatment of patients in the intended therapeutic indication and to document a clinical benefit in the case of drugs approved under accelerated approval regulations. If the FDA approves a product while a company has ongoing clinical trials that were not necessary for approval, a company may be able to use the data from these clinical trials to meet all or part of any Phase 4 clinical trial requirement. These clinical trials are often referred to as "Phase 3/4 post-approval clinical trials." Failure to promptly conduct Phase 4 clinical trials could result in withdrawal of product approval under accelerated approval regulations.

The results of preclinical studies and clinical trials, together with detailed information on the manufacture and composition of the product, are submitted to the FDA in the form of a New Drug Application, or NDA, requesting approval to market the product. Before approving an NDA, the FDA will inspect the facilities at which the product is manufactured and will not approve the product unless the manufacturing facility is in GMP compliance. The FDA may delay an NDA if applicable regulatory criteria are not satisfied, require additional testing or information, and/or require post-marketing testing and surveillance to monitor the safety or efficacy of a product. We cannot make any assurances that FDA approval of any NDA submitted by us will be granted on a timely basis, if at all. Also, if regulatory approval of a product is granted, such approval may entail limitations on the indicated uses for which the product may be marketed.

Patents

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

- Obtain 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.

For a discussion of the risks and uncertainties associated with our intellectual property position, see “Risk Factors – Our success depends upon our ability to protect our intellectual property and our proprietary technology.”

The Company’s policy is to protect and defend the intellectual property associated with its technology and products, principally through patent protection. We achieve this by filing patent applications for discoveries made by our scientists, as well as those that we make in conjunction with our scientific collaborators and strategic partners.

The most material of these patents and patent applications being:

1. PI-88 – Composition of matter and method of use patent families have been granted in countries including the U.S., Canada, Australia, Korea, Taiwan, Japan, Europe, China, South Africa and New Zealand. The PI-88 composition of matter patent expires in 2016.

2. PG545 – composition of matter compounds and method of use patents have been granted in Australia, Japan, Israel, Singapore, Russia, and South Africa, while patents are pending in various other key jurisdictions. The PG545 composition of matter patents and applications expire in 2028.

The availability and breadth of claims allowed in biotechnology and pharmaceutical patents is highly uncertain and generally involves complex legal and factual questions. We cannot make any assurances that any of our pending or future patent applications will be approved, or that we will develop additional proprietary products or processes, or be able to license any other patentable products or processes. We also cannot make any assurances that others will not independently develop similar products or processes, duplicate any of the products or processes developed or being developed by 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. Furthermore, patents held by third parties may prevent the commercialization of products incorporating the technology developed by or licensed to us, and third parties may challenge or seek to narrow, invalidate or circumvent any or all of the issued, pending or future patents owned or licensed by us.

If it were determined that we were infringing any third-party patents, we could be required to pay damages, alter our products or processes, obtain licenses or cease certain activities. We cannot make any assurances that the licenses required under patents held by third parties would be made available to us on acceptable terms, or at all. To the extent that we are unable to obtain such licenses, we could be foreclosed from the development, manufacture or commercialization of the product requiring such license or encounter delays in product introductions while we attempt to design around such patents.

We also believe that because of the differences in patent laws, foreign patents, if obtained, and the protection afforded by such foreign patents and foreign intellectual property laws may be more limited than that provided under Australian or United States patents and intellectual property laws. Litigation, which could result in substantial costs and diversion of effort on our part, may also be necessary to enforce any patents issued or licensed to us or to determine the scope and validity of third party proprietary rights. We may have to participate in opposition proceedings before the Australian Patent and Trademark Office or another foreign patent office, or in interference proceedings declared by the United States Patent and Trademark Office, to determine the priority of the invention for patent applications filed by competitors. Any such litigation, interference or opposition proceeding, regardless of outcome, could be expensive and time consuming, and adverse determinations in any such proceedings could have a material adverse effect on our business, financial condition and results of operations.

Table Of Contents

Licenses

PI-88. 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 sulfated oligosaccharide heparanase inhibitor. Our license rights terminate in 2026. 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.

PI-88 (muparfostat) was out-licensed to Medigen Biotechnology Corp. on June 30, 2010. Under the agreement, Progen's subsidiary, PharmaSynth, is to provide the technical and manufacturing support to Taiwan-based Medigen Biotechnology Corp. to develop and commercialize muparfostat elsewhere in the world. We are entitled to various milestone payments linked to progression in the development of muparfostat, as well as a royalty on product sales upon commercialization. To date, Progen has received two milestone payments

PG545. Hepatoceullar carcinoma and non-oncology indications for PG545 was out-licensed to Medigen Biotechnology Corp. on 1 March 2013. Under the agreement Medigen will develop and commercialise these indications for PG545 globally. The specific terms of the License Agreement are in line with industry standards but are subject to commercial confidentiality. Progen received AUD$400,000.00 as an upfront payment pursuant to the License Agreement upon execution of the binding Term Sheet. Progen will receive further milestone payments from Medigen as PG545 is developed for HCC and non-oncology indications and royalty payments from sales.

Assignment Agreement. In December 2013 Progen entered into an Assignment Agreement with Beta Therapeutics Pty Limited ("BT"). Under the deal, Progen received payment from BT for assignment of intellectual property know-how on novel heparanase inhibitor small molecules. The intellectual property assignment allows BT to develop the know-how for use in the diagnosis, prevention or treatment and all pathologies and symptoms associated with:

- Type 1, Type 2 or gestational diabetes; and
- Inflammation or auto-immune disorders.

Progen received a perpetual, irrevocable, worldwide, royalty free license back from BT to use the know-how in all other fields including oncology. Each party retains ownership to any improvements made to the know-how for use in any field such as developing the hits with medicinal chemistry into lead compounds for pre-clinical and clinical testing.

Proprietary Technology

In addition to patent protection, we rely on unpatented trade secrets and know-how and proprietary technological innovation and expertise, all of which are protected in part by confidentiality and invention assignment agreements with our employees, advisors and consultants. We cannot make any assurances that these agreements will not be breached, that we will have adequate remedies for any breach, or that our unpatented proprietary intellectual property will not otherwise become known or independently discovered by competitors. We also cannot make any assurances that persons not bound by an invention assignment agreement will not develop relevant inventions.

Competition

Drug Development

We face competition in each of our target product markets. The pharmaceutical and biotechnology industries are also intensely competitive. Our anti-cancer pharmaceutical product candidates would be subject to significant competition from existing drugs and therapies, as well as from products and therapies utilizing alternative or similar technologies. There are many pharmaceutical and biotechnology companies, and public and private academic institutions and research organizations actively engaged in the research and development of alternative products and therapies for the treatment of diseases that we have targeted for product development. Many of these organizations have greater financial, technical, manufacturing and marketing resources.

Some of our competitors may succeed in developing products earlier than us, obtain governmental approvals more rapidly than us, or develop products that are safer and more effective than those under development by us. Other companies may also develop products or therapies that render our technology and products obsolete or non-competitive. We also cannot make any assurances that any therapy developed by us will be preferred to any existing or newly developed technologies. Some of our competitors may succeed in developing treatments that are superior to any therapy or product developed by us. Our ability to successfully compete with these and other companies will also depend to a considerable degree on the continuing availability of capital to us, as well as our ability to recruit and retain highly qualified scientific personnel and consultants, and to compete with the established manufacturing and marketing capabilities of our competitors. Competition among products will be determined by, among other things, efficacy, safety, convenience, reliability, price and patent position.

Contract Manufacturing

The clients of our contract manufacturing business, PharmaSynth, are mostly from Australia with a limited number also from Asia and overseas. Our ability to compete with our competitors will depend on our marketing efforts, our ability to remain cost competitive, recruit and retain qualified personnel and maintain adequate levels of compliance with regulatory bodies.

Item 4.C. Organizational Structure

Progen Pharmaceuticals Limited acts as an operating holding company of a group consisting of its directly held subsidiaries. Progen Pharmaceuticals Limited has the following subsidiaries:

	% Held	Country of Incorporation
PharmaSynth Pty Ltd	100	Australia
Progen Pharmaceuticals, Inc.	100	U.S.A. (Delaware)

Table Of Contents

The Company has a 43% interest in Epi Pharmaceuticals Inc., (EPI) a company incorporated in Delaware which was incorporated to hold the CellGate and other divested assets. EPI has not had any transactions in the period and the investment is carried at a $nil carrying value. A certificate of dissolution was filed with the Delaware Corporation on October 30, 2012., The related loan account due from EPI Pharmaceuticals was completely written-off in August 2014.

Item 4.D. Property, Plant and Equipment

The Company leased its principal offices at Toowong, a suburb of Brisbane, Queensland, Australia until October 2011. In August 2011, all staff relocated to 2806 Ipswich Road, Darra, Queensland, Australia. This is also the location of PharmaSynth Pty Ltd's manufacturing facility.

PharmaSynth Pty Ltd, a subsidiary of the Company, leases an 11,200 square foot fully-integrated pharmaceutical raw material manufacturing facility in Darra, also a suburb of Brisbane, Queensland, Australia. This manufacturing facility has the capability to develop and manufacture therapeutic products for worldwide markets and consists of 15 modular laboratories, each with a designated function.

This facility is used to manufacture a range of biological products, including the PI-88 active pharmaceutical ingredient for clinical trials and preparation of PG545 for preclinical and clinical trials. It is equipped for the genetic manipulation of micro-organisms, cell culture, small and large-scale fermentation of micro-organisms, purification and downstream processing, freeze-drying, and sterile packing and filling.

This manufacturing facility is licensed by the Australian Therapeutic Goods Administration, or TGA, for the manufacture of biological-based starting materials for human therapeutics to cGMP standards and by the Australian Office of Gene Technology Regulator for the manufacture of large scale genetically modified organisms. The TGA regulates the manufacture of compounds intended as starting materials for human therapeutics. In addition, the facility is licensed by the Australian National Registration Authority for manufacture of sterile and immunobiological veterinary products to cGMP standards and by the Australian Quarantine and Inspection Service as a quarantine facility.

The lease agreement for Progen Pharmaceuticals Ltd and PharmaSynth Pty Ltd's manufacturing facility and offices with Difran Pty Ltd is currently month to month with a current rental of $152,500 per annum.

The Company leases its corporate office at the registered office address at Level 18, 101 Collins Street, Melbourne, VIC 3000. The lease cost is $68,400 per annum with an initial term of one year and is automatically continued thereafter until terminated by either party.

ITEM 4E. UNRESOLVED STAFF COMMENTS

None.

ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis should be read in conjunction with our financial statements and the related notes included elsewhere in this Annual Report.

This discussion may contain forward-looking statements based on current expectations that involve risks and uncertainties. Our actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth in "Item 3. Key Information – Risk Factors" above and elsewhere in this Annual Report.

Overview

We have incurred significant losses since our inception and as of June 30, 2014, our accumulated losses were $154,003,394. We devote a substantial portion of our financial resources to fund the development of our cancer product candidates and our drug discovery research efforts. Whether we incur operating losses for the financial year ending June 30, 2015 and beyond, and if so the extent of those losses, depends on research and development efforts, licensing arrangements, success of our cancer product candidates and potential merger and acquisition activity.

Our operations have historically been financed by the issuance of capital stock because it is generally difficult to fund pharmaceutical research via borrowings due to the lack of revenues to service debt and the significant inherent uncertainty as to results of this research and the timing of those results.

Key Accounting Policies

The following discussion and analysis of our operating and financial review and prospects are based upon our financial statements, which have been prepared in accordance with International Financial Reporting Standards as issued by IASB. These accounting principles require us to make certain estimates and assumptions that can affect the reported amounts of assets and liabilities as of the date of the financial statements, as well as the reported amounts of revenue and expenses during the periods presented. Based on the nature of our operations, our accounting policies do not require difficult, subjective or highly complex judgments and therefore our reported amounts are not subject to material variation based on changes in assumptions. Our significant accounting policies are more comprehensively described in Note 2 to the financial statements.

The following are the most significant accounting estimates and judgments we apply in producing our consolidated financial statements.

Table Of Contents

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Revenue from the provision of contract manufacturing services is recognized by reference to the stage of completion. Stage of completion is measured by reference to the outcome achieved to date as a percentage of the total outcome required for each contract.

Licensing revenue from milestone payments are recognized when the milestone has been achieved by the licensee.

(ii) Interest income

Revenue is recognized as interest accrues using the effective interest method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Held to maturity investments

Held to maturity investments in the statement of financial position include term deposits with an original maturity between 3 and 12 months.

Foreign currency translation

(i) Functional and presentation currency

The functional and presentation currency of Progen Pharmaceuticals Limited is Australian dollars ($). The United States subsidiary's functional currency is United States dollars which is translated to presentation currency (see below).

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of consolidated group companies' functional currency to presentation currency

The results of the United States subsidiary are translated into Australian dollars as at the date of each transaction. Assets and liabilities are translated at exchange rates prevailing at balance date.

Exchange variations resulting from the translation are recognized in the foreign currency translation reserve in equity.

Intangible assets

Intangible assets acquired separately or in a business combinations are initially measured at cost. The cost of an intangible asset acquired in a business combination or as an asset acquisition is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is recognised in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible assets with a finite useful life is reviewed at least each financial year-end. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortization period or method, as appropriate, which is a change in accounting estimate. The amortization expense on intangible assets with finite lives is recognized in profit or loss in the expense category consistent with the function of the intangible asset.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Table Of Contents

When the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Share-based payment transactions

(i) Equity settled transactions

The Company provides benefits to employees (including senior executives) and consultants of the Company in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial model, further details of which are given in Note 12 to the financial statements. The fair value of shares is determined by the market value of the Company's shares at grant date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Company (market conditions) if applicable.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognized for equity-settled transactions at each reporting date until vesting date reflects

(i) the extent to which the vesting period has expired; and

(ii) the Company's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The statement of comprehensive income charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period.

No expense is recognized for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognized as if the terms had not been modified. In addition, an expense is recognized for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is recognized immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Item 5.A. Operating Results

Years ended June 30, 2014, 2013 and 2012

The functional currency for the Company's operations is the Australian dollar.

The consolidated operating result for the year ended June 30, 2014 was a loss of $1,806,945, being a decrease of 13.6% over the 2013 loss of $2,092,134. The overall operating result for the year ended June 30, 2012 was a loss of $3,440,398.

The decrease in the loss for 2014 of $285,189 is mainly attributed to the significant increase in contract manufacturing revenues of the manufacturing division of $2,243,467 despite an increase in research and development costs of $454,248 and increase in administrative and corporate expenses of $386,060. The gross profit rate achieved during the year was 55% (2013: 35%) largely as a result of manufacturing efficiency as well as the increase in revenue.

Revenue from Operations

Our consolidated revenue from continuing operations for fiscal 2012, 2013 and 2014 is as follows (in AUD):

	Years Ended June 30,		
	2012	**2013**	**2014**
Revenue from manufacturing services	$ 2,008,145	$ 2,816,281	$ 5,410,951
License / assignment fee revenue	$ 510,360	$ 500,000	$ 120,000
Interest income	$ 316,385	$ 193,822	$ 222,619
Total revenue from continuing operations	**$ 2,834,890**	**$ 3,510,103**	**$ 5,753,570**

Table Of Contents

For the fiscal year ended June 30, 2014, revenues from manufacturing services division increased 92.1% to $5,410,951 due mainly to an increase in manufacturing contracts obtained from the group's licensee, Medigen Biotechnology Corporation and from two regular large customers.

For the fiscal year ended June 30, 2013, revenues from manufacturing services division increased 40.2% to $2,816,281 due to additional manufacturing contracts obtained from new and returning customers.

Interest income increased 15.0% to $222,619 during fiscal year 2014 primarily due to increase in cash and cash equivalents.

Interest income fell by 38.7% to $193,822 during fiscal year 2013 primarily due to reduced funds on deposit due to the operating cash outflows throughout the year until additional funds were obtained from the capital raising in May 2013.

License fee revenue (assignment fees) of $120,000 was realised in 2014 arising from the assignment of intellectual property rights to Beta Therapeutics for know-how on novel heparanase inhibitor small molecules.

License fee revenue in 2013 pertained to upfront fees of the license agreement with the Company's licensee, Medigen Biotechnology Corporation for the development and commercialisation of PG545.

Research and Development Expenses

Our consolidated research and development expenses for compounds under development and discovery programs are as follows (in AUD):

	Years Ended June 30,		
	2012	**2013**	**2014**
PI-88	$ 76,381	$ 40,625	8,240
PG11047	$ 62,847	-	-
PG500 Series and Heparanase discovery program	$ 291,934	$ 380,171	310,742
General research and development expenses	$ 1,024,571	$ 519,365	1,075,427
Total research and development expenses	**$ 1,455,733**	**$ 940,161**	**$ 1,394,409**

In fiscal year 2014, research and development expenditure increased 48.3% to $1,394,409 primarily due to additional R&D staff hired during the year and the commencement of a Phase 1 multi-centre study to test the safety and tolerability of intravenously-infused PG545 in patients with advanced solid tumour.

In fiscal year 2014, we expended $8,240 on the PI-88 Phase 2 Melanoma trial (2013: $40,625; 2012: $76,381) which has completed treatment and the clinical study results announced; expended $1,386,169 (2013: $899,536; 2012: $1,316,505) on PG545, research and drug development activities. There were no expenditures relating to PG11047 in 2014 and 2013. In 2012, a total of $62,847 was booked against the completed PG11047 phase 1b combination study in the U.S.

We commenced a phase 1 clinical trial for our lead drug candidate, PG545 by IV administration in late 2013. Many drugs in human clinical trials fail to demonstrate the desired safety and efficacy characteristics. Even if our drugs progress successfully through initial human testing, they may fail in later stages of development. Regulatory agencies, including the FDA and TGA, regulate many aspects of a product candidate's life cycle, including research and development and pre-clinical and clinical testing. We or the regulatory authorities may suspend clinical trials at any time on the basis that the participants are being exposed to unacceptable health risks. Completion of clinical trials depends on, among other things, the number of patients available for enrollment in a particular trial, which is a function of many factors, including the availability and proximity of patients with the relevant condition. We rely on third parties to conduct clinical trials, which may result in delays and failure to complete trials if the third parties fail to perform or meet applicable standards. Our drug discovery efforts are still in the research phase and have not yet commenced pre-clinical development, which means they have not yet been tested on humans. We will need to commit significant time and resources to develop these product candidates.

Our products will only be successful if:

- our product candidates are developed to a stage that will enable us to commercialize them or sell related marketing rights to pharmaceutical companies;
- we are able to commercialize product candidates in clinical development or sell the marketing rights to third parties; and
- our product candidates, if developed, are approved.

We depend on the successful completion of these goals in order to generate significant revenues. We also enter into collaboration agreements for the development and commercialization of our product candidates. We cannot control the amount and timing of resources our collaborators devote to product candidates, which may also result in delays in the development or marketing of our products.

Because of these risks and uncertainties, we cannot accurately predict when or whether we will successfully complete the development of our product candidates or the ultimate product development cost.

Without revenue generated from commercial sales, we anticipate that funding to support our ongoing research, development and general operations will primarily come from public equity financings, collaborations, milestones and licensing opportunities from future collaborations.

Administrative and Corporate Expenses

Administrative and corporate expenses in fiscal year 2014 were $386,060 above fiscal 2013, due to depreciation recognized corresponding to the increase in the property restoration provision of the Darra leased premises, increased management consultancy fees, and the appointment of Acting Managing Director in fiscal 2014.

Table Of Contents

Administrative and corporate expenses in fiscal year 2013 were $63,648 below fiscal 2012, primarily due to savings from reduced management consultancy fees and group insurances. Further in 2012, cost of options that vested immediately from the termination of CEO position were incurred in addition to the retirement cost paid to a resigned non-executive director.

Rentals on operating leases increased 32.4% to $152,279 due to the new corporate office established in Melbourne and the CPI increase in lease rental of the Darra premises per the tenancy agreement (2013: $90,584). In 2012, savings from the office move was realized resulting from lease termination payment of six months against the double rent provision booked in 2011.

Rentals on operating leases significantly decreased $517,523 or 870% in fiscal 2012 over fiscal 2011 to $59,453. This is due to the savings realized from the office move in September 2011 from Toowong corporate offices to the manufacturing facility at Darra offices including savings from reduced electricity charges.

Rental costs on the Melbourne corporate office and Darra manufacturing facility attributable to Progen Pharmaceuticals Limited are included in *Administrative and corporate expenses*, whilst rental costs attributable to PharmaSynth are included in *Manufacturing facility expenses*.

Manufacturing Facility Expenses

In the fiscal year 2014, manufacturing facility expenses increased by 69.6% to $2,103,622 over fiscal 2013 due mainly to options granted to employees in 2014, the appointment of Managing Director for the Manufacturing Division, and increase in building maintenance services resulting from the manufacturing facility upgrade.

In the fiscal year 2013, manufacturing facility expenses increased by 18.1% to $1,240,079 over fiscal 2012.

Other Income

Other income increased 19% to $694,888 in fiscal 2014 compared with $858,987 in fiscal 2013 and $56,195 in fiscal 2012. Research and development refund benefits of $613,503 (2013: $723,278) was received during the financial year as a result of the new Research and Development Tax Incentive Scheme. The decrease was due to less research and development expenses in 2013 than in 2012. Further in2013, there were PI-88 consultancy fees charged to Medigen and an insurance refund was claimed for the company's storm damaged assets.

The components of Other Income as shown in our statement of comprehensive income (loss) included elsewhere in this Annual Report are (in AUD).

	Years Ended June 30,		
	2012	**2013**	**2014**
Other income	$ 56,195	$ 858,987	$ 694,888
Total other income	**$ 56,195**	**$ 858,987**	**$ 694,888**

Income Taxes

Due to the Company's loss position, no income tax expense has been recognized in any period. The Company has tax losses in Australia of $153,612,141 in fiscal 2014 (2013: $151,322,342, 2012: $150,010,418) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules. The Company has U.S. federal and state net operating loss carry-forwards of US$8,296,000 and US$63,000, which have a carry forward period between 2028 – 2029 are available a maximum of 20 years, subject to a continuity of ownership test.

Impairment Loss

There were no impairment losses recognized in fiscal years 2014 and 2013. During fiscal 2012, the Company recognized an impairment loss of $1,494 relating to the computer and office equipment write-off following the closure of US office.

Item 5.B. Liquidity and Capital Resources

Sources of Liquidity

Since inception, we have financed our operations primarily through public and private sales of equity securities totaling approximately $197.7 million in net proceeds. The Company ended the 2014 fiscal year with cash and cash equivalents and held to maturity investments totaling $5,596,215 compared with $8,562,774 at the end of fiscal 2013. Cash and cash equivalents and held to maturity investments at June 30, 2014 were represented by a mix of highly liquid interest bearing investments with maturities ranging from 30 to 180 days and deposits on call. These investments do not constitute any material financial market risk exposure. We believe that these investments do not constitute any material market risk exposure. The majority of cash and cash equivalents and held to maturity investments held at June 30, 2014 were in Australian dollars with the Company maintaining a small balance of U.S. dollars to service its U.S. operating subsidiary, Progen Pharmaceuticals, Inc.

Cash Flows from Operating Activities

Cash of $2,498,474 was disbursed during the year to fund consolidated net operating activities, compared to $2,560,376 in 2013. The increase was due to higher disbursements during 2014 despite increase in volume of trade collections.

Cash Flows from Investing Activities

Cash inflows from investing activities in 2014 included $4,500,000 for the placement of short-term investments (2013: outflows of $3,926,312; 2012: inflows of $926,312); and $467,907 on the purchase of plant and equipment (2013:$49,318; 2012: $77,147).

Table Of Contents

Cash Flows from Financing Activities

There were no cash flows from financing activities in 2014. Cash inflows from financing activities in 2013 included $5,188,910 being raised through the issuance of ordinary shares from a non-renounceable rights issue of 1:1 and $1,232,095 being raised through a private placement of the Company's shares.

Funding Requirements

The group expects to incur substantial future expenditure in light of its clinical oncology programs. At present, Progen has undertaken to continue nonclinical development and the Phase 1a clinical development of PG545. In December 2013, the group commenced the Phase 1a clinical trial to test the safety and tolerability of PG545 in advanced cancer patients using an intravenous route of administration. Future manufacturing to produce GMP batches of PG545 will be required for trials beyond the current Phase 1a clinical trial. Assuming PG545 is able to proceed to Phase 1b/and or Phase 2 clinical trials in 2015, the initiation of such studies will be subject to the group obtaining non-dilutive funding such as government research grants and/or undertaking capital raising to fund this further clinical development. The group will also continue to provide assistance for the further development of PI-88 to Medigen Biotechnology Corporation, the group's licensee.

Future cash requirements will depend on a number of factors, including the scope and results of nonclinical studies and clinical trials, continued progress of research and development programs, the company's out-licensing activities, the ability to generate positive cash flow from contract manufacturing services, the ability to generate revenues from the commercialisation of drug development efforts and the availability of other funding.

The Company estimates that the current cash and cash equivalents are sufficient to fund its on-going operations for approximately 24 months from the date of this report. This excludes capital requirements outside of normal operating activities.

Item 5.C. Research and Development, Patents and Licenses, etc.

Refer to *Research and Development Expenses* under Item 5.A.

Item 5.D. Trend Information

At June 30, 2014, the Company had $5,596,215 in cash and cash equivalents and held to maturity investments.

Interim Phase III results for PI-88

On 28 July 2014, Medigen Biotechnology Corp. announced the results of the interim analysis carried out on the Phase III PATRON clinical trial for PI-88. The interim analysis results indicated that PI-88 did not meet the primary endpoint of Disease Free Survival. Further analysis of the interim results will be undertaken by Medigen's independent committee of medical and statistical experts following the availability of data from BioClinica, a United States independent medical imaging company who are engaged to further review patients CT and magnetic resonance scans. The PATRON trial is currently ongoing.

The outcome of the PI-88 PATRON Phase III trial will affect whether the Group obtains future milestone and royalty revenue from the PI-88 license.

Item 5.E. Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet transactions, agreements or other contractual arrangements (including contingent obligations) with any unconsolidated entity that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial conditions, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

Item 5.F. Tabular Disclosure of Aggregate Contractual Obligations

As of June 30, 2014, we had known contractual obligations and commitments of 1,475,852. Of this amount, $258,073 relates to the payment of our insurance premium, $624,547 relates to research and clinical trial obligation, $192,697 relates to our current operating lease obligations including the lease of our premises, and other commitments of $400,535 which relates to payment obligations under various consulting and advisory agreements.

The following table sets forth our aggregate contractual obligations for the three years following June 30, 2014 (in AUD):

	Payments Due by Period		
Contractual obligations	**Total**	**< 1 year**	**1-3 years**
Operating leases	192,697	192,000	697
Research & clinical trial obligation	624,547	474,547	150,000
Insurance premium funding	258,073	258,073	-
Other commitments	400,535	400,535	-
Total	**1,475,852**	**1,325,155**	**150,697**

We do not have any contractual obligations that extend beyond the next three years.

Table Of Contents

ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

Item 6.A. Directors and Senior Management

The following table sets forth certain information as of October 20, 2014 about our directors and key management personnel:

Name	Position
Mr. Indrajit Arulampalam	Non-Executive Director (appointed 12 July 2013), Chairman (appointed 29 November 2013), and Executive Chairman (appointed 14 May 2014)
Dr. Hongjen Chang	Non-Executive Director (appointed 29 November 2013)
Mr. Heng Hsin Tang	Non-Executive Director (until 11 July 2013), Acting Managing Director (appointed 12 July 2013 until 14 May 2014), and Managing Director of PharmaSynth (appointed 14 May 2014)
Mr. Blair Lucas	Company Secretary
Mr. Lee Horobin	General Manager Finance
Mr. Les Tillack	Chief Executive Officer - PharmaSynth Pty Ltd
Ms. Fleur Lankesheer	Director of Legal & Business Development
Dr. Keith Dredge	Director of Drug Development (commenced 19 August 2013)

Directors and Key Management Personnel in office at the date of this report

Mr Heng Hsin Tang has a bachelor's degree in Civil Engineering with honors, and an MBA from the University of Queensland. Mr Tang has more than 10 years' experience in project and financial management in engineering and property development, specializing in feasibility studies, cash-flow management, structural finance and acquisitions for major projects.

Mr Indrajit Solomon Arulampalam is the current Chairman of Euro Petroleum Limited (Australian public company), a Melbourne based businessman with over 20 years of extensive experience in corporate restructuring, capital raising, listing and running of public companies on the ASX. Having started his career in Accounting, he spent more than 8 years with Westpac Banking Corporation in several key operational and strategic Banking roles before joining boards of public companies.

In 2004 Mr Arulampalam was head hunted by Newsnet Ltd as its CEO to assist in the restructuring of the company, and to position it for an IPO. Since this appointment he was responsible for guiding the company through a successful restructure and positioned Newsnet as a leading innovator in the messaging/telco space to be recognised by the 2006 Australian Financial Review MIS Magazine as one of the "Top 25 global rising stars".

In May 2010, Mr Arulampalam co-founded ASX listed potash mining and exploration company Fortis Mining Ltd (ASX: FMJ). As the Executive Chairman, he was instrumental in the company's acquisition of world class potash assets in Kazakhstan, a monumental deal which ultimately led to the company being awarded "IPO of the Year 2011". Mr Arulampalam was also previously the Chairman of ASX listed companies Great Western Exploration Ltd (ASX: GTE) and Medicvision Limited (ASX : MVH)

Dr Hongjen Chang is an experienced life sciences venture capitalist and is known for his expertise in systems. He is currently the Chairman and CEO of YFY Biotech Management Company ("YFY") and President and CEO of Taiwan Global Biofund ("TGB"). YFY is one of the leading biotechnology investment companies in Taiwan and manages TGB, a ~US$70 million fund, and SME BioFund, a government sponsored matching fund. Dr Chang has sixteen years' experience in government in the Department of Health, Taiwan holding a variety of positions including Deputy Minister, President and CEO of the Bureau of National Health Insurance and Director General of the Center of Disease Control. Dr Chang has a medical degree from National Yang-Ming Medical College, a Master of Science in Public Health from National Taiwan University, and a Master of Health Policy and Management from Harvard School of Public Health.

Mr Blair Lucas has served as Company Secretary and in-house counsel for a number of private and public companies in both Australia and China. He has in-depth knowledge of the Australian corporate regulatory environment and significant practical experience in China, including various capital raisings, cross-border transactions and corporate and commercial law. Blair holds an LLb (Hons), a BA in Chinese and is a member of Chartered Secretaries Australia.

Mr Lee Horobin Lee has been a financial professional since 1993 and throughout the last 10 years has worked at a Senior Finance Executive and Financial Controller level. Lee has vast experience in all forms and sizes of organisations, from small family owned business, SMEs, public service, and global management consultancy and listed corporates across a wide variety of industries, Lee has a Bachelor of Business (Accounting) (Hons) from Monash University and a Master of Business Administration (MBA) (Marketing) from Deakin University and is a Certified Practicing Accountant (CPA).

Mr Les Tillack worked for Progen Pharmaceuticals for 11 years prior to becoming Chief Executive Officer of PharmaSynth in 2008. Les has worked with and overseen the drug PI-88's progression from preclinical to phase 3 manufacture. He has also been responsible for the tech transfer and manufacture of many client products for both clinical applications and marketed products. Les holds a Bachelor of Science in microbiology and a Bachelor of Engineering in Chemical Engineering. Prior to joining Progen, Les spent 11 years working in clinical pathology for Drs Sullivan and Nicolaides Pathologists and has worked on various research projects for both the Department of Primary Industries and the University of Queensland.

Ms Fleur Lankesheer joined Progen as the Director of Legal & Business Development in mid-2010. Fleur was previously a Commercialisation Manager and In-house Intellectual Property Manager with Otago Innovation Ltd. Otago Innovation is the commercialisation office for the University Of Otago in Dunedin, New Zealand. She was also the Business Development Manager for a subsidiary start-up company, Immune Solutions Ltd. Fleur has principally been involved in new chemical and biological entities, biomarkers, diagnostics and medical devices. Fleur has a Bachelor of Science (Biochemistry/Genetics) and a Bachelor of Laws from the University of Otago, and has ten years' post admission legal experience.

Table Of Contents

Dr Keith Dredge is a UK and European Registered Toxicologist with over 15 years of expertise in drug discovery and development. Keith was previously Director of Preclinical Drug Development at Progen before joining TetraQ, a contract research organisation based at The University of Queensland in mid-2012 as Test Facility Management. Prior to 2006, Keith held academic positions at the University of Queensland (working on immunotherapy approaches for autoimmunity and cancer) and at St. George's University of London, UK (publishing the first articles on Celgene's Revlimid® and Pomalyst®, now approved anti-cancer drugs). Keith has also published several articles on PG545 in prestigious journals including *Molecular Cancer Therapeutics, PLoS One, British Journal of Cancer* and *Investigational New Drugs*. Keith obtained his Ph.D. in Pharmacology in 1999 from the National University of Ireland (Galway). In 1994, he graduated from the Athlone Institute of Technology (Ireland) with a B.Sc. (Hons) in Toxicology.

Directors who were in office during the year, but not at June 30, 2014:

Mr Stuart James has held a number of high profile executive positions during his career and has extensive experience in the oil, health and financial services sector. Following a 25 year career with Shell both in Australia and internationally, Mr James past roles have included Managing Director of Australian Financial Services for Colonial and Managing Director of Colonial State Bank (formally the State Bank of NSW). Mr James' most recent executive role was a CEO of The Mayne Group, including Mayne Health and Mayne Pharma. He is a Member of the Supervisory Board of Wolters Kluwer NV, Chairman of Pulse Health Ltd, Prime Financial Group Ltd and a Non-Executive Director of Greencross Ltd and Phosphagenics Ltd.

Dr Woei-Jia Jiang is a bio-entrepreneur with more than 20 years' experience in the pharmaceutical and biotechnology industries working in research, corporate advisory and various senior management roles. Currently he is the Managing Director of Wholesome Biopharm Pty Ltd, a Melbourne-based biotechnology company focused on the development of innovative asthma treatments. Dr. Jiang was a co-founder of Metabolic Pharmaceuticals Limited, now Calzada Limited when his co-invention of AOD9604 was out-licensed to Circadian Technologies Limited and he has also consulted to biotechnology companies locally and internationally, including former Meditech Research Limited (now Alchemia Oncology Pty Ltd., a subsidiary of Alchemia Limited. Dr. Jiang received his BSc and MSc (Chemistry) degrees from National Cheng-Kung University in Taiwan and PhD (Biochemistry) degree from Monash University, Australia.

Our executive officers are appointed by, and serve at the pleasure of, our board of directors. There are no family relationships among our directors or executive officers. No director has a contractual right to serve as a member of our board of directors.

Item 6.B. Compensation

The following table sets forth certain information concerning the compensation that we paid to our directors and our five most highly compensated executive officers, both individually and as a group, during the fiscal year ended June 30, 2014:

Table 1: Directors' remuneration for the year ended June 30, 2014.

Directors		**Short term**			**Post-employment**	**Long term benefits**	**Share-based payment**	
		Salary and fees[6] $	**Cash bonus $**	**Non monetary benefits $**	**Super-annuation $**	**Long service leave[7] $**	**Options $**	**Total $**
Stuart James[1]	**2014**	**94,375**	**-**	**-**			**-**	**94,375**
	2013	225,469	-	-	4,767		-	230,236
Indrajit Aruampalam[2]	**2014**	**75,906**	**-**	**-**	**-**		**-**	**75,906**
	2013	-	-	-	-		-	-
Woei-Jia Jiang[3]	2014	**3,360**	**-**	**-**	**311**		**-**	**3,671**
	2013	89,285			8,036			97,321
Heng Tang[4]	**2014**	**177,771**	**-**	**-**	**15,804**	**225**	**-**	**193,800**
	2013	75,568	-	-	-		-	75,568
Hongjen Chang[5]	**2014**	**35,231**	**-**	**-**	**-**	**-**	**-**	**35,231**
	2013	-	-	-	-	-	-	-
Total - Non-Executive Directors[8]	**2014**	**208,872**	**-**	**-**	**311**	**-**	**-**	**209,183**
	2013	390,322	-	-	12,803	-	-	403,125
Total Executive Directors	**2014**	**177,771**	**-**	**-**	**15,804**	**225**	**-**	**193,800**
	2013	-	-	-	-	-	-	-

[1] Retired 28 November 2013
[2] Appointed 12 July 2013
[3] Resigned 12 July 2013
[4] Appointed as Acting Managing Director of Progen Pharmaceuticals from 12 July 2013 until 14 May 2014 and from 14 May 2014 was appointed Managing Director PharmaSynth and stepped down as Acting Managing Director. No Directors fees were paid during the 2014 financial year.
[5] Appointed 29 November 2013
[6] Includes changes in accruals for annual leave
[7] This pertains to the movements in long service leave provision
[8] This includes Indrajit Arulampalam as he did not receive any compensation for his executive role as Executive Chairman and has not entered into a service contract with the Company for the role.

Table Of Contents

Table 2: Remuneration for the other key management personnel for the year ended 30 June 2014.

Other key management personnel		Short term			Post employment	Long term benefits	Share-based payment		
		Salary and fees[4] $	Cash bonus $	Non monetary benefits $	Super-annuation $	Long service leave[5]	Options $	Total $	Options Remune-ration %
Paul Dixon [1]	**2014**	**-**	**-**	**-**	**-**		**-**	**-**	**-**
	2013	36,314	-	-	-			36,314	-
Fleur Lankesheer	**2014**	**167,642**		**-**	**24,314**	**1,790**	**5,722**	**199,468**	**2.9**
	2013	172,698	4,0005	-	17,320		-	194,018	-
Leslie Tillack	**2014**	**140,828**	**5,4843**	**-**	**12,450**	**3,997**	**11,444**	**174,203**	**6.57**
	2013	125,349	14,6404	-	12,599		-	152,588	-
Blair Lucas	**2014**	**45,727**	**-**	**-**	**-**	**-**	**-**	**45,727**	**-**
	2013	18,406	-	-	-		-	18,406	-
Lee Horobin	**2014**	**104,089**	-	-	-	-	-	**104,089**	-
	2013	73,626	-	-	-		-	73,626	-
Keith Dredge[2]	**2014**	**154,286**			**22,265**	**212**	**7,635**	**184,398**	**4.1**
	2013	-	-	-	-	-	-	-	-
Total - Other key management personnel	**2014**	**612,572**	**5,484**	**-**	**59,029**	**5,999**	**24,801**	**707,885**	**-**
	2013	426,393	18,640	-	29,919		-	474,952	-

[1] Resigned 12 October 2012
[2] Commenced 19 August 2013
[3] Incentive bonus granted on 9 December 2013 based on the achievement of certain non-financial objectives. 100% of the bonus vested and was paid in the 2014 financial year. The bonus paid to Leslie Tillack represents 20% of the available bonus.
[4] Includes changes in accrual for annual leave
[5]This pertains to the movements in long service leave provision

Item 6.C. Board Practices

We currently have three directors. Our constitution provides that at least one-third of our directors (except the managing director) must retire at each annual general meeting of shareholders. As a result, only a portion of our board of directors will be elected each year.

Further, our constitution provides that directors appointed either to fill a casual vacancy or as an addition to the existing directors hold office until the next annual general meeting and are not to be taken into account in determining the directors who are to retire by rotation.

No termination benefits are provided to directors other than statutory superannuation.

Audit Committee. At October 20, 2014, our audit committee are assumed by the whole board being Dr. Hongjen Chang, Mr. Heng Tang and Mr. Indrajit Arulampalam (Chair).The authority and responsibilities of our audit committee are set forth in its charter and includes:

- The appointment, compensation, retention, and oversight of the work of the independent auditors who report directly to the audit committee;
- The approval of all audit and non-audit engagements and fees with the independent auditors;
- The authority to engage, without board approval, independent legal counsel and other advisors, at the Company's expense, as deemed necessary to carry out its duties;
- Reviewing and monitoring the framework of our internal controls and the objectivity of our financial reporting;
- Oversight of the adequacy and effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures;
- Reviewing, prior to filing, our unaudited interim or audited annual financial statements and discussing the statements and reports with our management and the independent auditors, including any significant adjustments, management judgments and estimates, new accounting policies and disagreement with management;
- Reviewing and discussing with management the Company's interim and year-end earnings press releases prior to the release being issued; and
- Establishing and reviewing procedures for complaints received by us regarding accounting matters.

Table Of Contents

Remuneration Committee. At 30 June 2014, the responsibilities of our remuneration committee are assumed by the full board. The function of our remuneration committee includes:

- Reviewing and, as it deems appropriate, recommending to our board of directors, policies, practices and procedures relating to the compensation arrangements for management and other personnel, including the granting of options under our option plans;
- Establishing and reviewing general compensation policies with the objective to attract and retain superior talent, reward individual performance and achieve our financial goals; and
- Advising and consulting with our executive officers regarding managerial personnel and development.

Service Agreements. Generally, the Company's policy is to enter into service contracts with executive directors and senior executives on appointment that are unlimited in term but capable of termination on specified notice periods and that the Company has the right to terminate the contract immediately by making payment equal to the specified notice period as pay in lieu of notice other than for misconduct when termination is immediate. The executive directors and senior executives are also entitled to receive on termination of employment their statutory entitlements of accrued annual leave and long service leave. Lee Horobin, General Manager of Finance and Blair Lucas, Company Secretary are currently retained on a consultancy basis.

The service contract outlines the components of remuneration paid to the executive directors and key management personnel but does not prescribe how remuneration levels are modified year to year.

The current termination notice periods included in the service agreements with key management personnel are detailed below:

F Lankesheer, Director of Business Development and Legal
- Term of agreement – unlimited, capable of termination on notice of 12 weeks.
- Base salary, inclusive of superannuation, of $204,095, last reviewed on 17 July 2014

L Tillack, Chief Executive Officer - PharmaSynth
- Term of agreement – unlimited, capable of termination on notice of 26 weeks.
- Base salary, inclusive of superannuation, of $175,200, last reviewed on 17 July 2014
- Short term incentive per annum, of an amount equal to 2% of salary pool and variable bonuses based on the achievement of certain financial and non-financial operational objectives

B Lucas, Company Secretary
- Term of consultancy agreement – variable depending on completion of projects
- Consulting fees paid on a monthly rate
- No allowance for a termination payment

L Horobin, GM Finance
- Term of consultancy agreement – variable depending on completion of projects
- Consulting fees paid on a monthly rate
- Capable of termination on notice of 3 months.

H Tang, Acting Managing Director
- Term of agreement – unlimited, capable of termination on notice of 4 weeks
- Base salary, inclusive of superannuation, of $215,869, paid at a pro-rata rate of 0.8FTE and includes $60,000 Directors fees, last reviewed on at 17 July 2014
- Short term incentive per annum, of an amount equal to 30% of the base salary (plus superannuation) based on the achievement of the strategic and operational objectives

K Dredge, Director of Drug Development
- Term of agreement – unlimited, capable of termination on notice of 12 weeks.
- Base salary, inclusive of superannuation, of $204,095 last reviewed on 17 July 2014

Item 6.D. Employees

The number of persons, including executive directors, employed by the Company as of June 30, 2014, 2013 and 2012, broken down by activity is shown below:

	As of June 30,		
	2012	**2013**	**2014**
Management and administration	2	7	12
Research and development	5	2	3
Manufacturing	13	19	21
Total	**20**	**28**	**36**

All employees are based at our research and manufacturing facility at Darra, Queensland.

None of our employees are represented by a labor union, nor have we experienced work stoppages. We believe that our relations with our employees are good.

Table Of Contents

Item 6.E. Share Ownership

The following table sets forth, for each director or senior executive of the Company, their interest in the ordinary shares of the Company (including the interests of their immediate families and persons connected with them) and the percentage of the Company's outstanding share capital represented by such ownership interests as of October 20, 2014.

Name	Number of Issued Ordinary Shares	Percentage of Issued Ordinary Shares (1)	Number of Ordinary Shares Issuable Pursuant to Options
Heng Hsin Tang	117,354	0.21%	-
Hongjen Chang	-	-	-
Indrajit Arulampalam	40,000	0.07%	-
Blair Lucas	-	-	-
Lee Horobin	-	-	-
All directors and executive officers As a group (5 persons)	**157,354**	**0.28%**	**-**

Option Plans

The following director and employee option plans were in existence during the fiscal year ended June 30, 2014. The plans are overseen by the Remuneration Committee which determines the terms under which eligible individuals may participate. There were a total of 741,200 share options granted during the 2014 financial year.

In accordance with Australian law, we will not grant any option if, after such issuance, the number of options issued to non-executive employees during the previous five years whether or not exercised and which have not yet terminated or expired would exceed 5% of the then total number of outstanding ordinary shares. In accordance with Australian Securities Exchange Listing Rules all grants of options to directors require the prior approval from our shareholders.

In November 2010, our shareholders approved the directors and employee option incentive plan. All our directors and all employees, whether full time or part time, are eligible to participate in this plan. The minimum exercise price of options granted under this plan shall not be less than the average closing share price as recorded on the Australian Securities Exchange in the five business days preceding the grant of those options. The expiry date of options issued under this plan cannot exceed 10 years from the date of grant. As of September 23, 2014, there were outstanding options to purchase an aggregate of 831,200 ordinary shares under this plan.

ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Item 7.A. Major Shareholders

The table below shows all holders who, to the Company's knowledge, own, directly or indirectly, 5% or more of the Company's ordinary shares, as of October 9, 2012, October 16, 2013 and October 17, 2014 each being the most recent practicable date before reporting for the last three fiscal years.

	2012		2013		2014	
Name	# of Shares	% of issued shares	# of Shares	% of issued shares	# of Shares	% of issued shares
BNP Paribas Nominee Pty Ltd (EFG Bank AG DRP)	-	-	-	-	7,745,570	14.01
TBG Inc.(1)	-	-	6,700,000	12.12	6,700,000	12.12
HSBC Custody Nominees (Australia) Limited	-	-	-	-	5,312,116	9.97
JP Morgan Nominees Australia Limited	-	-	7,803,774	14.11	-	-
Medigen Biotechnology Corp (2)	2,096,482	8.48	4,192,964	7.58	4,192,964	7.58
Su Hua Chuang, Fu Ying Wang, Fu Mei Wang, Pai-Mao Lin (3)	2,122,781	8.59	-	-	-	-
CCH Investment Corp & Tzu Liang Huang (4)	1,243,251	5.03	-	-	-	-

(1) Substantial holder notice lodged 29 May 2013
(2) Change of substantial holding notice lodged 29 May 2013
(3) Ceasing to be a substantial shareholder notice lodged 30 May 2013
(4) Ceasing to be a substantial shareholder notice lodged 5 June 2013

As of October 20, 2014, a total of 1,824,224 ordinary shares (or 3.3% of the total number of our ordinary shares then outstanding) were held by five registered holders with registered addresses in the United States. As the majority of these ordinary shares were held by brokers or other nominees, the number of record or registered holders in the U.S. is not representative of the number of beneficial holders in the U.S. or of the residence of the beneficial holders. There are no different voting rights for major shareholders.

On August 5, 2009, the Company announced that it had commenced legal proceedings in the Supreme Court of Queensland against a group of shareholders alleged to have contravened section 606 of the Corporations Act 2001. The alleged contraventions relate to the respondents (together having an interest in the shares of Progen greater than 20%) acting in concert for the purpose of controlling or influencing the composition of the board of Progen. On November 18, 2009, a settlement was reached with a number of key respondents representing 19.32% of the voting shares. The parties to the settlement agreed that in respect of board composition resolutions at general meetings, the votes would be assigned to Stuart James as Chairman. This arrangement was in place from the date of settlement until May 17, 2011.

Table Of Contents

Except for the circumstances mentioned above, to the best of our knowledge, we are not owned or controlled, directly or indirectly, by another corporation, by any foreign government or by any other natural or legal persons severally or jointly, and we disclaim control by the companies, entities or individuals listed in the table above. We do not know of any arrangements in place that could result in a change in control of our Company.

Item 7.B. Related Party Transactions

Except as disclosed herein and elsewhere in this Annual Report, there were no material transactions to which we were a party and in which any of our directors, executive officers or major shareholders (or any of their affiliates, associates or enterprises) were involved since July 1, 2014.

None of our directors, executive officers or major shareholders (or any of their affiliates, associates or enterprises) was indebted to us at any time since July 1, 2014.

ITEM 8. FINANCIAL INFORMATION

Item 8.A. Consolidated Statements and Other Financial Information

Our audited financial statements and related notes for our fiscal years ended June 30, 2012, 2013 and 2014 are contained on pages F-1 through F-37 of this Annual Report.

Export Sales

The following table indicates the percent of revenues derived from export:

	For the Years Ended June 30,		
	2012	**2013**	**2014**
Contract manufacture export revenues	$ 232,075	$ 1,528,948	$ 3,288,783
% of total revenues derived from export	8.2%	43.6%	57.1%

The percentage of contract manufacturing revenues derived from customers outside Australia fluctuates as these contracts are typically ad-hoc in nature.

In fiscal 2014, we derived 19.8% of our total revenues from one Australian-based customer, Pfizer Animal Health. In fiscal 2013 and 2012, we derived 23.0% and 32.0%, respectively, of our total revenues from this same customer.

Dividend Policy

We have never declared cash dividends on our ordinary shares and have no present intention of declaring such cash dividends in the foreseeable future. Our board of directors will not be able to recommend the payment of any dividends until we make a profit. Future profitability will depend on future earnings and our working capital requirements. Our board of directors currently intends to reinvest income in the continued development and operations of our business. We expect to continue to generate operating losses on our research and development projects until products arising from our research and development activities are successfully commercialized. Factors beyond our control, such as market competition, exchange rate fluctuations and changing government policy may also affect profitability and our capacity to pay dividends.

Item 8.B. Significant Changes

Corporate restructure

Dr. Woei-Jia Jiang resigned as Non-executive Director in July 2013. On the same date, Mr. Indrajit Solomon Arulampalam was appointed as a Non-executive Director. Mr. Heng Tang was also appointed as the Acting Managing Director.

At the Annual General Meeting on 28 November 2013, Mr Stuart James retired as Non-Executive Chairman. Following this, Mr. Indrajit Arulampalam was appointed as Non-Executive Chairman and Hongjen Chang was appointed as Non-Executive Director.

On 14 May 2014, Mr. Heng Tang ceased to be Acting Managing Director of Progen and became Managing Director of wholly-owned subsidiary, PharmaSynth Pty Ltd and Mr. Indrajit Arulampalam became Executive Chairman. Further the company changed its registered office to Level 18, 101 Collins Street, Melbourne, VIC.

Except as disclosed elsewhere in this Annual Report, no significant change has occurred since the date of the annual financial statements included in this Annual Report.

ITEM 9. THE OFFER AND LISTING

Item 9.C. Markets

The principal non-United States trading market for our ordinary shares is the Australian Securities Exchange, or the ASX, under the code "PGL". Our ordinary shares are also quoted on the OTCQB Market under the symbol "PGLA".

Table Of Contents

Price Range of Ordinary Shares

Australian Securities Exchange (ASX)

The following table sets forth the high and low closing sales prices in Australian dollars and the trading volume of our ordinary shares as reported on the ASX during the periods indicated:

	High	Low	Trading Volume
Yearly Data:			
Fiscal year 2010	0.85	0.59	2,887,100
Fiscal year 2011	0.47	0.22	2,788,900
Fiscal year 2012	0.29	0.12	1,855,200
Fiscal year 2013	0.30	0.14	2,096,500
Fiscal year 2014	1.29	0.15	5,239,600
Quarterly Data:			
Third Quarter 2012	0.29	0.14	390,400
Fourth Quarter 2012	0.30	0.23	734,100
First Quarter 2013	0.30	0.18	463,300
Second Quarter 2013	0.26	0.15	508,700
Third Quarter 2013	0.27	0.15	1,147,100
Fourth Quarter 2013	0.27	0.19	810,000
First Quarter 2014	1.29	0.25	2,027,000
Second Quarter 2014	1.12	0.80	1,255,500
Third Quarter 2014	1.26	0.19	7,513,800
Monthly Data:			
June 2014	0.93	0.80	168,500
July 2014	1.26	0.20	5,354,600
August 2014	0.25	0.19	1,460,700
September 2014	0.28	0.20	698,500

OTCQB Market (formerly listed on Nasdaq Capital Market)

The following table sets forth the high and low closing sales prices in United States dollars and the trading volume of our ordinary shares as reported on the NASDAQ Capital Market (to July 2, 2010) and the OTCQB Market (from July 5, 2010 onwards) during the periods indicated:

	High	Low	Trading Volume
Yearly Data:			
Fiscal year 2010	0.75	0.18	884,400
Fiscal year 2011	0.35	0.20	325,500
Fiscal year 2012	0.26	0.12	165,000
Fiscal year 2013	0.29	0.12	311,200
Fiscal year 2014	1.28	0.09	2,315,700
Quarterly Data:			
First Quarter 2011	0.35	0.25	73,900
Second Quarter 2011	0.35	0.20	35,800
Third Quarter 2011	0.26	0.20	39,700
Fourth Quarter 2011	0.20	0.12	44,200
First Quarter 2012	0.24	0.12	68,100
Second Quarter 2012	0.22	0.13	13,000
Third Quarter 2012	0.20	0.12	41,300
Fourth Quarter 2012	0.26	0.17	62,800
First Quarter 2013	0.26	0.20	10,000
Second Quarter 2013	0.29	0.17	197,100
Third Quarter 2013	0.22	0.09	1,647,400
Fourth Quarter 2013	0.25	0.17	135,400
First Quarter 2014	1.28	0.22	413,700
First Quarter 2014	1.11	0.72	119,200
First Quarter 2014	1.86	0.19	719,200
Monthly Data:			
June 2014	0.92	0.72	32,000
July 2014	1.86	0.20	243,900
August 2014	0.28	0.20	181,300
September 2014	0.27	0.19	294,000

Table Of Contents

On October 17, 2014, the closing sales price of the ordinary shares as reported on the ASX and the OTCQB Market was AU$0.17 and US$0.17, respectively.

ITEM 10. ADDITIONAL INFORMATION

Item 10.A. Share Capital

The Company did not raise capital in 2014. In May 2013 the Company issued 24,709,097 ordinary shares at $0.21 pursuant to a non-renounceable rights issue of 1:1 and 5,867,121 ordinary shares at $0.21 pursuant to a private placement.

Following the rights issue and placement the Company now has 55,285,315 ordinary shares on issue.

Item 10.B. Memorandum and Articles of Association

Constitution

Our constituent document is a Constitution which is similar in nature to the by-laws of a company incorporated under the laws of the U.S.The Constitution is subject to the terms of the Listing Rules of ASX Limited and the Corporations Act 2001. The Constitution may be amended or repealed and replaced by special resolution of shareholders, which is a resolution of which notice has been given and that has been passed by at least 75% of the votes cast by shareholders entitled to vote on the resolution. A copy of our constitution is contained in our Registration Statement on Form F-3 filed with the SEC on March 22, 2007.

A description of our ordinary shares and warrants, including brief summaries of the rights of our shareholders and warrant holders as conferred by our constitution and Australian law is incorporated by reference to the description of our securities contained in our Registration Statement on Form F-3 filed with the SEC on March 22, 2007 and updated as follows:.

General

As of October 20, 2014, we had 55,285,315 ordinary shares outstanding. No ordinary shares are held by or on behalf of Progen.

Our directors and senior management also hold 260,000 outstanding options to purchase ordinary shares which are exercisable at various dates and for various exercise prices into fully paid ordinary shares.

Dividends

Holders of ordinary shares are entitled to receive such dividends as may be declared by the board of directors. All dividends are declared and paid according to the amounts paid up on the shares in respect of which the dividend is paid. As of the date of this 20F, there have been no dividends paid to holders of ordinary shares.

Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be paid to, and held by, the Public Trustee of Queensland. The payment by the board of directors of any unclaimed dividend, interest or other sum payable on or in respect of an ordinary share or a preference share into a separate account shall not constitute us as a trustee in respect thereof.

Item 10.C. Material Contract

License and Collaboration Agreement with Medigen Biotechnology Corp. – PI-88

On June 30, 2010, the Company signed a license and collaboration agreement with Medigen Biotechnology Corp. for the exclusive rights to PI-88. We are entitled to various milestone payments linked to progression in the development of PI-88, as well as a royalty on all product sales upon commercialization. To date, two milestone payments have been received relating to progress in the clinical development of PI-88.

License Agreement with Medigen Biotechnology Corp.- PG545

On 28 December 2012 Progen signed a confidential binding term sheet (“Term Sheet”) for a License with Medigen Biotechnology Corporation (Taipei, Taiwan). On 1 March 2013, Progen announced that the PG545 formal License Agreement had been executed with Medigen Biotechnology Corporation. The License relates to the development and commercialisation of PG545 for the prevention and treatment of Hepatocellular Carcinoma (“HCC”) and Non-Oncology indications globally. Progen retains the remaining oncology rights to PG545.

Progen received an upfront payment pertaining to the License upon the execution of the Term Sheet. Progen will receive further milestone payments as PG545 is developed for HCC and non-oncology indications and royalty payments from sales.

Beta Therapeutics Assignment Agreement

On 3 December 2013, Progen entered into an Assignment Agreement with Beta Therapeutics Pty Limited (“BT”). Under the deal, Progen received payment from BT for assignment of intellectual property know-how on novel heparanase inhibitor small molecules.

The intellectual property assignment allows BT to develop the know-how for use in the diagnosis, prevention or treatment and all pathologies and symptoms associated with:

- Type 1, Type 2 or gestational diabetes; and
- Inflammation or autoimmune disorders.

Progen receives a perpetual, irrevocable, worldwide, royalty free license back from BT to use the know-how in all other fields including oncology. Each party will retain ownership to any improvements made to the know-how for use in any field such as developing the hits with medicinal chemistry into lead compounds for pre-clinical and clinical testing.

Table Of Contents

Item 10.D. Exchange Controls

In the early 1980s, the Australian Government began a program of deregulation of the Australian financial sector. This led to the introduction of competition from foreign banks and, perhaps more notably, the deregulation of foreign exchange controls. Deregulation has been at the forefront of Australian Government policy since the early 1980s and, except as discussed below, there are no laws or regulations in Australia that restrict the export or import of capital or affect the remittance of dividends or other payments to holders of our ordinary shares who are non-residents of Australia, subject to withholding taxes under Australian law with respect to remittances of dividends (to the extent the taxes on the dividends are not paid by us) and interest payments. See "Taxation" below.

The Foreign Acquisitions and Takeovers Act 1975

The Foreign Acquisitions and Takeovers Act 1975 is an act of the Parliament of the Commonwealth of Australia which seeks to regulate overseas investment in Australia. By and large, the Government's policy is to encourage foreign investment provided that it is consistent with the needs of the Australian community. Although restrictions are applied in certain areas, in the majority of industry sectors, proposals are approved unless they are judged contrary to the national interest. The Act requires compulsory notification of certain proposed acquisitions of Australian assets and makes other proposed acquisitions and arrangements subject to prohibition or divestiture after they have been examined and found to be contrary to the national interest.

The Financial Transactions Reports Act 1988

The Financial Transactions Reports Act 1988 is an act of the Parliament of the Commonwealth of Australia, designed to facilitate the administration and enforcement of Australia's revenue laws. It provides for the reporting of certain financial transactions and transfers, including the export or import of currency exceeding $10,000 to the Cash Transactions Reporting Agency.

The Income Tax Assessment Act of 1936 and the Income Tax Assessment Act of 1997 (collectively, the "Tax Act")

The Tax Act is the principal law of the Commonwealth of Australia, concerning the collection and administration of taxes (except goods and services tax). Under the Tax Act, overseas residents are obliged to pay income tax in Australia on income derived from Australian sources.

Item 10.E. Taxation

The following is a summary of the current tax laws of the U.S. (including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions) and Australia as they relate to us and our shareholders, including United States and other non-Australian shareholders. The summary is based upon laws and relevant interpretations thereof in effect as of the date of this annual report, all of which are subject to change, possibly on a retroactive basis. The discussion does not address any aspects of U.S. taxation other than federal income taxation or any aspects of Australian taxation other than federal income taxation, inheritance taxation, stamp duty and goods and services tax.

Prospective purchasers of ordinary shares are advised to consult their own tax advisors with respect to the specific tax consequences to them of the purchase, ownership and disposition of ordinary shares, including, in particular, the effect of any foreign, state or local taxes.

Australian Tax Consequences

Non-Australian residents are liable to pay tax on income derived from Australian sources. The mechanism by which that tax is paid (for non-residents who have no permanent establishment in Australia or where the income is not connected with a permanent establishment) is known as withholding tax. Dividends paid by a resident Australian company to a resident of the United States of America are subject to withholding tax at the rate of 15%. The rate of withholding tax on dividends is normally 30%, but since the United States has concluded a double tax treaty agreement with Australia, the rate is reduced to 15%. It should be noted, however, that under Section 128B(3) of the Tax Act, to the extent that dividends paid to non-residents have been franked (generally where a company pays tax itself), such dividends are exempt from withholding tax. “Franked dividends” is the expression given to dividends when the profits out of which those dividends are paid have been taxed in our hands. Accordingly, an Australian company paying fully franked dividends to a non-resident is not required to deduct any withholding tax. Dividends on which withholding tax has been paid are not subject to any further Australian tax. In other words, the withholding tax represents the final Australian tax liability in relation to those dividends.

The pertinent provisions of the double tax treaty between Australia and the United States provide that dividends are primarily liable for tax in the country of residence of the beneficial owner. However, the source country, in this case Australia, may also tax them, but in such case the tax will be limited to 15%. Where the beneficial owner is a United States resident corporation that holds at least 10% of us, the tax will be limited to 5%. The 15% limit does not apply to dividends derived by a resident of the United States of America who has a permanent establishment or fixed base in Australia, if the holding giving rise to the dividends is effectively connected with that establishment or base. Such dividends are taxed in the normal way as business profits or independent personal services income as the case may be.

We have not paid any cash dividends since our inception and we do not anticipate the payment of cash dividends in the foreseeable future. Additionally, we expect to incur additional operating losses until products arising from our research and development programs are successfully commercialized. See "Item 8.A. Financial Statements and Other Financial Information–Dividend Policy."

Capital gains tax in Australia is payable on real gains over the period in which the shares have been held, that is, the difference between the selling price and the original cost price. The cost price is indexed for inflation if the shares have been held for more than one year, and individual taxpayers can, with respect to shares held for more than one year, elect to forego indexation of the cost base in exchange for being taxed on 50% of the realized gain. Capital losses are available as deductions but only against other capital gains.

Stamp Duty

Any transfer of shares through trading on the ASX and OTCQB, whether by Australian residents or foreign residents, are not subject to stamp duty.

Table Of Contents

Australian Death Duty

Australia does not have estate or death duties. No capital gains tax liability is realized upon the inheritance of a deceased person's shares. The disposal of inherited shares by beneficiaries, may, however, give rise to a capital gains tax liability.

Goods and Services Tax

The issue or transfer of shares will not incur Australian goods and services tax and does not require a stockholder to register for Australian goods and services tax purposes.

U.S. Federal Income Tax Considerations

The following discussion summarizes the principal U.S. federal income tax considerations relating to the purchase, ownership and disposition of our ordinary shares or warrants by a U.S. holder (as defined below) holding such shares or warrants as capital assets (generally, property held for investment). This summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), Treasury regulations, administrative pronouncements of the U.S. Internal Revenue Service (the "IRS") and judicial decisions, all as in effect on the date hereof, and all of which are subject to change (possibly with retroactive effect) and to differing interpretations.

This summary does not purport to address all material federal income tax consequences that may be relevant to a holder of ordinary shares or warrants. This summary does not take into account the specific circumstances of any particular investors, some of which (such as tax-exempt entities, banks or other financial institutions, insurance companies, broker-dealers, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, regulated investment companies, real estate investment trusts, U.S. expatriates, investors liable for the alternative minimum tax, partnerships and other pass-through entities, investors that own or are treated as owning 10% or more of our voting stock, investors that hold the ordinary shares or warrants as part of a straddle, hedge, conversion or constructive sale transaction or other integrated transaction, and U.S. holders whose functional currency is not the U.S. dollar) may be subject to special tax rules. This discussion does not address U.S. federal tax laws other than those pertaining to U.S. federal income taxation (such as estate or gift tax laws or the Medicare tax on investment income), nor does it address any aspects of U.S. state or local or non-U.S. taxation. U.S. holders are urged to consult their own tax advisors regarding such matters.

As used below, a "U.S. Holder" is a beneficial owner of an ordinary share or warrant that is, for U.S. federal income tax purposes, (i) a citizen or resident alien individual of the United States, (ii) a corporation (or an entity taxable as a corporation) created or organized under the law of the United States, any State thereof or the District of Columbia, (iii) an estate, the income of which is subject to U.S. federal income tax without regard to its source, or (iv) a trust if (1) a court within the United States is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (2) the trust has a valid election in effect under applicable U.S. Treasury Regulations to be treated as a U.S. person. For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of an ordinary share or warrant that is (i) a non-resident alien individual, (ii) a corporation (or an entity taxable as a corporation) created or organized in or under the law of a country other than the United States or a political subdivision thereof or (iii) an estate or trust that is not a U.S. Holder. This discussion does not consider the tax treatment of partnerships or other pass-through entities or persons who hold ordinary shares through such entities. If a partnership (including for this purpose any entity treated as a partnership for U.S. federal tax purposes) is a beneficial owner of ordinary shares or warrants, the U.S. federal tax treatment of a partner in the partnership generally will depend on the status of the partner and the activities of the partnership. A holder of ordinary shares or warrants that is a partnership and partners in that partnership are urged to consult their own tax advisers regarding the U.S. federal income tax consequences of purchasing, holding and disposing of ordinary shares or warrants.

We have not sought a ruling from the IRS or an opinion of counsel as to any U.S. federal income tax consequence described herein. The IRS may disagree with the description herein, and its determination may be upheld by a court.

GIVEN THE COMPLEXITY OF THE TAX LAWS AND BECAUSE THE TAX CONSEQUENCES TO ANY PARTICULAR INVESTOR MAY BE AFFECTED BY MATTERS NOT DISCUSSED HEREIN, PROSPECTIVE INVESTORS ARE URGED TO CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE SPECIFIC TAX CONSEQUENCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF ORDINARY SHARES OR WARRANTS, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL AND NON-U.S. TAX LAWS, AS WELL AS U.S. FEDERAL TAX LAWS.

Allocation of Purchase Price Between Ordinary Shares and Warrants

A U.S. Holder that purchased our ordinary shares and warrants as a unit on their initial issuance generally will be required to allocate the purchase price of such unit between each ordinary share and each warrant that comprised the unit based on the relative fair market value of each. Of the purchase price for any unit that we offered, we allocated a portion to each ordinary share and to each warrant comprising part of such unit, as described in the prospectus supplement relating thereto. For U.S. Holders that purchased our ordinary shares and warrants as a unit on their initial issuance, the price allocated to each ordinary share and each warrant generally will be such U.S. Holder's tax basis in such share or warrant, as the case may be. While uncertain, the IRS, by analogy to the rules relating to the allocation of the purchase price to components of a unit consisting of debt and equity, may take the position that our allocation of the purchase price will be binding on a U.S. Holder of a unit, unless the U.S. Holder explicitly discloses in a statement attached to the U.S. Holder's timely filed U.S. federal income tax return for the taxable year that includes the acquisition date of the unit that the U.S. Holder's allocation of the purchase price between each ordinary share and each warrant that comprise the unit is different than our allocation. Our allocation would not, however, be binding on the IRS.

Each U.S. Holder that purchased our ordinary shares and warrants as a unit on their initial issuance is urged to consult their own tax advisor with respect to the risks associated with an allocation of the purchase price between the ordinary shares and warrants that is inconsistent with our allocation of the purchase price.

Taxation of Distributions

U.S. Holders. In general, subject to the passive foreign investment company ("PFIC") rules discussed below, a distribution on an ordinary share will constitute a dividend for U.S. federal income tax purposes to the extent that it is made from our current or accumulated earnings and profits as determined under U.S. federal income tax principles. If a distribution exceeds the amount of our current and accumulated earnings and profits, it will be treated as a non-taxable reduction of basis to the extent of the U.S. Holder's tax basis in the ordinary share on which it is paid, and to the extent it exceeds that basis it will be treated as a capital gain. For purposes of this discussion, the term "dividend" means a distribution that constitutes a dividend for U.S. federal income tax purposes.

Table Of Contents

The gross amount of any dividend on an ordinary share (which will include the amount of any Australian taxes withheld) generally will be subject to U.S. federal income tax as foreign source dividend income and will not be eligible for the corporate dividends received deduction. The amount of a dividend paid in Australian currency will be its value in U.S. dollars based on the prevailing spot market exchange rate in effect on the day that the U.S. Holder receives the dividend, whether or not the dividend is converted into U.S. dollars. A U.S. holder will have a tax basis in any distributed Australian currency equal to its U.S. dollar amount on the date of receipt, and any gain or loss realized on a subsequent conversion or other disposition of the Australian currency generally will be treated as U.S. source ordinary income or loss. If dividends paid in Australian currency are converted into U.S. dollars on the date they are received by a U.S. Holder, the U.S. Holder generally should not be required to recognize foreign currency gain or loss in respect of the dividend income. U.S. Holders are urged to consult their own tax advisers regarding the treatment of any foreign currency gain or loss if any Australian currency received by the U.S. Holder is not converted into U.S. dollars on the date of receipt.

Subject to certain exceptions for short-term and hedged positions, any dividend that a non-corporate holder receives on an ordinary share will be subject to a tax rate of 20% if the dividend is a "qualified dividend." A dividend on an ordinary share will be a qualified dividend if (i) either (a) the ordinary shares are readily tradable on an established securities market in the U.S. or (b) we are eligible for the benefits of a comprehensive income tax treaty with the U.S. that the U.S. Secretary of the Treasury determines is satisfactory for purposes of these rules and that includes an exchange of information program, and (ii) we were not, in the year prior to the year the dividend was paid, and are not, in the year the dividend is paid, a PFIC. The ordinary shares were listed on the Nasdaq Capital Market until July 2, 2010, and are now tradable on the OTC QB Market, which should qualify them as readily tradable on an established securities market in the United States. In any event, the income tax treaty between Australia and the U.S. (the "Treaty") satisfies the requirements of clause (i)(b), and, although the matter is not free from doubt, we believe that we should be a resident of Australia entitled to the benefits of the Treaty. However, because the facts relating to our entitlement to the benefits of the Treaty can change over time, there can be no assurance that we will be entitled to the benefits of the Treaty for any taxable year. As discussed above, qualified dividends do not include dividends paid by a company which was a PFIC in the year prior to the year the dividend was paid or in the year the dividend is paid. Based on our audited financial statements and relevant market and shareholder data, we believe that we were a PFIC for U.S. federal income tax purposes for our June 30, 2013 taxable year. Based on our audited financial statements and our current expectations regarding the value and nature of our assets, the sources and nature of our income, and relevant market and shareholder data, we believe that it is likely we were not a PFIC for our taxable year which ended June 30, 2014, but that conclusion is not free from doubt. Given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for any past or future taxable year. Moreover, as described in the section below entitled "Passive Foreign Investment Company Rules," if we were a PFIC in a year while a U.S. Holder held an ordinary share, and if the U.S. Holder has not made a qualified electing fund election effective for the first year the U.S. Holder held the ordinary share, the ordinary share remains an interest in a PFIC for all future years or until such an election is made. The IRS takes the position that that rule will apply for purposes of determining whether an ordinary share is an interest in a PFIC in the year a dividend is paid or in the prior year, even if the Company does not satisfy the tests to be a PFIC in either of those years.

Even if dividends on the ordinary shares would otherwise be eligible for qualified dividend treatment, in order to qualify for the reduced qualified dividend tax rates, a non-corporate U.S. Holder must hold the ordinary share on which a dividend is paid for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, disregarding for this purpose any period during which the non-corporate holder has an option to sell, is under a contractual obligation to sell or has made (and not closed) a short sale of substantially identical stock or securities, is the grantor of an option to buy substantially identical stock or securities or, pursuant to Treasury regulations, has diminished such non-corporate U.S. Holder's risk of loss by holding one or more other positions with respect to substantially similar or related property. In addition, to qualify for the reduced qualified dividend tax rates, the non-corporate holder must not be obligated to make related payments with respect to positions in substantially similar or related property. Payments in lieu of dividends from short sales or other similar transactions will not qualify for the reduced qualified dividend tax rates. A non-corporate holder that receives an extraordinary dividend eligible for the reduced qualified dividend rates must treat any loss on the sale of the stock as a long-term capital loss to the extent of the dividend. For purposes of determining the amount of a non-corporate holder's deductible investment interest expense, a dividend is treated as investment income only if the non-corporate holder elects to treat the dividend as not eligible for the reduced qualified dividend tax rates. Special limitations on foreign tax credits with respect to dividends subject to the reduced qualified dividend tax rates apply to reflect the reduced rates of tax.

The U.S. Treasury has announced its intention to promulgate rules pursuant to which non-corporate holders of stock of non-U.S. corporations, and intermediaries though whom the stock is held, will be permitted to rely on certifications from issuers to establish that dividends are treated as qualified dividends. Because those procedures have not yet been issued, it is not clear whether we will be able to comply with them.

Non-corporate holders of ordinary shares are urged to consult their own tax advisers regarding the availability of the reduced qualified dividend tax rates in the light of their own particular circumstances.

Any Australian withholding tax will be treated as a foreign income tax eligible for credit against a U.S. Holder's U.S. federal income tax liability, subject to generally applicable limitations under U.S. federal income tax law. For purposes of computing those limitations separately under current law for specific categories of income, a dividend generally will constitute foreign source "passive category income" or, in the case of certain holders, "general category income." A U.S. Holder will be denied a foreign tax credit with respect to Australian income tax withheld from dividends received with respect to the ordinary shares to the extent the U.S. Holder has not held the ordinary shares for at least 16 days of the 30-day period beginning on the date which is 15 days before the ex-dividend date or to the extent the U.S. Holder is under an obligation to make related payments with respect to substantially similar or related property. Any days during which a U.S. Holder has substantially diminished its risk of loss on the ordinary shares are not counted toward meeting the 16-day holding period required by the statute. The rules relating to the determination of the foreign tax credit are complex, and U.S. Holders are urged to consult with their own tax advisers to determine whether and to what extent they will be entitled to foreign tax credits as well as with respect to the determination of the foreign tax credit limitation. Alternatively, any Australian withholding tax may be taken as a deduction against taxable income, provided the U.S. Holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year. In general, special rules will apply to the calculation of foreign tax credits in respect of dividend income that is subject to preferential rates of U.S. federal income tax.

Non-U.S. Holders. A dividend paid to a Non-U.S. Holder on an ordinary share will not be subject to U.S. federal income tax unless the dividend is effectively connected with the conduct of trade or business by the non-U.S. Holder within the United States (and is attributable to a permanent establishment or fixed base the Non-U.S. Holder maintains in the United States if an applicable income tax treaty so requires as a condition for the Non-U.S. Holder to be subject to U.S. taxation on a net income basis on income from the ordinary share). A Non-U.S. Holder generally will be subject to tax on an effectively connected dividend in the same manner as a U.S. Holder. A corporate Non-U.S. Holder may also be subject under certain circumstances to an additional "branch profits tax" on such effectively connected dividend, the rate of which may be reduced pursuant to an applicable income tax treaty.

Table Of Contents

Taxation of Capital Gains

U.S. Holders. Subject to the passive foreign investment company rules discussed below, on a sale or other taxable disposition of an ordinary share or warrant, a U.S. Holder will recognize capital gain or loss in an amount equal to the difference between the U.S. Holder's adjusted basis in the ordinary share or warrant and the amount realized on the sale or other disposition, each determined in U.S. dollars. See "Exercise or Lapse of a Warrant" below for a discussion regarding a U.S. Holder's basis in an ordinary share acquired pursuant to the exercise of a warrant.

Such capital gain or loss will be long-term capital gain or loss if at the time of the sale or other taxable disposition the ordinary share or warrant has been held for more than one year. In general, any adjusted net capital gain of an individual is subject to a federal income tax rate of 20%. Capital gains recognized by corporate U.S. Holders generally are subject to U.S. federal income tax at the same rate as ordinary income. The deductibility of capital losses is subject to various limitations.

Any gain a U.S. Holder recognizes generally will be U.S. source income for U.S. foreign tax credit purposes, and, subject to certain exceptions, any loss will generally be a U.S. source loss. If an Australian tax is withheld on a sale or other disposition of an ordinary share or warrant, the amount realized will include the gross amount of the proceeds of that sale or disposition before deduction of the Australian tax. The generally applicable limitations under U.S. federal income tax law on crediting foreign income taxes may preclude a U.S. Holder from obtaining a foreign tax credit for any Australian tax withheld on a sale of an ordinary share or warrant. The rules relating to the determination of the foreign tax credit are complex, and U.S. Holders are urged to consult with their own tax advisers regarding the application of such rules. Alternatively, any Australian withholding tax may be taken as a deduction against taxable income, provided the U.S. Holder takes a deduction and not a credit for all foreign income taxes paid or accrued in the same taxable year.

Non-U.S. Holders. A Non-U.S. Holder will not be subject to U.S. federal income tax on a gain recognized on a sale or other disposition of an ordinary share or warrant unless (i) the gain is effectively connected with the conduct of a trade or business by the Non-U.S. Holder within the United States (and is attributable to a permanent establishment or fixed base that the Non-U.S. Holder maintains in the United States if an applicable income tax treaty so requires as a condition for the Non-U.S. Holder to be subject to U.S. taxation on a net income basis on income from the ordinary share or warrant), or (ii) in the case of a Non-U.S. Holder who is an individual, the Non-U.S. Holder is present in the United States for 183 or more days in the taxable year of the sale or other disposition and certain other conditions apply. Any effectively connected gain of a corporate Non-U.S. Holder may also be subject under certain circumstances to an additional "branch profits tax", the rate of which may be reduced pursuant to an applicable income tax treaty.

Exercise or Lapse of a Warrant

Subject to the discussion of the PFIC rules below, a U.S. Holder generally will not recognize gain or loss upon the exercise of a warrant. Ordinary shares acquired pursuant to the exercise of a warrant for cash generally will have a tax basis equal to the U.S. Holder's tax basis in the warrant, increased by the amount paid to exercise the warrant. The holding period of such ordinary shares generally would begin on the day after the date of exercise of the warrant. If the terms of a warrant provide for any adjustment to the number of ordinary shares for which the warrant may be exercised or to the exercise price of the warrant, such adjustment may, under certain circumstances, result in constructive distributions that could be taxable to a U.S. Holder of the warrant. Conversely, the absence of an appropriate adjustment similarly may result in a constructive distribution that could be taxable to a U.S. Holder of the warrant. A constructive distribution to a U.S. Holder generally will be taxed in the manner described above under "U.S. Federal Income Tax Considerations-Taxation of Distributions," although it is unclear whether a constructive distribution on a warrant that is taxed as a dividend to a non-corporate holder of the warrant would be eligible for the reduced qualified dividend tax rates (in the event they were otherwise available). If a warrant is allowed to lapse unexercised, a U.S. Holder generally will recognize a capital loss equal to such holder's tax basis in the warrant. U.S. Holders who exercise a warrant other than by paying the exercise price in cash are urged to consult their own tax advisors regarding the tax treatment of such an exercise, which may vary from that described above.

Passive Foreign Investment Company Rules

A special set of U.S. federal income tax rules applies to a foreign corporation that is a PFIC for U.S. federal income tax purposes. As noted above, based on our audited financial statements and relevant market and shareholder data, we believe that we likely were not a PFIC for our June 30, 2014 taxable year but that conclusion is not free from doubt. Moreover, given that the determination of PFIC status involves the application of complex tax rules, and that it is based on the nature of our income and assets from time to time, no assurances can be provided that we will not be considered a PFIC for our current taxable year or any future taxable year.

In general, a foreign corporation is a PFIC if at least 75% of its gross income for the taxable year is passive income or if at least 50% of its assets for the taxable year produce passive income or are held for the production of passive income. In general, passive income for this purpose means, with certain designated exceptions, dividends, interest, rents, royalties (other than certain rents and royalties derived in the active conduct of trade or business), annuities, net gains from dispositions of certain assets, net foreign currency gains, income equivalent to interest, income from notional principal contracts and payments in lieu of dividends. Passive assets are those assets that are held for production of passive income or do not produce income at all. Thus cash will be a passive asset. Interest, including interest on working capital, is treated as passive income for purposes of the income test. Without taking into account the value of its goodwill, for its taxable year ending June 30, 2014, more than 50% of the Company's assets by value would be passive so that the Company would be a PFIC for such taxable year unless such goodwill can be considered an active asset. The Company believes that its goodwill should be attributable to its activities that will generate active income and thus should be treated as an active asset. The Company also believes that its goodwill should be valued based on the Company's market capitalization and therefore should have had a sufficiently high value so that less than half the Company's assets by value would be passive for its taxable year ending June 30. 2014. However, this conclusion is not free from doubt and is based upon certain increases in the market capitalization of the Company, as calculated at the end of each quarter period, for its taxable year ending June 30, 2014. The determination of whether a foreign corporation is a PFIC is a factual determination made annually, and with respect to the asset test, is based in part on the market capitalization of the Company, and is therefore subject to change. Subject to exceptions pursuant to certain elections that generally require the payment of tax, once stock or a warrant in a foreign corporation is classified as stock or a warrant in a PFIC in the hands of a particular shareholder that is a U.S. person, it remains stock or a warrant in a PFIC in the hands of that shareholder.

Table Of Contents

Unfavorable tax consequences for a U.S. Holder can occur if we are treated as a PFIC for any year while such U.S. Holder owns ordinary shares or warrants. Certain of these tax consequences can be mitigated with respect to a U.S. Holder's ordinary shares (but not a U.S. Holder's warrants) if the U.S. Holder makes, or has made, a timely qualified electing fund election or election to mark to market the holder's ordinary shares, and such election is in effect for the first taxable year during which the U.S. Holder owns ordinary shares that we are a PFIC. If we are treated as a PFIC, and neither election is made, then contrary to the tax consequences described in "U.S. Federal Income Tax Considerations-Taxation of Distributions" and "U.S. Federal Income Tax Considerations-Taxation of Capital Gains" above, in any year in which the U.S. Holder either disposes of an ordinary share or a warrant at a gain or receives one or more "excess distributions" in respect of our ordinary shares, special rules apply to the taxation of the gain or the excess distributions. For purposes of these rules, a U.S. Holder will be treated as receiving an "excess distribution" to the extent that actual or constructive distributions received in the current taxable year exceed 125% of the average distributions (whether actual or constructive and whether or not out of earnings and profits) received by such U.S. Holder in respect of our ordinary shares during the three preceding years or, if shorter, the U.S. Holder's holding period. A disposition of an ordinary share or a warrant, for purposes of these rules, includes many transactions on which gain or loss is not realized under general U.S. federal income tax rules (but generally should not include the exercise of a warrant, as discussed below). The gain or the excess distributions must be allocated ratably to each day the U.S. Holder has held the ordinary share or the warrant, as the case may be. Amounts allocated to each year are taxable as ordinary income in their entirety (and are not eligible for the reduced qualified dividend rates) and not as capital gain, and amounts allocable to prior years may not be offset by any deductions or losses. Amounts allocated to each such prior year are taxable at the highest rate in effect for that year and are subject to an interest charge at the rates applicable to deficiencies for income tax for those periods. In addition, a U.S. Holder's tax basis in an ordinary share or a warrant that is acquired from a decedent would not receive a step-up to fair market value as of the date of the decedent's death but instead would be equal to the decedent's basis, if lower.

The special PFIC rules described above will not apply to a U.S. Holder's ordinary shares if the U.S. Holder makes a timely election, which remains in effect, to treat us as a qualified electing fund, or QEF, for the first taxable year in which the U.S. Holder owns an ordinary share and in which we are classified as a PFIC, provided that we comply with certain reporting requirements. Instead, a U.S. Holder that has made a QEF election is required for each taxable year to include in income a pro rata share of our ordinary earnings as ordinary income and a pro rata share of its net capital gain as long-term capital gain, subject to a separate election to defer payment of taxes, which deferral is subject to an interest charge. In order for such a QEF election to be valid, we must provide U.S. Holders either (1) a statement showing such U.S. Holder's pro rata share of our ordinary earnings and net capital gain (calculated for U.S. tax purposes) for the Company's taxable year, (2) sufficient information to enable the U.S. Holder to calculate its pro rata share for such year, or (3) a statement that the Company has permitted the U.S. Holder to inspect and copy its permanent books of account, records, and such other documents as may be maintained by us that are necessary to establish that PFIC ordinary earnings and net capital gain are computed in accordance with U.S. income tax principles. We have not yet determined whether, in years in which we are classified as a PFIC, we will make the computations necessary to supply U.S. Holders with the information needed to report income and gain pursuant to a QEF election. It is, therefore, possible that U.S. Holders would not be able to make or retain that election in any year we are a PFIC. The QEF election is made on a shareholder-by-shareholder basis and once made, can only be revoked with the consent of the IRS. A U.S. Holder generally makes a QEF election by attaching a completed IRS Form 8621 (Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund), including the information provided in a PFIC annual information statement, to a timely filed U.S. federal income tax return for the tax year to which the election relates. Retroactive QEF elections may only be made by filing a protective statement with such return or with the consent of the IRS.

If a U.S. Holder has made a timely QEF election for the first tax year of the U.S. Holder's holding period for such shares, or, as described below, has purged the PFIC taint pursuant to a special purging election, the special tax and interest charge rules described in the second preceding paragraph will not apply. Rather, any gain realized on the disposition of an ordinary share generally will be taxable as capital gain and no interest charge will be imposed and U.S. Holders of a QEF will be currently taxed on their pro rata shares of the QEF's earnings and profits, whether or not distributed. In such case, a subsequent distribution of such earnings and profits that were previously included in income generally will not be taxable as a dividend. The tax basis of a U.S. Holder's shares in a QEF will be increased by amounts that are included in income, and decreased by amounts distributed but not taxed as dividends, under the above rules.

A U.S. Holder may not make a QEF election with respect to a warrant. As a result, if a U.S. Holder sells or otherwise disposes of a warrant (other than upon exercise of a warrant), any gain recognized generally will be subject to the special tax and interest charge rules applicable to gains and excess distributions, as described in the third preceding paragraph, if we were classified as a PFIC at any time during the period the U.S. Holder held the warrants. If a U.S. Holder that exercises such warrants properly makes a QEF election with respect to the newly acquired ordinary shares (or has previously made a QEF election with respect to any ordinary shares already held), the QEF election will apply to the newly acquired shares, but the adverse tax consequences of the PFIC rules described in the third preceding paragraph will continue to apply to such shares (which generally will be deemed to have a holding period for the purposes of such PFIC rules that includes the period the U.S. Holder held the warrants), unless the holder makes a purging election. The purging election creates a deemed sale of such shares at their fair market value. The gain recognized by the purging election will be subject to the special tax and interest charge rules described in the third preceding paragraph. As a result of the purging election, the U.S. Holder will have a new basis and holding period in the ordinary shares acquired upon the exercise of the warrants for purposes of the PFIC rules.

If a QEF election is not made for the first taxable year in which the U.S. Holder owns an ordinary share and in which we are a PFIC, certain elections can be made while we continue to satisfy the definition of a PFIC that, combined with a QEF election, can cause the QEF election to be treated as having been made for that first taxable year. Those elections may require the electing shareholder to recognize gain on a constructive sale or to be taxable on the shareholder's share of certain undistributed profits of the foreign corporation. If gain or income is recognized pursuant to one of those elections, the special PFIC rules set forth in the fourth preceding paragraph would apply to that gain or income. Even if a QEF election ceases to apply because in a later taxable year we cease to satisfy the tests to be a PFIC, the QEF election will apply again in any subsequent year in which the Company again satisfies the tests to be a PFIC. Moreover, if a U.S. Holder sells all of the ordinary shares they own and later reacquires other ordinary shares, any QEF election the U.S. Holder has made that remains in effect will apply to the ordinary shares acquired later. The applicable Treasury regulations provide that the Commissioner of the IRS has the discretion to invalidate or terminate a QEF election if the U.S. Holder or we, or an intermediary, fails to satisfy the requirements for the QEF election.

Table Of Contents

The special PFIC rules described in the fifth preceding paragraph will not apply to a U.S. Holder's ordinary shares if the U.S. Holder elects to mark the U.S. Holder's ordinary shares to market each year, provided that the ordinary shares are considered "marketable stock" within the meaning of the applicable Treasury regulations. A U.S. Holder that makes this election will recognize as ordinary income or loss each year an amount equal to the difference, if any, as of the close of the taxable year, between the fair market value of the U.S. Holder's ordinary shares and the U.S. Holder's adjusted tax basis in the ordinary shares. Losses would be allowed only to the extent of net mark-to-market gain previously included in income by the U.S. Holder under the election for prior taxable years, reduced by losses allowed in prior taxable years. If the mark-to-market election were made, then the special PFIC rules set forth in the fifth preceding paragraph would not apply for periods covered by the election. In general, the ordinary shares will be marketable stock within the meaning of the applicable Treasury regulations if they are traded, other than in de minimis quantities, on at least 15 days during each calendar quarter on a "qualified exchange or other market" within the meaning of the applicable Treasury regulations and certain other requirements are met. The Australian Securities Exchange is a qualified exchange within the meaning of the applicable Treasury regulations. Thus, the ordinary shares should be "marketable stock" within the meaning of the applicable Treasury regulations. If a U.S. Holder makes a mark-to-market election, but does not make that election for the first taxable year in which the U.S. Holder owns an ordinary share and in which the Company is classified as a PFIC, and if the U.S. Holder had not made a QEF election for that first such taxable year, the rules set forth in the fifth preceding paragraph will apply to any distributions on an ordinary share in the year of the mark-to-market election, to any gain recognized on an actual sale of an ordinary share in that year, and to any gain recognized in that year pursuant to the mark-to-market election. The mark-to-market rules generally continue to apply to a U.S. Holder who makes the mark-to-market election, even in years we do not satisfy the tests to be a PFIC. A mark-to-market election will not be available with respect to a U.S. Holder's warrants.

A U.S. Holder who owns ordinary shares during a year in which we are classified as a PFIC generally will remain subject to the rules set forth in the sixth preceding paragraph for all taxable years if the U.S. Holder has not made a QEF election or a mark-to-market election for the first taxable year in which the U.S. Holder owns an ordinary share and in which we are classified as a PFIC. In that event, those rules will apply to any gains on dispositions of ordinary shares and to any "excess distributions." It is, however, possible for a U.S. Holder to avoid this "once a PFIC, always a PFIC" result by electing to treat all of the U.S. Holder's ordinary shares as sold for their fair market value as of the last day of the last taxable year we satisfy the tests to be a PFIC, provided the statute of limitations has not run for that year. If a gain is recognized on that constructive sale, the rules set forth in the sixth preceding paragraph would apply to that gain.

If we are classified as a PFIC for a taxable year, and, at any time during such taxable year, have a non-U.S. subsidiary that is classified as a PFIC, U.S. Holders generally would be deemed to own a portion of the shares of such lower-tier PFIC, and generally could incur liability for the deferred tax and interest charge described in the seventh preceding paragraph, if we receive a distribution from, or dispose of all or part of our interest in, the lower-tier PFIC. We have not yet determined whether, if we are classified as a PFIC, we would make the computations necessary to supply U.S. Holders with the information needed to make or maintain a QEF election with respect to the lower-tier PFIC. It is, therefore, possible that U.S. Holders would not be able to make or retain that election in any taxable year that we are classified as a PFIC and have a non-U.S. subsidiary that is also classified as a PFIC. U.S. Holders are urged to consult their own tax advisors regarding the tax issues raised by lower-tier PFICs.

A dividend from a foreign corporation that otherwise would qualify for reduced qualified dividend rates does not qualify for that rate if the foreign corporation is a PFIC in either the taxable year of the dividend or the preceding taxable year.

A U.S. Holder who owns (or is deemed to own) shares in a PFIC during any taxable year, will generally have to file an IRS Form 8621 (whether or not a QEF or mark-to-market election is made).

GIVEN THE COMPLEXITIES OF THE PFIC RULES AND THEIR POTENTIALLY ADVERSE TAX CONSEQUENCES, U.S. HOLDERS OF ORDINARY SHARES OR WARRANTS ARE URGED TO CONSULT THEIR TAX ADVISERS ABOUT THE PFIC RULES, INCLUDING THE AVAILABILITY AND CONSEQUENCES TO THEM OF MAKING A QEF ELECTION OR A MARK-TO-MARKET ELECTION WITH RESPECT TO THE ORDINARY SHARES IN THE EVENT THAT THE COMPANY QUALIFIES AS A PFIC FOR ANY TAXABLE YEAR.

Information Reporting and Backup Withholding

U.S. Holders. Dividends paid on, and proceeds from the sale or other disposition of, an ordinary share or warrant generally may be subject to information reporting requirements and may be subject to backup withholding at the rate of 28% unless a U.S. Holder provides an accurate taxpayer identification number or otherwise demonstrates that they are exempt. The amount of any backup withholding collected from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that certain required information is submitted to the Internal Revenue Service. Under U.S. federal income tax law and U.S. Treasury Regulations, certain categories of U.S. holders must file information returns with respect to their investment in, or involvement in, a foreign corporation. U.S. holders are urged to consult with their own tax advisors concerning such reporting requirements.

Non-U.S. Holders. Non-U.S. Holders generally will be exempt from these information reporting requirements and backup withholding tax but may be required to comply with certain certification and identification procedures in order to establish their eligibility for exemption.

THE DISCUSSION ABOVE IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSIDERATIONS APPLICABLE TO AN INVESTMENT IN ORDINARY SHARES OR WARRANTS. HOLDERS AND POTENTIAL HOLDERS ARE URGED TO CONSULT THEIR TAX ADVISER(S) CONCERNING THE TAX CONSEQUENCES RELEVANT TO THEM IN THEIR PARTICULAR SITUATION.

ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The primary objective of our investment activities is to preserve principal and, at the same time, maximize income without significantly increasing risk. At June 30, 2014, our cash and cash equivalents and held to maturity investments consisted primarily of highly liquid investments with maturities of six months or less. We believe that these investments do not constitute any material market risk exposure.

In fiscal 2014, the majority of our operating expenses were denominated in Australian dollars, however there were expenses incurred in U.S. dollars in relation to the funding of our U.S. subsidiary Progen Pharmaceuticals, Inc. From time to time, in order to reduce our exposure to foreign currency exchange rate risks, we buy and hold foreign currencies to cover our operating expenses denominated in those currencies. We also, from time to time, attempt to hedge our currency exchange risk.

Table Of Contents

The main risks arising from the Company's financial instruments are cash flow interest rate risk, foreign currency risk and credit risk. The Company uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange rates and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses is undertaken to manage credit risk.

The Board reviews and agrees policies for managing each of these risks which are summarized below.

Credit risk

The Company trades only with recognized, creditworthy third parties. All receivables, including other receivables and intercompany receivable, are current (i.e. none are contractually overdue).

Receivable balances are monitored on a regular basis with the result that the Company's exposure to bad debts is not significant. All the Company's material cash balances are with a large national Australian bank and are not exposed to the U.S. banking market risks. There are no significant concentrations of credit risk.

Liquidity risk

The Company's objective is to maintain a balance between continuity of project research utilizing an optimal combination of equity funding and available credit lines. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Company has no financial liabilities due after twelve months.

Liquid non-derivative assets comprising cash and receivables and held to maturity investments are considered in the Company's overall liquidity risk. The Company ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

All of the Company's short-term investments are Level 2 financial instruments as per IFRS 7 Financial Instruments: Disclosures.

The table below reflects all financial liabilities as of June 30, 2014 and 2013. For derivative financial instruments, the market value is presented, whereas for the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. Cash flows for financial assets and liabilities without fixed amounts or timing are based on the conditions existing at June 30, 2014. The Company had no derivative financial instruments as at June 30, 2014.

The remaining contractual maturities of the Company's and parent entity's financial liabilities are (in AUD):

	June 30,	
	2014	2013
1 year or less	1,028,815	$ 426,044

Foreign currency risk

At June 30, 2014 and 2013, the Company had the following exposure to US$ currency that is not designated in cash flow hedges (in AUD):

	June 30,	
	2014	2013
Financial assets		
Cash and cash equivalents	158,834	$ 163,541
Financial liabilities		
Trade and other payables	100,058	$ 29,349
Net exposure	58,776	$ 134,192

At June 30, 2014 and 2013, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax profit and equity would have been affected as follows (in AUD):

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2014	2013	2014	2013
Consolidated				
AUD/USD + 10% (2013: +10%)	(5,343)	(12,199)	(5,343)	(12,199)
AUD/USD - 10% (2013: - 10%)	6,531	14,910	6,531	14,910

The sensitivity analysis for the foreign currency exposure was determined based on historical movements over the past two years.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits. These deposits are held to fund the Group's ongoing and future drug development activities. Cash at bank of $2,981,215 earns interest at floating rates based on daily and "at call" bank deposit rates. Held to maturity investments of $2,615,000 are made for varying periods of between three to six months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Refer to Note 9 of the financial statements for details on the Group's cash and cash equivalents at June 30, 2014.

Table Of Contents

The following sensitivity analysis is based on the weighted average interest rates applicable to the Group's cash and short-term deposits in existence at the reporting date.

At June 30, 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2014	2013	2014	2013
Consolidated				
+ 0.5% (50 basis points) (2013 +1.0%)	27,981	85,628	27,981	85,628
- 1.0% (100 basis points) (2013: -1.0%)	(55,962)	(85,628)	(55,962)	(85,628)

The sensitivity in interest rates were determined based on historical movements over the past two years and management expectations of reasonable movements.

ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable.

PART II

ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Management of the Company maintain disclosure controls and procedures as such term is defined in Rules 13 a-15 (e) and 15d-15(e) under the Securities Exchange Act of 1934 as amended (the "Exchange Act"), as amended, that are designed to ensure that information required to be disclosed in the reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is accumulated and communicated to management, including the Executive Chairman and the General Manager of Finance, as appropriate, to allow timely decisions regarding required disclosure. Disclosure controls and procedures, no matter how well designed and operated, can only provide reasonable assurance of achieving the desired control objectives.

Management has carried out an evaluation, under the supervision and with the participation of the Executive Chairman and the General Manager of Finance, of the effectiveness of the disclosure controls and procedures as of June 30, 2014. Based on that evaluation, the Executive Chairman and General Manager of Finance concluded that the Company's disclosure controls and procedures were effective as of June 30, 2014.

Management's Annual Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit the preparation of financial statements in accordance with international financial reporting standards (IFRS) as issued by the International Accounting Standards Board and that receipts and expenditures of the company are being made only in accordance with authorizations of our Board of Directors; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In particular, the design of a control system must be considered relative to their costs. Additionally, the design of a control system is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated objectives under all potential future conditions. Due to its inherent limitations, internal control over financial reporting may not prevent or detect all misstatements to the financial statements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Table Of Contents

Management assessed the effectiveness of the Company's internal control over financial reporting as of June 30, 2014 based on the criteria set forth by the Committee of Sponsoring Organisations of the Treadway Commission in Internal Control-Integrated Framework. Management continues to use the 1992 framework for its assessment and will transition to the 2013 framework in due course. Based on this assessment, management concluded that the Company's internal control over financial reporting is effective as of June 30, 2014.

No material weaknesses were identified as at June 30, 2014. Based upon its assessment, management has concluded that, as of June 30, 2014, the internal control over financial reporting is effective based upon the above-mentioned criteria.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to amendments made by the enactment of the Dodd-Frank bill that permit the Company to provide only management's annual report on internal control over financial reporting in this Annual Report.

Changes in Internal Control over Financial Reporting

There have been no significant changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect internal control over financial reporting during the period covered by this Annual Report.

ITEM 16. [RESERVED]

ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Company's board of directors has determined that audit committee chairman Mr. Indrajit Solomon Arulampalam is an "audit committee financial expert" as defined under the rules and regulations of the Securities and Exchange Commission and applicable listing rules.

ITEM 16B. CODE OF ETHICS

We have adopted a code of ethics that applies to our executive directors and chief financial officer. A copy of this Code of Ethics is available on the Company's website at www.progen-pharma.com.

No waivers to this Code of Ethics were granted to our executive directors or chief financial officer during the fiscal year ended June 30, 2014.

ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The aggregate fees and expenses for professional services rendered by our independent registered public accounting firm, BDO East Coast Partnership ("BDO") (formerly known as PKF East Coast Practice) and other auditors (PKF O'Connor Davies), for the audit of our annual financial statements for the years ended June 30, 2014 and 2013 for other listed services rendered in those years are set forth in the following table:

	2014		2013
BDO East Coast Partnership			
Audit Fees	55,000	$	52,105
Other non-audit services (1)	53,917	$	49,779
PKF O'Connor Davies			
Audit Fees	28,000	$	23,000
Ernst & Young			
Other non-audit services (2)	3,605		-
Total Fees	**140,522**	**$**	**124,884**

(1) Non-audit services received from BDO for tax services

(2) During the year, the Group received audit services from Ernst & Young in relation to the re-issuance of 2013 auditor's opinion as required under the US 20-F annual reporting purposes.

Audit Committee Pre-Approval Policies and Procedures

All audit and non-audit services performed by our independent auditors must be specifically pre-approved by our audit committee.

ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not applicable.

ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

Not applicable.

Table Of Contents

ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT

Not applicable.

ITEM 16G. CORPORATE GOVERNANCE

Progen Pharmaceuticals Limited (the Company) is a dual listed Australian company. Our primary listing is on the Australian Securities Exchange (ASX) and securities are also traded on the U.S. OTCQB Market (OTCQB).

The Board has the ultimate responsibility for the strategy and performance of the Company on behalf of the shareholders to whom they are accountable. The Board is committed to achieving and demonstrating the highest standard of corporate governance through setting values and policies which underlie business activities ensuring transparency and protecting stakeholders' interests.

In setting these values and policies, the Company has considered the ASX Corporate Governance Council's Principles and Recommendations (2nd Edition) (ASX Recommendations) and relevant U.S. requirements arising from our SEC registration and continuously strives to develop and improve corporate governance processes and standards.

Formal written policies and/or disclosure practices have been disseminated throughout the organization and measures are in place to achieve compliance. Further information concerning our corporate governance practices and compliance with the ASX recommendations is available on the Company's website.

ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable

PART III

ITEM 17. FINANCIAL STATEMENTS

Not Applicable.

ITEM 18. FINANCIAL STATEMENTS

Financial Statements - Index to Financial Statements

ITEM 19. EXHIBITS

Exhibit Number	Description
4(a) (1)	Global TransBiotech Inc. License agreement with PharmaSynth (+)
4(a) (2)	License and Collaboration Agreement between Medigen Biotechnology Corp. and Progen Pharmaceuticals Limited (*)
4(a)(3)	License Agreement with Medigen Biotechnology Corp.- PG545 (1)(***)
4(d)	2011 Lease 2806 Ipswich Road Darra (**)
6(e)	Progen Pharmaceuticals Limited Directors and Employee Option Incentive Plan Rules for the directors and employees incentive scheme approved by a resolution of shareholders at the annual general meeting of the Company held on November 16, 2010 (*)
7(a)	Deeds of Settlement and Release – Section 606 litigation (+)
12.1	Certification of Acting Managing Director and General Manager of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
12.2	Certification of General Manager of Finance pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (1)
13	Certification of Indrajit Arulampalam and Lee Horobin under Section 1350 of Chapter 63 of Title 18 of the United States Code (1), as adopted, pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
14	2014 Lease Suite 4, Level 18, 101 Collins Street, Melbourne 3000, VIC, Australia (1)

(1) Filed herewith.
Incorporated by reference to exhibits filed with the Annual Report on Form 20-F, filed on December 18, 2007.
(+) Incorporated by reference to exhibits filed with the Annual Report on Form 20-F, filed on December 30, 2009.
(*) Incorporated by reference to exhibits filed with the Annual Report on Form 20-F, filed on December 27, 2010.
(**) ncorporated by reference to exhibits filed with the Annual Report on Form 20-F, filed on November 29, 2012.
(***) Incorporated by reference to exhibits filed with the Annual Report on Form 20-F filed on insert date, 2013. Certain provisions of this exhibit have been omitted and filed separately with the Commission pursuant to an application for confidential treatment under Rule 24b-2 promulgated under the Securities Exchange Act of 1934, as amended.

Table Of Contents

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

PROGEN PHARMACEUTICALS LIMITED

/s/ Lee Horobin

Lee Horobin
General Manager of Finance

Dated: November 12, 2014

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Comprehensive Income (Loss)
For the year ended 30 June 2014

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
of Progen Pharmaceuticals Limited

We have audited the accompanying consolidated statement of financial position of Progen Pharmaceuticals Limited as of June 30, 2014 and 2013 and the related consolidated statements of comprehensive income (loss), changes in equity, and cash flows for each of the three years in the period ended June 30, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Progen Pharmaceuticals Limited at June 30, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended June 30, 2014, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

/s/ PKF O'Connor Davies
a division of O'Connor Davies, LLP

New York, NY, USA
October 25, 2014

* * * * *

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Comprehensive Income (Loss)
For the year ended 30 June 2014

	Note	2014 $	2013 $	2012 $
REVENUE	4 (a)	**5,753,570**	3,510,103	2,834,890
COST OF SALES				
Cost of Sales		**2,591,968**	2,272,807	1,620,621
Gross Profit		**3,161,602**	1,237,296	1,214,269
Other income	4 (b)	**81,385**	135,709	56,195
EXPENSES				
Research and development expenses		**1,394,409**	940,161	1,455,733
Manufacturing facility expenses		**2,103,622**	1,240,079	1,050,328
Administrative and corporate expenses		**2,141,309**	1,750,134	1,813,782
Impairment loss		**-**	-	1,494
Finance costs		**-**	5,115	7,865
Other expenses	4 (g)	**24,095**	252,928	381,660
		5,663,435	4,188,417	4,710,862
NET LOSS FROM OPERATIONS		**(2,420,448)**	(2,815,412)	(3,440,398)
INCOME TAX BENEFIT	4	**613,503**	723,278	-
NET LOSS FOR YEAR		**(1,806,945)**	(2,092,134)	(3,440,398)
OTHER COMPREHENSIVE INCOME (LOSS)				
Foreign currency translation		**(178)**	(244)	(1,926)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR		**(1,807,123)**	(2,092,378)	(3,442,324)
Basic and diluted loss per share (cents per share)	7	**(3.3)**	(7.5)	(13.9)

The above consolidated statement of comprehensive income / (loss) should be read in conjunction with the accompanying notes.

The functional and presentation currency of Progen Pharmaceuticals Limited is Australian dollars ($).

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Financial Position
As at 30 June 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	9	**2,981,215**	1,447,774
Held to maturity investments	9	**2,615,000**	7,115,000
Trade and other receivables	10	**3,147,934**	1,577,693
Prepayments		**334,578**	145,348
Total Current Assets		**9,078,727**	10,285,815
Non-current Assets			
Other assets		**24,400**	13,000
Prepayments		**25,998**	60,663
Plant and equipment	11	**539,095**	195,160
Total Non-current Assets		**589,493**	268,823
TOTAL ASSETS		**9,668,220**	10,554,638
LIABILITIES			
Current Liabilities			
Trade and other payables	13	**1,028,815**	426,044
Provisions	14	**576,001**	242,895
Total Current Liabilities		**1,604,816**	668,939
Non-current Liabilities			
Provisions	14	**49,482**	163,188
Total Non-current Liabilities		**49,482**	163,188
TOTAL LIABILITIES		**1,654,298**	832,127
NET ASSETS		**8,013,922**	9,722,511
EQUITY			
Contributed equity	15	**158,320,862**	158,320,862
Reserves	16	**3,696,454**	3,598,098
Accumulated losses	16	**(154,003,394)**	(152,196,449)
TOTAL EQUITY		**8,013,922**	9,722,511

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The functional and presentation currency of Progen Pharmaceuticals Limited is Australian dollars ($).

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Number of ordinary shares	Contributed equity $	Accumulated losses $	Other reserves $	Foreign currency translation reserve $	Total $
At 1 July 2011	**24,709,097**	**152,217,594**	**(146,663,917)**	**3,364,899**	**72,897**	**8,991,473**
Loss for the year	-	-	(3,440,398)	-	-	(3,440,398)
Other comprehensive income	-	-	-	-	(1,926)	(1,926)
Total comprehensive income for the year	-	-	**(3,440,398)**	**-**	**(1,926)**	**(3,442,324)**
Share-based payments to employees	-	-	-	123,853	-	123,853
At 30 June 2012	**24,709,097**	**152,217,594**	**(150,104,315)**	**3,488,752**	**70,971**	**5,673,002**

	Number of ordinary shares	Contributed equity $	Accumulated losses $	Other reserves $	Foreign currency translation reserve $	Total $
At 1 July 2012	**24,709,097**	**152,217,594**	**(150,104,315)**	**3,488,752**	**70,971**	**5,673,002**
Loss for the year	-	-	(2,092,134)	-	-	(2,092,134)
Other comprehensive income	-	-	-	-	(244)	(244)
Total comprehensive income for the year	-	-	**(2,092,134)**	**-**	**(244)**	**(2,092,378)**
Transactions with owners in their capacity as owners:						
Rights issue	24,709,097	5,188,910	-	-	-	5,188,910
Share placement	5,867,121	1,232,095	-	-	-	1,232,095
Transaction costs on issue of shares	-	(317,737)	-	-	-	(317,737)
Share-based payments to employees	-	-	-	(7,395)	-	(7,395)
Share-based payments to underwriter	-	-	-	46,014	-	46,014
At 30 June 2013	**55,285,315**	**158,320,862**	**(152,196,449)**	**3,527,371**	**70,727**	**9,722,511**

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Changes in Equity
For the year ended 30 June 2014

	Number of ordinary shares	Contributed equity $	Accumulated losses $	Other reserves $	Foreign currency translation reserve $	Total $
At 1 July 2013	**55,285,315**	**158,320,862**	**(152,196,449)**	**3,527,371**	**70,727**	**9,722,511**
Loss for the year	-	-	(1,806,945)	-	-	(1,806,945)
Other comprehensive income	-	-	-	-	(178)	(178)
Total comprehensive income for the year	-	-	**(1,806,945)**	**-**	**(178)**	**(1,807,123)**
Share-based payments to employees	-	-	-	98,534	-	98,534
At 30 June 2014	**55,285,315**	**158,320,862**	**(154,003,394)**	**3,625,905**	**70,549**	**8,013,922**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

The functional and presentation currency of Progen Pharmaceuticals Limited is Australian dollars ($)

Table Of Contents

Progen Pharmaceuticals Limited
Consolidated Statement of Cash Flows
For the year ended 30 June 2014

	Note	2014 $	2013 $	2012 $
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers		**4,413,443**	2,736,034	2,168,080
Payments to suppliers, employees and others		**(7,761,105)**	(6,255,931)	(7,819,843)
Research and development income tax refund received		**613,503**	723,278	-
Interest received		**241,069**	241,358	313,251
Finance costs	9	**(5,384)**	(5,115)	(7,865)
NET CASH FLOWS (USED IN) OPERATING ACTIVITIES		**(2,498,474)**	(2,560,376)	(5,346,377)
CASH FLOWS FROM INVESTING ACTIVITIES				
Redemption (purchase) of short-term investments	11	**4,500,000**	(3,926,312)	926,312
Purchase of plant & equipment		**(467,907)**	(49,318)	(77,147)
Proceeds from disposal of plant & equipment		**-**	300	991
NET CASH FLOWS PROVIDED BY / (USED IN) INVESTING ACTIVITIES		**4,032,093**	(3,975,330)	850,156
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from rights issue		**-**	5,188,910	-
Proceeds from share placement		**-**	1,232,095	-
Transaction costs from shares issuance		**-**	(271,723)	-
NET CASH FLOWS FROM FINANCING ACTIVITIES		**-**	6,149,282	-
NET (DECREASE) / INCREASE IN CASH HELD		**1,533,619**	(386,424)	(4,496,150)
Net foreign exchange differences		**(178)**	(244)	(1,926)
Cash and cash equivalents at beginning of period	9	**1,447,774**	1,834,442	6,332,589
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**2,981,215**	1,447,774	1,834,442

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

The functional and presentation currency of Progen Pharmaceuticals Limited is Australian dollars ($)

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

1. CORPORATE INFORMATION

The consolidated financial report of Progen Pharmaceuticals Limited (the Group) for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 25 August 2014.

Progen Pharmaceuticals Limited (the parent) is a company limited by shares incorporated and domiciled in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX) and the United States OTCQB Market. The nature of the operations and principal activities of the Group are described in Note 3.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted
The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for 30 June 2014 reporting period.
Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated entity is a for-profit entity for the purpose of preparing the financial statements.

For the year ended 30 June 2014 the Group opted to substitute a lower amount (“the Lower Prescribed Amount”) in the presentation of the financial report and the directors report to be comparable with last year’s presentation. As a result the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

Statement of compliance
The consolidated financial statements of the Group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Authorisation of financial report
The financial report was authorised for issue on 25 October 2014.

New accounting standards and interpretations

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2014 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

New standards and interpretations issued but not yet effective
Australian Accounting Standards (including IFRS not yet issued as Australian Accounting Standards) that have recently been issued or amended but are not yet effective have not been adopted for the annual reporting period ended 30 June 2014.

AASB 9 Financial Instruments, 2009-11 Amendments to Australian Accounting Standards arising from AASB 9 and 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 and 2012-6 Amendments to Australian Accounting Standards arising from AASB 9

This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2017 and completes phase I of the IASB's project to replace IAS 39 (being the international equivalent to AASB 139 'Financial Instruments: Recognition and Measurement'). This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. To be classified and measured at amortised cost, assets must satisfy the business model test for managing the financial assets and have certain contractual cash flow characteristics. All other financial instrument assets are to be classified and measured at fair value. This standard allows an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income, with dividends as a return on these investments being recognised in profit or loss. In addition, those equity instruments measured at fair value through other comprehensive income would no longer have to apply any impairment requirements nor would there be any 'recycling' of gains or losses through profit or loss on disposal. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. The Group will adopt this standard from 1 July 2017 but the impact of its adoption is yet to be assessed by the Group.

IFRS 15 Revenue from Contracts with Customers

This standard establishes a single revenue recognition framework and supersedes *IAS 11 Construction Contracts, IAS 18 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue – Barter Transaction Involving Advertising Services.* This standard is applicable to annual reporting periods beginning on or after 1 January 2017, with early adoption permitted once approved by the AASB in Australia. Under the new standard, an entity should recognise revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Hence, the revenue will be recognised when control of goods or services is transferred, rather than on transfer of risks and rewards as is currently in IAS 18 Revenue. This new standard requires the use of either method using retrospective application to each reporting period in accordance with *IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors*, or retrospective application with the cumulative effect of initially applying IFRS 15 recognised directly in equity. The Group is currently assessing the impact of this standard.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 5.

Basis of consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of consolidation (cont'd)

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income/(loss), statement of changes in equity and statement of financial position respectively.

Investments in subsidiaries held by the Group are accounted for at cost in the separate financial statements of the parent entity.

Business combinations and asset acquisitions
The acquisition method of accounting is used to account for all business combinations regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange. Where equity instruments are issued in a business combination, the fair value of the instruments is their published market price as at the date of exchange. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

All identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of the business combination over the net fair value of the Group's share of the identifiable net assets acquired is recognised as goodwill. If the cost of acquisition is less than the Group's share of the net fair value of the identifiable net assets of the subsidiary, the difference is recognised as a gain in the statement of comprehensive income/(loss), but only after a reassessment of the identification and measurement of the net assets acquired.

Acquisitions of entities that do not meet the definition of a business contained in AASB 3 *Business Combinations* (IFRS 3) are not accounted for as business combinations. In such cases the Group identifies and recognises the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets in AASB 138 *Intangible Assets* (IAS 38) and liabilities assumed. The cost of the group of net assets is then allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction or event does not give rise to goodwill.

Significant accounting judgements, estimates and assumptions
The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

(i) Revenue recognition
The Group recognises contract manufacturing services revenue by reference to the stage of completion. This is based on the actual costs incurred to date as a percentage of total actual and estimated costs to complete. Should the actual costs to complete differ from the estimated costs to complete this may impact the revenue and related assets recognised at balance date.

Revenue recognition – refer note 4
Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services
Revenue from the provision of contract manufacturing services is recognised by reference to the stage of completion. Stage of completion is measured by reference to the outcome achieved to date as a percentage of the total outcome required for each contract.

(ii) Interest income
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leases – refer note 4 and note 18
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Lease incentives are recognised in the statement of comprehensive income/(loss) as an integral part of the total lease expense. There are no finance leases.

Cash and cash equivalents / held to maturity investments – refer note 9
Cash and short-term deposits in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Held to maturity investments – refer note 9
Held to maturity investments in the statement of financial position include term deposits with an original maturity between 3 and 12 months.

Restricted short-term deposits
As at 30 June 2014 restricted term deposits totalling $24,400 (2013: $13,000) were held under bank guarantees relating to the Group's leased premises.

Trade and other receivables – refer note 10
Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts.

An allowance for doubtful debts is made when there is objective evidence that the Group will not be able to collect the debts. Bad debts are written off when identified.

Investment and other financial assets
Investments and financial assets in the scope of AASB 139 (IAS 39) *Financial instruments: Recognition and Measurement* and AASB 7 *Financial instruments: Disclosure* are categorised as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs. The only financial assets are receivables, which are subsequently measured at amortised cost, and derivatives, which are subsequently measured at fair value through profit or loss.

Recognition and Derecognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency translation
(i) Functional and presentation currency
The functional and presentation currency of the parent is Australian dollars ($). The United States subsidiaries' functional currency is United States dollars which is translated to presentation currency (see below).

(ii) Transactions & balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

(iii) Translation of Group Companies functional currency to presentation currency
The results of the United States subsidiary are translated into Australian dollars at a rate that approximates the exchange rates at the dates of the transactions, for example an average rate for the monthly period. Assets and liabilities are translated at exchange rates prevailing at the relevant balance date.

Exchange variations resulting from the translation are recognised in the foreign currency translation reserve in equity.
Income tax – refer note 6
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except:
- when the deferred income tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit or loss nor taxable profit or loss; or
- when the taxable temporary difference is associated with investments in subsidiaries, and the timing or the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:
- when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or
- when the deductible temporary difference is associated with investments in subsidiaries, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Income tax – refer note 6 (cont'd)
Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except:

- when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Plant and equipment – refer note 11
Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment losses.
Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Plant and equipment (years)	5 to 10
Office furniture and equipment (years)	3 to 10
Leasehold improvements (years)	3 to 6

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

(i) Impairment
The carrying values of plant and equipment are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

(ii) Derecognition and disposal
An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Intangible assets
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. The cost of an intangible asset acquired as part of an asset acquisition is the consideration paid for the asset. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for intangible assets with a finite useful life is reviewed at least each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Trade and other payables – refer note 13
Trade payables and other payables are carried at amortised cost and their fair value approximates their carrying value due to their short term nature. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.
Provisions – refer note 14
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of comprehensive income/(loss) net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provision due to the passage of time is recognised as a borrowing cost.

Make good provision
Provision is made for the anticipated costs of future restoration of our leased manufacturing and corporate premises. The provision includes future cost estimates associated with the restoration of these premises to their original condition at the end of the lease term. These future cost estimates are discounted to their present value.

Employee leave benefits
(i) Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. Annual leave accrued and expected to be settled within 12 months of the reporting date is recognised in current provisions. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

(ii) Long service leave
The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Share-based payment transactions – refer note 12
(i) Equity-settled transactions:
The Group provides benefits to employees (including senior executives) and consultants of the Group in the form of share-based payments, whereby employees and consultants render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of rights over shares is determined using a binomial, or other appropriate model, further details of which are given in note 12. The fair value of shares is determined by the market value of the Group's shares at grant date.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of the Group (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects
(i) the extent to which the vesting period has expired; and
(ii) the Group's best estimate of the number of equity instruments that will ultimately vest.

No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The income charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

Contributed equity – refer note 15
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Earnings per share – refer note 7
Basic earnings/(loss) per share is calculated as net profit/(loss) attributable to members of the Group, adjusted to exclude any costs of servicing equity, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share is calculated as net profit/(loss) attributable to members of the Group, adjusted for:

- costs of servicing equity;
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares;
- the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and
- other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Operating segments – refer note 3
Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is responsible for allocating resources and assessing performance of the operating segments.

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability or resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefit from the related project. There are no capitalised development costs.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

3. OPERATING SEGMENTS

The Group operates in the biotechnology industry. The Group's activities comprise the research, development, and manufacture of biopharmaceuticals. The operating segments are identified by executive management (chief operating decision maker) based on the nature of the activity.

The operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets. There are no intersegment transactions.

The entity is domiciled in Australia. The amount of its revenue from external customers in Australia is $2,464,787 (2013: $1,481,155), and the total revenue from external customers in other countries is $3,288,783 (2013: $2,028,948). Segment revenues are allocated based on the country in which the customer is located. Revenues of $1,139,299 (2013: $814,982) were derived from a single external customer in Australia. This revenue is attributable to the Australian manufacturing segment. There are no intersegment transactions.

All non-current assets are located in Australia for 2014 and 2013.

Operating segments 2014	**Research & Development $**	**Manufacturing $**	**Total $**
Operating revenue			
Sales to external customers	-	5,410,951	5,410,951
Total segment revenue	-	5,410,951	5,410,951
Unallocated revenues			
License fee income	-	-	120,000
Interest income	-	-	222,619
Total revenue			5,753,570
Segment result	**(780,906)**	**715,361**	**(65,545)**
Corporate and administrative costs (includes unallocated other income)			(1,477,773)
Other expenses			(263,627)
Net loss			**(1,806,945)**
Assets			
Segment assets	99,881	3,575,150	3,675,031
Cash, cash equivalents and held to maturity investments			5,596,215
Other assets			396,974
Total assets			9,668,220
Liabilities			
Segment liabilities	228,453	666,302	894,755
Unallocated liabilities			759,543
Total liabilities			1,654,298
Other segment information			
Acquisition of property, plant & equipment, and other non-current assets	3,614	453,245	456,859
Unallocated acquisition of property, plant & equipment, and other non-current assets			157,380
Depreciation and amortisation	31,558	87,391	118,949
Unallocated depreciation and amortisation			151,355

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

3. OPERATING SEGMENTS (cont'd)

Operating segments **2013**	**Research & Development** **$**	**Manufacturing** **$**	**Total** **$**
Operating revenue			
Sales to external customers	-	2,816,281	2,816,281
Total segment revenue	-	2,816,281	2,816,281
Unallocated revenues			
License fee income	-	-	500,000
Interest income	-	-	193,822
Total revenue			**3,510,103**
Segment result	**(216,884)**	**(696,604)**	**(913,488)**
Corporate and administrative costs (includes unallocated other income)			(884,664)
Other expenses			(293,982)
Net loss			**(2,092,134)**
Assets			
Segment assets	74,477	1,635,544	1,710,021
Cash, cash equivalents and held to maturity investments			8,562,774
Other assets			281,843
Total assets			10,554,638
Liabilities			
Segment liabilities	86,607	252,692	339,299
Unallocated liabilities			492,828
Total liabilities			832,127
Other segment information			
Acquisition of property, plant & equipment, and other non-current assets	14,757	27,290	42,047
Unallocated acquisition of property, plant & equipment, and other non-current assets			7,271
Depreciation and amortisation	42,072	91,474	133,546
Unallocated depreciation and amortisation			5,373

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

4. REVENUE AND EXPENSES

	2014	2013	2012
	$	$	$
(a) Revenue			
Manufacturing services revenue	**5,410,951**	2,816,281	2,008,145
License fee revenue	**120,000**	500,000	510,360
Interest revenue	**222,619**	193,822	316,385
Total revenue from continuing operations	**5,753,570**	3,510,103	2,834,890
(b) Other income			
Research and development tax refund	**613,503**		
Other	**81,385**	135,709	56,195
Total other income	**694,888**	135,709	56,195
(c) Depreciation, amortisation, and foreign exchange differences			
Depreciation	**270,304**	138,919	170,488
Impairment loss		-	1,494
Net foreign exchange loss / (gain)	**14,547**	-13,679	-39,013
(d) Lease payments			
Minimum lease payments – operating leases	**152,279**	115,019	117,862
(e) Employee benefit expenses			
Wages and salaries	**2,640,236**	989,078	1,875,886
Long service leave provision	**30,090**	28,541	21,184
Share-based payments expenses	**98,531**	-7,395	123,853
	5,384		
(f) Finance Costs			
Bank charges	**5,384**	5,115	-
(g) Other expenses			
Bad debt expense	**24,095**	252,928	345,368
Royalty fee expense	-	-	36,292
Total other expenses	**24,095**	252,928	381,660

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

5. PARENT ENTITY DISCLOSURE

Parent entity information required to be disclosed in accordance with the Corporations Act 2001:

	Parent		
	2014	2013	2012
	$	$	$
Current assets	**8,767,187**	10,108,140	5,684,465
Total assets	**8,805,916**	10,168,788	6,311,235
Current liabilities	**775,761**	295,632	244,728
Total liabilities	**794,605**	436,411	380,938
Shareholders' equity			
Contributed equity	**158,320,862**	158,320,862	152,217,594
Options reserve	**3,625,905**	3,527,371	3,488,752
Accumulated losses	**(153,935,456)**	(152,115,856)	(149,776,049)
	8,011,311	**9,732,377**	5,930,297
Net loss for the year	**(1,819,600)**	(2,339,807)	(2,684,034)
Total comprehensive loss	**(1,819,600)**	(2,339,807)	(2,684,034)

The parent entity has no contingent assets, contingent liabilities or contractual commitments relating to the purchase of property, plant or equipment.

6. INCOME TAX

	Consolidated		
	2014	2013	2012
	$	$	$
The prima facie tax, using tax rates applicable in the country of operation, on loss before income tax differs from the income tax provided in the financial statements as follows:			
Prima facie tax on loss before income tax @ 30%	**(726,135)**	(844,624)	(1,032,119)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
- Non deductible items	**33,700**	1,048	40,153
Foreign tax rate adjustment	**(108,542)**	(111,189)	(109,685)
Under/ over provision	**98,195**	(82,418)	-
Deferred tax assets not recognised	**702,782**	1,037,183	1,101,651
Income tax benefit	**-**	**-**	-

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

6. INCOME TAX (cont'd)

	2014 **$**	2013 $	2012 $
Deferred income tax			
Deferred income tax at 30 June relates to the following:			
Deferred tax liabilities			
Interest on short-term investments	**(2,665)**	(8,202)	(22,463)
Work in progress	**(632,763)**	(222,353)	(339,613)
Prepayment and other asset	**(740)**	(532)	(1,292)
Other	**-**	(2,940)	-
Deferred tax assets			
Unrealised foreign currency loss			20,840
Bad debts provision	**116,076**	119,149	135,823
Unearned revenue	**56,899**	7,050	266,361
Sundry creditors and accruals	**71,913**	36,040	34,844
Depreciation	**97,522**	115,135	156,399
Employee entitlements	**105,145**	83,225	65,587
Make good obligation	**82,500**	38,600	38,600
Share issue costs, legal and management consulting fees	**87,515**	134,311	199,561
Patent costs	**106,211**	141,448	131,399
Other costs not yet deductible	**-**	-	181,000
Losses available for offset against future taxable income	**49,479,322**	48,875,861	48,187,920
Deferred tax asset	**49,566,935**	49,316,792	49,054,966
Net deferred tax asset not recognised	**(49,566,935)**	(49,316,792)	(49,054,966)
Net deferred income tax assets	**-**	-	-

The benefit of the deferred tax asset will only be obtained if:
(i) future assessable income of a nature and of an amount sufficient to enable the benefit to be realised is generated;
(ii) the conditions for deductibility imposed by tax legislation continue to be complied with; and
(iii) no changes in tax legislation adversely affect the Group in realising the benefit.

The Group has tax losses arising in Australia of $153,612,141 (2013: $151,322,342) that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules.

The Company has US federal and state net operating loss carry-forwards of approximately US$8,296,000 (2013: US$8,296,000) and US$63,000 (2013: US$63,000), which have a carry forward period between 2028 – 2029 and are available for a maximum of 20 years, subject to a continuity of ownership test.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

7. EARNINGS/(LOSS) PER SHARE

The following reflects the loss and share data used in the basic and diluted loss per share computations:

	Consolidated		
	2014	2013	2012
	$	$	$
Loss used in calculating basic and diluted loss per share	**(1,806,945)**	(2,092,134)	(3,440,398)
	Number of Shares	**Number of Shares**	**Number of Shares**
Weighted average number of ordinary shares on issue used in the calculation of basic earnings per share	55,285,315	27,895,773	24,709,097
Basic and diluted earnings/(loss) per share (cents per share)	(3.3)	(7.5)	(13.9)

Basic loss per share amounts are calculated by dividing the net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year. Diluted loss per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all dilutive potential ordinary shares into ordinary shares.

There are 1,831,200 (2013: 1,090,000) options that have been excluded because the loss position makes any potential ordinary share anti-dilutive**.**

8. DIVIDENDS PAID AND PROPOSED

The entity has not declared or paid dividends and does not anticipate declaring or paying any dividends in the immediate term.

9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS / HELD TO MATURITY INVESTMENTS

	Consolidated		
	2014	2013	2012
	$	$	$
Cash and cash equivalents			
Cash at bank and on hand	**1,981,215**	447,774	1,834,442
Short-term deposits	**1,000,000**	1,000,000	-
Cash and cash equivalents	**2,981,215**	**1,447,774**	1,834,442

	Consolidated		
	2014	2013	2012
	$	$	$
Held to maturity investments			
Term deposit (> than 3 months maturity)	**2,615,000**	7,115,000	3,188,688
	2,615,000	**7,115,000**	3,188,688

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

9. CURRENT ASSETS - CASH AND CASH EQUIVALENTS / HELD TO MATURITY INVESTMENTS (cont'd)

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one month and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

Held to maturity investments are made for periods of 3 to 6 months depending on the cash requirements of the Group and consideration of term deposit rates.

	Consolidated		
	2014	2013	2012
	$	$	$
Reconciliation of net loss after tax to net cash flows from operations			
Net loss	**(1,806,945)**	(2,092,134)	(3,440,398)
Adjustments for:			
Depreciation	**270,304**	138,919	170,488
Share options expensed	**98,534**	(7,395)	1,494
Loss on disposal of plant and equipment	**-**	5,402	123,853
Changes in operating assets and liabilities			
(Increase)/Decrease in trade and other receivables	**(1,570,241)**	259,422	(1,167,923)
(Increase)/Decrease in prepayments and other assets	**(165,965)**	6,253	94,811
Increase /(Decrease) in trade and other payables	**602,771**	(929,634)	(1,377,319)
Increase in provisions	**73,068**	58,791	(108,671)
Net cash used in operating activities	**(2,498,474)**	**(2,560,376)**	(5,346,306)

10. TRADE AND OTHER RECEIVABLES

Current	Consolidated	
	2014	2013
	$	$
Trade receivables	**957,583**	696,948
Other receivables (i)	**2,577,271**	1,277,910
Provision for impairment of receivables (a)	**(386,920)**	(397,165)
Total current trade and other receivables	**3,147,934**	**1,577,693**

(i) Other receivables are non-interest bearing and are generally on 30-90 day terms. Balance includes accrued sales not yet billed which account for $1,936,362 (2013: $741,175).

(a) Impaired trade and other receivables
As at 30 June 2014 current trade and other receivables of the group with a nominal value of $386,920 (2013: $397,165) were impaired. The amount of the impairment recognised in the 2014 year was $24,095 (2013: $252,928). The individually impaired receivables mainly relate to expenses paid on behalf of the group's associate, EPI Pharmaceuticals Inc. The impairment provision in 2013 includes the withholding tax on milestone payments from licensee, Medigen Biotechnology Co (Taiwan).

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

10. TRADE AND OTHER RECEIVABLES (Cont')

a) Impaired trade and other receivables (cont'd)

The ageing of trade receivables is as follows:

	Consolidated	
	2014	2013
	$	$
1 to 3 months	**957,583**	666,948
3 to 6 months	**-**	30,000
	957,583	**696,948**

Movements in the provision for impairment of receivables are as follows:

	Consolidated	
	2014	**2013**
	$	**$**
At 1 July	**397,165**	452,745
Provision for impairment recognised during the year	**24,095**	252,928
Receivables written off during the year as uncollectible	**(34,340)**	(308,508)
Unused amount reversed	**-**	-
At 30 June	**386,920**	**397,165**

The creation and release of the provision for impaired receivables has been included in 'other expenses' in profit or loss. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash.

(b) Past due but not impaired

As at 30 June 2014, trade receivables of $634,555 (2013: $30,000) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Consolidated	
	2014	**2013**
	$	**$**
Up to 3 months	**634,555**	-
3 – 6 months		30,000
over 6 months	**-**	-
	634,555	**30,000**

Based on the credit history, it is expected that these amounts will be received within the next twelve months. The Group does not hold any collateral in relation to these receivables.

The other classes within trade and other receivables do not contain impaired assets and are not past due. Based on the credit history of these other classes, it is expected that these amounts will be received when due.

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

(c) Concentration of credit risk

The Group's concentration of credit risk relates to its receivable from Zensun of $363,981 (2013: nil), Zoetis Group of $325,808 (2013: $488,185), and Medigen Biotechnology Co (Taiwan) amounting to $267,794 (2013: $160,696).

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

11. NON-CURRENT ASSETS - PLANT & EQUIPMENT

	1 July 2013 $	Translation Adjustment	Additions $	Disposals $	Consolidated Depreciation $	Impairment $	30 June 2014 $
Plant & equipment							
At cost	4,566,666	-	104,884	-	-	-	4,671,550
Accumulated depreciation	(4,392,531)	-	-	-	(87,582)	-	(4,480,113)
	174,135	-	104,884	-	(87,582)	-	191,437
Office equipment							
At cost	146,479	-	24,101	-	-	-	170,580
Accumulated depreciation	(125,454)	-	-		(15,090)	-	(140,544)
	21,025	-	24,101	-	(15,090)	-	30,036
Leasehold improvements							
At cost	637,154	-	485,254	(911)	-	-	1,121,497
Accumulated depreciation	(637,154)	-	-	911	(167,632)	-	(803,875)
	-	-	485,254	-	(167,632)	-	317,622
TOTAL	**195,160**	**-**	**614,239**	**-**	**(270,304)**	**-**	**539,095**

Table Of Contents

Progen Pharmaceuticals Limited
Notes to the Financial Statements
For the year ended 30 June 2014

11. NON-CURRENT ASSETS - PLANT & EQUIPMENT (cont'd)

	Consolidated						
	1 July 2012 $	**Translation Adjustment**	**Additions $**	**Disposals $**	**Depreciation $**	**Impairment $**	**30 June 2013 $**
Plant & equipment							
At cost	4,536,120	-	30,546	-	-	-	4,566,666
Accumulated depreciation	(4,268,951)	-	-	-	(123,580)	-	(4,392,531)
	267,169	-	30,546	-	(123,580)	-	174,135
Office equipment							
At cost	130,610	-	18,772	(33,450)	-	-	115,932
Acquisition of assets	28,738	-	-	-	-	-	28,738
Translation adjustment	1,809	-	-	-	-	-	1,809
Accumulated depreciation	(137,863)	-	-	27,748	(15,339)	-	(125,454)
	23,294	-	18,772	(5,702)	(15.339)	-	21,025
Leasehold improvements							
At cost	637,154	-	-	-	-	-	637,154
Accumulated depreciation	(637,154)	-	-	-	-	-	(637,154)
	-	-	-	-	-	-	-
TOTAL	**290,463**	**-**	**49,318**	**(5,702)**	**(138,919)**	**-**	**195,160**

Table Of Contents

12. SHARE BASED PAYMENTS

(a) Employee option plan
The Progen Directors and Employee Option Incentive Plan ("the Employee Plan") was last approved by shareholders at the 2010 annual general meeting.

Options granted to Company employees are issued under the Employee Plan. Options are granted under the Employee Plan for no consideration and once capable of exercise entitle the holder to subscribe for one fully-paid ordinary share upon exercise at the exercise price. The exercise price is based on the weighted average closing price at which the Group's shares traded on the Australian Securities Exchange during the five trading days immediately before they are granted.

Options granted under the Employee Plan that have not vested at the time an option holder becomes ineligible (i.e. no longer an employee), are forfeited and not capable of exercise. When an option holder becomes ineligible and the options have already vested then the option holder has 3 months to exercise or they expire. Options must be exercised by the expiry dates or they lapse. The vesting period of the most recent options granted during the year ranges from immediate to 18 months of service from the grant date.

At 30 June 2014 there were 831,200 (2013:90,000) options under the employee option plan.

(b) Consultant option plan
On 16 February 2005 the Directors approved the Progen Consultants and Advisors Option Incentive Plan ('the Consultant Plan"). The Consultant Plan rules are consistent with the Employee Plan rules, in that the consultants provide similar services to employees so the awards are accounted for in the same way as employee awards and the options vest over 12 months.

At 30 June 2014 no options under the consultants' option plan were outstanding (2013: nil).

(c) Mercer Capital options
Under the terms of the Underwriting Agreement dated 15 March 2013, Progen issued Mercer Capital 1,000,000 unlisted options ("Options") on 22 May 2013 as part of the Rights Issue underwriting fee. The options have an exercise price of $0.30 and expire on 13 March 2016. The grant date fair value of each option was $0.05.

At 30 June 2014 there were a total of 1,000,000 (2013: 1,000,000) unlisted options over shares issued to Mercer Capital.

The following table summarises information about all options outstanding at 30 June 2014:

2014

Tranche	Grant Date	Expiry Date	Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	1 Jan 2011	1 Jan 2016	$ 0.29	90,000	-	-	-	90,000	90,000
2	15 Mar 2013	13 Mar 2016	$ 0.30	1,000,000	-	-	-	1,000,000	1,000,000
3	19 Aug 2013	25 Sep 2018	$ 0.21	-	30,000	-	-	30,000	30,000
4	1 Apr 2014	1 Apr 2018	$ 1.20	-	142,800	-	-	142,800	142,800
5	1 Apr 2014	1 Jan 2018	$ 1.30	-	285,600	-	-	285,600	-
6	1 Apr 2014	1 Oct 2018	$ 1.50	-	282,800	-	-	282,800	-
				1,090,000	741,200	-	-	1,831,200	1,262,800
Weighted average exercise price				0.30	1.31	-	-	0.71	0.40
Weighted average share price at date of exercise				-	-	-	-	-	-

Table Of Contents

12. SHARE BASED PAYMENTS (cont'd)

2013

Tranche	Grant Date	Expiry Date		Exercise Price	Balance at start of year	Granted in year	Exercised in year	Lapsed during year	Balance at end of year	Vested and exercisable at end of year
1	14 Sep 2007	13 Sep 2012	$	3.61	185,000[1]	-	-	(185,000)	-	-
2	1 Jan 2011	1 Jan 2016	$	0.29	152,000	-	-	(62,000)	90,000	90,000
3	15 Mar 2013	13 Mar 2016	$	0.30	-	1,000,000	-	-	1,000,000	1,000,000
					337,000	1,000,000	-	247,000	1,090,000	1,090,000
Weighted average exercise price					2.11	0.30	-	2.78	0.30	0.30
Weighted average share price at date of exercise							-			

The weighted average remaining contractual life of share options outstanding at the end of the period was 2.57 years (2013: 2.69 years).

Fair value of options granted

The fair value of the equity-settled share options is estimated as at the date of grant using a binomial or other appropriate model taking into account the terms and conditions upon which the options were granted.

The following table lists the inputs to the model used in the valuation of the options:

	2014	**2013**
Expected volatility	43%	42%
Risk-free rate average	3.40%	3.28%
Expected life average (years)	4.4	5
Dividend yield	-	-
Weighted average exercise price ($)	1.31	0.30
Share price at grant date ($)	1.03 to 1.07	0.22

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of options granted were incorporated into the measurement of fair value.

(d) Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transactions recognised during the period were $98,534 (2013 credits: $7,395).

13. CURRENT LIABILITIES - TRADE AND OTHER PAYABLES

	Consolidated	
	2014	**2013**
	$	**$**
Trade creditors [(i)]	**359,696**	177,774
Unearned income[(ii)]	**189,664**	23,500
Other creditors [(iii)]	**479,455**	224,770
	1,028,815	426,044

Australian dollar equivalents
Australian dollar equivalent of amounts payable in foreign currencies (US$) - $100,058 (2013: $29,349).

Terms and conditions
Terms and conditions relating to the above financial instruments:
(i) Trade creditors are non-interest bearing and are normally settled on 30 day terms.
(ii) Unearned income mainly include payments received in advance for materials to be purchased in contract manufacturing projects from Medigen of $76,820 (2013: nil) and $85,134 from Zensun (2013: nil).
(iii) Other creditors are non-interest bearing and have a term between 30 days and 12 months.

Table Of Contents

14. PROVISIONS

Make good provision
In accordance with the lease agreement terms, the Group must restore its leased premises situated at Darra, Brisbane to its original condition at the end of the lease term. The company recognised $146,332 in the 2014 financial year to provide for the full estimated cost to restore the facility, i.e. $275,000.

Due to the long-term nature of the Darra premises make good liability, the greatest uncertainty in estimating the provision is the costs that will ultimately be incurred.

	Consolidated	
	2014	2013
	$	$
Make good provision	**275,000**	128,668
Employee benefits provision		
Long service leave	**187,275**	157,184
Annual leave	**163,208**	120,231
	350,483	277,415
	625,483	406,083

Movement in provision

	Make good provision	**Annual leave**	**Long service leave**	**Total**
	$	**$**	**$**	**$**
Consolidated				
At 1 July 2013	128,668	120,231	157,184	406,083
Arising during the year	146,332	206,094	30,091	382,517
Amortised		-	-	-
Utilised	-	(163,117)	-	(163,117)
At 30 June 2014	**275,000**	**163,208**	**187,275**	**625,483**
Current 2014	275,000	163,208	137,793	576,001
Non-current 2014	-	-	49,482	49,482
	275,000	**163,208**	**187,275**	**625,483**
Current 2013	-	120,231	122,664	242,895
Non-current 2013	128,668	-	34,520	163,188
	128,668	**120,231**	**157,184**	**406,083**

Table Of Contents

15. CONTRIBUTED EQUITY

	Consolidated	
	2014	2013
	$	$
a) Issued and paid up capital		
Ordinary shares fully paid	**158,320,862**	**158,320,862**

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote. Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

b) Movements in shares on issue	**2014**		**2013**	
	Number of shares	**Amount $**	**Number of shares**	**Amount $**
Beginning of the financial year	**55,285,315**	**158,320,862**	24,709,097	152,217,594
Issued during the year:				
-equity raised through rights entitlement offer (i)	**-**	**-**	24,709,097	5,188,910
-equity raised through private placement (ii)	-	-	5,867,121	1,232,095
-less transaction costs	-	-	-	(317,737)
End of the financial year	**55,285,315**	**158,320,862**	**55,285,315**	**158,320,862**

(i) Shares allotted from rights entitlement offer announced on 16 April 2013 ("Rights Issue"), were issued on 22 May 2013 and all the transaction costs relate to these shares issued. The rights issue granted eligible shareholders at the record date to subscribe on the basis of one (1) fully paid ordinary share (1:1) in the company for every one (1) share held. The non-renounceable rights had an exercise price of $0.21.

(ii) Shares allotted under the private placement announced on 27 May 2013, were issued on 29 May 2013. The shares had an exercise price of $0.21.

c) Share options

At 30 June 2014 there were a total of 1,831,200 (2013: 1,090,000) unissued ordinary shares in respect of which options were outstanding, comprising of:

(i) Employee and executive share incentive scheme

At 30 June 2014 there were a total of 831,200 (2013: 90,000) unissued ordinary shares in respect of which options were outstanding

(ii) Options issued to Mercer Capital

As part of the terms of the underwriting agreement on 15 March 2013, Progen issued Mercer Capital 1,000,000 options. The options were issued on 22 May 2013, are exercisable from grant date and have an exercise price of $0.30.

Refer to note 12 for more details on unlisted options.

d) Capital risk management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares.

Table Of Contents

16. ACCUMULATED LOSSES AND RESERVES

Accumulated losses
Movement in accumulated losses were as follows:

	Consolidated	
	2014	2013
	$	$
Balance 1 July	**(152,196,449)**	(150,104,315)
Net loss	**(1,806,945)**	(2,092,134)
Balance 30 June	**(154,003,394)**	**(152,196,449)**

Reserves
Employee reserve
The employee reserve is used to record the value of share based payments provided to employees, including key management personnel, as part of their remuneration.

	Consolidated	
Employee reserve	**2014**	2013
	$	$
Balance 1 July	3,527,371	3,488,752
Employee option expense	98,534	(7,395)
Mercer option expense	-	46,014
Balance 30 June	**3,625,905**	**3,527,371**

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

	Consolidated	
Foreign currency translation reserve	**2014**	2013
	$	$
Balance 1 July	70,727	70,971
Foreign currency translation	(178)	(244)
Balance 30 June	**70,549**	**70,727**
Total Reserves	**3,696,454**	**3,598,098**

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, held- to maturity investments, trade and other receivables and trade and other payables.

The Group manages its exposure to key financial risks, including market risk (interest rate and currency risk) credit risk and liquidity risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

Table Of Contents

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Depending on cash flow, the Group may simply procure the required amount of foreign currency to mitigate the risk of future obligations.

The main risks arising from the Group's financial instruments are cash flow interest rate risk, foreign currency risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate and foreign exchange rates and assessments of market forecasts for interest rate and foreign exchange. Ageing analyses is undertaken to manage credit risk.

The Board reviews and agrees policies for managing each of these risks which are summarised below.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

Credit risk
The Group trades only with recognised, creditworthy third parties. All receivables, including other receivables, are current.

All the Group's material cash balances are with a large national Australian bank. Although there is a significant concentration of risk with one bank, it has a strong credit rating.

Refer note 10 for further details on trade and other receivables.

Liquidity risk
The Group's objective is to maintain a balance between continuity of project research utilising an optimal combination of equity funding and available credit lines. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Group has no financial liabilities due after twelve months.

Liquid non-derivative assets comprising cash and receivables are considered in the Group's overall liquidity risk. The Group ensures that sufficient liquid assets are available to meet all the required short-term cash payments.

The table below reflects all financial liabilities as of 30 June 2014. Financial liabilities are presented at their undiscounted cash flows. Cash flows for financial liabilities without fixed amounts or timing are based on the conditions existing at 30 June 2014. The Group had no derivative financial instruments at 30 June 2014.

The remaining contractual maturities of the Group's financial liabilities are:

	Consolidated	
	2014	2013
	$	$
1 year or less	**1,028,815**	426,044

Foreign currency risk

At 30 June 2014, the Group held US$149,923 (2013: US$149,574) in cash deposits.

At 30 June 2014, the Group had the following exposure to US$ currency shown in AU$:

	Consolidated	
	2014	2013
	$	$
Financial assets		
Cash and cash equivalents	**158,834**	163,541
Financial liabilities		
Trade and other payables	**100,058**	29,349
Net exposure	**58,776**	**134,192**

Table Of Contents

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

At 30 June 2014, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Consolidated				
AUD/USD + 10% (2013: +10%)	**(5,343)**	(12,199)	**(5,343)**	(12,199)
AUD/USD -10% (2013: - 10%)	**6,531**	14,910	**6,531**	14,910

The sensitivity analysis for the foreign currency exposure was determined based on historical movements over the past two years.

Interest rate risk

The Group's exposure to market interest rates relates primarily to the Group's cash and short-term deposits. These deposits are held to fund the Group's ongoing and future drug development activities. Cash at bank of $2,981,215 earns interest at floating rates based on daily and "at call" bank deposit rates. Held to maturity investments of $2,615,000 are made for varying periods of between three to six months, depending on the immediate cash requirements of the Group, and earn interest at the respective term deposit rates. Refer to note 9 for details on the Group's cash and cash equivalents at 30 June 2014.

The following sensitivity analysis is based on the weighted average interest rates applicable to the Group's cash and short-term deposits in existence at the reporting date.

At 30 June 2014, if interest rates had moved, as illustrated in the table below, with all other variables held constant, post tax loss and equity would have been affected as follows:

	Post tax loss (Higher)/Lower		Equity Higher/(Lower)	
	2014	2013	**2014**	2013
	$	$	**$**	$
Consolidated				
+ 0.5% / 50 basis points (2013: + 1.0%)	**27,981**	85,628	**27,981**	85,628
- 1.0% / 100 basis points (2013: - 1.0%)	**(55,962)**	(85,628)	**(55,962)**	(85,628)

The sensitivity in interest rates were determined based on historical movements over the past two years and management expectations of reasonable movements.

Investments

Investments are made in accordance with a Board approved Investment Policy. Investments are typically in bank bills and held to maturity investments. Policy stipulates the type of investment able to be made. The objective of the policy is to maximise interest income within agreed upon creditworthiness criteria.

Table Of Contents

17. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Maturity analysis of financial assets and liabilities based on management's expectation

The risk implied from the values shown in the table below, reflects a balanced view of cash inflows and outflows. Trade payables and receivables are considered in the Group's overall liquidity risk.

Consolidated **Financial instruments 2014**	**6 months or less** **$**	**6 to 12 months** **$**	**More than 12 months** **$**	**Total carrying amount as per the statement of financial position** **$**	**Weighted average effective interest rates** **%**
Consolidated financial assets					
Cash and cash equivalents	1,981,215	-	-	1,981,215	0.0%
Held-to maturity investments	1,000,000	-	2,615,000	3,615,000	3.5%
Trade and other receivables	3,147,934	-	-	3,147,934	0.0%
Security deposit	-	-	24,400	24,400	3.4%
	6,129,149	-	2,639,400	8,768,549	
Consolidated financial liabilities					
Trade and other payables	1,028,815	-	-	1,028,815	0.0%
	1,028,815	-	-	1,028,815	
Net maturity	**5,100,334**	**-**	**2,639,400**	**7,739,734**	

Financial instruments 2013	**6 months or less** **$**	**6 to 12 months** **$**	**More than 12 months** **$**	**Total carrying amount as per the statement of financial position** **$**	**Weighted average effective interest rates** **%**
Consolidated financial assets					
Cash and cash equivalents	1,447,774	-	-	1,447,774	4.0%
Held-to maturity investments	3,000,000	-	4,115,000	7,115,000	4.3%
Trade and other receivables	1,577,693	-	-	1,577,693	0.0%
Security deposit	-	-	13,000	13,000	4.1%
	6,025,467	**-**	**4,128,000**	**10,153,467**	
Consolidated financial liabilities					
Trade and other payables	426,044			426,044	
	426,044	-	-	426,044	0.0%
Net maturity	**5,599,423**	**-**	**4,128,000**	**9,727,423**	

18. EXPENDITURE COMMITMENTS

	Consolidated	
	2014 $	2013 $
Non-cancellable operating lease commitments		
Future operating lease commitments not provided for in the financial statements and payable:		
Minimum lease payments		
Total not later than one year	**12,250**	143,535
- later than one and not longer than five years:	**697**	11,961
- aggregate lease expenditure contracted for at balance date	**12,947**	**155,496**

Table Of Contents

19. EMPLOYEE BENEFITS AND SUPERANNUATION COMMITMENTS

	Consolidated	
	2014	2013
	$	$
The aggregate employee entitlement liability is comprised of:		
Accrued wages, salaries and on-costs	**117,741**	65,777
Provisions (current)	**301,001**	242,895
Provisions (non-current)	**49,482**	34,520
	468,224	**343,192**

Superannuation
The parent makes no superannuation contributions other than the statutory superannuation guarantee levy. The Group does not operate a defined benefit plan on behalf of its employees.

The Group contributed $289,314 on behalf of employees to superannuation funds (considered a related party) for the year ended 2014 (2013: $159,782).

20. CONTINGENT LIABILITIES AND ASSETS

There are no contingent liabilities or contingent assets at 30 June 2014 that require disclosure in the financial report.

21. SUBSEQUENT EVENTS

Interim Phase III results for PI-88

On 28 July 2014, Medigen Biotechnology Corp. announced the results of the interim analysis carried out on the Phase III PATRON clinical trial for PI-88. The interim analysis results indicated that PI-88 did not meet the primary endpoint of Disease Free Survival, and that further analysis of the data will be conducted by an independent medical imaging company in the US, BioClinica. It is now expected that this analysis by BioClinica of the patient's CT and magnetic resonance data will be conducted by the end of the year, and will be an important reference for the efficacy of PI-88.

Medigen is continuing with the PI-88 Phase III PATRON clinical trial. Medigen is expecting to complete the final analysis on the total targeted recurrent 218 patients in 2015 which encompasses a review of both the primary and secondary endpoints. The primary and secondary efficacy endpoints for the Phase III PATRON clinical trial for PI-88 are:

1. Disease Free Survival;
2. Time To Recurrence;
3. Tumour Recurrence Rate; and
4. Overall Survival.

The outcome of the PI-88 PATRON Phase III trial will affect whether the Group obtains future milestone and royalty revenue from the PI-88 license.

Table Of Contents

22. AUDITORS' REMUNERATION

	Consolidated	
	2014	2013
	$	$
(a) Amounts received or due and receivable by BDO for:		
Audit or review of the financial reports of the entity		
- The Australian financial reports of the entity	**55,000**	52,105
(b) Amounts received or due and receivable by PKF O'Connor Davies for:		
Audit or review of the financial reports of the entity		
- The US financial report of the entity	**28,000**	23,000
	83,000	75,105
(c) Other non-audit services in relation to the entity[1]	**53,917**	**49,779**
(d) Other audit services performed by other auditor[2]	**3,605**	-
	140,522	**124,884**

[1] Non-audit services received from BDO for tax services
[2] During the year, the Group received audit services from Ernst & Young in relation to the re-issuance of 2011 auditor's opinion as required under the US 20-F annual reporting purposes.

23. DIRECTOR AND EXECUTIVE AND RELATED PARTY DISCLOSURES

(a) Remuneration of directors and other key management personnel

	2014	2013
	$	$
Short term benefits	**1,004,699**	835,355
Long term benefits	**6,224**	-
Post-employment benefits	**75,144**	42,722
Share-based payments	**24,801**	-
Termination payments	**-**	-
Total key management personnel compensation	**1,110,868**	**878,077**

(b) Subsidiaries

The consolidated financial statements include the financial statements of Progen Pharmaceuticals Limited and the subsidiaries listed in the following table:

Name	**Country of Incorporation**	**% Equity Interest**	
		2014	2013
Progen Pharmaceuticals Inc.	United States	100	100
PharmaSynth Pty Ltd	Australia	100	100

Table Of Contents

23. DIRECTOR AND EXECUTIVE AND RELATED PARTY DISCLOSURES (cont'd)

(c) Associates

The Group has a 43% interest in EPI Pharmaceuticals Inc. (2013: 43%), a company incorporated in Delaware which was incorporated to hold the CellGate and other divested assets. The Company has not traded in the period and the investment is carried at a $nil carrying value in the Group (2013: nil).

Summarised financial information of EPI Pharmaceuticals Inc.

	Assets	Liabilities	Revenue	Loss
	$	$	$	$
2014	**-**	**420,772**	**-**	**24,048**
2013	-	411,179		102,168

There were no expenditure commitments contracted for at balance date that were payable but not provided for by the associate. There are no known contingent liabilities. The liabilities are an intercompany loan and the loss is accumulated operating expense.

SERVCORP

SERVICE AGREEMENT

This Service Agreement is made between Servcorp (1), the Client (2a) and the Guarantor (2b) below.

Date Friday, 16 May 2014

1. Servcorp Office

City	Melbourne
Servcorp	Servcorp Melbourne 18 Pty Ltd
Web address	www.servcorp.com.au
Address	Level 18, 101 Collins Street, Melbourne VIC 3000
ABN/ACN	40 103 547 968

2a. Client

Company Name	Progen Pharmaceutical
Web Address	http://www.progen-pharma.com
Address	2806 Ipswich Rd Darra QLD 4076
Email Address	jitto@pakaya.com.au
Business Number	

2b. Guarantor

Name	
Residential Address	
Telephone Number	
Email Address	
Passport/Driver's Licence	
Date of Issue	
Issuing State/Country	

3. Bank

Servcorp Bank	ANZ Bank		
Servcorp Branch	Pitt & Hunter Streets, Sydney NSW 2000		
Servcorp Account Name	Servcorp Melbourne 18 Pty Ltd		
Servcorp Account Number	8361 39942	Bank/Sort/ABA	012 003
IBAN			
SWIFT			
Client Bank			
Client Branch			
Client Account Name			
Client Account Number		Bank/Sort/ABA	
IBAN			
SWIFT			

4. Client's Head Office

Contact Name	Jitto Arulampalam
Address	2806 Ipswich Rd Darra QLD 4076
Email Address	jitto@pakaya.com.au
Telephone Number	0421617766

5. Initial Invoice Details

Your Office(s) Fees include Executive Suite rental; Executive Office furniture; building outgoings; cleaning, electricity and air conditioning (during business hours); Servcorp dedicated broadband internet per person; IP telephony per person; Servcorp Online® membership; unlimited tea and coffee; complimentary day office usage for five days per month as you travel outside your home location; daily mail delivery; reception daily newspapers; 24 hour lift access pass and key to office per person.

	Details	Quantity	Price
Suite Rental	Suite Number 4	1	$2,850
Additional Furniture	Meeting Table Complimentary	1	$0
Parking			
Activation Fees	$250 Per Person	1	$250
Subtotal			$3,100
Tax Amount	10% GST		$310
Security Deposit	2 months rental		$11,400
TOTAL AMOUNT DUE			**$14,810**

6. Accommodation Service Details

Suite/s to be occupied	Suite 4
Monthly Office Fee	$5,700
Lease Commencement Date	1/06/2014
Lease Ending Date	31/05/2015
Lease Term	12 months
Monthly Office Fee after Lease ends	$6,900
Notice Period	2 months
Number of People	Up to 3 people

7. Furniture Included in Office(s) During Initial Term

Executive Desks	1	Visitors Chairs	4
Executive Chairs	1	Filing Cabinets	1

Comments

Monthly Office Fee listed in section 6 will accommodate 1 person and includes 1 phone connection and 1 internet connection inclusive of 5GB up/download and $0.15 per MB thereafter per connection. Activation fees shall apply for additional people after the commencement date of $250 per person.

The suite can accommodate up to 3 people and additional people will be billed a $600 per month workstation fee.

Monthly Office Fees shall be discounted by 50% from 01/06/2014 to 31/01/2015 (8 months) from $5,700 to $2,850 per month during the initial Service Agreement term. Suite rental will thereafter revert to $5,700 from 01/02/2015 to 31/05/2015 as per section 6 above of this Service Agreement.

Access will be provided after the Service Agreement and direct debit is signed and initial invoice in section 5 is paid.

The Client and Guarantor confirm that he/she has read and understood the terms and conditions overleaf and agrees to be bound by them and Servcorp agrees to provide the Services and Facilities as mentioned. **THIS SERVICE AGREEMENT AND SUBSEQUENT SCHEDULES (WHICH FORM PART OF THIS SERVICE AGREEMENT) ARE CONFIDENTIAL.** This Service Agreement does not automatically end. See section 4 Services Continuation clause overleaf. This Agreement cannot be terminated by the Client during the initial Service Agreement term.

We enter into this Service Agreement and have read and agree to all its conditions.

Signed for and on behalf of Servcorp	**Signed by the Guarantor**	**Signed for and on behalf of the Client**
Name (Printed) Liane Gorman	Name (Printed)	Name (Printed) JITTO ARULAM PALAM
Date 10/6/14	Date	Date 16/05/14
		Driver's Licence/Passport Number
Signature	Signature	Signature

Email communication

i. The email address provided on the service agreement shall be used by Servcorp for all email communication with the client. This includes general client communication, pricing changes, news and special offers. Written notification and an alternate email address must be provided to Servcorp if a client does not want to be contacted at this email address.

ii. Under no circumstances shall the client email address be provided to any external or third party providers.

THE CLIENT AND GUARANTOR (WHERE APPLICABLE) COVENANTS WITH SERVCORP:

1. Services

a. In order for Servcorp to provide temporary office services to the Client, Servcorp shall:
   i. Provide a temporary accommodation service (hereinafter referred to as the "Accommodation Service") by permitting temporary use of office space (hereinafter referred to as the "Office(s)" as defined in Item 6 overleaf) and the functions of the Office(s) at such location or locations within the Centre as Servcorp shall designate from time to time.
   ii. Provide core services including but not limited to Unified Communications, Servcorp Broadband Connection(s), Servcorp Online and beverages comprising coffee, tea and filtered water (hereinafter referred to as the "Core Services").
   iii. Provide other ancillary services as requested by the Client and agreed to by Servcorp, the contents of which shall be separately designated by Servcorp (hereinafter referred to as the "Ancillary Services". The Core Services and Ancillary Services including at Servcorp's absolute discretion Client entries on the building directory board, car parking and bike rack facilities and any other amenity within the building that Servcorp has the right to use and/or access under its lease of premises within that building shall be referred to collectively as the "Services". The Client shall pay Servcorp a fee for the Services.

b. Servcorp and the Client acknowledge that this Service Agreement is for the provision of Services for temporary use of a complete suite of office services and neither this Service Agreement nor the presence of the Client or any person or persons at any time constitutes or creates any tenancy, tenancy interest, leasehold estate or other real property interest and this agreement is not a rental agreement with respect to the Office(s), nor does it entitle the Client to exclusive possession of them. The Client agrees and acknowledges that for as long as this Service Agreement continues if Servcorp deems necessary, the accommodation may be provided in office space other than the Office(s). Expenses occurred in connection with such move to other office space shall be borne to the extent reasonable by Servcorp.

2. Payment

a. The Accommodation Service shall be paid for monthly in advance by way of Direct Debit on the first day of each and every month to Servcorp at its bank and in respect of any broken period a pro-rata adjustment shall be made. Cancellation of the Direct Debit without Servcorp being notified in writing shall be deemed a fundamental breach of this Service Agreement.

b. Services are to be paid for **SEVEN DAYS AFTER DATE OF INVOICE**. The Client will notify Servcorp in writing of any dispute and the reasons for it within seven days of date of invoice. If the parties agree there is a disputed amount, the Client shall pay the undisputed portion of the invoice(s) on or before the due date. Any invoice issued by Servcorp shall constitute formal demand for payment.

3. Security Deposit

a. Upon receipt of a security deposit to hold an Office, a suitable amount of office space will be held for up to 30 days. This deposit is non refundable if the Client does not proceed with this Service Agreement.

b. Any security deposit lodged by the Client under this Service Agreement will be lodged as security for Servcorp or its agent against default by the Client and as security for the Client's liability for all matters under this Service Agreement. Servcorp shall be entitled to deduct from the security deposit any monies owed to Servcorp for the Services or apply the same towards the satisfaction of any amount that may be payable to Servcorp or to a third party in respect of this Service Agreement for any reason. Neither the giving of the security deposit nor any deduction from it by Servcorp shall relieve the Client from any of its obligations under this Service Agreement or act as a waiver of or otherwise limit Servcorp's right to recover against the Client for any breach of this Service Agreement.

c. The security deposit is refundable to the Client but only after written request has been made by the Client with forwarding bank details to facilitate return of the security deposit. Servcorp shall be entitled to hold the security deposit for a period of 60 days after termination.

d. If the Client's account for a month shall exceed by 50% the security deposit held, the Client shall within seven days after receipt of the account increase the amount of the Security Deposit by paying to Servcorp a sum equal to such excess.

4. Services Continuation

Unless:

a. Servcorp gives at least one month's written notice to the Client demanding that it ceases its temporary occupation of the Office(s) on the date of expiration of the original term of this Service Agreement; or

b. The Client gives at least the required notice (as set out in Item 6 overleaf) to Servcorp IN WRITING to end temporary occupation on that date of expiration and not before the Initial Term Ending Date;

This Service Agreement shall from that date of expiration continue as a periodic Service Agreement for ongoing periods equal to the duration of the original term of the Service Agreement (as set out in Item 6 overleaf), at a service fee which is appropriate at the time of such renewal as determined by Servcorp in its absolute discretion and notified by it to the Client.

5. Insurance

a. To insure for public liability covering all sums which the Client may become legally liable to pay for at least US$2million.

b. To insure all goods held in the Office(s). Servcorp will not be held responsible for loss, theft or damage of the goods howsoever caused.

c. Servcorp will insure for Public Liability covering all sums which Servcorp shall become legally liable to pay.

d. The client will not make any claim in tort, contract or otherwise against Servcorp's landlord under the Headlease.

6. Government Charges, Rates & Taxes

a. To pay all Local and other Government taxes due for Services. All amounts mentioned in this Service Agreement are exclusive of such taxes.

7. Use and Care of the Centre

a. To take care of any goods, facilities equipment or space used by or provided to the Client pursuant to this Service Agreement and to keep them in a clean condition.

b. Not to display anything in the windows or doorways or make alterations or additions or install heavy equipment in the Centre, without the written consent of Servcorp.

c. Not to damage or mistreat any equipment provided by Servcorp as part of the Services.

d. Not to allow the installation of any machine, cabling, IT or telecoms connection in the Centre for sending or receiving of any communications without the written consent of Servcorp.

e. Not to sleep or permit anyone to sleep in the Centre.

f. Not to hold or permit to be held any retail sales or sale by auction in the Centre.

g. Not to smoke, or permit others to smoke, in the Office(s) or on the floor of the Centre on which the Office(s) are located.

h. Not to use the Centre for any immoral or illegal purposes.

i. Not to obstruct others' sales and business activities or cause any nuisance, annoyance or interference to any persons or premises.

j. Not to permit or keep in the Office(s) any substances of a dangerous, corrosive, combustible, explosive, radioactive or offensive nature or which might damage any premises, buildings or conducting media.

8. Equipment/Use

a. Not to use or permit to be used any communication or other equipment or machines by or for any other Client of Servcorp.

b. Not to divert or transfer any communications in any form to any PABX telephone system or electronic receiving device owned by Servcorp or its agents, without the written consent of Servcorp.

9. Services

a. To pay during the term of the Service Agreement all charges for Services rendered by Servcorp to the Client at the rates stipulated by Servcorp from time to time. Servcorp reserves the right to change, review or vary the Services charges.

b. Not to at any time directly or indirectly through another business or affiliate, provide to any other Client of Servcorp any of the Services provided by Servcorp or Servcorp's Affiliates.

c. The Client must provide one month's notice to Servcorp in writing to terminate monthly service rentals (i.e. Fax, Parking, Furniture Rental, Directory Board Listing and any other service provided and charged on a recurring monthly basis).

d. The Client acknowledges that Servcorp owns all telephone numbers and I.P. addresses allocated to the Client, and agrees that they are only available to the Client while they have this Service Agreement with Servcorp.

e. Five days per month complimentary access to an office/business lounge and "Test the Waters™" is available to the Client in cities where the Client is not a Servcorp or Servcorp Virtual Office client. Consecutive days are subject to availability. Bookings can only be made via Servcorp Online.

f. Servcorp retains the right to not accept any excessively large, unreasonable or unlawful packages.

g. The Client acknowledges that the beverage package is limited to self-service quality tea and coffee.

10. Internet

a. All Servcorp Broadband Internet Connections are subject to the current terms of use which are determined by Servcorp from time to time.

b. The Client acknowledges that the Service Level agreement is pursuant to the contract with the service provider.

11. Notice

Any written notice required or authorised by this Service Agreement:

a. Shall be deemed to have been served on the Client if emailed, delivered to the Office(s) or posted to the last known address of the Client and in the latter case shall be deemed to have been served on the second working day after posting.

b. Shall be deemed to have been served on Servcorp only if hand delivered or sent by registered post to Servcorp marked attention Manager.

12. Headlease

a. The Client acknowledges that this Service Agreement is subject and subordinate to the terms of Servcorp's headlease ("Headlease") and any other documents or provisions binding on Servcorp or Servcorp's use of the Building. The client acknowledges that the landlord under the Headlease has no obligation to the Client.

b. The parties agree that this Service Agreement is dependent and conditional upon the Headlease and that if the Headlease is terminated for any reason this Service Agreement and any ability on the part of the Client to occupy the Office(s) shall also immediately terminate without prejudice to any antecedent rights.

c. The Client shall comply with all acts, legislation, regulations and bylaws as required by the Headlease and comply with any regulations or procedures issued or required by the landlord under the Headlease.

d. Should the Client, in the absolute discretion of Servcorp, be carrying on illegal activities or be in breach of the provisions of Clause 12.c above, this Service Agreement shall terminate with immediate effect.

13. Termination

a. Servcorp may terminate this Service Agreement by giving one month's written notice to the Client at any time.

b. Servcorp shall have the right to withhold Services (including incoming and outgoing telephone calls and Client access to the Office(s)) and/or re-enter the Office(s) without prior notice and shall have a general lien on all property of the Client physically situated on any premises of Servcorp or alternatively at Servcorp's discretion continue this Service Agreement as a periodic Service Agreement from month to month:
   i. Where the Client has failed to pay for Accommodation or Services on the respective due dates; or
   ii. Where the Client has breached any term of this Service Agreement and fails to remedy that breach within seven days of being requested by Servcorp to do so.

c. The Client will be responsible for Servcorp's reasonable costs in recovering any monies owed under this Service Agreement.

d. The Client may remove its possessions and shall remove their signs provided that any damage or defacement occasioned in the course of such removal shall be remedied by the Client immediately and at their own expense. If it fails to do so Servcorp may do so at the Client's expense.

e. Upon the termination or determination of this Service Agreement for any cause the Client shall promptly and peacefully cease to occupy of the Office(s) and leave them in the condition and state of repair required by Clause 7 of this Service Agreement, and at the same time hand over all keys and access cards.

f. At time of termination, a fee (maximum fee will be two months' list suite rental) will be charged for administrative and office costs related to termination of the Service Agreement. This includes but is not limited to administrative fees, termination of phone and internet connections and make good of the premises (e.g. painting, steam cleaning of carpet, furniture repair, and maintenance to common areas and floor equipment). Restoration will be carried out by Servcorp's nominated contractors and personnel. Servcorp may continue to charge Accommodation Services to the Client for the time taken to restore/clean and will be charged at the rate applicable immediately prior to vacation.

g. If the Client fails to demand the refund of the security deposit within 360 days after the date of termination of this Service Agreement, the security deposit shall be deemed forfeited to Servcorp absolutely.

h. At the time of termination the Client, at Servcorp's discretion, will be required to pay a call administration/handling fee equivalent to The Virtual Office Membership for a period of three months from the date of termination. This Membership endeavours to ensure a smooth transition for the Client's business out of Servcorp.

14. Assignment of Rights

The Client shall not assign, transfer or use as collateral, any rights or obligations arising in connection with this Agreement to any third party or hold them on trust for any such party.

15. Servcorp Staff

a. If the Client, or any business of which the ownership or control is directly or indirectly associated with the Client, at any time during the term of the Service Agreement, or within 12 months after termination of the Service Agreement, employs/contracts any of the staff employed or who were employed by Servcorp or Servcorp's Affiliates during the term of the Service Agreement then the Client shall pay to Servcorp by way of liquidated and/or ascertained damages an amount equal to 30% of the new annual wage and/or annual cash package of the employee. The applicability of liquidated and ascertained damages applies to all staff whether permanent, part-time or otherwise.

b. The Client acknowledges that the Services will be shared with other Clients of Servcorp.

c. Not to abuse or mistreat any persons employed by Servcorp.

16. Guarantor's Liability

a. The Guarantor unconditionally agrees jointly and severally with the Client to be liable to Servcorp for the payment of Services and all other monies payable by the Client and also for the due performance and observance of all the terms and conditions on the part of the Client.

b. All the provisions of this guarantee shall apply to any liabilities of the Client in respect of any other property owned or run by Servcorp or Servcorp's Affiliates.

c. In case the Guarantors registered home address, name, business name, company representative(s), company registration, or any other personal contact information has changed, the Client and the Guarantor shall notify Servcorp in writing without any further delay.

17. Indemnity Clause

a. With the exception of gross negligence or wilful misconduct, the Client shall expressly indemnify Servcorp, its employees, caretakers, cleaners, agents or invitees, against any theft or loss from the Office(s) or damage to the Office(s) and its contents attributable to the Client, howsoever occurring.

b. The Client shall expressly indemnify Servcorp against any loss, damage, corruption of data or any loss of information whether from hardware, software, internet, voice or communication system failure that may occur to the Client during the term of this Service Agreement.

18. Repairs

To pay to Servcorp on demand any sums required by Servcorp to repair to the satisfaction of Servcorp any damage to the Premises resulting from neglect, omission or a deliberate or careless act or a breach of any condition of the Service Agreement by the Client or any person who enters or is upon the Premises with the consent or sufferance of the Client. If the Client fails to do so Servcorp may do so at the Client's expense.

19. Costs

a. Should payment for Services and/or charges be made by any payment method other than Direct Debit Servcorp reserves the right to charge a payment administration fee per payment.

b. Should payment for Services and/or charges be made by credit card, where applicable an administration fee of 5% of the amount paid will apply.

c. To pay all reasonable costs relating to this Service Agreement, including any legal costs whatsoever, stamp duty and any bank charges payable by Servcorp in respect of Accommodation Services and other amounts received by Servcorp from the Client pursuant to this Service Agreement.

20. Invoices

Any invoice issued by Servcorp to the Client shall constitute a formal demand for payment. Any monies owing to Servcorp for more than 14 days shall bear a late payment administrative fee at the rate of 5% per month until payment.

21. Servcorp Clients

a. In the event that during this Service Agreement, or within two years of the termination or expiration of this Service Agreement, the Client entices or persuades clients receiving services of Servcorp or any Affiliate of such client to leave Servcorp offices and to move to other premises not owned or run by Servcorp or Servcorp's Affiliates and receive services not operated by Servcorp or Servcorp's Affiliates, this shall constitute a material breach of this Service Agreement.

b. In the event of a material breach of Clause 21a by the Client, the Client shall promptly pay to Servcorp an amount of US$15,000 as a penalty.

c. Payment of the penalty under Clause 21b shall not preclude Servcorp demanding further payment for damages.

22. Consignment

The Client confers on Servcorp, or any party appointed by Servcorp, the right to purchase and store drinks, including liquor, in place of the Client.

23. Business-like dress standards apply at all times

The Client shall ensure that its employees, agents, contractors, clients and other persons who attend the Centre wear business attire at all times.

24. Governing Law

The governing law of this Service Agreement will be the law of the Country and State in which the premises are located.

©2013
Date ©2013 sn servcorpplease20130118AU&NZ

Clients Initials:
Date: 16.05.2014

SERVCORP.COM.AU

SERVCORP

AUSTRALIA NEW ZEALAND JAPAN CHINA SOUTH EAST ASIA INDIA MIDDLE EAST EUROPE USA UK

EXHIBIT 12.1

CERTIFICATIONS

I, Indrajit Arulampalam, certify that:

1. I have reviewed this annual report on Form 20-F of Progen Pharmaceuticals Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 12, 2014

/s/ Indrajit Arulampalam
Executive Chairman

EXHIBIT 12.2

CERTIFICATIONS

I, Lee Horobin, certify that:

1. I have reviewed this annual report on Form 20-F of Progen Pharmaceuticals Limited;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the company as of, and for, the periods presented in this report;

4. The company's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d -15(f)) for the company and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the company's internal control over financial reporting; and

5. The company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the company's auditors and the audit committee of the company's board of directors:

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the company's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the company's internal control over financial reporting.

Date: November 12, 2014

/s/ Lee Horobin
General Manager of Finance

EXHIBIT 13

Certification
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(Subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of section 1350 of title 18, United States Code), each of the undersigned officers of Progen Pharmaceuticals Limited, a company organized under the laws of the State of Queensland, Australia (the "Company"), does hereby certify to such officer's knowledge that:

The Annual Report on Form 20-F for the year ended June 30, 2014 (the "Form 20-F") of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and the information contained in the Form 20-F fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to Progen Pharmaceuticals Limited and will be retained by Progen Pharmaceuticals Limited and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: November 12, 2014

/s/ Indrajit Arulampalam

Executive Chairman

Dated: November 12, 2014

/s/ Lee Horobin

General Manager of Finance