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Pre-Reinstatement Disclosure

Melbourne, Australia, 2 February 2016. The following information is provided by TBG Diagnostics Limited (ASX: TDL) (the Company) for release to the market as part of its pre-reinstatement disclosure requirements.

CAPITAL STRUCTURE

1. Capital structure

The Company has completed the acquisition of TBG Inc (**TBG Acquisition**) and a raising of \$12,721,590 via a public offer pursuant to a Prospectus dated 10 November 2015 (**Offer**). All of the conditions set out in the Offer and also in the Share sale and purchase agreement relating to the TBG Acquisition have been satisfied or waived (as the case may be).

The Company has issued:

- (a) 101,722,974 fully paid ordinary shares pursuant to the TBG Acquisition; and
- (b) 60,579,000 Shares pursuant to the Offer.

As a result of the above, the current share capital structure of the Company is as follows:

Shares	Number
Current Shares on issue	55,285,315
Issue of Shares pursuant to TBG Acquisition	101,722,974 ¹
Issue of Shares pursuant to Offer	60,579,000
Total Shares on issue at Relisting	217,587,289

The Company currently has 1,929,200 Options on issue. The terms of the Options are set out in Annexure A. The Options are unlisted. A summary of the Options on issue as at the date of this disclosure are set out in the following table.

¹ In accordance with ASX requirements, the shares issued to Medigen Biotechnology Corporation as consideration for TBG Acquisition are classified as restricted securities for a period of 24 months from the date of reinstatement to official quotation of the securities of the Company.

Options	Number
Options exercisable at \$1.20 expiring 1 December 2018	120,000 ¹
Options exercisable at \$1.30 expiring 1 June 2018	120,000 ¹
Options exercisable at \$1.20 expiring 1 April 2018	6,000 ²
Options exercisable at \$1.30 expiring 1 January 2018	12,000 ²
Options exercisable at \$1.50 expiring 1 October 2018	12,000 ²
Options exercisable at \$0.30 expiring 13 March 2016	1,000,000 ³
Options exercisable at \$0.21 expiring 25 September 2013	30,000 ⁴
Options exercisable at \$1.20 expiring 1 April 2018	142,800 ⁴
Options exercisable at \$1.30 expiring 1 January 2018	259,600 ⁴
Options exercisable at \$1.50 expiring 1 October 2018	226,800 ⁴
Total Options on issue at Relisting	1,929,200

Notes:

1. Terms and conditions relating to these Options are set out in Annexure A.
2. Terms and conditions relating to these Options are set out in Annexure B.
3. Terms and conditions relating to these Options are set out in Annexure C.
4. Terms and conditions relating to these Options are set out in Annexure D.

2. Securities subject to escrow/res

The shares issued to Medigen Biotechnology Corporation as consideration for the acquisition of TBG Inc are escrowed in accordance with ASX rules as set out below:

Security	Escrow period	Number
Shares	24 months from the date of reinstatement to official quotation of the securities of the Company.	101,722,974

3. Distribution schedule

The following table shows the distribution and spread

Range	Total holders	Shares	Percentage
1 – 1,000	988	463,471	0.21%
1,001 – 5,000	790	1,932,663	0.89%
5,001 – 10,000	182	1,449,334	0.67%
10,001 – 100,000	217	6,256,116	2.88%
100,001 – over	81	207,494,705	95.36%
Totals		217,587,289	100.00%

4. Top 20 Holders

Rank	Holder	Shares	Percentage
1	Medigen Biotechnology Corporation	101,722,974	46.75%
2	Eternal Materials Co Ltd	40,200,000	18.48%
3	HSBC Custody Nominees (Australia) Limited	13,254,543	6.09%
4	JP Morgan Nominees Australia Limited	7,914,504	3.64%
5	Medigen Biotechnology Corporation	4,192,964	1.93%
6	Mss Fu Mei Wang	2,157,128	0.99%
7	US Control Account	2,106,851	0.97%
8	Sen-Jung Lai	1,900,000	0.87%
9	Ms Wen-Min Wang	1,576,289	0.72%
10	Mr Yung-Fong Lu	1,571,020	0.72%
11	Tzu Laing Huang	1,500,000	0.69%
12	Mrs Le Li Hsueh Yang	1,322,558	0.61%
13	Ying Cheng	1,031,000	0.47%
14	Mr Chaw-Yuan Chen	1,023,000	0.47%
15	Mr Hsien-Jung Yang & Mrs Ma Shu-Hwa Yang <The Lambert Super Fund A/C>	1,001,000	0.46%

16	Mr Chi-Liang Yang	945,984	0.43%
17	Wei Cheng	931,000	0.43%
18	BNP Paribas Noms Pty Ltd <DRP>	846,820	0.39%
19	Mr Min-Hua Yeh	844,894	0.39%
20	Ms Yi-Hui Shen	819,000	0.38%
Total Top 20 holders		186,861,529	85.88%
Total remaining Holders balance		30,725,760	14.12%

It should be noted that Medigen Biotechnology Corporation holds a total of 112,615,938 shares in the Company, which represents a total interest in the Company of 51.75%.

FINANCIAL POSITION

1. Application of funds raised under Offer

In section 7.4 of the Prospectus, the Company set out its proposed use of funds upon completion of the Offer. Upon closure of the Offer a total of \$12,721,590 was raised.

By way of update, the Company's proposed use of funds (excluding administration, sales and marketing and general working capital) is set out below:

Details	Funds available	Percentage
Pre-Offer Cash	\$6,412,620 ²	33.51%
Funds raised from the Offer	\$12,721,590	66.49%
Total	\$19,134,210	100.00%

Use of Funds	Expenditure	Percentage
PG500 Series – completion of Phase 1a	\$1,250,000	6.53%
Research and Development (over 2 years)	\$6,500,000	33.97%
Reagent Development (HLA, oncology, etc)	\$1,400,000	7.32%
Clinical Trials (over 2 years)	\$3,500,000	18.29%
Total funds expended	\$12,650,000	66.11%
Expected fund balance	\$6,484,210	33.89%

² Includes an adjustment for movement in cash since 1 July 2015. As at 31 December 2015, the combined pre-Offer cash balance of the Company and TBG has decreased by \$2,981,681.

2. Pro forma Balance Sheet

A pro forma balance sheet for the Company upon completion of the Offer was contained in section 8.3 of the Prospectus. Over the page is an updated pro forma balance sheet for the Company upon closure of the Offer.

The pro forma balance sheet over the page represents the historical statement of financial position as at 30 June 2015 adjusted for the full subscription amount raised under the Offer and reflects the following events and transaction as if they have taken place as at 30 June 2015:

- subscription of 60,579,000 shares at \$0.21 pursuant to the Offer (a total of \$12,721,590); and
- payment of expenses of approximately \$415,000.

There has been no adjustment in the pro forma balance sheet to reflect cash flow movements from operating activities since 1 July 2015. As at 31 December 2015, the combined pre-Offer cash balance of the Company and TBG has decreased by \$2,918,681 to \$6,412,620.

Other than this, there have been no material subsequent events to alter the Company's consolidated statement of financial position as detailed in section 12 of the Prospectus.

Pro-forma Balance Sheet As at 30 June 2015					
	Progen Pharmaceuticals Limited ('PGL') Historical Balance Sheet	PGL Capital Raise	TBG Inc. Historical Balance Sheet	Impact of Acquisition	Combined Entity Pro-Forma Balance Sheet
	\$	\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	2,813,301	12,617,941	6,417,553	310,814	21,537,981
Trade and other receivables	1,369,629	-	423,398	-	1,793,027
Inventory	-	-	437,197	-	437,197
Other current assets	405,913	-	478,459	-	884,372
TOTAL CURRENT ASSETS	4,588,843	12,617,941	7,756,607	310,814	24,652,577
NON-CURRENT ASSETS					
Other assets	24,400	-	253,956	-	278,356
Plant and equipment	443,422	-	3,185,093	-	3,628,515
Deferred tax asset	-	-	-	-	-
Intangibles	-	-	710,740	4,196,562	4,907,302
TOTAL NON-CURRENT ASSETS	467,822	-	4,149,788	4,196,562	8,814,173
TOTAL ASSETS	5,056,665	12,617,941	11,906,395	3,885,748	33,466,749
CURRENT LIABILITIES					
Trade and other payables	913,022	-	577,519	-	1,490,541
Current tax	-	-	-	-	-
Short-term provisions	639,392	-	-	-	639,392
TOTAL CURRENT LIABILITIES	1,552,414	-	577,519	-	2,129,933
NON-CURRENT LIABILITIES					
Long-term provisions	42,499	-	-	-	42,499
Deferred tax liability	-	-	-	-	-
TOTAL CURRENT LIABILITIES	42,499	-	-	-	42,499
TOTAL LIABILITIES	1,594,913	-	577,519	-	2,172,432
NET ASSETS	3,461,752	12,617,941	11,328,876	3,885,748	31,294,317
EQUITY					
Contributed equity	158,320,862	12,617,941	12,938,616	150,662,548	33,214,871
Reserves	3,828,388	-	38,123	3,828,388	38,123
Accumulated losses/ Retained Earnings	-	-	1,647,863	158,376,684	1,958,677
TOTAL EQUITY/ (DEFICIT)	3,461,752	12,617,941	11,328,876	3,885,748	31,294,317

STATEMENT CONFIRMING NO RESTRICTIONS

The Company confirms that there are no legal, regulatory or contractual impediments to the Company undertaking the activities the subject of the commitments disclosed in the Prospectus.

STATEMENT CONFIRMING COMPLIANCE WITH LISTING RULES

The Company is in compliance with the Listing Rules, and in particular listing Rule 3.1.

CHESS/HOLDING STATEMENTS

The Company confirms that the following items have been dispatched to shareholders:

- (a) in relation to all holdings on the CHESS sub-register, a notice from the Company under ASX Operating Rule 8.9.1;
- (b) in relation to all other holdings, issuer sponsored holding statements; and
- (c) any refund money.

ENDS

ANNEXURE A – TERMS OF OPTIONS (DIRECTORS)

The terms and conditions of the Director Options are set out below:

Interpretation

In these terms and conditions the following terms will bear the following means unless the context otherwise requires:

\$ means Australian dollars, unless otherwise stated.

AEST means Australian Eastern Standard Time.

ASX means ASX Limited.

Board means the Company's Board of Directors

Business Hours means between the hours of 8.30am to 5.00pm AEST Monday to Friday.

Company means Progen Pharmaceuticals Limited ACN 010 975 612

Corporations Act means the Corporations Act 2001 (Cth)

Exercise Notice means a notice in writing stating the intention of the holder to Exercise all or a specified number of the Option; and pay the Exercise Price in full for the exercise of each such Option.

Options means an option which, if vested and exercised, will entitle the holder to subscribe for a Share.

Change in Control means a change in the composition of the shareholders of the Company whereby a person who does not presently control the Company within the meaning of section 50AA of the Corporations Act gains such control over the Company;

Listing Rules means the listing rules as amended from time to time of the ASX;

Nominee means:

- (a) the Relevant Person;
- (b) a spouse or de facto spouse of the Relevant Person;
- (c) a child, sibling or parent of the Relevant Person;
- (d) a family trust associated with the Relevant Person;
- (e) a superannuation fund in which the Relevant Person or any of the persons referred to above is a member;
- (f) any other nominee approved by the Company

Relevant Person means the Director

Share means a fully paid ordinary share in the capital of the Company. **Shareholder** means a holder of Shares.

The terms and conditions of each Option are as follows:

1. Each Option entitles the holder to subscribe for one Share upon exercise of the Option and payment of the Exercise Price described in the offer.
2. Each Option is issued for nil consideration.
3. The Options will not be quoted on ASX.
4. The Options will expire at 5.00pm AEST on the Expiry Date described in the offer.

5. Upon grant the Company will issue an Option certificate or holding statement.
6. Holders may exercise the vested Options at any time up to the Expiry Date. Any Option not exercised, automatically expires on the Expiry Date.
7. Options may only be exercised during Business Hours by the delivery of an Exercise Notice to the Company Secretary.
8. A notice in writing received outside Business Hours will be deemed received at the next opening of Business Hours.
9. The Options will be deemed to have been exercised on the date the Exercise Notice is received or deemed to be received by the Company.
10. Following receipt of the full Exercise Price pursuant to the Exercise Notice the Company will allot the Shares to which a holder is entitled following exercise of Options and deliver a holding statement with respect to such Shares within the timeframe required by the Listing Rules.
11. The exercise of only some Options will not affect the rights of the holder to the balance of the Options held by them.
12. If the holder of the Options exercises less than the total number of Options registered in the holder's name:
 - (a) The holder of the Options must surrender its option certificate, if one has been issued by the Company; and
 - (b) The Company must cancel the certificate and issue the holder of the Options a new certificate or holding statement stating the remaining number of Options held by the holder.
13. Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company unless the holder of the Options has exercised the Options before the record date for determining these entitlements and participates as a result if holding Shares.
14. All Shares issued on exercise of an Option will:
 - (a) Rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (b) Be issued credited as fully paid;
 - (c) Be duly authorised and issued by all necessary corporate action; and
 - (d) Be allotted and issued free from all liens, charges and encumbrances whether known about or not, including statutory and other pre-emption rights and any transfer restrictions.
15. The Company will apply to ASX Limited for official quotation of the Shares issued upon exercise of Options within the time period required by the Listing Rules.
16. Subject to the Listing Rules of the ASX, the Director Options can be transferred to a Nominee of the holders, but otherwise are not transferable, without the prior written approval of the Board of Directors.
17. A holder of Options does not have the right to participate in bonus issues or new issues of securities offered to Shareholders until Shares are allotted to the holder pursuant to the exercise of the Options.
18. In the event of a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holders of Options

(including, without limitation, the number of Options to which the holder is entitled to and the Exercise Price) will be changed (as appropriate) in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

19. If the Company makes a pro-rata issue (other than a bonus issue) to existing Shareholders and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option will be reduced in the manner permitted by the Listing Rules applying at the time of the pro-rata issue.
20. If the Company makes a bonus issue to existing Shareholders and no Share has been issued in respect of that Option before the record date for determining entitlements to the issue, then the number of Shares over which that Option is exercisable will be increased in the manner permitted by the Listing Rules applying at the time of the bonus issue.
21. The Company is entitled to treat the registered holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
22. In the event of a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire all of the Shares, the holder may exercise Options within the offer period after which all those Options will immediately lapse.
23. In the event a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company the effect of which may be that a person will have a relevant interest in at least 90% of the Shares and Shareholders pass the resolution by the requisite majorities, the holder may exercise Options before the scheme of arrangement closes after which all those Options will immediately lapse.
24. In the event of the death of the holder, all vested Options may be exercised by the holder's executor or personal representative before the earlier of the twelve (12) month period following the date of death or Expiry Date, after which all those Options will immediately lapse.
25. In the event of the resignation (voluntary, by resolution of the shareholders or by a matter of law) of office of the holder, all vested Options may be exercised before the earlier of the three (3) month period following the date of cessation of office or Expiry date, after which all those Options will immediately lapse.

ANNEXURE B – TERMS OF OPTIONS (CONTRACTORS)

The terms and conditions of the Unlisted Options are set out below:

Interpretation

In these terms and conditions the following terms will bear the following means unless the context otherwise requires:

\$ means Australian dollars, unless otherwise stated.

AEST means Australian Eastern Standard Time.

ASX means ASX Limited.

Board means the Company's Board of Directors

Business Hours means between the hours of 8.30am to 5.00pm AEST Monday to Friday.

Company means Progen Pharmaceuticals Limited ACN 010 975 612

Corporations Act means the Corporations Act 2001 (Cth)

Exercise Notice means a notice in writing stating the intention of the holder to Exercise all or a specified number of the Option; and pay the Exercise Price in full for the exercise of each such Option.

Options means an option which, if vested and exercised, will entitle the holder to subscribe for a Share.

Change in Control means a change in the composition of the shareholders of the Company whereby a person who does not presently control the Company within the meaning of section 50AA of the Corporations Act gains such control over the Company;

Listing Rules means the listing rules as amended from time to time of the ASX; **Nominee** means:

- (a) the Relevant Person;
- (b) a spouse or de facto spouse of the Relevant Person;
- (c) a child, sibling or parent of the Relevant Person;
- (d) a family trust associated with the Relevant Person;
- (e) a superannuation fund in which the Relevant Person or any of the persons referred to above is a member;
- (f) any other nominee approved by the Company

Relevant Person means the Contractor

Share means a fully paid ordinary share in the capital of the Company. **Shareholder** means a holder of Shares.

The terms and conditions of each Option are as follows:

1. Each Option entitles the holder to subscribe for one Share upon exercise of the Option and payment of the Exercise Price described in the offer.
2. Each Option is issued for nil consideration.
3. The Options will not be quoted on ASX.
4. The Options will expire at 5.00pm AEST on the Expiry Date described in the offer.
5. Upon grant the Company will issue an Option certificate or holding statement.

6. Holders may exercise the vested Options at any time up to the Expiry Date. Any Option not exercised, automatically expires on the Expiry Date.
7. Options may only be exercised during Business Hours by the delivery of an Exercise Notice to the Company Secretary.
8. A notice in writing received outside Business Hours will be deemed received at the next opening of Business Hours.
9. The Options will be deemed to have been exercised on the date the Exercise Notice is received or deemed to be received by the Company.
10. Following receipt of the full Exercise Price pursuant to the Exercise Notice the Company will allot the Shares to which a holder is entitled following exercise of Options and deliver a holding statement with respect to such Shares within the timeframe required by the Listing Rules.
11. The exercise of only some Options will not affect the rights of the holder to the balance of the Options held by them.
12. If the holder of the Options exercises less than the total number of Options registered in the holder's name:
 - (a) The holder of the Options must surrender its option certificate, if one has been issued by the Company; and
 - (b) The Company must cancel the certificate and issue the holder of the Options a new certificate or holding statement stating the remaining number of Options held by the holder.
13. Options will not confer an entitlement to receive dividends declared and paid by the Company, nor an entitlement to vote at general meetings of the Company unless the holder of the Options has exercised the Options before the record date for determining these entitlements and participates as a result if holding Shares.
14. All Shares issued on exercise of an Option will:
 - (a) Rank equally in all respects (including, without limitation, rights relating to dividends) with other issued Shares;
 - (b) Be issued credited as fully paid;
 - (c) Be duly authorised and issued by all necessary corporate action; and
 - (d) Be allotted and issued free from all liens, charges and encumbrances whether known about or not, including statutory and other pre-emption rights and any transfer restrictions.
15. The Company will apply to ASX Limited for official quotation of the Shares issued upon exercise of Options within the time period required by the Listing Rules.
16. Subject to the Listing Rules of the ASX, the Director Options can be transferred to a Nominee of the holders, but otherwise are not transferable, without the prior written approval of the Board of Directors.
17. A holder of Options does not have the right to participate in bonus issues or new issues of securities offered to Shareholders until Shares are allotted to the holder pursuant to the exercise of the Options.
18. In the event of a reorganisation (including, without limitation, consolidation, sub-division, reduction or return) of the capital of the Company, the rights of the holders of Options (including, without limitation, the number of Options to which the holder is entitled to

and the Exercise Price) will be changed (as appropriate) in accordance with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

19. If the Company makes a pro-rata issue (other than a bonus issue) to existing Shareholders and no Share has been issued in respect of the Option before the record date for determining entitlements to the issue, the Exercise Price of each Option will be reduced in the manner permitted by the Listing Rules applying at the time of the pro-rata issue.
20. If the Company makes a bonus issue to existing Shareholders and no Share has been issued in respect of that Option before the record date for determining entitlements to the issue, then the number of Shares over which that Option is exercisable will be increased in the manner permitted by the Listing Rules applying at the time of the bonus issue.
21. The Company is entitled to treat the registered holder of an Option as the absolute holder of that Option and is not bound to recognise any equitable or other claim to, or interest in, that Option on the part of any person other than the registered holder, except as ordered by a court of competent jurisdiction or as required by statute.
22. In the event of a takeover bid within the meaning of the Corporations Act is made for the Shares and the bidder becomes entitled to compulsorily acquire all of the Shares, the holder may exercise Options within the offer period after which all those Options will immediately lapse.
23. In the event a court orders a meeting to be held in relation to a proposed scheme of arrangement in relation to the Company the effect of which may be that a person will have a relevant interest in at least 90% of the Shares and Shareholders pass the resolution by the requisite majorities, the holder may exercise Options before the scheme of arrangement closes after which all those Options will immediately lapse.
24. In the event of the death of the holder, all vested Options may be exercised by the holder's executor or personal representative before the earlier of the twelve (12) month period following the date of death or Expiry Date, after which all those Options will immediately lapse.
25. In the event of the resignation (by termination of consultancy by the Company or the holder or by a matter of law) of office of the holder, all vested Options may be exercised before the earlier of the three (3) month period following the date of cessation of office or Expiry date, after which all those Options will immediately lapse.

ANNEXURE C – TERMS OF OPTIONS

The following terms are extracted from the 2013 Notice of Annual General Meeting:

In accordance with the requirements of Listing Rule 7.5, the following information is to be provided to Shareholders to allow them to assess Resolution 5:

- A total number of 1,000,000 unlisted options were issued.
- The options were issued with an exercise price of \$0.30 per option.
- The issue of options was made to Mercer Capital Pty Ltd, the underwriter for the Company's non-renounceable pro rata rights issue announced to market on 16 April 2013. The unlisted options permit the underwriter to subscribe for Shares in the Company at an exercise price of \$0.30 per option exercisable by no later than 13 March 2016.
- The unlisted options were issued as part of the consideration to Mercer Capital Pty Ltd for fully underwriting the Company's non-renounceable pro rata rights issue.
- A voting exclusion statement has been included for the purpose of Resolution 5

ANNEXURE D – TERMS OF OPTIONS (ESOP)

The following is a copy of the Company's Employee Share Option Plan under which the Options have been issued.

THE PROGEN DIRECTORS AND EMPLOYEE OPTION
INCENTIVE PLAN RULES

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PROGEN INDUSTRIES LIMITED

ABN 82 010 975 612

THE PROGEN DIRECTORS AND EMPLOYEE OPTION INCENTIVE PLAN RULES

This Plan is established in accordance with approval by a resolution of Shareholders at the Annual General Meeting of the Company held on 16 November 2010.

1. INTERPRETATION

1.1 Definitions

In this Plan:

'Acceptance Closing Date' means the last day upon which an eligible employee may accept options.

'Acceptance Form' means the form of acceptance approved by the Board.

'ASX' means Australian Securities Exchange.

'associate' in relation to a participating employee means an entity controlled by that employee or a member of that employee's immediate family (spouse, defacto spouse, parents and children).

'Board' means the board of directors of the Company.

'business day' has the meaning given to that term in the Listing Rules.

'Company' means Progen Pharmaceuticals Limited ABN 82 010 975 612.

'Corporations Act' means the Corporations Act 2001 (Cth).

'eligible employee' means a person who is eligible to participate in this Plan under rule 2.

'Employee Share Scheme' has the meaning given by the Corporations Act.

'Exercise Notice', in relation to an option, means the notice to be completed to exercise that option which shall be in such form as may be approved by the Board from time to time.

'Exercise Period' means the period during which Options may be exercised.

'Exercise Price' means the price at which Options may be exercised, determined in accordance with rule 3.4.

'group' means the Company and each of its subsidiaries (as that term is defined in the Corporations Act).

'group company' means the Company and each of its subsidiaries and controlled entities.

'Invitation' means an invitation to eligible employees to take Options;

'Listing Rules' means the Listing Rules of ASX in their application to the Company.

'Option' means an option granted under this Plan.

'Option Certificate' means the form of option certificate approved by the Board.

'Plan' means this plan as amended from time to time.

'participating employee' means an eligible employee who has accepted an invitation from the Board to participate in this Plan.

'Share' means a fully paid ordinary share issued by the Company.

1.2 Interpretation

In the interpretation of this Plan:

- (a) Words denoting the singular include the plural and vice versa.
- (b) Words denoting a gender include each other gender.
- (c) Headings are for convenience only and do not affect interpretation.

1.3 Proper law

The laws of Queensland, Australia govern this Plan.

1.4 Compliance

In administering this Plan the Company must comply with the Corporations Act and the Listing Rules. To the extent that any provision of this Plan is or becomes inconsistent with the Corporations Act or the Listing Rules, the Company will do all things reasonably necessary to ensure that this Plan is amended so that it complies with the provisions of the Corporations Act and the Listing Rules.

2. PARTICIPATION

2.1 Employees

Subject to the Board's discretion, permanent full time and permanent part time employees of the group are eligible to participate in this Plan.

2.2 Directors

Subject to the Board's discretion, executive and non-executive directors of the group are eligible to participate in this Plan.

In accordance with Listing Rule 10.14 Options issued to directors under this Plan are subject to specific approval at a general meeting of shareholders.

2.3 Voluntary participation

Participation in this Plan is voluntary and no person is required, whether by the terms of his or her employment or otherwise, to participate in this Plan.

3. OFFER OF OPTIONS

3.1 Board may offer

The Board may, having regard to the incentive and remuneration policies from time to time applied by the Board to employees either as a group or individually, and any other relevant policy of the Board, despatch an Invitation to one or more eligible employees.

The Invitations shall be in writing and shall invite the recipient to accept Options.

Each Invitation shall be accompanied by a form which specifies:

- a) the maximum number of Options to which an eligible employee is entitled under the Invitation;
- b) the number of Shares to which the Options relate;
- c) the Exercise Price of those Options;
- d) the Exercise Period for those Options;
- e) the manner in which an Invitation may be accepted; and
- f) the date of the Acceptance Closing Date.

3.2 Acceptance by Eligible Person

An eligible employee may only accept Options by completing the Acceptances Form and delivering that Acceptance Form by post or in person to the Company at its registered office by no later than 5:00 pm on the Acceptance Closing Date.

3.3 Grant of options

Upon receipt of an acceptance pursuant to rule 3.2, the Company shall grant Options at no cost to those eligible employees who have accepted the same and shall issue to each of them an Option Certificate or Holding Statement in respect of the number of Options accepted by that eligible employee.

3.4 Exercise Price of Options

The Exercise Price per Share of any Option shall not be less than the average closing share price as recorded on the ASX in the 5 business days preceding the grant of Options under rule 3.3.

Subject to the above the Exercise Price per Share of an Option granted under this Plan shall be that amount which is determined by the Board and stated in the Invitation.

3.5 Limit on number

An offer of options must not be made under this Plan if the number of Shares that may be acquired on exercise of such options, when aggregated with:

- (a) the number of Shares that would be issued if each outstanding offer or option to acquire unissued Shares, being an offer made or option acquired in accordance with an Employee Share Scheme, was to be accepted or exercised (as the case may be); and
- (b) the number of Shares issued during the previous five years in accordance with an Employee Share Scheme,

but disregarding any offer made, or option acquired or Share issued, by way of or as a result of:

- (c) an offer to a person situated outside Australia at the time of receipt of the offer; and
- (d) an offer that did not require disclosure because of section 708 of the Corporations Act,

exceeds 5% of the total number of Shares on issue at the time of that offer.

4. EXERCISE OF OPTION

4.1 Time for exercise of options

Options not exercised by 5.00 pm Brisbane time on their expiry date will lapse.

4.2 Exercise of option

Options may be exercised in accordance with their terms by notice in writing to the Company in such form as the Board may approve from time to time, together with payment to the Company in the amount of the Exercise Price for each Option exercised and the Options Certificate for the Options to which the Exercise Notice relates.

4.3 Official quotation

The Company:

- (a) will not apply for official quotation of options granted under this Plan; and
- (b) must make an application for official quotation of Shares issued on exercise of options as soon as practicable after the issue of those Shares.

4.4 Participation in new issues

Participating employees are not permitted to participate in new issues of securities by the Company, unless there is a pro rata:

- (a) issue of Shares to ordinary shareholders of the Company (other than a bonus issue), in which case the relevant exercise price may be adjusted by the Company in accordance with the relevant formulae set out in the Listing Rules; and
- (b) bonus issue of Shares to ordinary shareholders of the Company, in which case the number of Shares over which an option is exercisable may be increased by the number of bonus Shares which the participating employee would have received if the option had been exercised before the record date for the bonus issue (as determined under the Listing Rules).

4.5 Reorganisation of capital

In any reorganisation of capital, the option terms will be changed to the extent necessary to comply with the Listing Rules applying to such a reorganisation of capital at the time of the reorganisation.

4.6 Issue of Shares

Shares issued after the exercise of an Option will:

- (a) be issued not more than 15 business days after the receipt of the exercise notice and the application moneys; and
- (b) rank equally, from the date of issue, in all respects with all existing Shares on issue at that time.

4.7 No transfer of options

Options may not be transferred, except at the Board's sole discretion to an associate of the participating employee, and no security interest or other encumbrance may be granted over options granted under this Plan. In the case of a transfer to an associate, the terms of this Plan apply to the associate as if that person was the participating employee.

4.8 Takeovers

- (a) A participating employee may exercise his or her Options:
 - (i) if any offer is made for Shares under a takeover bid (as defined in the Corporations Act); and
 - (ii) offers under the takeover bid extend to Shares issued on the exercise of options; and
 - (iii) a majority of the Board has recommended acceptance of the offer made under the takeover bid; and
 - (iv) within the offer period (as defined in the Corporations Act).
- (b) The Company will use its best endeavours to issue to the participating employee, before the end of the offer period, the number of Shares in respect of which Options have been validly exercised under paragraph (a);
- (c) If the Shares cease to be quoted by ASX because of any takeover bid referred to in paragraph (a), all unexercised Options will lapse on the date that the Shares cease to be quoted.

4.9 Reconstructions

- (a) If under Part 5.1 of the Corporations Act the court sanctions a compromise or arrangement for the purposes of or in connection with a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, then, subject to paragraph (b), a participating employee may exercise his or her Options within one month of the date of the court giving the sanction.
- (b) If the Shares cease to be quoted on ASX because of the compromise or arrangement referred to in paragraph (a), all unexercised Options will lapse on the date that the Shares cease to be quoted.
- (c) If the circumstances in paragraph (a) will result in another company acquiring control of the Company, the Company will use its best endeavours to have the Options transferred or cancelled in exchange for an issue of shares or options over shares in that company. Participating employees may still exercise options under paragraph (a).
- (d) The Company will use its best endeavours to issue the number of Shares in respect of which Options have been validly exercised under paragraph (a) as soon as practicable after that exercise.

4.10 Winding up

If notice is given to members of the Company of a proposed resolution for the voluntary winding up of the Company, each participating employee may exercise his or her Options during the period beginning at the time the notice is given and ending at the time a resolution for voluntary winding up is passed.

5. LAPSE OF OPTIONS

5.1 Resignation

Subject to rule 5.5, if a participating employee's employment or office with a group company ceases due to his or her resignation, all vested Options granted to that participating employee up to the date of cessation of employment or office may be exercised during the three month period following that date of cessation, after which all those Options will lapse unless the Board determines otherwise.

5.2 Retirement, redundancy or permanent disability

Subject to rule 5.5, if a participating employee's employment or office with a group company ceases due to his or her retirement after the age of 55 (or such younger age as may be determined by the Board), redundancy or permanent disability, all Options granted to that participating employee up to the date of cessation of employment or office may be exercised during the six month period following that date of cessation, after which all those options will lapse unless the Board determines otherwise.

5.3 Death

Subject to rule 5.5, if a participating employee's employment or office with a group company ceases due to his or her death, all Options granted to that participating employee up to the date of death may be exercised by that participating employee's executor or personal representative during the 12 month period following the date of death, after which all those options will lapse unless the Board determines otherwise.

5.4 Cessation of employment for any other reason

Subject to rule 5.5, if a participating employee's employment or office with a group company ceases for any reason other than referred to in rules 5.1, 5.2 or 5.3, all vested Options granted to that participating employee may be exercised during the three month period following the date of cessation, after which all those options will lapse, unless the Board determines otherwise.

5.5 End of exercise period on the expiry date

If an Option has not lapsed earlier in accordance with this rule 5, it will lapse on the expiry date specified by the Board under rule 4, which date must not exceed 10 years from the date of grant of the option.

6. EMPLOYMENT RIGHTS

6.1 Plan not part of employment contract

- (a) This Plan does not form part of any contract of employment or service between any group company and any person, including any eligible employee.
- (b) Nothing in this Plan confers on any person, including any eligible employee, the right to be offered or granted options.
- (c) It is the condition of this Plan that it may be terminated at any time at the discretion of the Board and that no compensation under any employment or service contract will arise as a result of any such termination.

6.2 Termination of employment

This Plan:

- (a) does not confer on any eligible employee or participating employee the right to continue as an employee or officer of any group company; and
- (b) does not affect any rights which any group company may have to terminate the employment or office of any eligible employee or participating employee; and
- (c) may not be used to increase damages in any action brought against any group company in respect of the termination of any eligible employee or participating employee.

7. ADMINISTRATION OF PLAN

7.1 Board to administer

This Plan will be administered by the Board in accordance with its terms. The Board may delegate the administration of this Plan to appropriate officers or executives and may make regulations for the operation of this Plan that are consistent with its terms.

7.2 Powers of the Board

The determination, decision, approval or opinion of the Board as to the interpretation, effect or application of the terms of this Plan is final.

8. TERMINATION OR SUSPENSION OF PLAN

The operation of this Plan may be terminated or suspended at any time by the Board. Termination or suspension of this Plan does not affect the accrued rights of participating employees under this Plan.

9. CHANGES IN PLAN

9.1 General

Subject to rule 9.2, the Corporations Act and the Listing Rules, the Board may, in its absolute discretion, amend, add to, delete or otherwise vary this Plan at any time and in any manner (**amendment**).

9.2 Limitation

No amendment to this Plan may be made which reduces or adversely affects the rights of any participating employee in respect of Options granted prior to the effective date of the amendment, other than an amendment primarily introduced:

- (a) for the purpose of complying with or conforming to the Listing Rules or to current or future Commonwealth, State or Territory legislation;
 - (b) to correct any manifest error or mistake; or
 - (c) for the purpose of enabling participating employees to take advantage of favourable taxation treatment concerning their participation in this Plan.
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END OF DOCUMENT