
Avexa and Progen Merger

Shareholder Forum Presentation

February 2009



1

Forward Looking Statement

No representation, express or implied, is made as to the fairness, accuracy, completeness or correctness of information contained in this presentation, including the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in the presentation ("forward-looking statements"). Such forward-looking statements are by their nature subject to significant uncertainties and contingencies and are based on a number of estimates and assumptions that are subject to change (and in many cases are outside the control of Avexa, Progen and its Directors) which may cause the actual results or performance of Avexa and Progen to be materially different from any future results or performance expressed or implied by such forward looking statements. Such statements involve known and unknown risks and important factors that may cause the actual results, performance or achievements of Avexa to be materially different from the statements in this presentation. Actual results could differ materially depending on factors such as the availability of resources, the results of pre-clinical proof-of-concept studies, the timing and effects of regulatory actions, the strength of competition and the effectiveness of patent protection.

To the maximum extent permitted by law, Avexa and Progen disclaims any responsibility for the accuracy or completeness of any forward-looking statements and disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Avexa's and Progen's financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based.

This presentation provides information in summary form only and is not intended to be complete. It is not intended to be relied upon as advice to investors or potential investors and does not take into account the investment objectives, financial situation or needs of any particular investor.

To the maximum extent permitted by law, neither Avexa nor Progen nor any of their its related bodies corporate, Directors, employees or agents, nor any other person, accepts any liability, including, without limitation, any liability arising from fault or negligence, for any direct, indirect or consequential loss arising from the use of this presentation or its contents or otherwise arising in connection with it.

This presentation should be read in conjunction with other publicly available material. Further information including historical results and a description of the activities of Avexa and Progen is available on www.avexa.com.au and www.progen.com.au.

2

Avexa and Progen Merger highlights

Current proposal offers:

- Guaranteed shareholder buyback
 - Paid in April, 2009
- Access to a low risk, high reward Phase III program
- Value creating near term late stage clinical milestones
 - Including initial Phase III result in 2Q, 2009
- Balanced small molecule focused portfolio
 - Oncology and anti-infectives
- Significant partnering and commercialization opportunities
- Strong balance sheet with > \$60M
 - Up to \$40M dedicated to ATC
 - 2 years funding
- Clearly defined company strategy to build shareholder wealth

3

Avexa Pharmaceuticals

Findings from independent expert reviews



4

Independent Experts Support Merger

- **Reports prepared to assist shareholder evaluation**
 - Lonergan Edwards & Associates Limited (“LEA”) for Avexa Shareholders
 - BDO Kendalls Corporate Finance (QLD) Limited (“BDO”) for Progen Shareholders¹
- **Confirm potential of merged entity to create significant value for Avexa and Progen Shareholders**
 - LEA concludes the merger is in the best interests of Avexa Shareholders
 - BDO values merged entity’s share price at between \$2.03 and \$3.18 (based on a DCF valuation methodology)

1. Prepared to assess the merits of the Progen buy-back proposal

5

Key LEA Conclusions

- **ATC Valuation**
 - Assumes Avexa would enter into a partnership agreement providing upfront and milestone payments, funding for future trial costs and future royalties
 - Value range of \$151.4m to \$225.8m, as per Independent Expert Report
 - Potential peak sales for ATC US\$588M
- **Assesses control value of Avexa shares on two basis**
 - 44.4 cents to 58.6 cents pre financing impact
 - 21 cents and 41 cents after financing impact
- **Merger is in best interests of Avexa shareholders**
 - Recommends Avexa shareholders approve merger in absence of superior proposal
- **Note that:**
 - Some assumptions in the ATC DCF valuation are considered by Avexa to be conservative
 - No value attributed to Avexa’s other programs

6

LEA Highlights Advantages for Avexa Shareholders

- **Effective price at which shares are issued to Progen shareholders exceeds the price at which Avexa could raise capital in the absence of the Scheme**
 - Less dilutive for shareholders
- **The Scheme provides Merged Entity with approximately A\$60 million in cash**
 - Sufficient to enable the critical week 24 Phase III trial for ATC to be completed
 - Allows for the continuation of several early-stage development projects
- **Implementation of the Scheme is expected to remove need for financing**
 - Likely results in the Merged Entity's shares being re-rated
- **The increased size of the Merged Entity may improve liquidity**
 - Bolster attractiveness to institutional investors

7

BDO Highlights Advantages for Progen Shareholders

- **BDO report includes a valuation of Progen's shares post merger under three methodologies**
 - DCF (based on LEA valuation)
 - Market prices
 - Net assets
- **Based on DCF methodology**
 - Progen shares post merger valued at between \$2.03 and \$3.18
 - Significantly in excess of current price and \$1.10 buy-back price
- **No value attributed to either the Progen or Avexa programs other than Phase III ATC**

Calculation of Value Per Share in the Merged Entity Based on a DCF Valuation

	Low A\$m	High A\$m
Minority interest value of AVX ⁽¹⁾	132.0	189.3
Add cash provided by PGL	50.0	50.0
Add cash assumed to be raised	40.0 ⁽⁴⁾	0.0
Total Value	222.0	239.3
Shares in PGL post Merger ⁽²⁾	75.3	75.3
Additional shares issued for further funding requirements ⁽³⁾	33.8	0.0
Total shares on issue (after required funding)	109.1	75.3
Value per share adjusted for minority discount	\$2.03	\$3.18

1. Minority interest of Avexa equals ATC value of \$151.4m and \$225.8m plus \$20m in cash less a discount of 23%

2. Assumes Progen buy back is fully subscribed

3. Additional shares issued at same price as implied by merger terms

4. Raising assumed by BDO for the low case in the event of delays in partnering and cost overruns. Avexa management does not believe an additional capital raising will be required to reach commercialisation of ATC

8

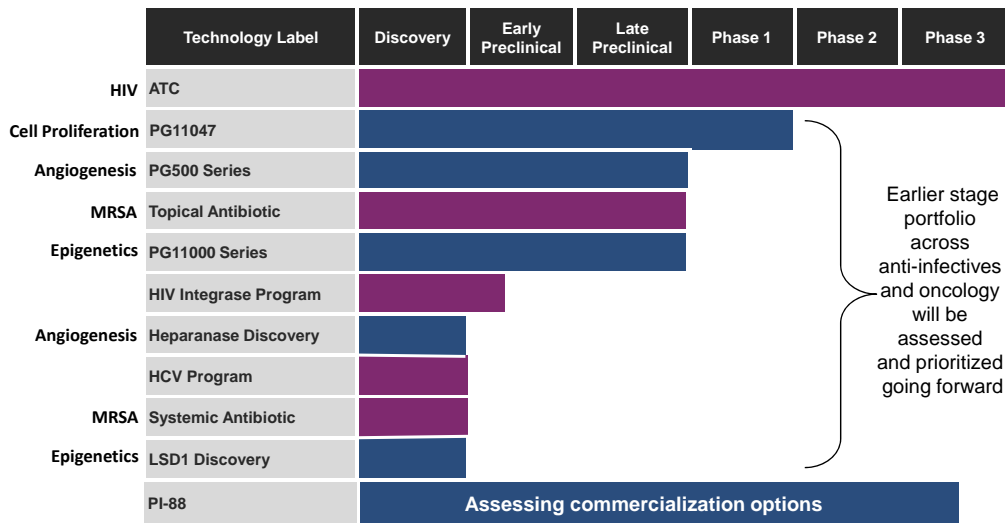
Avexa Pharmaceuticals

A leading anti-viral and oncology company



9

Combined Asset Portfolio



10

Leadership Team Moving Forward

- **Management Team**

- Julian Chick, PhD, CEO
- Other senior management and staff positions drawn from each organisation based on merit resulting in an enhanced management and research capability

- **Combined Board of Directors**

- Nathan Drona, Chairman
- Julian Chick, Ph.D, managing director & CEO
- David Bottomley, non-executive director
- Mal Eutick, B.Sc.(hons) PhD OAM, non-executive director
- Justus Homburg, BA MA DRS MBA, non-executive director
- John Lee, non-executive director
- John Sime, MSc, PhD, FRSC, CChem, non-executive director

11

Initial Key Activities

- **Execute ATC's development timeline**

- Maintain pace to achieve 16 week data (Q2-09)
- Continue regulatory guidelines and recruit patients to 24 week data (Q4 2010)
- Potential filing from 24 wk data in some jurisdictions (2011)
- Continue partnering discussions to partner before or around 24 week data point achieved

- **Bolster partnering & commercialization activities for PI-88**

- **Evaluate combined portfolio**

- Develop assets with nearest term shareholder value
- Look to monetize or partner all assets where appropriate

- **Leverage extraordinary R & D expertise**

- Ensure efficient cost-effective clinical development
- Explore ways to generate revenue via creative partnerships

12

ATC is an Ideal Cornerstone Asset



13

Addressing Massive HIV Market

- **33M people are infected with HIV worldwide**
 - International AIDS conference 2008 states 2.7MM new infections annually
 - 2MM deaths each year
- **1.5M people in North America (1M) & Western Europe are living with HIV (2008)**
 - 300-400K patients or 25-40% of U.S. HIV population receive treatment
 - 25-33% of patients infected in the U.S. are undiagnosed
- **3M people on antiretroviral therapy in 2007 vs 300K in 2003**
 - 10% of patients are already drug resistant in frontline therapy
- **Continued growth rate ~ 5.3%**
- **Treatment resistant HIV: a consistent problem & ongoing need for new drugs**
 - Estimated 60% (or 320,000) of patients treated show signs of resistance
 - 2nd line or beyond
 - ~ 50% of 2nd line and beyond have M184V mutations

14

ATC's Value Drivers

- **Safe**
- **Effective**
 - Clear antiviral effect
 - Clear positive effect on immune system
 - High barrier to resistance
- **Defined market to treat NRTI resistance**
 - Targeting M184V and TAM resistance
 - Found in 2nd line and beyond HIV patients
- **No interaction with other anti-HIV drugs (other than 3TC/FTC)**
 - Therefore easily made into a fixed dose combination
- **High probability of Phase III and 'to market' success**
- **Clear unmet medical need**
- **Potential for licensing deals & possible combination therapies**

15

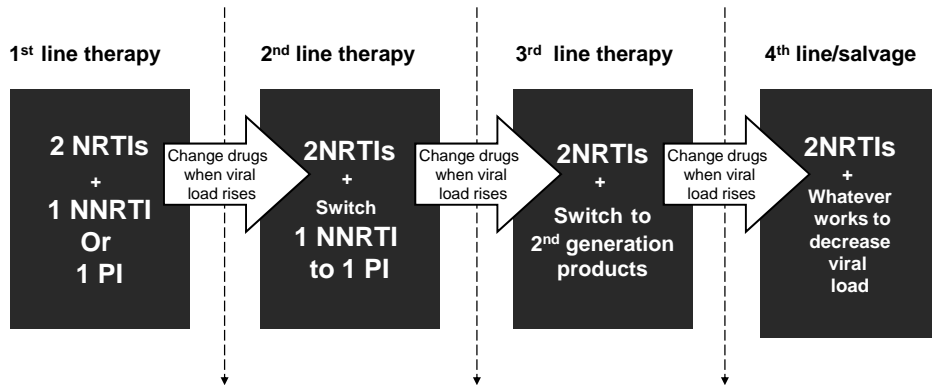
Pedigreed Origin and Thorough Clinical Experience

- **Dr Jonathan Coates, Avexa's Chief Scientific Officer**
 - An inventor of anti-viral drug 3TC (Egavir for HIV and Zeffix for HBV)
 - Former Project Leader for multiple anti-viral programs at GSK
- **IND granted with Fast-Track approval**
- **Six Phase I trials completed including:**
 - Single dose, Repeat dose
 - Tipranavir interaction study
- **Phase IIa completed:**
 - 10 day monotherapy in drug inexperienced HIV+ pts
 - Drop in viral load ranged -1.2 to -1.65 log₁₀
- **Phase IIb study completed;**
 - 21 days data (blinded functional monotherapy)
 - 24 weeks data (ATC vs 3TC in optimized backgrounds)
 - 48 weeks data (ATC vs 3TC in optimized backgrounds)

16

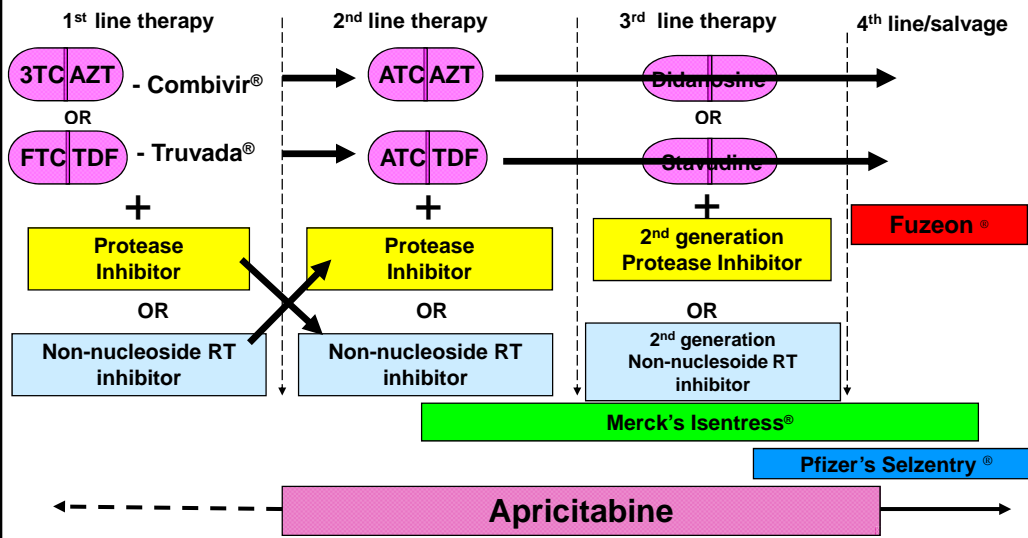
Current HIV Patient Treatment Cascade

- All HIV therapy is a 'cocktail' of three or more drugs daily
- At least two NRTIs are used in 'cocktail' providing a barrier to resistance



17

ATC's Prolific Role in Treatment Regime



18

Market position for ATC

- **Profile drives use**
 - Safety
 - Activity against wild-type and M184V and TAMs
 - High genetic barrier
 - Positive effect on CD4+ levels
- **Clear follow-on to the oxo-thio-cytidine NRTIs**
 - i.e. 3TC and FTC
 - Targeting M184V & TAMs in particular
 - About 50% of patients on 2nd line treatment and beyond have the M184V mutation
- **Replacing existing, less well tolerated NRTIs**
 - Clearly safety profile benefits
- **Twice daily dosing used in 2nd line and beyond treatment of HIV patients**
 - Can be used in combination with generics or New Chemical Entities (NCE)
 - i.e. ATC + generic AZT equals a 'Combivir-like' replacement
- **ATC has shown once daily dosing potential as seen in Phase IIa study**

19

ATC Current Status Advantages

- **FDA & EMEA approved Phase III program**
 - With agreed unmet medical need
 - FDA pushing towards a broader label than just salvage
- **130+ sites initiated for Phase III**
 - Initial recruitment milestone achieved
 - Waiting 16 week data in 2Q, 2009
 - Phase III 24 week data expected end 2010
 - Possible filing & launch in 2011
- **Clear treatment advantages for resistant patients**
 - Clear and significant market position
- **Fast track & accelerated review status**
 - Identified unmet medical need

20

An advancing oncology and infectious disease pipeline



21

Angiogenesis Technology Platform

PG500 Series – PG545 & PG562

Current status: PG545 chosen as lead oncology candidate with PG562 as back-up oncology product and other indications

Attraction: Better drug-like and activity profile to PI-88

Plans for the next 12 months: Further efficacy, toxicity, pharmacokinetic studies underway to prepare for IND in oncology and possibly one other IND for a separate indication

PI-88

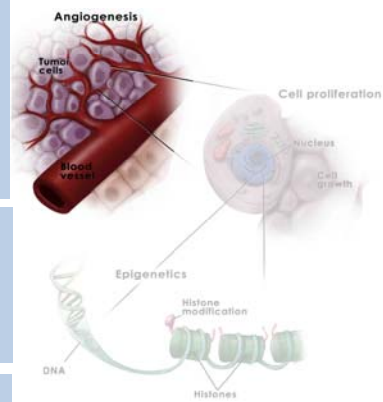
Current status: Completed recruitment in melanoma trial

Plans for the next 12 months: Driving an Asian region partnership to progress further development and commercialization

Heparanase Discovery Program

Current status: High throughput screening was successfully completed with more than a dozen hits

Plans for the next 12 months: Hit confirmation studies are ongoing and chemistry will begin next year to develop a range of potential drug candidates



22

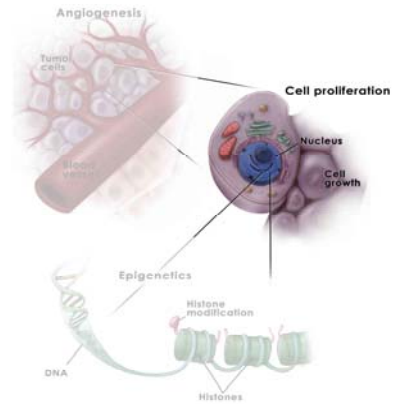
Cell Proliferation Technology Platform

PG11047

Current status: Phase I clinical development programs reinstated

Plans for the next 12 months:

- Completion of Phase I programs.
- Completion of subset cancer cell line analysis.
- Decision to move forward to Phase II and its implementation



23

Epigenetics technology platform

PG1100 Series

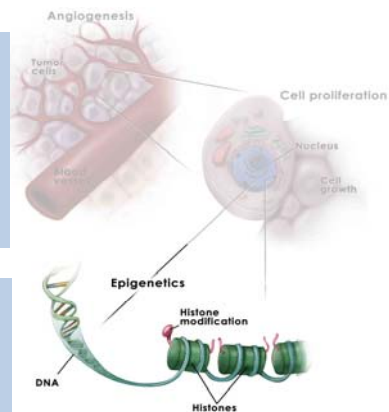
Current Status: Identified several polyamine compounds that have epigenetics activity as well

Plans for the next 12 months: Further efficacy, toxicity, pharmacokinetic studies underway to select a preclinical candidate

LSD1 Discovery Program

Current Status: First published anti-cancer LSD1 inhibitors

Plans for the next 12 months: Screen new chemistry against LSD1 and identity series to move forward into early preclinical development and compound expansion through further medicinal chemistry development.



24

Anti-viral Programs

HIV Integrase program

- Lead series selected with clinical potential
- Good oral bioavailability
- Active against relevant emerging anti-integrase drug resistant strains
- Metabolic profile – so far so good
- Back-up and follow-on series identified

HCV

- High demand for oral HCV treatments
- Collaboration with Target Drug (Shanghai)
 - Avexa retains all rights except China
- Focusing on novel HCV replication inhibitors
- HCV a significant unmet medical need
- Possibility for early-stage licensing deals

25

The Roadmap Forward



26

How The Merger Unlocks Value for Shareholders

- **Unique opportunity to generate near-term shareholder value and corporate growth**
 - Well positioned to leverage ATC's progress while exploring options for a balanced portfolio
 - Portfolio with value creating milestones over the next two years
 - Explore commercialization opportunities for PI-88 in some jurisdictions
 - Platform of earlier programs
- **Multiple partnering/licensing opportunities**
 - With discussions currently ongoing
- **Merger offers Progen shareholders a cash return via a share buyback**
- **Significant value creating news-flow over the next two years**
 - Including clinical and regulatory milestones
- **Share price upside on value assets as identified by independent experts**

27

Merged Entity 2009 & 2010 Milestones

- 1Q2009: Phase IIb 96 week interim analysis
- 2Q2009: Phase III Week 16 Data to FDA
- 4Q2009: Phase IIb Week 144 Final analysis
- 2Q2010: Phase III Complete enrollment of Phase III Study
- 4Q2010: Phase III Week 24 data available
- Also expected in 2009 & 2010:
 - IND & Phase I oncology program
 - HIV Integrase IND & Phase I program
 - HCV IND and Phase I program
 - Commercialization progression for PI-88
 - Other partnering activities

28

Anticipated Timetable to Complete Merger

Explanatory notice of merger and share buyback to be sent to Progen shareholders	Released
Scheme Booklet to be sent to Avexa shareholders	Released
Progen shareholder meeting to approve the merger and share buyback	March 11 2009
Avexa scheme meeting to approve the merger	March 20 2009
Progen share buyback conducted	Late March 2009
Merger implementation date	Early April 2009

29

Avexa and Progen Merger

Shareholder Forum Presentation

February 2009



30