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Press Release

Avexa's Proposed Merger with Progen Terminated

**Clinical and preclinical programs remain on track
Several key milestones forthcoming**

Melbourne, Australia, 9 March 2009: Avexa Limited ('Avexa') (ASX:AVX) today announced that following discussions with Progen Pharmaceuticals Limited ('Progen') (ASX:PGL) (NASDAQ: PGLA) regarding the status of Progen shareholder proxies for Progen's upcoming shareholder meeting to approve the proposed merger of Avexa and Progen on 11 March 2009, it has become apparent that the proposed merger would not be approved by Progen shareholders.

Accordingly, Avexa and Progen have agreed not to proceed with the proposed merger. The Merger Implementation Agreement ('MIA') between the parties has been terminated on and from 9 March 2009. Further, the shareholders meetings scheduled for 11 March 2009 for Progen shareholders and 20 March 2009 for Avexa shareholders to approve the merger will be cancelled. Consistent with the terms of the MIA, Progen will pay Avexa a break fee of AUD \$500,000.

"While we are disappointed that the merger with Progen will not proceed, our overall strategy of developing high value drugs remains unchanged, and Avexa's clinical programs have never been stronger," said Dr Julian Chick, Chief Executive Officer of Avexa. "Particularly encouraging is the progress of apricitabine (ATC), our lead compound for the treatment of drug resistant HIV infections. Not only are we confident of the value and prospects for ATC, we remain excited about the balance of Avexa's anti-infective drug portfolio, which is focused on the treatment of Hepatitis C virus, multi drug-resistant bacterial infections and HIV. Moving forward, we have several near-term clinical milestones that will greatly impact the company's corporate development."

Avexa's key activities and future value drivers include the following:

- 96 week Phase IIb of ATC expected to be announced within one week
 - ▶ It is important to note that this key asset of the terminated merger is 100% retained within Avexa
- Driving towards the initial Phase III results for ATC in the 2nd quarter of 2009
 - ▶ This is a critical milestone for both value generation and discussions with some potential partners
- Progressing the earlier programs to key value creating and partnering points
 - ▶ These programs continue to be funded by supporting grants and we have had significant interest in earlier partnering of these assets

Avexa's ATC program is led by Avexa's Chief Scientific Officer, Dr Jonathan Coates. Dr. Coates is a former Project Leader for multiple anti-viral programs at GlaxoSmithKline and an inventor of anti-viral drug 3TC, the best selling anti-HIV drug in history with over USD \$8 billion in global sales to date.

ATC is currently in a Phase III clinical trial in HIV patients with NRTI resistance, a current unmet medical need that has earned ATC Fast Track and Accelerated Approval/Review status with the U.S. Food and Drug Administration.

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More than 130 sites have been initiated for ATC's Phase III trial, and the program is nearing a critical value inflection point with initial 16 week data expected before the end of the second quarter of 2009.

Nathan Drona, Chairman of Avexa, noted, "While we believed the proposed merger with Progen would have been beneficial to Avexa shareholders, it is important to note that the Avexa assets, in particular ATC, were largely expected to drive the combined entity going forward. ATC is nearing a critical value inflection point with initial Phase III data expected before the end of the second quarter. The recent Independent Expert Report from Lonergan Edwards & Associates Limited assessed the current value of ATC between \$151.4 million to \$225.8 million without taking into account any aspect of the proposed merger with Progen. Moving forward, with several significant clinical milestones in the near-term, we will continue to aggressively explore every opportunity to unlock this value as it is clearly not yet reflected in our share price."

"We wish Progen best of luck in its future endeavors and look forward to keeping our shareholders posted on Avexa's progress in the near term," concluded Mr Drona.

About Avexa

Avexa Limited is a Melbourne-based biotechnology company with a focus on discovery, development and commercialization of small molecules for the treatment of infectious diseases. Avexa has dedicated resources and funding for key projects including Apricitabine (ATC), its HIV integrase program and an antibiotic program for antibiotic-resistant bacterial infections. The Company's lead program is ATC, an anti-HIV drug that has successfully completed the 48 week dosing of its Phase IIb trial and is currently in Phase III trials worldwide. The company reported a cash balance of \$20.5M at the end of 2008. www.avexa.com.au

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