

MEDIA RELEASE

9 February 2009

Cytopia and other Progen shareholders maintain call for meeting

- Shareholders continue to support choice of cash back option and new Progen board
- Call by over 18% of Progen shareholders to combine general meetings
- Significant funding shortfall identified in the Progen merger proposal

Shareholders' Requisition

Late last week Progen Pharmaceuticals Limited (ASX:PGL) responded to the requisitioning of a general meeting by Cytopia Limited (ASX:CYT) and 14 other Progen shareholders and have questioned the validity of the requisition. The proposed resolutions for that meeting ("choice resolutions") seek to achieve two outcomes:

- A full share buyback offered to all Progen shareholders
- Removal of the current board and appointment of three new independent directors

The Progen board appears committed to its merger proposal with Avexa Limited (ASX:AVX) and a limited share buyback, to the exclusion of other shareholder proposals. Under the proposed merger, shareholders would effectively become investors in an HIV company with long and costly funding requirements in HIV drug candidate Apricitabine (ATC).

The shareholder proposal offers the choice of either staying as investors in a cancer focused biotech company or redeeming the cash backing of their shares, subject to available net cash reserves.

Under the resolutions that have been put forward to Progen by shareholders, no merger resolution has been proposed, nor are the appointments of the three new director candidates conditional on a merger going forward. These directors seek appointment on a declared platform of considering a merger between Cytopia and Progen but such a merger could only occur once the share buyback has been carried out, remaining net assets are determined and merger terms are discussed and agreed.

Combine Meetings

While the requisitioning shareholders hold the number of shares (5%) necessary to call the meeting, there is far wider support from Progen shareholders for the new choice resolutions being proposed. A general meeting to achieve this should be held at the same time any merger with Avexa is considered to allow the Progen shareholders to choose between the two alternatives in the one meeting. Cytopia, in conjunction with another 18% of Progen shareholders, has formally requested Progen to align the holding of the two meetings and it is believed the same request has been made directly to the company by others.

Progen has advised that a combined meeting is not possible because of the requirement in the company's constitution for 35 business days' notice for directors' nominations. Accordingly, the general meeting to consider the Avexa merger should be delayed to enable all of the proposed resolutions to be considered together. This proposal will be put to the Progen board at the same time as the appropriate substantiation supporting the validity of the resolutions is supplied.

Proposed Progen and Avexa merger

The Progen board has released a notice of general meeting at which shareholders will be asked, amongst other things, to vote on the proposed merger with Avexa.

- After adopting a high-risk strategy of electing to fund a Phase III clinical trial, raising \$100m at approximately \$5 per share, then cancelling the trial, the board is now asking shareholders to support the same strategy again in a different disease area.
- It has advised that the merged entity would have combined cash of around \$60 million, but \$155 million would be needed to complete the four year Phase III program for the HIV drug candidate, leaving a \$95 million shortfall.

The board has also confirmed that Progen would bring \$70 million of cash, pre share buyback, to the Avexa merger, which should be sufficient to fund the offer of a full access buy-back of \$1.10 per share to all shareholders.

It is the view of Cytopia that all Progen shareholders should vote against the proposed merger with Avexa and demand the additional choices being sought under the meeting requisition notice.

Shareholders retaining their Progen interest

Cytopia believes a considerable number of Progen shareholders would elect to remain as investors in Progen if able to vote on the choice resolutions. Under the stewardship of a completely new board that is likely to be more receptive to carrying out the strategic recommendations outlined by the company on 13 November 2008, it would provide the opportunity to recover some of the value that may have been lost over recent years.

Assuming the choice resolutions are passed, and once the remaining number of shareholders has been determined, Cytopia intends to present the new Progen board with a compelling proposition to consolidate the two drug development companies and deliver a leading Australian cancer focused biotechnology company that has the full support of both shareholder bases.

Enquiries:

Mr Andrew Macdonald
Chief Executive Officer
T: +61 3 9208 4232

E: andrew.macdonald@cytopia.com.au

Mr. Rudi Michelson
Monsoon Communications
T : +61 3 9620 3333

E : rudim@monsoon.com.au

About Cytopia

Cytopia Ltd is an Australian biotechnology company discovering and developing new drugs to treat cancer and other diseases. Cytopia conducts its research and drug development through subsidiaries based in Melbourne, Australia and San Francisco, USA and specialises in developing new small molecule compounds with an improved therapeutic profile for the treatment of cancer.

The company's lead drug candidate is CYT997, a vascular disrupting agent (VDA) for the treatment of various cancers. It is currently being trialled in Phase II clinical studies. Cytopia is continuing to build on its range of JAK inhibitors and kinase expertise. CYT387, a novel, orally administered JAK2 inhibitor focused on the treatment of myeloproliferative disorders is expected to enter Phase I clinical studies in 2009.

For personal use only