

MEDIA RELEASE

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Cytopia shareholder group drives resounding defeat of Progen merger plans

- Progen merger rebuffed by 74% of voting shareholders, but incurs significant expense
- Board proposal for new share buy-back still denies all shareholders the opportunity to fully participate
- Shareholders still encouraged to replace the current board on 27 March 2009

Cytopia Ltd (ASX:CYT) together with other Progen Pharmaceuticals Ltd (ASX:PGL) shareholders, has strenuously rejected the merits of the merger proposal aggressively promoted by the current Progen board. Yesterday, Progen acknowledged that the merger proposal has been overwhelmingly defeated, with 74% of voting shareholders sending a clear message of rejection.

Following the raising of \$98 million for the PI-88 Phase III clinical trial and the subsequent termination of this trial in July 2008, many Progen shareholders have rightfully demanded the opportunity to choose a return of capital. Directors were well aware of these demands in July 2008, yet in December 2008 chose to deny shareholders this opportunity and instead pursued an unattractive merger with only a limited share buy-back. The cost for this failed exercise is likely to be well over \$1 million, including a \$0.5 million break fee, consultancy, legal and court costs.

Cytopia, as a Progen shareholder, has openly supported the right of all shareholders to be given the choice of a return of capital, based upon the company's estimate of \$1.10 per share being available to allocate to a buy-back. The resolution put to the board in January 2009 by shareholders was responsibly conditioned, particularly with regard to maintaining the company as a going concern, yet was rejected out of hand by the Progen board.

This forced Cytopia and the other Progen shareholders to proceed with the general meeting based only on the resolutions to change the board. However, this did not indicate any change in Cytopia's intentions, as it continues to support a full buy-back (subject to maintaining sufficient net cash reserves).

The Progen board has partly capitulated to shareholder demands by increasing the share buy-back proposal to \$40 million and advising of its newest strategy to consider various other investments with the remaining cash. This about face by the Progen board is still short of the mark.

The board should accept that a crucial company vote will occur on 27 March, to consider the election of a new board, and should not take any further action in the interim (including calling a general meeting to propose less than a full buy-back) that will frustrate the new board's ability to do what is best for the company and its shareholders.

The Progen board has failed to satisfy the desires of its investors over a long period of time. Yesterday's announcement shows that the board does not have the support of its shareholders. The Progen announcement foreshadows new spending ideas using shareholder funds.

Given the impending vote on a new board, Progen directors also should not commit to any major decisions regarding drug programs or any other investments or financial arrangements until such time as its mandate to govern has been either rejected or affirmed by shareholders.

Cytopia encourages all Progen shareholders to vote at the meeting to be held on 27 March 2009 and replace the current board with the new directors who will act fairly and in the best interests of shareholders and the company. This will include addressing a broad based share buy-back. The new directors also are being nominated on a platform of considering a merger with Cytopia to deliver a strong, cancer focused biotechnology company, but a merger could only occur after shareholders have made their will known in relation to a share buy-back.

Further information will soon be provided to Progen shareholders on the forthcoming meeting to vote on a new board.

About Cytopia

Cytopia Ltd is an Australian biotechnology company focused on the discovery and development of 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, which is currently being trialed in Phase II clinical studies. Cytopia is continuing to build on its range of JAK inhibitors and kinase expertise, with CYT387, a novel oral JAK2 inhibitor focused on the treatment of myeloproliferative disorders, expected to enter Phase I clinical studies in 2009.

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