

ASX RELEASE

25 February 2009

Cytopia Letter to Progen Shareholders

Cytopia Limited (ASX:CYT) has today circulated a letter and other materials to Progen Pharmaceuticals Limited (ASX:PGL) shareholders. The letter provides an update on the current shareholders requisitioned meeting scheduled for 27 March 2009 and provides recommendations on how to vote at the upcoming general meeting on 11 March 2009.

The letter and the sample proxy form are attached to this release.

Enquiries:

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Chief Financial Officer & Co. Secretary

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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 I and 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.

Website: www.cytopia.com.au

23 February 2009

Dear Progen shareholder

In the 2007 financial year your company raised nearly \$100 million for Phase III trials of PI-88. Since that time:

- The board terminated the PI-88 Phase III study in liver cancer in July 2008;
- The share price has fallen from \$9.49 in April 2007 to around \$0.82, below cash backing;
- The board recently commissioned strategic recommendations for Progen but has largely ignored them.

For over seven months, institutional and retail shareholders have been asking for choice in how their capital is dealt with. The current board's response has been to propose only a limited share buy-back and to commit the rest of your funds to a merger with an HIV company.

Cytopia and 14 other shareholders requisitioned the company on 28 January 2009 to call a meeting to give shareholders a better choice. We asked for one combined meeting so shareholders could vote on:

- Opportunity for a full cash back offer of \$1.10 per share available to all shareholders (subject to maintaining sufficient net cash reserves);
- Replacement of the current board with three new directors.

The Progen board reluctantly responded and called a second meeting for 27 March 2009 where only the board replacement resolutions will be put to shareholders. The current board has advised that it will:

- Not support the wide share buy-back access being sought by shareholders;
- Not align meetings, meaning additional cost and inconvenience to shareholders.

General meeting on 11 March 2009

At this meeting the Progen board wants you to vote for a merger with Avexa. We oppose this because:

- The proposed share buy-back will be capped at \$20 million, insufficient to meet likely take-up;
- The board proposes yet another long and costly Phase III program, this time in HIV;
- The Avexa HIV drug development costs are estimated at \$155 million to complete the Phase III program, and the drug may take four years to reach registration;
- Without partnering the merged entity would need to somehow raise another \$95 million for this drug;
- The HIV drug has failed to attract a partner and competition now includes new classes of HIV drugs (refer Bioshares article¹ www.cytopia.com.au/analyst.html)

Recommendation: Shareholders should vote against the Avexa merger by voting "NO" for ALL resolutions and, if not attending the meeting in person, should appoint Andrew Macdonald, the CEO of Cytopia, as their proxy.

Please also advise Cytopia directly of this nomination by contacting the Company Secretary, Gavan Flower at the contact details below. A sample voting form is attached.

¹ The Bioshares article is being provided for informational purposes only, and Cytopia does not endorse any of the information, statements or views set out or expressed in it. Cytopia did not prepare or participate in the preparation of the article, and takes no responsibility for its content or accuracy or any matters that may have been omitted from it.

The share buy-back resolution (Resolution 3) is conditional on the merger resolution (Resolution 1) being passed, and in any case, limits the share buy-back to \$20 million. As the current Progen board is not supporting a share buy-back without the Avexa merger, we recommend you vote against all of the resolutions (including Resolution 3).

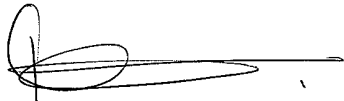
At the 11 March 2009 meeting, we will put forward a motion to adjourn the meeting until immediately after the 27 March 2009 meeting. This will align the meetings, so that the Avexa merger and board replacement resolutions will be considered in conjunction with each other.

Meeting on 27 March 2009

Shareholders will have their opportunity to vote for a new board on 27 March 2009. The intent of the members calling the meeting was made clear in the members' statement – give all shareholders the choice of a share buy-back or staying as investors in an oncology company. A new board is needed to make this possible.

Further material will be provided to shareholders closer to the meeting. In the meantime, we would be happy to answer any questions you may have.

Yours faithfully



Robert Watson – Chairman



Andrew Macdonald – Chief Executive Officer

Where to get more information

www.cytopia.com.au/announcements09.html

www.avexa.com.au

www.progen.com.au

NASDAQ Shareholders

Shareholders who own PGL shares through the NASDAQ and have not received a proxy form are encouraged to contact Gavan Flower directly for assistance.

Contact details:

Mr Andrew Macdonald
Chief Executive Officer
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andrew.macdonald@cytopia.com.au

Mr Gavan Flower
Chief Financial Officer & Company Secretary
T: +61 3 9208 4236
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Website: www.cytopia.com.au

Voting Sample Form for 11 March Meeting

Recommendation: Vote NO to all resolutions

MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commencing with 'X') should advise your broker of any changes.

I 9999999999 I ND

Proxy Form Please mark to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf XX

I/We being a member/s of Progen Pharmaceuticals Limited hereby appoint the Chairman of the meeting OR Andrew Macdonald

PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to do so in accordance with the following directions (or if no directions have been given, as the proxy sees fit) at the General Meeting of Progen Pharmaceuticals Limited to be held at the Kamisama Room, Level 6, 320 Adelaide Street, Christie Corporate Building, Brisbane QLD 4000 on Wednesday, 11 March 2009 at 10.00am (Bris time) and at any adjournment of that meeting.

STEP 2 Items of Business PLEASE NOTE: If you mark the Abstain box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
1 Ordinary Resolution Approve the merger with Avexa Limited	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
2 Special Resolution Approve change of Company name (subject to resolution 1 being passed)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
3 Ordinary Resolution Approve the Buy-back Offer (subject to resolution 1 being passed)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

*We recommend that you vote against all resolutions proposed**

We recommend that you appoint "Andrew Macdonald" as your proxy

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

SIGN Signature of Securityholder(s) This section must be completed.

Individual or Securityholder 1 _____ Securityholder 2 _____ Securityholder 3 _____

Sole Director and Sole Company Secretary Director Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date / /

PGL 241108A Computershare +

Notes

* Resolution 3 is conditional on Resolution 1 being passed, and in any case, limits the share buy-back to \$20 million. As the current board does not intend to support a share buyback without the Avexa merger, we recommend you vote against this resolution.

If you have already appointed a proxy and want to change your proxy or your vote, or if you want to appoint a proxy but you no longer have your proxy form, you can request another proxy form from the company's share register, Computershare Investor Services Pty Ltd, GPO Box 242, Melbourne Vic 3001 or register your proxy online at www.investorvote.com.au.