

## **MEDIA RELEASE**

19 February 2009

### **Progen concedes shareholder requisitioned meeting**

- Progen board;
  - finally accepts legitimate call by shareholders to general meeting;
  - will not allow shareholder vote on full share buyback; and
  - persists with high risk, high funding, Avexa merger proposal.
- Shareholders denied single meeting with refusal to align meeting dates

### **Shareholder Meeting scheduled for 27 March 2009**

A general meeting of Progen Pharmaceuticals Ltd (ASX:PGL) shareholders was validly requisitioned on 28 January 2009 by Cytopia Ltd (ASX:CYT) and 14 other Progen shareholders. The resolutions sought to achieve two outcomes:

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

The Progen board has announced that shareholders will be provided the opportunity to elect a new board but has refused to put forward the first resolution proposing the full share buyback. The shareholder meeting has now been called for 27 March 2009.

The director candidates for the Progen board are well qualified to act for shareholders and their biographies are summarised in the request for general meeting announcement on 28 January 2009 (ref: [www.cytopia.com.au/announcements09.html](http://www.cytopia.com.au/announcements09.html)). Importantly, they will be committed to fully advancing the strategic goals announced by Progen on 13 November 2008. As well as being independent, they will focus on the best interests of the company and all of its shareholders and be receptive to their wishes.

The current Progen board has continued to deny shareholders the choice being actively sought since the abrupt termination of the PI-88 trial over seven months ago. The shareholder resolutions proposed on 28 January 2009 allowed all shareholders the option of remaining as investors in a cancer focused biotechnology company, having their shares bought back by the company at \$1.10 per share or some combination of the two.

The merger proposal with Avexa Limited (ASX:AVX) only allows for up to a \$20 million capital return to shareholders. We believe a large number of shareholders would choose the full share buy-back, possibly in excess of 50% of Progen's shares. In this case, they would face a significant scale back.

The full buy back resolution proposed by the shareholders in the meeting requisition was responsibly conditioned, considered a buyback in the context of a going concern rather than winding up the company and was capable of execution had the Progen board so desired. A new board will obviously be able to reconsider the wishes of shareholders.

The current Progen board has denied shareholders the opportunity to vote on all resolutions at the one meeting, as requested. Although it clearly would be in the best interests of shareholders to delay by two weeks the meeting scheduled for 11 March 2009, shareholders will now have to endure the avoidable inconvenience and cost of two shareholder meetings.

The resolutions put forward to the current Progen board did not ask shareholders to vote on any merger with Cytopia and suggestions otherwise are misleading. The independent director candidates have a stated platform of exploring a merger with Cytopia but any such discussions would only occur after shareholders have been given the initial choice they seek.

The members' statement announced on 28 January 2008 provides clarity regarding the intent of the members requisitioning the meeting. All shareholders should be given the choice of a share buy-back or staying as investors. A new board is needed to make this possible.

As a result of the current Progen board being unwilling to fully cooperate with the shareholder resolutions, the notice of meeting issued by Progen does not include any statement from shareholders. Instead, appropriate documentation addressing matters being put to shareholders at both meetings will be distributed shortly to Progen shareholders. It is important that all shareholders vote and fully understand all the choices being presented at each meeting.

### **Proposed Progen and Avexa merger**

The material submitted by the Progen board on 5 February 2009 (Progen-Avexa Merger Notice of Meeting) details the high risk, high funding strategy that is being proposed under the merger with Avexa. This strategy is in stark contrast to the strategic recommendations arising from the company-commissioned Beerworth report and presented to Progen shareholders on 13 November 2008;

- *Adopt a policy of licensing an appropriate partner before commencing any future Phase III trial*
  - Progen shareholders were advised of partnering interest in PI-88 over a number of years, yet the company elected to take the compound into Phase III trials and no partnering deal eventuated. The Avexa merger proposes to focus investment in the Phase III trials of Apricitabine (ATC).
  - ATC has also not been partnered and the total estimated cost of completion of Phase III trials is \$155 million. In the absence of either substantial new capital or partnering and assuming trial success, a further \$95 million is likely to be needed to achieve product registration.
- *Change emphasis from pursuing the registration and commercialisation of a single compound to a business model that involves the development of a balanced portfolio of compounds and projects*
  - Despite the eventual failure of PI-88 development, the current Progen board proposes a continuation of the same high risk business model under an Avexa merger.
- *Focus on acquiring complementary assets in oncology discovery, research and development*
  - The Avexa merger proposal concentrates on HIV, not oncology. The Avexa assets are not complementary with the Progen assets.

## **Recommendation**

A focus on a single compound development strategy is inappropriate for Progen shareholders and inconsistent with the recommendations the company received last year from its own advisors. It is Cytopia's view that all Progen shareholders should vote against the proposed merger with Avexa on 11 March 2009 and vote for the appointment of a new board willing to represent the interests of all shareholders on 27 March 2009.

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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 trialled 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.