

Cytopia letter confuses on buy back and proposed merger

- **Cytopia's proposed buy back is subject to an unquantified cap**
- **Progen has previously received a merger proposal from Cytopia which was considered not in the best interests of shareholders**
- **The independence of the three directors nominated by the Cytopia shareholder group can be questioned**

Brisbane, Australia, 16 March 2009: Progen Pharmaceuticals Limited ("Progen", ASX:PGL; NASDAQ:PGLA) today released to ASX a copy of a letter to shareholders from Progen updating them on the general meeting scheduled for 27 March 2009.

Cytopia Limited has also posted on its website a copy of a letter it has sent to Progen shareholders. That letter attaches a letter from their three nominated directors ("candidates' letter") in which they refer to Cytopia's buy back proposal for Progen as "uncapped".

However, they also say that the buy back is "**subject to maintaining sufficient net cash reserves**".

This condition effectively creates **a cap on the Cytopia buy back**. There is no question of this. Otherwise, they could potentially distribute all of Progen's cash and Progen would become insolvent.

Cytopia continues to try to confuse Progen shareholders over Cytopia's buy back proposal.

The candidates' letter says they will explore a merger with Cytopia, but this cannot be guaranteed and any merger will only proceed if it is in shareholders' best interests. Late last year, Progen received a merger proposal from Cytopia which was considered **not** to be in the best interests of shareholders. Nothing has transpired since then to change this conclusion.

Cytopia continues to confuse Progen shareholders by not revealing the terms of their proposed merger.

The candidates letter says they will act independently. We note that the three nominated directors are all shareholders in Cytopia and that Cytopia is campaigning for their election to the Progen board. These factors alone create reason to question independence.

The Progen Board urges shareholders to carefully read the letter that they will receive from Progen. Progen's announced \$40m buy back offer is open to all shareholders and its cap of \$40m is the maximum cash return which allows Progen to continue as a worthwhile going concern¹.

The Board continues to recommend that shareholders vote **AGAINST** all resolutions at the meeting on 27 March 2009.

Shareholders may lodge their proxies by either:

¹ This share buy back is subject to shareholder approval. If the approved \$40m cap is exceeded, accepting shareholders will be scaled back on a pro rata basis.

1. lodging the proxy form that they received with the Notice of Meeting with Computershare by mail or fax; or
2. lodging their proxy on-line at www.investorvote.com.au.

About Progen

Progen Pharmaceuticals Limited is a biotechnology company committed to the discovery, development and commercialization of small molecule pharmaceuticals primarily for the treatment of cancer. Progen has built a focus and strength in anti-cancer drug discovery and development. Progen targets the multiple mechanisms of cancer across its three technology platforms of angiogenesis, epigenetics and cell proliferation. Progen has operations in Australia and the United States of America. www.progen-pharma.com

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This release contains forward-looking statements that are based on current management expectations. These statements may differ materially from actual future events or results due to certain risks and uncertainties, including without limitation, risks associated with drug development and manufacture, risks inherent in the extensive regulatory approval process mandated by, amongst others, the United States Food and Drug Administration and the Australian Therapeutic Goods Administration, delays in obtaining the necessary approvals for clinical testing, patient recruitment, delays in the conduct of clinical trials, market acceptance of PI-88, PG545, PG562, PG11047 and other drugs, future capital needs, general economic conditions, and other risks and uncertainties detailed from time to time in the Company's filings with the Australian Securities Exchange and the United States Securities and Exchange Commission. Moreover, there can be no assurance that others will not independently develop similar products or processes or design around patents owned or licensed by the Company, or that patents owned or licensed by the Company will provide meaningful protection or competitive advantages.