

## **Progen Closes US Office and Continues to Drive Strategy to Rebuild Business and Reduce costs**

**Brisbane, Australia, 29th October 2010.** Progen Pharmaceuticals Ltd (ASX:PGL, OTC:PGLA) provide the following update on the planned divestment of its epigenetic and cell proliferation assets. Progen will close its US office located at Palo Alto, California and is actively preparing to divest the assets acquired in the CellGate transaction ("CellGate Assets") in February 2008. Progen will continue to develop certain assets in preparation for sale.

### **CellGate Transaction - Background**

In February 2008, Progen acquired CellGate Inc, an oncology company based in California. Under the purchase agreement, milestone payments of up to US\$19.5 million were payable to CellGate shareholders in shares and/or cash, with the Company's intention to issue shares to cover milestone payments. At this point, Progen was a different company with a market capitalisation of approximately \$115m, making share issues under the 15% rule ample to meet any milestone commitments.

Following the \$40m share buyback in April 2009, Progen's market capitalisation was significantly reduced, limiting its ability to meet its milestone commitments in share issues without significantly diluting shareholders' interests. This significantly limited Progen's ability to develop its other drug candidates as well as the CellGate assets.

### **New Strategy – focus on dual mechanism anti-angiogenic compounds**

The new Progen board and management team undertook a strategic operational and scientific review of the Company earlier this year. Following this review, as communicated to the market, the decision was made to focus on the Company's core strengths – dual mechanism anti-angiogenesis compounds. As a result, the board has taken steps in the last few months to divest its non-core CellGate Assets, including PG11047, PG11144 and the epigenetics technology which were acquired in the CellGate Transaction in February 2008.

### **Office Closure**

The Company's US office will officially close on October 29, 2010. The closure of the US office follows the Board's strategy to divest the CellGate assets and represents a significant administrative cost saving for the Company, allowing Progen to focus its resources on its core strengths.

A number of staff and contractor positions will be terminated, including Progen's Chief Scientific Officer, Dr Laurence Marton who will finish with the Company on 29<sup>th</sup> October.

"The board and Progen team expresses its gratitude to Dr Marton for his contribution to the Company during his tenure. I am delighted that Larry has indicated that he's happy to assist the company with the asset divestment as required and we wish him all the best in his future endeavours" said Sue MacLeman, Chief Executive Officer, Progen Pharmaceuticals Limited.

## **Continuation of PG11047 Trial**

Progen has substantially advanced the PG11047 development program since taking control in February 2008. Progen successfully completed the Phase 1 monotherapy dose-escalation study in PG11047 (announced 9 September 2009). Further, Progen has undertaken a Phase 1b combination study exploring the potential use of PG11047 in combination with other marketed anti-cancer drugs, designed to assess the agent's maximum tolerated dose in combination with these products. The completion of the trial is expected to maximise the value of these assets as they are packaged into a saleable product. Progen has enrolled 165 of the planned 170 total patients to date and expects to complete enrolment in Q4 2010 and finalise the clinical study reports in Q2 2011.

## **Divestment of CellGate Assets**

As previously disclosed, the Company has appointed US attorneys and a US based investment bank to assist in the preparation and sale of the CellGate Assets. The board's intention is to set up a new company ("NewCo") under which equity or royalties and milestone payments are issued to various parties that are entitled to consideration pertaining to the development of the CellGate Assets. In return, Progen will extinguish its milestone obligations to these parties, whilst itself retaining a significant interest in the NewCo. Progen intends to distribute the Information Memorandum and hold discussions with interested parties in early 2011.

Progen will provide a further update to the market on the divestment progress once negotiations have been finalised.

**ENDS**

## **About Progen Pharmaceuticals Ltd**

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 has operations in Australia and the United States of America. [www.progen-pharma.com](http://www.progen-pharma.com)

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