



ASX Release

AVEXA LIMITED LETTER TO PROGEN SHAREHOLDERS

Melbourne, Australia, 2 March 2009: Avexa Limited ("Avexa") (ASX: AVX) announces the mail out today of the following letter from Avexa Chairman Mr Nathan Drona to all Progen shareholders:

2 March 2009

Shareholder identification reference, name and address

Dear Progen Shareholder

I am writing to you regarding the proposed merger of Progen Pharmaceuticals Limited and Avexa Limited which you have the opportunity to vote on at a meeting on 11 March 2009.

Another company, Cytopia Limited, has indicated that it wishes to merge with Progen and is therefore seeking to block the Progen-Avexa merger. You may have received correspondence from Cytopia asking you to vote against the Progen-Avexa merger and proposing to replace the Board of Progen at a meeting to be held on 27 March 2009.

It is not clear on what terms Cytopia (a much smaller company with a market capitalisation of around \$8 million and early stage biotechnology programs) proposes to merge with Progen or how this would create value for Progen shareholders. All of the "independent" directors proposed by Cytopia to replace the current Board of Progen (and pursue a transaction with Cytopia) are shareholders in Cytopia and, to be clear, **there is no resolution to be considered at the meeting on 27 March to approve a buyback or capital return of any type.** Further, your Progen Board has previously informed you that the "full" buy back concept floated by Cytopia is incapable of being legally implemented.

The announcements by Cytopia may have misled and confused Progen shareholders with respect to this and other important points related to Avexa and the Progen-Avexa merger. We have advised Cytopia of these issues and reserved all our rights to commence legal action.

I urge you to disregard all correspondence from Cytopia and ask that you consider the choice before you on its merits and against the facts, as set out in the Explanatory Memorandum sent to you by Progen.

Your Progen Board remains steadfast in its unanimous recommendation that Progen shareholders vote in favour of the Progen-Avexa merger. In making that recommendation your Board conducted a detailed assessment and due diligence of Avexa and its assets, and has received supporting independent advice from international science experts. Your board was also in receipt of proposals from Cytopia that it (and its external advisers) determined were inferior to the Progen-Avexa merger.

On the next page is a table clearly outlining the choices before you at the meeting on 11 March 2009. If you read nothing else, I encourage you to read this table carefully which will show to you that the only compelling choice for shareholders is to vote YES for all resolutions.

**Choice 1 Approve the merger with Avexa**

Vote **YES** to support becoming a shareholder in a company¹ with:

- An advanced, low risk Phase 3 development asset, Apricitabine (ATC) with a high probability of commercialisation that we believe does not face any significant competition from other drugs
- A balanced portfolio of development compounds in both the anti-viral and oncology sectors
- A strong financial position that is expected to fully fund progress of ATC to its 24 week milestone in late 2010 at which time early filing approval is anticipated
- Near term milestones, including delivery of 16 week data for ATC in the next 4 months
- Partnering opportunities for ATC and other compounds to deliver additional value for shareholders and provide funding for future product development
- A new board, with the addition of 4 directors from Avexa with specialised backgrounds in life science
- New management, led by Dr Julian Chick, a respected CEO, and Dr Jonathan Coates who has been associated with the development of products with revenues over US\$8 billion to date

By voting YES you will also have the opportunity to participate in an immediate buy back of at least 30% of your Progen shares at a price of \$1.10 per share

BDO Kendalls has valued the shares of the merged company at \$2.03 to \$3.18²

Choice 2: Uncertainty

Vote **NO** to support being a shareholder in a company with an uncertain future and an unclear proposal from Cytopia.

- The meeting on 27 March does not have a buy-back or capital return element. The only resolution on 27 March is to remove Progen's current directors
- References to a "full" buy back in the future are confusing and potentially misleading. Your Progen Board has already stated that a buy back of all your shares at \$1.10 and without the prospect of scale back cannot be legally implemented due to the existence of ongoing and contingent liabilities such as the arrangements with Cellgate Inc and government grants
- Cytopia has not articulated a vision or strategy for Progen shareholders beyond references to some sort of possible merger. To this end there has been no description of Cytopia's value proposition to Progen shareholders
- There are uncertainties as to the timing of any future merger or Cytopia led buy-back and it is uncertain that any transaction or buy back will proceed

There is no proposal before you for Progen to undertake a "full" buy-back (or capital return) if the merger with Avexa does not proceed

You can only be certain of being able to participate in some form of buy-back or capital return if the merger with Avexa is approved on 11 March 2009

I understand and appreciate that the past year has been difficult for Progen and that many shareholders are dissatisfied with the current share price and performance of the company. On 11 March 2009 you have the opportunity to vote on a definitive and certain proposal to take Progen forward and to create a leading Australian biotechnology company.

I personally encourage you to decide what future you wish to see for Progen. To support the Progen-Avexa merger vote YES to all resolutions or direct your proxy to the Chairman of Progen. All proxy forms must be received by Progen no later than **10am on Monday 9 March 2009**. You can mail your completed proxy form using the enclosed reply paid envelope, which you should do as soon as possible. You can also fax your completed proxy form to Progen on 1800 783 447 or +61 3 9473 2555 (if outside Australia). A further proxy form is enclosed for your convenience.

I look forward to welcoming you as a shareholder in the merged entity.

Yours faithfully

Nathan Drona
Chairman Designate of the merged Progen and Avexa

1. Completion of the merger remains subject to other conditions precedent including a vote by Avexa shareholders at a scheme meeting to be held on 20 March 2009
2. BDO Kendalls is the Independent Expert appointed by Progen to report on the Progen Buy Back. BDO Kendall has expressed no opinion on the merger



Progen Pharmaceuticals Limited
ABN 82 010 975 612

000001 000 PGL
MR SAM SAMPLE
FLAT 123
123 SAMPLE STREET
THE SAMPLE HILL
SAMPLE ESTATE
SAMPLEVILLE VIC 3030

Lodge your proxy:



Online:
www.investorvote.com.au



By Mail:
Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For all enquiries call:

(within Australia) 1300 552 270
(outside Australia) +61 3 9415 4000

Proxy Form



Appoint your proxy online, 24 hours a day, 7 days a week:

www.investorvote.com.au



Appoint your proxy



Review and update your securityholding

Your secure access information is:

Control Number: 999999

SRN/HIN: I9999999999

PIN: 99999



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

For your proxy appointment to be effective it must be received by 10.00am (Brisbane time) Monday 9 March 2009

How to Vote on Items of Business

All your securities will be voted by your proxy in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. Fractions of votes will be disregarded. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.
A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

Attending the Meeting

Bring this form to assist registration.

If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.computershare.com.

**GO ONLINE TO APPOINT A PROXY, →
or turn over to complete the form**

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 commences 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

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the Chairman
of the meeting OR



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 vote 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, Corporate Christie Building, Brisbane QLD 4000 on Wednesday, 11 March 2009 at 10.00am (Brisbane 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.

Ordinary Resolution

1 Approve the merger with Avexa Limited

For	Against	Abstain
☐	☐	☐

Special Resolution

2 Approve change of Company name (subject to resolution 1 being passed)

☐	☐	☐
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Ordinary Resolution

3 Approve the Buy-back Offer (subject to resolution 1 being passed)

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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

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /

PGL

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Computershare +