

This document has been mailed to ASX Shareholders

PLEASE READ THIS LETTER: YOUR VOTE WILL IMPACT PROGEN'S FUTURE

13 March 2009

Dear Shareholder,

You will have received notice of a general meeting of shareholders convened for 2:00 pm on 27 March 2009 on the requisition of a group of shareholders, including Cytopia Limited, representing just over 5% of shares on issue.

The Board repeats its recommendation that shareholders **vote AGAINST all resolutions** at the meeting on 27 March 2009.

Since sending you that notice of meeting, there have been a number of developments:

1. Progen and Avexa agreed to withdraw from their proposed merger and Progen has withdrawn the associated \$20 million share buy back tender invitation. Shareholders should disregard the buy back booklet that they would have received in relation to that tender invitation. Any shares tendered will be released back to shareholders.
2. Progen now has announced a **broad based \$40 million share buy back offer** at a price of **\$1.10 per share**. This offer is open to **all shareholders** for **up to 100%** of each shareholder's shares, capped in total at \$40m or 36 million shares (60% of the Share Register)¹, which will see payments made by early May 2009. The directors consider that this is the maximum cash return which allows Progen to continue as a going concern.
3. Progen has announced that remaining cash will be focused towards the further development of key Progen technologies including a development and commercialisation plan for PI-88 to be registered in Taiwan.

Attached is a copy of our announcement dated 9 March 2009 which provides further details.

On 27 March 2009, shareholders can vote **against** the resolutions and embark on a **well defined future direction** for Progen. The removal of the current directors and appointment of the three nominated directors is not in the best interests of the company. To date, the three nominated directors have not yet directly articulated a strategy for Progen other than the agenda proposed by **Cytopia**. There is **no certainty** about **how much cash** would be available for distribution to shareholders under the direction of the three nominated board members. The outcome of the resolutions on 27 March may have an effect on the future of Progen's announced \$40 million share buy back offer (see below).

Cytopia says "it continues to support a full buy-back (subject to maintaining sufficient net cash reserves)"². Its original proposal in the 28 January meeting requisition referred to an equal access buy back of up to 100% of Progen shares at \$1.10 conditional on Progen having liquid assets of at least \$68 million and a determination by the company's auditors that Progen would have sufficient net assets following the buy-back to continue as a going concern. If either of these conditions is not satisfied, the buy back could be scaled back.

¹ The 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.

² CYT media release, 11 March 2009.



Let us make it very clear that this Cytopia proposal is not an uncapped buy back as some media reports have stated.

When deciding how to vote on 27 March, we encourage you to consider these questions:

1. Cytopia says the \$40m buy back and the newly stated strategy is "short of the mark"³. What is Cytopia's mark? Is it more or less than \$40m?
2. On what terms would the nominated directors consider a merger between Cytopia and Progen? What is their idea of the future strategy?
3. What do the three nominated directors think? Surely their views are critical to your decision on how to vote. Do they support Progen's \$40m buy back offer or the Cytopia alternative and why?

Cytopia has declared that the new directors will consider a merger between Progen and Cytopia. Cytopia has provided no information about proposed merger terms, the strategy of the combined group going forward or the cash such a combined group would require to fund ongoing operations.

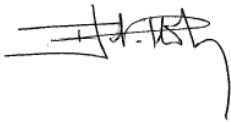
The outcome of the resolutions on 27 March may have an effect on the future of Progen's announced \$40 million share buy back offer. Shareholders may receive documentation in relation to that offer before 27 March. We suggest that shareholders monitor Progen's ASX announcements following the meeting before deciding whether to lodge an acceptance of that buy back offer.

The Board repeats its recommendation that shareholders vote AGAINST all resolutions at the meeting on 27 March 2009.

This requisitioned general meeting will commence at 2:00 pm but you will be able to register your attendance from 1.30pm.

Your vote will be important as this meeting affects the value of your shareholding. If you are unable to attend, we encourage you to participate by completing and returning the proxy form that was provided with the notice of meeting or voting online in accordance with the instructions on that form. If you need assistance lodging a proxy, please contact Computershare: 1300 55 61 61 (within Australia) or +61 2 8234 5000 (from outside Australia).

Yours sincerely



Justus Homburg
Chief Executive Officer of Progen Pharmaceuticals

³ CYT media release, 11 March 2009.