

18 December 2009

Dear Shareholder

**YM BioSciences Merger: Supplementary Information**

As you know, a Cytopia shareholder meeting has been convened for 12 January 2010 to consider approving a Scheme of Arrangement to allow YM BioSciences Inc., ('YM') to acquire Cytopia ('**Scheme Meeting**'). The details of the Scheme are set out in the Scheme Booklet dated 8 December 2009, which you should have received.

Since the dispatch of the Scheme Booklet, Cytopia has received from YM the enclosed supplementary information. This should be read together with the entire section entitled 'Important information' (which includes subsections entitled 'Responsibility Statement', 'Forward-looking statements' and 'Financial Information') located on pages 4-7 of the Scheme Booklet and section 11.3 'Pro forma historical financial information' of the Scheme Booklet (commencing on page 99).

The supplementary information does not affect your Directors' unanimous recommendation to vote in favour of the Scheme. The Independent Expert has also confirmed that it remains of the view that the Scheme is not fair but reasonable and in the best interests of Cytopia shareholders, in the absence of a superior proposal.

You do not need to take any action if you have already lodged your proxy form and don't want to change your vote as a result of this new information.

If you have not yet voted you simply need to take this new information into account when making your decision.

If you have already lodged your proxy form and now want to make a change, please call the Cytopia Merger Information Line as soon as possible on +61 3 9926 0410. A new proxy form will immediately be sent to you by e-mail or fax, or post if you prefer.

In order to be effective, your proxy form must be received by Link Market Services by no later than 10:30 am (Melbourne time) on Sunday, 10 January 2010. Please note that, as a practical matter, proxy forms returned by personal delivery or by post must be received by Link Market Services by no later than Friday 8 January 2010

You can also vote in person by attending the Scheme Meeting, to be held at 10:30 am (Melbourne time) on Tuesday, 12 January 2010 at the offices of BDO Kendalls, Level 30, 525 Collins Street, Melbourne.

Yours sincerely



Robert Watson

Chairman

## Supplemental information from YM BioSciences Inc.

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This information is provided by YM BioSciences Inc., (**YM**) and supplements the Cytopia Scheme Booklet dated 8 December 2009 (**Scheme Booklet**). This information is to be read together with the entire section entitled 'Important information' (which includes subsections entitled 'Responsibility Statement', 'Forward -looking statements' and 'financial information') located on pages 4-7 of the Scheme Booklet and section 11.3 'Pro forma historical financial information' of the Scheme Booklet.

A copy of this Supplemental Information has been provided to ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this supplemental information.

### 11.3A International Financial Reporting Standards

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The pro forma condensed combined financial statements presented in the Scheme Booklet are prepared in accordance with accounting principles generally accepted in Canada (**Canadian GAAP**) which differs in certain significant respects from Australian International Financial Reporting Standards (**A-IFRS**) as applied by Cytopia Ltd (**Cytopia**) in its audited financial statements for the year ended June 30, 2009. A-IFRS is equivalent to IFRS when applied by Australian public companies. Compliance with A-IFRS ensures that the financial statements and notes of Cytopia comply with International Financial Reporting Standards (**IFRS**).

In February 2008 the Canadian Accounting Standards Board announced that IFRS will be applicable to Canadian public entities for financial years beginning on or after January 1, 2011. The first period of IFRS reporting for YM BioSciences Inc., (**YM**) will be for the quarter ending September 30, 2011 with IFRS also applying to the comparative period to September 30, 2010. YM has undertaken a project to assess the potential impacts of its transition to IFRS and has completed the Initial Assessment phase and is currently engaged in the Detailed Assessment phase which includes the detailed determination of accounting policy and disclosure changes that will be required upon transition to IFRS as well as a detailed analysis of the application of IFRS 1 *First-time Adoption of International Financial Reporting Standards*.

For the purpose of the pro forma condensed combined financial statements and comparison to Cytopia's accounting reporting framework under A-IFRS, YM has completed a review of material differences between current Canadian GAAP and IFRS in effect as of September 30, 2009. As YM is not currently preparing financial statements under IFRS, this should not be considered to be in any way an adoption of IFRS by YM and is disclosed solely for the purpose of assisting the Cytopia shareholders who read the pro forma condensed combined financial statements presented in the Scheme Booklet. As a result, the final choices of accounting policies on adoption of IFRS by YM may be different from those used for the purpose of this information and the provisions of IFRS 1

will have to be applied at the Company's IFRS transition date on July 1, 2010. Assessment of the optional exemptions available under IFRS 1 and assessment of IFRS standards and interpretations effective will be undertaken by YM as of the reporting date of the first IFRS reporting period.

YM has not previously prepared financial statements under IFRS. In assessing potential material differences from Canadian GAAP to IFRS, YM considered the potential application of the principles of IFRS 1 with a theoretical transition date of July 1, 2008 (Theoretical Transition Date). IFRS 1 requires that first time adopters of IFRS retrospectively apply all effective IFRS standards and interpretations to determine the opening balance sheet as at the date of transition to IFRS. IFRS 1 provides for certain optional exemptions and mandatory exceptions to the general rule requiring retrospective application of all IFRS standards in effect at the end of the first reporting period under IFRS. For the purposes of preparing this information, YM notes that it has applied the following optional exemptions under IFRS 1:

1. Business combinations -- YM would not apply IFRS 3 *Business Combinations* retrospectively to business combinations that occurred prior to July 1, 2008. Consequently, business combinations that were recognized before the Theoretical Transition Date have not been restated. Any goodwill arising on such business combinations before the Theoretical Transition Date was not adjusted from the carrying value previously determined under Canadian GAAP as a result of applying this exemption.

YM has also considered the three mandatory exceptions to full retrospective application of IFRS required by IFRS 1 as follows:

1. Derecognition of financial assets and financial liabilities – IFRS 1 requires first time adopters to apply the derecognition requirements in IAS 39 *Financial Instruments: Recognition and Measurement*, retrospectively for transactions occurring on or after its Transition Date.
2. Non-controlling interests – IFRS 1 requires first time adopters to apply the following requirements of IAS 27 prospectively from its transition date:
  - a. the requirement that total comprehensive income is attributed to the owner of the parent and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance;
  - b. the requirements of accounting for changes in the parent's ownership interest in a subsidiary that do not result in a loss of control; and
  - c. the requirements for accounting for a loss of control over a subsidiary, and the related requirements of IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*; and
3. Estimates – Hindsight is not used to create or revise estimates. The estimates previously made by YM under Canadian GAAP were not revised for application of IFRS except where necessary to reflect any difference in accounting policies.

The following is a description of the nature of the identified material differences between Canadian GAAP and IFRS as applicable to the pro forma condensed combined financial statements:

1. **Share-based payments.** Both Canadian GAAP and IFRS require the fair value of stock options granted to be expensed over the vesting period. YM stock options generally vest one third immediately and one third on each of the first and second anniversaries. YM currently expenses one third of the fair value immediately and two thirds equally over 24 months. IFRS requires one third of the fair value to be expensed immediately, one third equally over 12 months and one third equally over 24 months. The impact on the pro forma condensed combined financial

statements would be an increase in the net loss for the year ended June 30, 2009 of C\$195,000 (A\$226,000) with a corresponding increase in equity as at June 30, 2009 of the same amount. This difference arises from YM historical financial information included in the pro forma condensed combined financial statements.

2. **Acquisition accounting for a business combination.** Under Canadian GAAP the transaction costs incurred in the acquisition of a business are included in the purchase consideration and allocated among the acquired assets. Under IFRS, the transaction costs are expensed immediately. The total transaction costs were estimated to be C\$1,000,000 (A\$1,068,000). The impact on the pro forma condensed combined financial statements would be a reduction in the intangible assets as at June 30, 2009 of C\$1,000,000 (A\$1,068,000) and an increase in the net loss for the year ended June 30, 2009 of C\$800,000 (A\$836,000) (being the net amount of the decrease in amortization of the intangible asset and the increase in the expenses). This difference arises from the accounting for the acquisition of Cytopia as described in item 3(d) in the notes to the pro forma condensed combined financial statements.