

ASX Announcement

5 June 2009

Cytopia Moves Focus to Clinical Stage Cancer Company

Novartis Collaboration

Cytopia Limited (ASX:CYT) has completed the three year research term under its collaboration with Novartis for the development of JAK3 inhibitors for treating transplant rejection and other auto-immune diseases.

In 2006 Cytopia entered into the global license and research and development collaboration with Novartis to develop small molecule therapeutics targeting the JAK3 kinase. During the past three years both Novartis and Cytopia have contributed JAK3 specific expertise and intellectual property leading to the development of molecules with clinical potential.

Novartis will now be responsible for the formal preclinical and clinical development of those compounds meeting development criteria. Cytopia will continue to participate with ongoing representation on the Joint Steering Committee established by the two parties.

Cytopia has received approximately A\$13 million in upfront and research payments under this agreement. Development, regulatory and sales milestones as well as royalty payments on any product sales, may also be paid to Cytopia over the life of the agreement.

“This has been a valuable research collaboration for Cytopia with excellent relationships established with the Novartis team in Basel,” said Andrew Macdonald, CEO of Cytopia. “The exceptional work of the JAK3 scientific team can now be driven through development and further milestone achievements will deliver further payments to Cytopia.”

Strategic Changes

With the completion of the JAK3 research work and a number of clinical trials underway or to be commenced by the end of the current year, Cytopia has taken certain strategic decisions that will best position the company for the future.

Operations are now focused on developing preclinical and clinical stage compounds. These are the JAK2 inhibitor CYT387 for myeloproliferative disorders and cancer, and the anti-cancer vascular disrupting agent CYT997. The company has completed two Phase I clinical studies in CYT997 and has Phase II studies open in relapsed glioma and multiple myeloma. A further clinical study treating myelofibrosis patients with CYT387 is scheduled to commence in the second half of this year.

Without dedicated funding for the existing scientific team that has been engaged on the JAK3 program, it is not feasible to support a broad clinical program and also conduct research on early stage projects. The research operations will be closed down with immediate effect and the continuation of early stage work will be managed internally but conducted on an outsourced basis. As a result there will be the loss of 18 staff at the Melbourne laboratories.

There is a considerable pool of early and late stage research assets that have been driven by the research capability. These will continue to be partnered through out-licensing and development collaborations such as the FAK inhibitor project with CRC Cancer Therapeutics Pty Ltd. This project gives Cytopia an option over commercialisation rights where it can leverage its preclinical and clinical capability. The company is also seeking development partners for the FMS inhibitors project for treating cancer and inflammation, one of the more advanced research programs.

“The steps we are taking are the right ones for the company in the current economic environment,” said Chairman Bob Watson. “We are excited about the prospects for CYT997 and CYT387, particularly as drugs in cancer and will continue to invest in their development. We also owe substantial gratitude to our scientific team which, over a long period, has delivered valuable compounds and intellectual property that can now be progressed with partners.”

About Cytopia

Cytopia Ltd is an Australian biotechnology company focused on the development of new drugs to treat cancer and other diseases. Cytopia conducts its drug development through subsidiaries based in Australia and USA and specialises in developing new small molecule compounds with an improved therapeutic profile for the treatment of cancer.

The lead program for the company is CYT997, a vascular disrupting agent (VDA) for the treatment of various cancers, currently being trialed in Phase II clinical studies. This compound is delivered orally as well as intravenously. Cytopia also has built on its range of JAK and other kinase inhibitors with CYT387, a novel oral JAK2 inhibitor focused on the treatment of myeloproliferative disorders and cancer, expected to enter Phase I clinical studies mid 2009.

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