ASX ANNOUNCEMENT

2 November 2009

Update on Merger with YM BioSciences

Cytopia Ltd (ASX:CYT) has today provided an update on the progress of its proposed merger by way of scheme of arrangement with YM BioSciences Inc, as announced on 6 October, 2009 ("Scheme"). Cytopia has also confirmed the details of its 2009 Annual General Meeting to be held on 23 December 2009.

Amendment to merger terms

Cytopia and YM have agreed to an amendment to the terms of the Implementation Agreement (“Agreement”) dated 6 October 2009. The amended version of the Agreement will be included in the Scheme Booklet currently being prepared for Cytopia shareholders and anticipated for release in late November 2009.

As announced on 6 October 2009, the number of YM shares to be issued to Cytopia shareholders as consideration under the Scheme is determined by reference to a fixed exchange ratio. A formula also provides for adjustment to this exchange ratio outside of a specified trading range of the YM share price, as measured by a 20 day Volume Weighted Average Price (VWAP) up to (but excluding) the effective date of the Scheme, compared to the notional price of YM shares of C$1.844. This formula effectively determined an upper and lower dollar value of the consideration payable. All price references are based on 20 day VWAPs.

The YM shares to be issued to Cytopia shareholders (if the Scheme becomes effective) will be subject to the rules and regulations of the Toronto Stock Exchange (TSX). The number of new YM shares to be issued under the Scheme using the fixed exchange ratio is expected to be equivalent to approximately 12.4% of the YM shares currently on issue. YM has filed a notification with the TSX for new YM shares to be issued at a future date up to 24.99% of the YM shares currently on issue. In effect, this limit equates to a YM share price of C$0.64, whereas the 20 day VWAP and the closing price of YM shares on 30 October 2009 was C$1.41.

Pursuant to new TSX rules, YM shareholder approval would ordinarily be required for the issue of more than 24.99% of YM shares to Cytopia shareholders. As the commercial terms of the merger were struck prior to the introduction of these TSX rules, it was not originally considered likely that YM shareholder approval would be required. In order to provide greater certainty for Cytopia shareholders, to minimise the risk of delay to the Scheme timetable, and to reduce inconvenience and cost to YM and therefore the Merged Entity, the parties have agreed to amend the Agreement as described below.

Scheme Consideration

The formula detailed in the announcement of 6 October provided for an adjustment to the number of YM shares to be issued as consideration under the Scheme where the YM VWAP ending on the date prior to the Scheme becoming effective exceeds a 30% trading band on either side of C$1.844. The amendment now limits this adjustment to situations where the share price exceeds a 30% trading band, but does not exceed a 65.3% trading band.

The adjustments to the Scheme Consideration can be summarised as follows;

Relevant VWAP of YM Shares (C$)	**Exchange Ratio to apply (number of New YM Shares for each Cytopia Share held on the Scheme Record Date)**
Less than $0.640	0.1718
Greater than or equal to $0.640, less than $1.290	Between 0.1718 and 0.0852
Greater than or equal to $1.290, less than or equal to $2.397	**0.0852**
Greater than $2.397, less than or equal to $3.048	Between 0.0852 and 0.0670
Greater than $3.048	0.0670

By way of example, the closing price of YM shares on 30 October 2009 was C$1.41 and therefore 23.5% lower than the reference price of C$1.844. If this price was used to calculate the YM shares to be issued, the fixed exchange ratio of 11.737 would apply. Under the amended Agreement, adjustment to the exchange ratio will only be required if the YM VWAP is between C$1.29 (-30%) and C$0.64 (-65.3%).

Conditions Precedent

The Agreement requires certain Conditions Precedent to be satisfied before the Scheme can be completed, as noted on page 3 of the announcement on 6 October 2009. The following Conditions Precedent have now been met and notified accordingly by Cytopia to YM BioSciences;

- The holders of the Cytopia partly paid shares have agreed to transfer all of their partly paid shares on the Scheme Implementation Date and have entered into a Share Sale Deed with the relevant parties per Clause 3.1(p) of the Agreement; and
- The Commonwealth Government has approved a "change in control" variation request for Grants Nos GRA02895 and COM03682, per Clause 3.1(f) of the Agreement.

Annual General Meeting

Cytopia will hold the 2009 Annual General Meeting (AGM) at 10.00 am, 23 December 2009 at Level 30, 525 Collins Street, Melbourne 3000. The company has received approval from the Australian Securities and Investments Commission (ASIC) for the holding of the meeting at this time.

The current timetable for the proposed merger with YM BioSciences Inc as detailed in the Agreement announced on 6 October 2009 anticipates Cytopia shareholders considering the merger in a general meeting held during January 2010. However, subject to appropriate regulatory and court approvals and meeting certain other merger conditions, it is possible that the merger proposal could also be put to shareholders on 23 December 2009. The company is endeavouring to facilitate this outcome in order to minimise inconvenience and cost to shareholders.

About Cytopia

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

The company's lead drug candidate is CYT997, a vascular disrupting agent (VDA) for the treatment of various cancers, which is currently being trialled in Phase II clinical studies. Cytopia is continuing to build on its range of JAK inhibitors and kinase expertise, with CYT387, a novel oral JAK1/JAK2 inhibitor focused on the treatment of myeloproliferative disorders, cleared by the FDA to initiate a Phase I clinical study.

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