

ASX ANNOUNCEMENT

7 January 2010

Proposed Merger with YM BioSciences – Update

To assist shareholders in considering the proposed Scheme of Arrangement for the merger with YM BioSciences Inc (“YM”), Cytopia Limited (ASX:CYT) has today provided an update on the trading price performance of YM Shares and a hypothetical indication of what the Exchange Ratio would be on 7 January 2010.

As explained in the Scheme Booklet that has been distributed to shareholders, the Exchange Ratio of New YM Shares per Cytopia Share (being the Scheme Consideration that Cytopia Shareholders will be entitled to receive if the Scheme proceeds) is subject to potential adjustment depending on the trading price performance of YM Shares over the Relevant VWAP Period.

Background

Pursuant to the terms of the proposed Scheme, Cytopia Shareholders will be entitled to receive New YM Shares as consideration for each Cytopia Share held as at 7:00 pm on the Scheme Record Date, based on an Exchange Ratio of 0.0852 New YM Shares per Cytopia Share (or 1 New YM Share for every 11.737 Cytopia Shares), but subject to potential adjustment based on the trading price performance of YM Shares.

Whether the Exchange Ratio of New YM Shares per Cytopia Share will be adjusted depends on the "**Relevant VWAP**" of YM Shares, which will be calculated by reference to the volume weighted average price (**VWAP**) of YM Shares on the NYSE Amex and the TSX in the 20 Trading Days up to (but not including) the Effective Date.

Shareholders should refer to sections 4.2 and 8.4 of the Scheme Booklet for further information on the calculation of the Scheme Consideration.

Update at 7 January 2010

- *The closing prices of YM Shares on the NYSE Amex and the TSX on 6 January 2010 were US\$1.34 and C\$1.41 respectively.*
- *Based on the VWAP of YM Shares on the NYSE Amex and the TSX over the 20 Trading Days prior to, but not including, 7 January 2010, the Relevant VWAP would be **C\$1.3066** (i.e. if the Effective Date were 7 January 2010).*
- *Based on this hypothetical Relevant VWAP, there would be no adjustment to the Exchange Ratio of 0.0852 New YM Shares per Cytopia Share.*

| | Agreed Exchange ratio pre announcement | Date of Scheme Booklet | Shareholder update |
|---|---|-------------------------------|---------------------------|
| Reference Date | 25 September 2009 | 8 December 2009 | 7 January 2010 |
| CYT 20 day VWAP Share Price | A\$0.1276 | A\$0.0880 | A\$0.0953 |
| YM 20 day VWAP Share Price | C\$1.8435 | C\$1.3048 | C\$1.3066 |
| Premium based on 20 day VWAPs | 30% | 32% | 23% |
| CYT - Closing Price | A\$0.115 | A\$0.086 | A\$0.097 |
| YM- Closing Price | C\$1.56 | C\$1.20 | C\$1.41 |
| Effective Value of Scheme Consideration | A\$0.140 | A\$0.107 | A\$0.127 |
| Premium based on closing prices | 22% | 24% | 30% |
| <i>Exchange rate used (A\$ / C\$)</i> | <i>0.9469</i> | <i>0.9594</i> | <i>0.9495</i> |

As disclosed in the Scheme Booklet, the actual Effective Date under the Scheme is expected to be 4 Business Days after date of the Scheme Meeting. As such, there is a risk of movement in the Relevant VWAP, and therefore the Scheme Consideration, after the Scheme Meeting. In practical terms, this means that the exact Scheme Consideration that Cytopia Shareholders will receive will not be determined until after the date of the Scheme Meeting.

Board Recommendation

The merger has the unanimous support of the Cytopia board. Cytopia directors recommend that in the absence of a Superior Proposal, shareholders support this merger by voting in favour of the Scheme.

Shareholders are encouraged to attend the Scheme Meeting which will be held at the offices of BDO Kendalls at Level 30, 525 Collins Street, Melbourne 3000, Victoria, at 10.30 am on 12 January 2010.

For further information, shareholders can contact the Cytopia Merger Information Line on +61 (3) 9926 0410.

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. CYT387, a novel oral JAK1/JAK2 inhibitor focused on the treatment of myeloproliferative neoplasms, is also being investigated in a Phase I/II clinical study.

On 6 October 2009, Cytopia announced a proposed merger with Toronto-based YM BioSciences Inc. Further details can be found at the Cytopia website (www.cytopia.com.au).