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## ASX RELEASE

6 October 2009

### Cytopia merger with Toronto-based YM BioSciences Inc

Cytopia Limited (ASX:CYT) ("Cytopia") has today announced that Cytopia and Toronto-based YM BioSciences Inc. ("YM") have signed an exclusive and binding Implementation Agreement ("Agreement") in which it is proposed that YM will acquire all of the issued shares and options in Cytopia. This transaction will be conducted by scheme(s) of arrangement ("Scheme(s)") and shareholders (and optionholders if required)<sup>i</sup> are expected to vote on the Scheme(s) in January 2010.

Cytopia shareholders will be offered 1 YM share for every 11.737 Cytopia shares.<sup>ii</sup> Cytopia option holders will receive YM options at an equivalent ratio. The Share Scheme consideration represents a share price offer of \$0.1659 per Cytopia share. This is a 58 % premium to the trading price of Cytopia shares on the ASX immediately prior to signing of the Agreement. The consideration payable will be subject to an arrangement providing for adjustments to the share exchange ratio where there are significant movements in the trading price of YM shares.

YM has a market capitalisation of approximately C\$87 million, with approximately 58.2 million shares on issue, and a closing price of C\$1.49 on the Toronto Stock Exchange on 5 October 2009. In its most recent published accounts for the year ended 30 June 2009, YM reported cash and cash equivalents of approximately C\$41 million. On successful implementation of the Schemes, Cytopia shareholders should own approximately 11% of YM.

YM is a clinical stage cancer-focused life sciences company with its lead drug candidate nimotuzumab in development world wide in numerous Phase II and Phase III clinical trials. The drug has marketing approval in 21 countries. The company has offices in Canada, USA, United Kingdom and Cuba and is listed on the Toronto Stock Exchange (YM) and the New York Stock Exchange/AMEX (YMI).

Post implementation, the combined companies will manage the development of four clinical stage assets:

- Nimotuzumab is an EGFR-targeting antibody being developed for multiple tumour types principally in combination with radiation and chemoradiation. It is differentiated from other marketed EGFR-targeting agents by its benign side-effect profile, observed from having treated over 5,000 patients globally. The program is currently in 11 Phase II and Phase III studies by YM and its licencees and numerous additional studies worldwide.
- CYT997 is a vascular disrupting agent for the treatment of solid tumours, currently being studied in glioblastoma. This novel, small molecule compound can be differentiated from most other compounds in development because it can be administered orally as well as intravenously. The program is in two Phase II single arm studies.

- AeroLEF, an inhaled delivery composition of fentanyl for the treatment of moderate to severe acute pain, has completed a randomised Phase II study and is being prepared for late stage development internationally.
- CYT387, a specific JAK2/JAK1 kinase inhibitor, is being developed for the treatment of myeloproliferative disorders and cancer and expected to enter the clinic in the last quarter of 2009 for a Phase I/II study.

The merged companies will also manage other collaborations in the Cytopia portfolio including the partnership with the Commonwealth Government supported Cancer Therapeutics CRC to develop FAK inhibitors for cancer. Cytopia is holding over 4,000 tyrosine kinase inhibitors and other small molecule compounds for further development and is regularly reviewing similar such outlicensing opportunities.

Cytopia staff will continue to support the development of the CYT997 and CYT387 programs and the Melbourne based operations will be maintained. It is expected that the value of the Cytopia programs can be significantly enhanced through the resources and capabilities of YM, leading to clinical data from both programs as early as 2010.

A Board meeting of Cytopia unanimously recommended that the acquisition of Cytopia's shares and options is in the best interests of Cytopia shareholders and Cytopia optionholders, and as such those holders should vote in favour of all resolutions to be proposed at the Scheme meetings, subject to there being no Superior Proposal and to the Independent Expert confirming that the Scheme(s) are in the best interests of Cytopia shareholders and Cytopia optionholders as the case may be.

"With their broad international reach and strong cancer focused clinical development expertise, we believe YM is an excellent partner for Cytopia," said Mr. Andrew Macdonald, Chief Executive Officer of Cytopia. "This merger provides the best opportunity available for the continued development and expansion of our lead programs and also provides our shareholders with exposure to a broader portfolio of potential cancer therapies and geographic diversification. We welcome the opportunity to establish a direct YM presence in the Australasian region and contribute to the ongoing success of the merged entity."

"This transaction should deliver an excellent outcome for both groups of shareholders. It is a significant step in developing a wide portfolio of cancer related products to maximise success and to better manage risk," said Mr David Allan, Chairman and Chief Executive Officer of YM. "We recognise the potential and quality of the Cytopia programs and believe that this combination enhances the opportunity to bring new cancer drugs to international markets."

The Australian operations will be operated under the YM name following completion of the transaction. Pursuant to the provisions of the Agreement, Mr. Bob Watson, Chair of Cytopia will be appointed to the board of YM.

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## Conference Call

YM BioSciences will host a conference call for analysts and portfolio managers to discuss this proposed transaction on Tuesday, October 6, 2009 at 11.00 pm EDT (Australian) and 8:00am EST (Canada). Representatives from both YM and Cytopia will be on the call, which may be accessed by calling +1 416 644 3424 or +1 800 594 3790. The conference call will also be audio cast live and archived for 90 days at <http://www.ymbiosciences.com/>

## Transaction Details

A copy of the signed Agreement is attached to this release. Key terms of the transaction are as follows:

- Cytopia shareholders will receive 0.0852 YM shares for each Cytopia share held at the record date, subject to the 20 day volume weighted average price ("VWAP") of YM shares traded on the Toronto Stock Exchange and the New York Stock Exchange/Amex, ending on the day prior to the Effective Date,<sup>iii</sup> being between C\$1.2905 and C\$2.3966.
- Where the 20 day VWAP is either above or below the range of C\$1.2905 and C\$2.3966, the share exchange ratio is adjusted subject to fixed valuations of Cytopia of C\$9.3 million (the lower limit) and C\$17.3 million (the upper limit).
- Cytopia optionholders, either pursuant to a private offer or alternatively under an Option Scheme, will receive YM stock options in consideration for the cancellation of their Cytopia Options, subject to the equivalent exchange ratios (including the upper and lower limits) as apply under the Share Scheme.
- The merger is subject to a number of conditions including Cytopia shareholder and (if required) Cytopia optionholder approval, court and regulatory approval, approval of the Commonwealth of Australia,<sup>iv</sup> and various other conditions (set out in clause 3.1 of the Agreement).
- A Board meeting of Cytopia unanimously recommended the merger, subject to the independent expert confirming that the Scheme(s) are in the best interests of Cytopia shareholders and optionholders and no Superior Proposal being announced.
- Each of Cytopia and YM has agreed to the payment of a break fee of A\$500,000 under certain circumstances.
- For the period commencing on the date of the Agreement until the earlier of termination of the Agreement or 28 February 2010, Cytopia has agreed not to solicit, encourage, initiate or participate in any negotiations or discussions in respect of an expression of interest, offer or proposal for an alternative transaction to the Scheme(s) (subject to the fiduciary duties of Cytopia's directors).
- On successful implementation of the Scheme(s), Cytopia will be delisted from ASX.

Full details of the merger will be provided to Cytopia shareholders and optionholders in a Scheme Booklet which is expected to be distributed in late November 2009. The Scheme Booklet will include the report from the independent expert and will further explain the basis for the proposed merger.

It is expected that shareholders, and optionholders if necessary, will be asked to vote on the approval of the Scheme(s) in January 2010.

Cytopia has appointed Clayton Utz as Australian legal adviser, Toronto-based Blake, Cassels & Graydon LLP as Canadian legal adviser, US-based Oppenheimer & Co Inc as financial advisor and Lonergan Edwards as an independent expert.

### **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 Australia and the 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 for the treatment of various cancers, and currently being trialled in Phase II clinical studies. Cytopia also is building on its range of JAK inhibitors and kinase expertise, with CYT387, a novel oral JAK2 inhibitor focused on the treatment of myeloproliferative disorders, expected to enter a Phase I/II clinical study in 2009.

### **About YM**

YM BioSciences Inc. is a life sciences product development company that identifies and advances a portfolio of promising cancer-related products at various stages of development. The Company is currently developing two late-stage products: nimotuzumab, an EGFR-targeting Affinity-Optimized Antibody™, and AeroLEF®, a proprietary, inhaled-delivery composition of free and liposome-encapsulated fentanyl. YM has proven regulatory and clinical trial expertise and a diversified business model designed to reduce risk while advancing clinical products toward international approval, marketing and commercialization.

### **About YM Programs**

Nimotuzumab is a humanized monoclonal antibody in development worldwide, targeting multiple tumor types primarily in combination with radiation and chemoradiation. It is significantly differentiated from all other currently marketed EGFR-targeting agents due to its remarkably benign side-effect profile. Nimotuzumab's anti-tumor activity has led to its approval for marketing in more than 20 countries. In more than 5,000 patients reported as having been treated with nimotuzumab worldwide to date, no Grade IV incidents of radiation dermatitis have been described, severe rash has not been observed and reports of the other severe side-effects that are typical of EGFR-targeting molecules have been rare. Nimotuzumab is licensed to YM's majority-owned subsidiary, CIMYM BioSciences Inc., by CIMAB S.A., and was developed at the Center of Molecular Immunology.

YM is developing AeroLEF for the treatment of moderate to severe acute pain. The product is differentiated from other approaches using fentanyl because patients can individually control the analgesia required for their differing intensities of pain. AeroLEF met all endpoints in a randomized Phase II trial and is currently being prepared for late-stage development internationally.

For further information please contact:

Mr. Andrew Macdonald  
Chief Executive Officer  
T: +61 3 9208 4232  
[andrew.macdonald@cytopia.com.au](mailto:andrew.macdonald@cytopia.com.au)

Mr Rudi Michelson  
Monsoon Communications  
T : +61 3 9620 3333  
[rudim@monsoon.com.au](mailto:rudim@monsoon.com.au)

or, visit our website at: [www.cytopia.com.au](http://www.cytopia.com.au)

For information on YM Biosciences, please visit their website at [www.ymbiosciences.com](http://www.ymbiosciences.com)

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<sup>i</sup> The Implementation Agreement provides for Cytopia to use commercially reasonable endeavours to ensure that each holder of a Cytopia Option agrees to the cancellation of the Cytopia options held by that holder. Unless all holders of Cytopia Options agree to the cancellation of their options, Cytopia will be required to propound the Option Scheme.

<sup>ii</sup> This is based on a 20 day VWAP of Cytopia and YM on 25 September 2009 of A\$0.1276 and C\$1.8435 respectively using an \$A/\$Canadian exchange rate of 0.9469.

<sup>iii</sup> The Effective Date is the day upon which the Schemes become effective by lodgement of the Court order with ASIC

<sup>iv</sup> Cytopia is required to obtain the consent by or on behalf of the Commonwealth of Australia to its proposed change in control (as the grantee company) under two specific Grants.