

cytopics

CYTOPIA'S NEWSLETTER

AUGUST 2008

Cytopia appoints JAK2 clinical study chairman

Cytopia continued its progress towards the clinic for CYT387, the company's JAK2 inhibitor for the treatment of myeloproliferative disorders (MPD's), with the appointment of eminent US Haematologist, Dr Ayalew Tefferi as Phase I/II study Chairman. Dr Tefferi is Professor of Haematology at the Mayo Cancer Clinic in Rochester, USA. Widely regarded as one of the world experts in the treatment of patients with MPD's, Dr Tefferi has published over 800 research articles in haematology and given over 400 invited lectures. He also serves on the editorial boards of a number of leading haematology journals.

Cytopia's initial Phase I/II MPD study will investigate the activity of CYT387 in patients with a life-threatening condition known as myelofibrosis. This condition causes progressive destruction of a patient's bone marrow, leading to profound changes in blood cell counts and enlarged organs, including the spleen and liver. Patients are at increased risk of blood clots and also progression to leukaemia. Currently available medications show limited activity and the prognosis for patients with myelofibrosis is very poor. CYT387 selectively targets the aberrant protein (JAK2) responsible for many cases of myelofibrosis and preclinical data suggests that CYT387 can completely attenuate symptoms of the disease in an in vivo model. Preparations for the company's Investigational New Drug (IND) application with the Food and Drug Administration (USA) are well progressed, with filing anticipated late this year. Approval of the IND will allow dosing in the company's Phase I/II study to commence in the United States. One other US site and two clinical sites in Australia will also participate in the study which is expected to begin early in 2009.



Cytopia Presents Data on CYT387 at Leading Cancer Conference

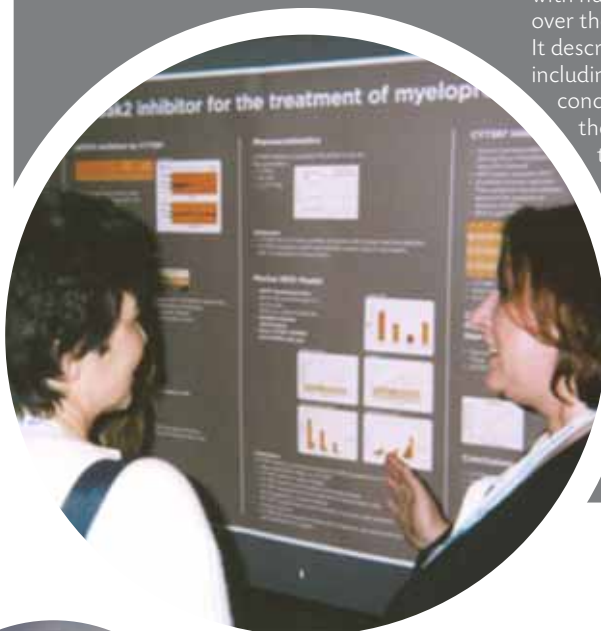
The American Association of Cancer Research annual meeting is the foremost meeting in the world for cancer researchers and clinicians to present the latest developments in cancer therapy.

This year's meeting was held in San Diego and was attended by over 17,000 researchers from academia and biotech, and practicing oncologists, from around the world. We chose this meeting as an opportunity to make the first public disclosure of data obtained for our JAK2 inhibitor CYT387. Dr Emmanuelle

Fantino, Head Biology and an integral member of the team that discovered CYT387, presented the poster entitled "A novel JAK2 inhibitor for the treatment of myeloproliferative disorders".

The poster generated considerable interest with hundreds of people viewing the work over the period the poster was presented. It described a selection of data on CYT387 including some of the very promising work conducted with collaborators showing the potential utility of the drug for the treatment of myeloproliferative disorders where the JAK2 enzyme is mutated to be permanently 'switched on'.

Some very useful contacts in both academia and in the biotech industry were made through this meeting and discussions on the prospect of collaborative opportunities for the progression of the compound are now underway.



Key clinical milestones

CYT997	Conclude Ph I intravenous clinical trial	3Q-2007	✓
CYT997	Announce Ph I intravenous clinical data	4Q-2007	✓
CYT997	Commence Ph II multiple myeloma trial	1Q-2008	✓
CYT997	Commence Ph II Glioma trial	3Q-2008	
CYT997	Conclude Ph I Oral clinical trial (est.)	4Q-2008	
CYT997	Interim data for Ph II myeloma trial	4Q-2008	
CYT387	Lodge IND	4Q-2008	
CYT387	Commence Ph I study	1Q-2009	
CYT997	Conclude Ph II multiple myeloma trial	2Q-2009	

Chairman and CEO 's message



Dear shareholders,

We are very pleased to deliver to you our latest edition of Cytopics. Our goal is to provide a regular communication to our shareholders covering recent news events as well as other useful information about the company. We trust you find this communication of value and welcome any specific feedback that you might like to provide.

While there has been much happening within the company that we cover in this issue, it is appropriate to first address the challenging environment that biotech companies have been operating in since the start of 2008 and arguably prior to then.

The Australian biotech sector has been adversely impacted by a range of external factors – local and global - and listed companies have seen severe falls in their market capitalisation. Against a drop of around 21% in the ASX Small Ordinaries index for the six months since December 2007, the Bioshares Index of a basket of Australian biotech stocks, including Cytopia, has seen a fall of around 40%. The economic impact of the downturn in global trading conditions has been wide-reaching but we are conscious of the specific impact on the supporters of our company.

There are a number of reasons why we believe Cytopia is well placed to deliver as market conditions improve;

- We hold a strong pipeline of drug candidates. By the beginning of 2009, we will have two new drug compounds in five current or completed clinical trials, and other compounds approaching the clinic.
- Key partnerships have been secured. Novartis are important partners in our JAK3 program, and there are other collaborative partnerships such as that announced with Cancer Therapeutics in May 2008.
- Excellent science drives our programs. We have one of the strongest scientific teams in Australia and are second to none in our in-house kinase drug development expertise.
- The company is well funded. We had \$11m of cash at June 2008 and this is sufficient to support our research and development programs for more than a year.

We recently held an Analyst Briefing Day at Cytopia, which allowed us to showcase the significant progress that is being achieved across our programs, as well as our Australian scientific leadership team. The electronic presentation from that briefing can be accessed on our website. This was one element of a wider communications program that is underway in the company, covering all stakeholders in our business from retail and institutional investors through to business partners and sector analysts and commentators.

Our presence at key international conferences continues to generate significant interest in our compounds from the general scientific community and importantly, from potential pharmaceutical partners. Dr Emmanuelle Fantino (head, Biology) presented a poster describing our JAK2 inhibitor, CYT387, at the annual meeting of the American Association of Cancer Research in San Diego in mid-April and Dr Jason Lickliter (Principal Investigator) made an oral presentation of the Phase I study in our anti-cancer agent CYT997 two months later at the American Society of Clinical Oncologists annual meeting in Chicago. Both presentations were very well received.

The newsletter provides specific details on our two lead programs. We are approaching the completion of formal preclinical studies of CYT387, our novel, orally active JAK2 inhibitor for the treatment of blood diseases known as myeloproliferative disorders (MPD's). Planning is now well underway for the Phase I clinical trial, which will be led by Dr Tefferi from the Mayo Cancer Clinic in the United States. Subject to approval from the US FDA, we will begin dosing MPD sufferers in early 2009. With no effective long term treatments available, we are very hopeful that our drug can deliver a significant benefit for these patients.

Our JAK2 program is based on the core intellectual property bought into the company

by the company's founder, Dr Andrew Wilks, who was the discoverer of the JAK kinases. Over past years, we have built up extensive expertise in the JAK kinases and this was recognised by Novartis when they chose Cytopia as their partner of choice for the JAK3 program. Our knowledge of JAK2, a clearly validated drug target, enables us to build an extensive internal program that we hope will deliver multiple value opportunities through CYT387 and other JAK2 inhibitors.

As you read this newsletter, we expect to have commenced enrolment into our first Phase Ib/II clinical trial for highly vascularised, solid tumours with our vascular disrupting agent (VDA), CYT997. Patients with relapsed or refractory glioblastoma multiforme (GBM, an aggressive form of brain tumour) will be treated with our compound, in conjunction with two other approved cancer agents, at multiple trial sites in Australia.

This is one of a number of clinical trials that are either underway, or have been completed, with CYT997. Data from these studies will support more substantial Phase II trials with this anti-cancer VDA in the future. From an Australian and overseas competitive position, CYT997 is not only the most advanced compound of this class behind compounds from Antisoma plc (UK) and Oxigene Inc (USA), but has the unique advantage that it can be administered orally as well as intravenously. We expect this feature to enhance the overall value of the compound from a clinical perspective after proof of efficacy is achieved.

Cytopia has continued to build its scientific and development team, as we see our people as the key to ongoing success. Our staff profile this issue is Dr David Segal, who has just joined us from Chemgenex as Deputy Head, Biology, and we have also made significant appointments in the scientific management of the company.

Recently, we were very pleased to have secured the services of Dr Devron Averett as Chief Scientific Advisor. Based in San Diego and bringing a wealth of industry experience in pharmaceutical and biotech companies, Devron works closely with the scientific team in Melbourne, as well as providing scientific support for our commercial activities.

We have chosen to move our US business development activities from Albany, New York to California and also announced the appointment of Mr Dick Haiduck as our Chief Business Advisor. Dick has been associated with the company for some time, and his extensive pharmaceutical background and strong links across the US biotech sector will be of considerable value in our various development activities, such as commercial partnerships.

Although environments may be challenging, we have continued to take the important steps that build value for our shareholders. We look forward to providing you with a further update in the next issue.

Andrew Macdonald **CEO**
Bob Watson **Chairman**

“Excellent science drives our programs. We have one of the strongest scientific teams in Australia and are second to none in our in-house kinase drug development expertise.”

Andrew Macdonald
CEO, Cytopia Ltd

Cytopia receives FDA approval for brain tumour study



In another milestone for Cytopia's clinical activities, the FDA has approved the company's Phase Ib/II clinical study for the company's vascular-disrupting anticancer agent, CYT997, in relapsed glioma.

Glioma (GBM) is an aggressive form of brain cancer typically treated with surgery, chemotherapy and radiation therapy. Unfortunately, most patients with glioma progress after these therapies and subsequent treatments typically show very poor activity.

GBM is a highly-vascular tumour type which may be amenable to attack by CYT997. The drug will be administered in combination with two other anticancer agents, carboplatin and etoposide.

Dosing in the study will commence at a clinical site in Victoria within weeks with another Australian site scheduled for later in the year. It is likely that the company will expand the study to overseas sites in 2009.

This will be the second of our Phase II clinical trials in CYT997. The first, which is being conducted at the Alfred Hospital in Melbourne Australia and is treating patients with multiple myeloma, commenced early in 2008. We had anticipated that we would reach the point of interim analysis for this single arm trial during the third quarter of 2008 but have experienced delays in patient enrolment. As a result, we expect that dosing of this initial group of patients will not conclude before the end of the 2008 year.

Shareholder Communication

Shareholder communication is something we take very seriously at Cytopia. We do this through the latest issues of Cytopics and general announcements to the market and press. To ensure you receive these communications via email, please update your details with our registry, Link Market Services, at www.linkmarketservices.com.au. Non-shareholders can also receive these announcements by forwarding your details to info@cytopia.com.au.

Financial Update

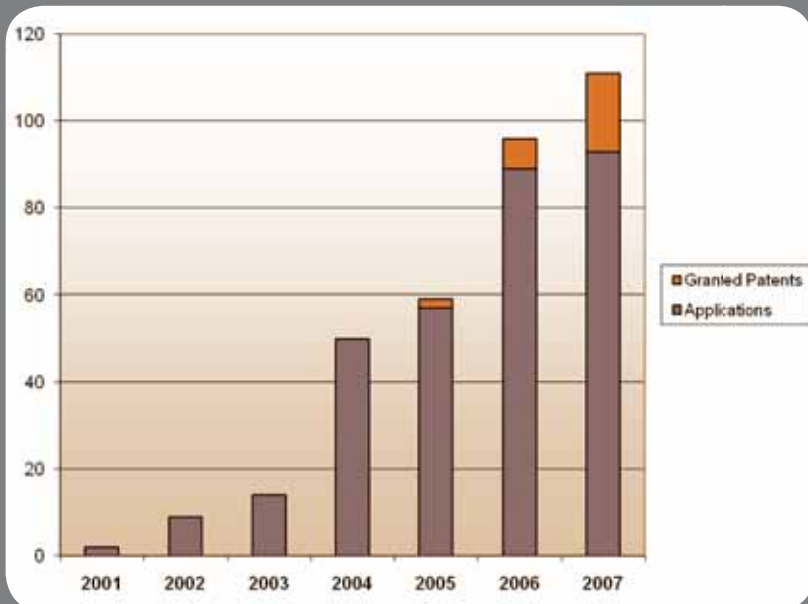
The Company has recently released its financial statements for the year ended 30 June 2008, which will be followed by the full Annual Report to shareholders in early October.

The reported operating loss after tax for the year was \$7.6m compared to a loss of \$4.9m for the previous corresponding year. R&D expenditure for the period was steady at \$9.5m compared with \$9.3m for the previous year.

There was a net cash outflow of \$3.1m for the year, and the period concluded with a solid cash position of \$11.0m. These funds provide sufficient working capital to support existing operations into the 2010 financial year.

Patent Update

Cytopia continues to progress its patent estate in pharmaceutical markets. The chart below demonstrates the growth of the patent estate and highlights the ongoing expansion in granted patents.



Staff Profile

Dr David Segal

DEPUTY HEAD, BIOLOGY

Dr David Segal joined Cytopia in July 2008 as the Deputy Head of the Biology Group.

David has extensive experience in cytokine research, cancer biology and drug discovery and development.

Originally from Perth, David started his scientific career with a Bachelor of Science with Honours in Microbiology from the University of Western Australia and obtained his PhD in Immunology from the John Curtin School of Medical Research at the Australian National University in 1996.

David returned to Australia from the US National Institutes of Health in late 2000 and joined the Metabolic Research Unit at Deakin University to work within their metabolism and neuroscience gene discovery program. Whilst at Deakin University, David worked on a number of commercially funded research projects involving Chemgenex Pharmaceuticals, Merck Sante and Vernalis Plc.



In 2007, David was appointed senior director of Cancer Biology at Chemgenex Pharmaceuticals and led the company's mode of action studies into that company's lead anti-leukaemia compound (omacetaxine) which is now in Phase III trials.

David is currently studying the mode of action of CYT997 and CYT387. He is looking forward to contributing to the successful development of these compounds and to the further advancement of other Cytopia projects.

Recruitment

Specific job openings will be posted on the Cytopia website from time to time. Please refer to the following link for details:

<http://www.cytopia.com.au/careers.html>

Cytopics

Further copies of cytopics are available from the company website:

<http://www.cytopia.com.au/cytopics.html>

Conferences and Presentations

Cytopia continues to participate in a number of Australian and international conferences and investor presentations. In recent months, these have included:

AMERICAN ASSOCIATION FOR CANCER RESEARCH ANNUAL MEETING, SAN DIEGO, USA

12 to 16 April (see article on cover)

AMERICAN SOCIETY OF CLINICAL ONCOLOGISTS ANNUAL MEETING, CHICAGO, USA

30 May to 2 June

BIO INTERNATIONAL CONFERENCE, SAN DIEGO, USA

17 to 20 June

ANALYST BRIEFING, CYTOPIA, MELBOURNE

31 July

Future conferences include:

236TH AMERICAN CHEMICAL SOCIETY AUTUMN MEETING, BOSTON, USA

17 to 21 August

MOVING FORWARD INTO CLINICAL STUDIES (PRESENTATION ON JAK2 INHIBITORS) WORLD TRADE CENTER, BOSTON

21 to 22 October

AMERICAN SOCIETY OF HEMATOLOGY ANNUAL MEETING, SAN FRANCISCO, USA

6 to 9 December

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