

## **MEDIA RELEASE**

8 February 2008

### **Cytopia half year report: Clinical Development accelerates in 2008**

Cytopia Ltd (ASX:CYT) today announced results for the half year to 31 December 2007, reporting a cash balance of \$14.4m (June 07: \$14.1m), following a placement of \$5.1m in December 2007.

“We have made excellent progress in the first half of this financial year,” said Chief Executive Officer, Mr Andrew Macdonald. “We have welcomed new institutional and sophisticated investors onto our register as well as the initiation of the first in a number of Phase II clinical studies. Our first Phase II trial is for the treatment of multiple myeloma with our anti-cancer vascular disrupting agent CYT997.”

“2008 should represent a significant value inflexion point for Cytopia. We will commence further Phase II CYT997 clinical studies for various solid tumours and expect to lodge an investigational new drug (IND) application with the Food and Drug Administration (FDA) later this year for a JAK2 inhibitor to treat specific blood disorders.”

Cytopia is building a strong portfolio of small molecule drugs to treat cancer. In addition to the core development programs of CYT997 and JAK2, the FMS program for cancer continues to make excellent progress towards the clinic with an IND application expected in 2009.

The partnership with Novartis to develop JAK3 inhibitors as anti-rejection drugs for organ transplantation entered the second of an initial three year research collaboration during 2007.

Early partnering of drug candidates for non-cancer indications is a key strategic element for Cytopia. It provides external funding to support the internal early stage scientific work on such programs and allows the company to invest in internally discovered cancer compounds and take them into clinical development.

#### **Results of operations**

By continuing to prudently manage cash reserves combined with additional investment from new and existing investors during the period, Cytopia has delivered a net cash inflow of \$0.3m for the period compared with a net cash outflow of \$0.7m in 2006. The cash balance of \$14.4m ensures that there is adequate funding to progress Cytopia’s drug development schedule well into 2009.

The operating loss after tax for the period was \$3.8m (2006: \$1.5m). This variance was a result of higher research and development expenditure of \$4.8m (2006: \$4.4m) and management and general administration expenditure of \$1.6m (2005: \$1.2m), combined with lower revenue of \$2.5m (2006: \$4.3m).

Net assets at 31 December 2007 totalled \$15.1m (30 June 2006: \$13.9m).

#### **About Cytopia**

Cytopia Ltd is an Australian biotechnology company focused on the discovery and development of new drugs to treat cancer. Cytopia conducts its research and development via subsidiaries based in Melbourne, Australia and New York and specializes in discovering new molecules that can inhibit enzymes known as kinases, an exciting new class of drugs.

[www.cytopia.com.au](http://www.cytopia.com.au)

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Chief Financial Officer & Co. Sec

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## Half Year Financial Report

31 December 2007



**CYTOPIA LIMITED  
HALF YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

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**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**CORPORATE PARTICULARS**

**Directors**

Mr Robert Watson, Non-Executive Chairman  
Mr Andrew Macdonald, Managing Director  
Dr Kevin Healey, Non-Executive  
Mr Roderick Lyle, Non-Executive  
Mr Mark Rowsthorn, Non-Executive  
Dr Geoffrey Vaughan, Non-Executive

**Company Secretary**

Mr Gavan Flower

**Principal Place of Business and Registered Office**

576 Swan Street  
Richmond Victoria 3121  
Telephone: +61 3 9208 4222  
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**Email:** [cytopia@cytopia.com.au](mailto:cytopia@cytopia.com.au)

**Web:** [www.cytopia.com.au](http://www.cytopia.com.au)

**Share Registry**

Link Market Services Ltd  
Locked Bag A14  
Sydney South NSW 1235  
Telephone: 1300 554 474 (within Australia)  
Telephone: +61 2 8280 7111 (outside Australia)  
Facsimile: +61 2 9287 0303  
Email: [registrars@linkmarketservices.com.au](mailto:registrars@linkmarketservices.com.au)  
Website: [www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

**Stock Exchange Listing**

Cytopia Limited's ordinary shares are listed on the Australian Stock Exchange (ASX).  
Market Code: CYT

Cytopia Limited ("Cytopia") is a company limited by shares, incorporated and domiciled in Australia and listed on ASX (ACN: 079 253 606). All press releases, financial statements and other information are available on our website – [www.cytopia.com.au](http://www.cytopia.com.au). If you have any questions in relation to our reporting, please email us at [cytopia@cytopia.com.au](mailto:cytopia@cytopia.com.au).

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**  
**Consolidated Results For Announcement To The Market**

For the half year ended 31 December 2007

	% Change	Half Year 31 Dec 2007 \$'000
<b>2.1 Revenue from ordinary activities</b>	-23.0%	2,215
<b>2.2 Loss from ordinary activities after tax attributable to members</b>	-154.8%	(3,817)
<b>2.3 Net loss for the period attributable to members</b>	-154.8%	(3,817)

**2.4 & 2.5 Dividends/distributions**

No dividends have been paid or declared during the period and the Directors do not recommend the payment of a dividend in respect of the half-year ended 31 December 2007. Dividends are not expected to be paid or declared in the immediate term.

<b>2.6(a) Explanation of revenue</b>	Half Year 31 Dec 2007 \$'000	Half Year 31 Dec 2006 \$'000
<b>Consolidated Revenue</b>		
Interest	388	613
License Fees	1,827	2,265
<b>Total Revenue</b>	<b>2,215</b>	<b>2,878</b>
<b>Consolidated Other Income</b>		
Grants	322	277
Sale of investment	-	1,130
<b>Total Other Income</b>	<b>322</b>	<b>1,407</b>

During the half year ended 31 December 2006, Cytopia Limited ("Cytopia") sold its remaining shareholding in Alchemia Ltd. Other income includes the consideration received by Cytopia on the sale of its shareholding in Alchemia, net of cost at date of disposal.

**2.6(b) Explanation of loss from ordinary activities after tax**

Research and Development expenditure	(4,809)	(4,439)
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The consolidated entity charges research and development expenditure to the income statement, rather than recognising it as an asset in its balance sheet. The majority of the operating loss from ordinary activities after tax reflects expensed research and development costs.

The figures include the proportion of depreciation, amortisation, employee entitlements and operating lease expenses attributable to research and development.

**2.6(c) Explanation of net loss**

Operating loss from ordinary activities after tax	(3,817)	(1,498)
Net loss attributable to members of Cytopia Limited	(3,817)	(1,498)

<b>3.0 Net Tangible Asset Backing</b>	31 Dec 2007 cents	31 Dec 2006 cents
Net tangible asset backing per ordinary share	15.4	20.7

**Other Supplementary Information:** Appendix 4D items 4, 5, 6, 7, 8 and 9 are not applicable.

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Directors' Report**

The Directors of Cytopia Limited submit herewith its report for the financial half year ended 31 December 2007. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows;

**Directors**

The names of the Directors of Cytopia Limited during or since the end of the half year are;

Mr Robert Watson (Chairman)  
 Mr Andrew Macdonald (Managing Director)  
 Mr John Hasker (retired 15 November 2007)  
 Dr Kevin Healey  
 Mr Roderick Lyle  
 Mr Mark Rowsthorn  
 Dr Geoffrey Vaughan

Unless otherwise indicated, all Directors held their positions as a Director throughout the entire half year and up to the date of the report.

Mr Gavan Flower was appointed Company Secretary with effect from 29 October 2007. Mr Andrew Macdonald resigned as Company Secretary on 29 October 2007.

**Principal Activities**

The principal activities during the reporting period were drug discovery research and development, focusing on cancer.

**Results**

The consolidated loss of Cytopia Limited for the half year ended was \$3,817,000 (2006: \$1,498,000) after income tax.

**Review of operations**

<b>Summary of consolidated results</b>	<b>Half Year 31 Dec 2007 \$'000</b>	<b>Half Year 31 Dec 2006 \$'000</b>
Revenue and other income	2,537	4,284
Research and development expenditure	(4,809)	(4,440)
Management and general administration expenditure	(1,556)	(1,160)
Income tax benefit / (expense)	11	(182)
<b>Loss attributable to members of Cytopia Ltd</b>	<b>(3,817)</b>	<b>(1,498)</b>
	<b>2007 Cents</b>	<b>2006 Cents</b>
Basic and diluted (loss) per share	(5.1)	(2.0)
Net tangible assets per share	15.4	20.7

The consolidated financial statements incorporate the assets and liabilities of Cytopia and its 100% controlled subsidiaries, Cytopia Research Pty Ltd ("Cytopia Research") and Cytopia Inc as at 31 December 2007 and the results of Cytopia and its subsidiaries for the half-year then ended. There are no outside equity interests in Cytopia for the reporting period or the previous corresponding period.

Cytopia Research and Cytopia Inc expense research and development expenditure as it meets the criteria to be expensed under Australian equivalents to International Financial Reporting Standards. The majority of the net operating loss attributable to members of Cytopia reflects Cytopia's share (based on the abovementioned accounting policies) of the expensed research and development costs of Cytopia Research and Cytopia Inc.

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

Directors' Report (continued)

**Investment activities**

During the half-year ended 31 December 2007, Cytopia Limited did not increase its investment in Cytopia Research Pty Ltd which remains at a total cost of investment of \$39.79 million.

**Events Subsequent to Balance Date**

On 2 January 2008, Cytopia Limited issued 2,288,451 partly-paid shares (with total uncalled capital amounts amounting to \$1,205,276) and 694,291 options over shares in Cytopia Limited for the acquisition of 10,298,022 partly paid shares in Cytopia Research and 694,291 options over un-issued Cytopia Research shares held by Dr Andrew Wilks (and an associated company). There has not been any other matter or circumstance since 31 December 2007 that has significantly or may significantly affect the operations, results of those operations or the state of affairs of the entity or consolidated entity in future financial years.

**Rounding of Amounts**

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with the Class order amounts in the Directors' report and financial report are rounded off to the nearest dollars unless otherwise stated.

**Auditor Independence**

A copy of the Auditor's declaration made pursuant to s.307C of the Corporations Act 2001 in relation to the review for the half year is contained on page 12 of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the Corporations Act 2001.



Robert Watson  
Chairman



Andrew Macdonald  
Managing Director

Melbourne, 7 February 2008

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Consolidated Income Statement**  
**For the half-year ended 31 December 2007**

	Notes	Half Year 31 Dec 2007 \$'000	Half Year 31 Dec 2006 \$'000
Revenue from continuing operations	3	2,215	2,878
Other income		322	1,407
Research & development expenses		(4,809)	(4,439)
Management and general administration expenses		(1,556)	(1,161)
<b>Loss before income tax benefit</b>		<b>(3,828)</b>	<b>(1,315)</b>
Income tax benefit / (expense)		11	(183)
<b>Loss from continuing operations</b>		<b>(3,817)</b>	<b>(1,498)</b>
<b>Loss for the half-year</b>		<b>(3,817)</b>	<b>(1,498)</b>
<b>Loss attributable to members of Cytopia Limited</b>		<b>(3,817)</b>	<b>(1,498)</b>
<b>Earnings per share for profits from continuing operations attributable to the ordinary equity holders of the company</b>			
Basic and diluted earnings / (loss) per share		(5.1)	(2.0)

*The consolidated income statement should be read in conjunction with the accompanying notes.*

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Consolidated Balance Sheet**

As at 31 December 2007

	As at 31 Dec 2007 \$'000	As at 30 Jun 2007 \$'000
<b>Current assets</b>		
Cash and cash equivalents	14,413	14,130
Trade and other receivables	355	344
Current tax assets	64	-
<b>Total current assets</b>	<b>14,832</b>	<b>14,474</b>
<b>Non-current assets</b>		
Property, plant and equipment	1,435	1,404
Intangible assets	2,058	2,090
<b>Total non-current assets</b>	<b>3,493</b>	<b>3,494</b>
<b>Total assets</b>	<b>18,325</b>	<b>17,968</b>
<b>Current liabilities</b>		
Trade and other payables	1,167	1,166
Provisions	367	438
Current tax liabilities	-	140
Deferred income	1,135	1,135
<b>Total current liabilities</b>	<b>2,669</b>	<b>2,879</b>
<b>Non-current liabilities</b>		
Provisions	94	100
Deferred income	473	1,040
<b>Total non-current liabilities</b>	<b>567</b>	<b>1,140</b>
<b>Total liabilities</b>	<b>3,236</b>	<b>4,019</b>
<b>Net assets</b>	<b>15,089</b>	<b>13,949</b>
<b>Equity</b>		
Contributed equity	50,958	46,128
Reserves	1,464	1,337
Accumulated losses	(37,333)	(33,516)
<b>Parent entity interest</b>	<b>15,089</b>	<b>13,949</b>
<b>Total equity</b>	<b>15,089</b>	<b>13,949</b>

*The consolidated balance sheet should be read in conjunction with the accompanying notes.*

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Consolidated Statement Of Changes In Equity**  
**For the half-year ended 31 December 2007**

	Half Year 31 Dec 2007 \$'000	Half Year 31 Dec 2006 \$'000
<b>Total equity at the beginning of the half year</b>	<b>13,949</b>	19,719
Changes in the fair value of available for sale financial assets, net of tax	-	(960)
Exchange differences on translation of foreign operations	(17)	(27)
<b>Net income recognised directly in equity</b>	<b>(17)</b>	(987)
<b>Loss for the half-year</b>	<b>(3,817)</b>	(1,497)
<b>Total recognised income and expense for the half year</b>	<b>(3,834)</b>	(2,484)
Transactions with equity holders in their capacity as equity holders:		
Employee share options	144	137
Contributions of equity, net of transaction costs	4,830	-
<b>Total equity at the end of the half-year</b>	<b>15,089</b>	17,372
<b>Total recognised income and expenses for the half-year attributable to members of Cytopia Ltd</b>	<b>(3,834)</b>	(2,484)

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Consolidated Cash Flow Statement**  
**For the half-year ended 31 December 2007**

	Half Year 31 Dec 2007 \$'000	Half Year 31 Dec 2006 \$'000
<b>Cash flows from operating activities</b>		
Payments to suppliers and employees (inclusive of goods and services tax)	(5,847)	(5,609)
Interest received	388	438
Grants (inclusive of goods and services tax)	342	236
License fees	1,268	1,410
Income taxes paid	(194)	(2)
<b>Net cash outflow from operating activities</b>	<b>(4,043)</b>	<b>(3,527)</b>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(501)	(543)
Receipts for sale of property, plant and equipment	11	-
Proceeds from sale of available-for-sale financial assets	-	3,402
Selling expense for sale of available-for-sale financial assets	-	(21)
<b>Net cash inflow from investing activities</b>	<b>(490)</b>	<b>2,838</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares and other equity securities	5,061	-
Payments for share issue transaction costs	(231)	-
<b>Net cash inflow from financing activities</b>	<b>4,830</b>	<b>-</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>297</b>	<b>(689)</b>
Cash and cash equivalents at the beginning of the reporting period	14,130	19,020
Effects of exchange rate changes on cash and cash equivalents	(14)	8
<b>Cash and cash equivalents at the end of the half-year</b>	<b>14,413</b>	<b>18,339</b>

*The above consolidated cash flow statement should be read in conjunction with the accompanying notes.*

**CYTOPIA LIMITED**  
**HALF YEAR FINANCIAL REPORT**  
**FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Notes To The Consolidated Financial Statements**  
**For the half-year ended 31 December 2007**

**NOTE 1. Basis of preparation of half-year report**

This general purpose financial report for the interim half-year reporting period ended 31 December 2007 has been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2007 and any public announcements made by Cytopia Limited ("Cytopia") during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

**NOTE 2. Segment information**

Cytopia Limited and its subsidiaries operate in the medical and biotechnology research industry segment predominantly within Australia.

<b>NOTE 3. Revenue from continuing operations</b>	<b>Half Year 31 Dec 2007 \$'000</b>	<b>Half Year 31 Dec 2006 \$'000</b>
<hr/>		
<b>Consolidated Revenue</b>		
Interest	388	613
License Fees	1,827	2,265
<hr/>		
Total Revenue	2,215	2,878
<hr/>		

License fees recognised by the group for the half year ended 31 December 2007 includes an amount of \$567,356 regarding the receipt of funds from an agreement signed with Novartis Institutes for Biomedical Research Inc. The revenue recognised was calculated after interpreting AASB 118 and determining an appropriate amortisation period of 36 months. The total funding received on 28 June 2006 under this agreement amounted to \$3,404,139 and is non-refundable.

**NOTE 4. Dividends**

The consolidated entity has not declared or paid dividends during the half-year ended 31 December 2007.

<b>NOTE 5. Contributed Equity</b>	<b>As at 31 Dec 2007 \$'000</b>	<b>As at 30 Jun 2007 \$'000</b>
<hr/>		
Share Capital (fully-paid ordinary shares)	50,958	46,128
<hr/>		
	<b>As at 31 Dec 2007 No. Shares</b>	<b>As at 30 Jun 2007 No. Shares</b>
<hr/>		
Share Capital (fully-paid ordinary shares)	84,612,744	73,611,430
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**NOTE 6. Events occurring after balance sheet date**

On 2 January 2008, Cytopia Limited issued 2,288,451 partly-paid shares (with total uncalled capital amounts amounting to \$1,205,276) and 694,291 options over shares in Cytopia Limited for the acquisition of 10,298,022 partly paid shares in Cytopia Research and 694,291 options over un-issued Cytopia Research shares held by Dr Andrew Wilks (and an associated company). There are no further significant events occurring subsequent to 31 December 2007.

**NOTE 7. Contingencies**

The consolidated entity had no contingent assets or liabilities at 31 December 2007.

**NOTE 8. Issuances, repurchases and repayments of debt and equity securities**

During the half year reporting period, Cytopia Limited issued 11,000,000 ordinary shares for \$5,060,000 (2006:nil) through a share placement.

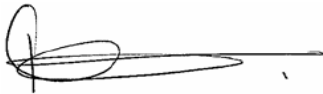
**CYTOPIA LIMITED  
HALF YEAR FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2007**

**Directors' Declaration**

The Directors declare that;

- (a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position of the consolidated entity as at 31 December 2007 and performance for the half-year ended on that date.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Corporations Act 2001.



Robert Watson  
**Chairman**



Andrew Macdonald  
**Managing Director**

Melbourne, 7 February 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT  
to the members of Cytopia Limited**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Cytopia Limited, which comprises the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration for the Cytopia Limited Group (the consolidated entity). The consolidated entity comprises both Cytopia Limited (the company) and the entities it controlled during that half-year.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cytopia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. It also includes reading the other information included with the financial report to determine whether it contains any material inconsistencies with the financial report. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

For further explanation of a review, visit our website <http://www.pwc.com/au/financialstatementaudit>.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by directors or management.

### *Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

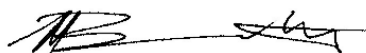
### *Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cytopia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PricewaterhouseCoopers



SC Bannatyne  
Partner

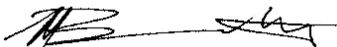
Melbourne  
7 February 2008

## Auditor's Independence Declaration

As lead auditor for the review of Cytopia Limited for the half year ended 31 December 2007, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Cytopia Limited and the entities it controlled during the period.



SC Bannatyne  
Partner  
PricewaterhouseCoopers

Melbourne  
7 February 2008