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MEDIA RELEASE

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CYTOPIA EXPANDS WITH US ACQUISITION

13 January 2005, Melbourne. Cytopia Research Pty Ltd today announced that it had acquired the assets of New York-based Myomatrix and established wholly-owned Cytopia Inc., to continue and expand its cardiovascular research program. All future intellectual property will be owned exclusively by Cytopia Research Pty Ltd.

The key asset of Myomatrix is a world wide exclusive license from the State University of New York covering the application of JAK2 kinase inhibitors for the treatment of cardiovascular diseases such as heart failure and pulmonary hypertension.

The consideration paid by Cytopia Research is approximately US\$625,000 in cash.

Mr Robert Watson, the recently appointed Executive Chairman of Cytopia said that this deal would significantly expand Cytopia's technology into another major therapeutic area.

"This transaction also establishes Cytopia in the US market and delivers the first step in our strategy to grow our business in larger markets in a very synergistic way", said Mr Watson.

Dr Kevin Healey, Cytopia's Managing Director said that the acquisition was a logical extension of a research collaboration that Cytopia had with Myomatrix over the past year.

"Cytopia and Myomatrix have shown that highly specific and potent kinase inhibitors developed by Cytopia can block signaling pathways in cardiac myocytes that are associated with heart failure", said Dr Healey.

"We will now test our lead molecules in animal models of pulmonary hypertension and heart failure with results expected by mid 2005", he added.

The new company will initially be based in Albany, New York and existing Myomatrix Executives Dr Larry Zisman and Dr Shreefal Mehta will transfer their employment to Cytopia Inc.

Heart Failure

The mechanism of heart failure is not completely known but the disease is thought to occur through the chronic activation of compensatory mechanisms that are triggered in response to pressure or volume overload in the cardiovascular system.

The mechanism may involve multiple signaling pathways that utilise kinases. Inhibition of these kinases may prevent changes in gene expression in the cardiac myocyte that lead to heart failure.

Heart failure is one of the fastest growing health problems in the United States, with costs exceeding \$30 billion annually. Approximately five million people are afflicted in the United States, with an additional 500,000 new cases reported each year.

The pharmaceutical market for heart failure related drugs is at least \$7 billion in the USA alone.

Pulmonary Hypertension

Pulmonary arterial hypertension afflicts approximately 40,000 patients in the United States, predominantly women. It is an orphan disease with a high mortality rate that needs better treatments, representing a currently available market of greater than \$250 million.

Dr Shreefal Mehta

Dr Mehta was a co-founder of Myomatrix Therapeutics. His career has been focused on technological entrepreneurship and finance and he was recently the Program Director of the Radical Innovation Research Program at Rensselaer's (RPI), Lally School of Management. He has a PhD in Biomedical Engineering.

Dr Mehta will manage the operations of Cytopia Inc., and assist Cytopia with its business development activities in the US.

Dr Larry Zisman

Dr Zisman was the founder and President of Myomatrix Therapeutics and was previously Director of Heart Failure/Transplant Cardiology at the Heart Institute, Albany Medical Center.

Dr Zisman received his training at Colorado Health Sciences Center under Dr Michael Bristow and has extensive clinical experience and training in cardiovascular diseases, including heart failure, cardiac transplantation and pulmonary hypertension. He has directed or participated in several clinical drug trials and has filed investigator-sponsored INDs.

Dr Zisman will lead Cytopia's cardiovascular drug development program.

ABOUT CYTOPIA LIMITED

Cytopia Limited is an Australian biotechnology company focused on the discovery and development of new drugs to treat cancer, immune disorders and cardiovascular diseases.

Cytopia Limited is a registered Pooled Development Fund and conducts its research and development via a subsidiary company Cytopia Research Pty Ltd.

Cytopia Research Pty Ltd

Cytopia Research specialises in discovering new molecules that can inhibit enzymes known as kinases, an exciting new class of drugs.

It holds a worldwide exclusive license from the Ludwig Institute for Cancer Research to a number of these enzymes known as JAK1 and JAK2 kinases which are over-active in many inflammatory diseases and some cancers. These JAK kinases, which were discovered by Cytopia's Chief Scientific Officer Dr Andrew Wilks, are well-validated drug targets and Cytopia has developed a number of inhibitors with therapeutic potential.

Cytopia applies structure based rational drug design techniques that can accelerate the identification of active molecules and their refinement into drug candidates.

Cancer program

Cytopia's candidate drug has shown efficacy in six *in vivo* animal models of various cancers, including prostate cancer, breast, lymphoma and leukaemia.

We currently expect the Phase I human trial to be commenced in early 2005 subject to approval by regulatory authorities.

Anti-Inflammatory Program

Cytopia has generated highly specific and potent inhibitors of the JAK3 kinase which is of major interest for the prevention of transplant rejection and treatment of several inflammatory diseases such as rheumatoid arthritis, asthma, dermatitis, psoriasis and eczema.

Cytopia owns 14.3% of Alchemia Limited

Alchemia (ASX Code: ACL) is on schedule in its development of a generic version of synthetic heparin in partnership with Dow Chemical for manufacturing, and with American Pharmaceutical Products for marketing and regulatory matters. Alchemia has negotiated a 50:50 profit share with both companies.

In addition, Alchemia has made good progress in applying its VAST™ technology platform to the discovery of drug leads for cancer and novel antibiotics.

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