

MEDIA RELEASE

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Cytopia reports strong cash position and good clinical trial progress

Melbourne-based drug discovery company Cytopia Limited (ASX:CYT) today reported its audited financial results to 30 June 2005 which showed the company had a strong cash position of \$12.9 million to support the clinical trials of its breakthrough cancer drug CYT997 and to take several more drug candidates towards the clinic over the coming year.

The company's loss of \$5.1 million was higher than last years \$4.3 million due to the costs associated with the preclinical testing of CYT997 and the additional research and development costs associated with the acquisition of Myomatrix's cardiovascular program.

During the year Cytopia raised \$13.2 million from a fully underwritten rights issue and \$0.89 million from a placement and from issues on exercise of options. In addition Cytopia sold its entire holding in Xenome for \$3.75 million contributing a net gain of \$0.75 million

Cytopia's Managing Director Dr Kevin Healey said that the commencement of the clinical testing of CYT997 in cancer patients at Royal Brisbane and Women's Hospital (RBWH) was a major milestone for the company. CYT997 has a dual mode of action in that it kills cancer cells but also restricts the blood flow to the tumour, starving it of nutrients and oxygen which it needs to grow.

"CYT997 could provide a breakthrough in cancer treatment", said Dr Healey. "We have a long way to go but the drug has some significant advantages over current cancer drugs," he added. "CYT997 is orally active and does not appear to be susceptible to the development of resistance like many drugs", he said.

The Phase I trial is a non-blinded dose escalation study in 18 to 30 late stage cancer patients with solid tumours and will take between 9 and 12 months. Although the current trial is being conducted in Brisbane, the FDA has also given Cytopia the green light to conduct trials in the US. The trial is predominantly to evaluate the safety and tolerability of the drug, although at the higher dose levels, there may be the opportunity to observe signs of activity on the tumour.

“Cytopia has had an excellent year” said Dr Healey. “Our strategy of focusing solely on drug discovery is paying off with several other programs nearing formal preclinical testing”, he added.

Dr Healey said that Cytopia was making good progress with its cardiovascular program that it acquired from Myomatrix and expected to complete animal models of pulmonary hypertension and heart failure by the end of the year.

“Our pipeline is what sets Cytopia apart from many other biotechnology companies”, said Dr Healey. “Apart from CYT997, we have three other programs that could enter clinical testing by the end of 2006”.

“A major development this year was the finding that many myeloproliferative diseases, in which the level of blood cells can be unusually high, are the result of a mutation in a gene that Cytopia has exclusively licensed. This opens the way for us to uniquely develop a treatment for these disorders. The Novartis drug Gleevec, which acts on a different mutation has sales well over US \$1.5 billion”, added Dr Healey.

The outlook for the company in the coming year is very positive with a good cash position and strong interest from pharmaceutical companies, particularly in the transplantation and autoimmune drug discovery programs. Burrill & Co, a San Francisco based Investment Bank that has an impressive track record in assisting biotechnology companies to form alliances with pharmaceutical companies, was appointed during the year to maximise the value of any deal for shareholders.

As the company moves forward, the strategy will be to partner some projects at an early stage whilst using deal revenue to fund other internal programs to a later stage.

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.

Cancer program

Cytopia’s drug candidate CYT997 has shown efficacy in *in vivo* animal models of various cancers, including prostate cancer, breast, lymphoma and leukaemia.

A Phase I human trial has commenced in Brisbane, Australia and is expected to take 9 to 12 months.

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.

Cardiovascular Program

Cytopia recently bought the assets of Myomatrix Therapeutics LLC, based in Albany New York and established Cytopia Inc as a wholly-owned subsidiary to continue and expand the cardiovascular drug research being conducted by Myomatrix. The priority areas are heart failure and pulmonary hypertension.

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