

For Immediate Release

ROI, Resource Allocation and Risk Management Review

Key points:

- *Further investment in CordLife and Cell Sciences subsidiaries to support the generation of strong revenue growth*
- *CytoVations to pursue near-term revenue opportunities in industrial applications of technology*
- *Phase I/II trial preparation and FDA-IND filing for stem cell expansion and T cell production cell technologies put on hold to pursue proof of concept for improved second generation products in collaboration with other companies*
- *Vaccine screening project put on hold*

6th January 2006 – CyGenics Ltd (ASX: CYN) today updated the market on its commercialisation plans and financial resources allocation across its four key businesses for 2006 after completing a strategy review with a detailed assessment of the resource allocations and priorities of each subsidiary business.

While CyGenics' central mission is to commercialise its proprietary stem cell expansion, T cell production technologies, and industrial cell culture technologies, the review focussed on targeting near-term revenue growth for the Company.

In summary the CyGenics strategy will include:

1. **CordLife.** The tissue and cord blood banking services is expected to continue to show strong revenue growth through its current operations in Australia, Singapore, Hong Kong, Indonesia, Thailand and the Philippines. The Company is also focussing on expansion opportunities in countries providing a significant first mover advantage for CordLife and strategic collaborations have already been identified. Building the CordLife business and its associated annuity income stream enables the Company to focus on strengthening its infrastructure globally.
2. **Cell Sciences.** The product distribution and service subsidiary is expected to maintain its strong revenue growth, now distributing across the Asian region its own cell culture devices and third party products. Cell Sciences holds key distribution agreements with more than 20 companies for more than 200 products. Cell Sciences also distributes its own cell culture devices through a third party distributor in the US and produces a product for Corning Inc. Cell Sciences will focus on expansion opportunities in selected product categories which provide significant and valuable synergies.
3. **CytoVations.** The new product development business will receive additional working capital to develop the industrial applications of its proprietary matrix technology. CytoVations will focus on enhanced mammalian and insect cell production for research and industrial applications, the introduction of products designed to benefit



diagnostic and cytotoxicity testing with tumour cells, and target cells such as hepatocytes and bone marrow cells. These products will provide opportunities for the Company to produce tailored products for drug discovery and to develop a commercially viable contract manufacturing activity. Building the Cytovations business and its associated technologies enables the Company to build necessary revenue generating capacity and infrastructure in the US. This is a short to mid term priority.

4. **Cytomatrix.** The commercialisation of the stem cell expansion and T cell production technology will continue its steady progress. However, rather than finance broad clinical trials and further research wholly in-house, the Company will seek to establish collaborations with leading companies and institutions, identifying opportunities in selected medical indications where such collaborations provide both synergies and the sharing of costs, and therefore dilute risks.
 - a. **Stem Cell Expansion Technology.** There have been significant improvements made in the field of stem cell expansion with a number of the modifications to existing methodologies. These enhancements, which involve the use of alternative methods for preparing the three dimensional matrix, not only increase the stem cell yield, but also increase the consistency of production. The Company plans to engage in additional pre-clinical laboratory work to incorporate a range of improvements. Together with Johns Hopkins University, efforts are directed at enhancing stem cell expansion for use in cell therapy, through their majority funded development and phase I/II clinical trial programs. These collaborative efforts will provide the Company with the opportunity to significantly improve its technology and substantially improve its prospects for success in planned clinical trials. The pre-clinical work conducted at the Murdoch Childrens Research Institute and preparation for an FDA-IND application will be put on hold while these new methods are developed and incorporated into the trial protocols, a process expected to take 6 to 12 months.
 - b. **T cell Production Technology.** Significant improvements have been made to the Company's T cell culture platform, through our collaborative project with US Brigham Women's Hospital. These enhancements, which involve the use of alternative methods for culturing skin cells onto the three dimensional matrix, including different growth factor combinations, not only increase the T cell yield, but also increase the consistency of production. The Company plans to engage in additional pre-clinical laboratory work to incorporate a range of these improvements. The pre-clinical work conducted at the Peter MacCallum Cancer Centre and the existing FDA-IND application will be put on hold while these new methods are further developed and incorporated into the trial protocols, a process expected to take 12 to 18 months.
 - c. **T cell Production Vaccine Screening.** The Company will put on hold plans for vaccine screening services, as the development process planned (including extensive animal studies required to demonstrate equivalency with existing screening methods) will exceed 36 months. The estimated revenue generation and return on investment will not support this effort.



Building the Cytomatrix business will deliver long term revenue generating capacity and valuable, global strategic relationships. This is a mid-to-long term priority.

During the review, the board and management considered the short and medium term prospects of each business unit and its projects and the related risk and return on investment. We concluded that the revised priorities and resource allocation will provide a greater near-term return on investment and create a significantly improved risk return on our therapy technology platforms.

About CyGenics

CyGenics is a cell therapy company focused on the development and commercialisation of adult stem cell-related products, services, applications and technologies. From its headquarters in Australia, CyGenics operates four subsidiaries: Singapore-based Cordlife (tissue banking services, in particular, cord blood banking) and Cell Sciences (consumable cell culture products), and Cytomatrix (cell therapeutics and technology development) based in Boston, USA, and Cytovations (new product development) based in New Jersey, USA. CyGenics is listed on the Australian Stock Exchange, under the symbol CYN. For more information, please visit www.cygenics.com.

For more information, please contact:

General Inquiries

Steven Fang, CEO, CyGenics Ltd Mob: +61 (0)400 933 243 Email: steven.fang@cygenics.com	Ian Brown, COO, CyGenics Ltd Mob: +61 (0)438 565 212 Email: ian.brown@cygenics.com
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Media Inquiries

Rebecca Piercy, Buchan Consulting Ph: +61 (0)3 9866 4722 Mob: +61 (0)422 916 422 Email: rpiercy@bcg.com.au	Ronald Hee, CyGenics Ltd Ph: +65 6238 0808 Mob: +65 9061 9098 Email: ronald.hee@cygenics.com
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