Appendix 4E

Preliminary final report

1. Details of reporting period

Name of entity	Cynata Therapeutics Limited (the Company)
ABN	98 104 037 372
Reporting Period	**Year ended 30 June 2021**
Previous Corresponding Period	Year ended 30 June 2020
Presentation Currency	Australian Dollars ($)

2. Results for announcement to the market

Key information	12 months ended 30 June 2021 $	12 months ended 30 June 2020 $	Increase/ (decrease) %	Amount change $
Revenues from ordinary activities	1,688,351	7,153,903	(76.40%)	5,465,552
Loss from ordinary activities after tax attributable to members	7,689,683	3,639,100	111.31%	4,050,583
Net loss for the period attributable to members	7,689,683	3,639,100	111.31%	4,050,583
Net tangible asset/(deficiency) per share	0.179	0.118		

3. Consolidated statement of profit or loss and other comprehensive income

Refer to attached consolidated financial statements.

4. Consolidated statement of financial position

Refer to attached consolidated financial statements.

5. Consolidated statement of cash flows

Refer to attached consolidated financial statements.

6. Consolidated statement of changes in equity

Refer to attached consolidated financial statements.

7. Dividends/Distributions

No dividends declared in current or prior year.

8. Details of dividend reinvestment plans

Not applicable.

9. Details of entities over which control has been gained or lost during the period

Not applicable.

10. Details of associate and joint venture entities

Not applicable.

11. Any other significant information needed by an investor to make an informed assessment of the Company's financial performance and financial position

Refer to attached consolidated financial statements.

12. Foreign entities

Refer to attached consolidated financial statements.

13. Commentary on results for period and explanatory information

Cynata Therapeutics Limited ("Cynata" or "the Company") and its controlled entities (the Group) incurred a net loss from operations for the financial year ended 30 June 2021 of $7,689,683 (2020: $3,639,100). At 30 June 2021, the Group had a cash balance of $26,716,670 (2020: $13,649,644) and net assets of $28,373,153 (2020: $16,791,104). The net cash outflow from operating activities for the financial year was $5,163,109 (2020: $3,387,679). Cynata announced the commencement of the Phase 3 clinical trial of CYP-004 for osteoarthritis in November 2020 which is currently recruiting 440 patients with osteoarthritis of the knee at study centres in Sydney and Tasmania. This landmark trial is designed to assess the efficacy of Cymerus™ MSCs compared to placebo on clinical outcomes and knee joint structure in patients with osteoarthritis of the knee, over a two-year period. This is supported by preclinical research which suggests that MSCs can exert several important effects relevant to osteoarthritis. Following commencement in August 2020, Cynata received ethics committee approval in March 2021 to expand the recruitment criteria of the MEND (MEseNchymal coviD-19) clinical trial to include patients admitted to an ICU with respiratory failure of any cause. The expansion is expected to accelerate recruitment into the trial by increasing the pool of eligible patients with COVID-19 no longer a limiting requirement for eligibility. Cynata achieved a significant milestone by treating the first patient in the trial in May 2021. In June, Cynata received approval from the Central Adelaide Local Health Network Human Research Ethics Committee to commence a clinical trial in patients with DFU. The Phase 1 DFU study will be a randomised, controlled trial investigating the safety, tolerability, and efficacy of Cymerus MSC product CYP-006TK, in adult patients with DFU, over a treatment period of 4 weeks, with a 24-week evaluation period. Cynata announced the execution of a worldwide exclusive licence agreement with TekCyte Pty Ltd (TekCyte) in June 2021, which enables the use of TekCyte's polymer-coated wound dressing technology in clinical trials and commercial development. TekCyte, a leading manufacturer of advanced biomedical coatings, has developed a unique and scalable wound dressing technology that can facilitate the delivery of MSCs directly to DFUs. The licence is for the life of the relevant TekCyte patents and involves a signing fee and capped, success-based milestone payments. Planning for a potential clinical trial in IPF is underway, supported by positive preclinical results which demonstrate the efficacy of Cymerus MSCs in rodent models of IPF. The Company is also investigating a potential clinical trial in renal transplantation.

During the year, Cynata successfully raised ~A$18.3m (gross) in an institutional placement, entitlement offer and shortfall placement, led by a A$10m investment by cornerstone healthcare investor BioScience Managers. Cynata also received a A$1.391m R&D Tax Incentive Refund for the 2019/2020 financial year from the Australian Government. For more information, refer to the attached consolidated financial statements.

14. Audit

This report is based on accounts which have been audited and the audit report is included in the attached consolidated financial statements.

Dr. Ross Macdonald
Managing Director/Chief Executive Officer

30 August 2021

Annual Report
2020/2021

cynata therapeutics

Corporate Directory

Cynata Therapeutics Limited
ACN 104 037 372

Board of Directors

Dr Geoff Brooke
Non-Executive Chairman

Dr Ross Macdonald
Managing Director/
Chief Executive Officer

Dr Stewart Washer
Non-Executive Director

Dr Paul Wotton
Non-Executive Director

Dr Darryl Maher
Non-Executive Director

Company Secretary

Mr Peter Webse

Registered Office and Place of Business

Level 3, 100 Cubitt Street
Cremorne, Victoria 3121

Postal Address

PO Box 7165
Hawthorn North, Victoria 3122

Tel: +61 3 7067 6940
Email: info@cynata.com

Website

www.cynata.com

Auditors

Stantons International
Level 2, 1 Walker Avenue
West Perth, Western Australia 6005

Share Registry

Automic Registry Services
Level 2, 267 St Georges Terrace
Perth, Western Australia 6000

Tel: 1300 288 664 (within Australia)
+61 2 9698 5414
(outside Australia)
Fax: +61 8 9321 2337
Email: hello@automic.com.au
Web: www.automic.com.au

Stock Exchange

Australian Securities Exchange
Level 4, North Tower, Rialto
525 Collins Street
Melbourne, Victoria 3000

ASX Code

CYP

Annual report for the financial year ended

30 June 2021

Contents

Key Highlights 2020-2021

Commenced and advanced enrolment in the **Phase 3 trial in osteoarthritis**

Expanded recruitment criteria and commenced enrolment of patients with **respiratory failure in the MEND clinical trial**

Ethics approval received for a **clinical trial in patients with diabetic foot ulcers (DFU)**

Completed Phase 1 graft-versus-host disease (GvHD) clinical trial **two-year follow-up with positive efficacy results**

Signed a licence agreement with TekCyte Pty Ltd ('TekCyte') for their **wound dressing technology**

Cynata's Cymerus™ MSC technology featured in a publication in the prestigious **Nature Medicine journal**

Progress toward expanding the clinical pipeline in potential therapeutic targets including **idiopathic pulmonary fibrosis (IPF)** and **renal transplantation**

Continued successful results from **pre-clinical efficacy studies** across multiple therapeutic indications

Strengthened the Cynata Board with the appointment of **Dr. Geoff Brooke as Independent Chairman**

Raised ~$18.3m (gross) in capital to accelerate clinical development led by a A$10m investment from BioScience Managers

Strong financial position with net assets of ~$28m as at June 30, 2021

Chairman's Letter

Dear Shareholders,

I am pleased to present to you Cynata Therapeutics Limited ("Cynata") Annual Report for the period ended 30 June 2021.

Since my appointment as Chairman of Cynata in August last year, it has been encouraging to see Cynata flourish, with several clinical milestones achieved this year. Cynata continues to advance its position in the regenerative medicine sector, reinforced by the addition of new indications to the clinical pipeline and the introduction of highly successful healthcare investor BioScience Managers, to the register as our largest institutional shareholder. The achievements this year are a testament to the exceptional team that has managed to prudently navigate through several unforeseeable circumstances.

We further strengthened our Board and bolstered our financial position to provide the financial strength needed to advance product development plans with confidence

Unique platform technology addresses current challenges of MSC manufacturing

The market for mesenchymal stem cell (MSC) products is highly attractive, with a growing body of evidence supporting the role of MSCs in treating a range of diseases. As more MSC-based therapies approach commercialisation, attention has turned toward the production challenges associated with manufacturing commercial quantities using conventional processes and the reported consequent diminution of potency of the finished product. These challenges have also drawn commentary from regulatory bodies such as the US FDA, particularly in relation to manufacturing consistency.

Cynata has a leading technology in the MSC market, with a unique manufacturing platform that can produce essentially limitless quantities of uniform MSCs from a single blood donation. Our proprietary Cymerus™ technology leverages the powerful characteristics of induced pluripotent stem cells (iPSCs) – a Nobel Prize winning discovery - which can be expanded indefinitely to provide a highly consistent and robust manufacturing starting material. The expanded iPSCs are then differentiated into MSCs via the Cymerus process, without ever having to secure donors and donor-derived tissue again. Notably, Cynata is the most advanced company worldwide in the development of iPSC-derived cell therapies. The Cymerus MSC manufacturing process actively addresses current challenges associated with conventional methods of producing MSC-based therapies including cell heterogeneity arising from a reliance on multiple donors and manufacturing quantity limits.

Advancing clinical trials and clinical development

Cynata also has two advanced clinical trials with recruitment underway: a Phase 3 trial in osteoarthritis (OA) of the knee, which is one of the largest OA trials ever undertaken with MSCs; and a trial in acute respiratory distress syndrome, each of which cements the Company's position as a leader in the regenerative medicine space. In addition, Cynata was granted ethics committee approval to commence a clinical trial in diabetic foot ulcers, which is expected to begin later this year. Cynata's diverse and broad pipeline is grounded in solid preclinical foundations that demonstrate the efficacy and safety of Cymerus MSCs. Cynata is also progressing several other indications in the pipeline, including idiopathic pulmonary fibrosis and renal transplantation, both of which have large market opportunities and supportive preclinical data.

Accelerating commercial development

Cynata is dedicated to recruiting exceptional and experienced individuals, which is evidenced by the recent appointment of Dr. Jolanta Airey as Chief Medical Officer, subsequent to the financial year. Dr. Airey's 25 years of experience in the successful development and commercialisation of novel biological agents will be important as we look to extend product development activities internationally and build shareholder value.

We continue to liaise with Fujifilm on the licensed GvHD program, while actively exploring other licensing and partnership agreements as we look towards commercialisation opportunities for our other portfolio products. The worldwide exclusive licence agreement signed this year with biomedical coating manufacturer TekCyte for the proposed trial in diabetic foot ulcers enables exclusive use of TekCyte's unique polymer-coated dressings in this clinical trial and, if clinical development is successful, ultimately to commercialisation. These agreements and partnerships will help drive valuable commercial outcomes for Cynata.

Strong financial foundations

Cynata is in a robust financial position, with $26.7m in cash as at 30 June 2021. In December 2020/ January 2021, the Company raised $18.3m (gross) in an institutional placement, entitlement offer and shortfall placement, led by a $10m investment by cornerstone healthcare investor, BioScience Managers. This successful transaction provides strong validation of Cynata's technology and clinical pipeline, allowing us to be well positioned to advance new and existing therapeutic targets. Further, our lead phase 3 indication (in osteoarthritis) is funded by an Australian Government National Health and Medical Research Council project grant, while the Company retains full commercial rights, providing further financial flexibility and confidence in the future.

On behalf of the Board, I want to thank our dedicated employees, who work tirelessly in their efforts to advance shareholder value.

And in conclusion, I would like to thank all our shareholders for your continued support as we advance our Cymerus™ technology, developing scalable cellular therapeutic products to treat serious and debilitating diseases.

Yours sincerely,

Dr Geoff Brooke
Chairman

CEO Letter

Dear Shareholders,

Reflecting on the last 12 months, the world has shown the resilience of humanity and our ability to emerge out of a devastating global pandemic through medical science. This human accomplishment exemplifies why Cynata exists, and what we as a company attempt to do: help overcome diseases by creating new effective and safe therapeutic products.

I am excited for our future, as the company is in a strong position to execute its objectives to drive commercial outcomes and build shareholder value.

This is no small task, but we are an ambitious company working hard to achieve our goals. Pleasingly, this past year has put us several steps closer, as we are progressing multiple clinical trials, targeting further indications and are well funded to achieve shareholder value generating catalysts. I am excited for our future, as the Company is in a strong position to execute its objectives, drive commercial outcomes and build shareholder value.

Commenced multiple clinical trials, with recruitment underway

We are pleased to have initiated the SCUlpTOR ("Stem Cells as a symptom- and strUcture-modifying Treatment for medial tibiofemoral OsteoaRthritis") Phase 3 clinical trial of CYP-004 for osteoarthritis earlier this financial year, representing a significant milestone for the Company and for our partner and trial sponsor, the University of Sydney. The trial, funded by an Australian Government grant, is the world's first Phase 3 clinical trial for an iPSC-based cell therapy and one of the largest MSC trials in osteoarthritis. This landmark trial showcases our unique MSC manufacturing platform, highlighting our patented Cymerus™ process to deliver consistent MSCs. The osteoarthritis trial aims to recruit 440 patients, validating our leading position in the stem-cell industry.

Earlier this financial year we commenced the MEND ("MEseNchymal coviD-19") trial initially in COVID-19 patients admitted to an ICU with respiratory failure, with a total of 24 adult patients expected to participate in the trial. We have now expanded the recruitment criteria to include patients with respiratory distress from any cause in a bid to capture more applicable participants and accelerate trial completion. Preclinical research shows MSCs can exert a number of important beneficial effects relevant to specific conditions associated with respiratory distress: ARDS, CRS and sepsis, including reducing the excessive inflammatory reactions associated with these diseases. The market opportunity is highly attractive, valued at over $8b[1]. We are expediting completion of the MEND trial, bearing in mind the unpredictable nature of COVID-19 outbreaks and community steps to mitigate spread, and the seasonality of other respiratory illnesses. We currently expect completion by the end of this calendar year.

Progressed a new indication, leveraging a worldwide exclusive licence agreement

In June, we were delighted to receive approval from the Central Adelaide Local Health Network Human Research Ethics Committee to commence a clinical trial in Diabetic Foot Ulcers (DFU). This achievement represents a significant milestone towards initiating patient recruitment into the trial. In further validation of our technology, we have signed a worldwide exclusive agreement with leading biomedical coating manufacturer TekCyte, to leverage their unique polymer coated dressings to enable the delivery of our MSCs to patient wounds. We are very excited by this agreement as it gives us even greater confidence in a successful trial outcome. The TekCyte technology will be incorporated into the Cynata product being investigated in the proposed DFU clinical trial.

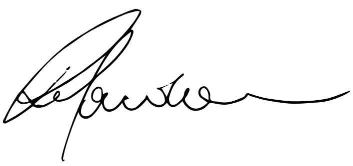
Well positioned for further development

Following the execution of the worldwide exclusive licence agreement with FUJIFILM for our GvHD product last financial year, Cynata continues to collaborate on the planning and start-up activities in preparation for a proposed Phase 2 clinical trial. The company remains in active discussions with FUJIFILM, noting that responsibility for development and commercialisation lie with FUJIFILM.

While we continue to leverage our Cymerus platform technology to expand our pipeline and continue with our trials, we are also looking to the future in a bid to drive greater shareholder value through partnering activities. We are actively exploring licensing and partnership agreements throughout the world under strict criteria for partnership: expertise, capability, experience, commitment and scale. The pre-clinical and clinical achievements in FY21, coupled with the endorsement arising from the investment by BioScience Managers and our licensing deal with FUJIFLM puts us in a good negotiating position. A strong cash balance and the fact that our osteoarthritis trial is funded by external sources, allows us to judiciously assess business opportunities to ensure we have the right partner(s) on the right commercial terms.

Lastly, I would like to thank the Board for its support throughout this year and sharing its experience, encouragement and governance. A special note to Geoff Brooke, who has taken on the role of Chairman with aplomb, offering great advice and insights from his broad experience. With the support of the Board and our dedicated staff, I firmly believe Cynata is well placed to thrive in FY22 and beyond.

Yours sincerely,



Dr Ross Macdonald
Chief Executive Officer & Managing Director

1 Vasomune Therapeutics company announcement, 2018 (reflects total global market opportunity in 2018); GlobalData 2017 (reflects total global market opportunity in 2026); GlobeNewswire, 2020.

Directors' Report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2021.

In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Group during or since the end of the financial year are:

Dr Geoff Brooke
MBBS, MBA

Chairman, joined the Board in May 2019 as Non-Executive Director and appointed Chairman on 18 August 2020. Dr Brooke co-founded GBS Venture Partners in 1996 and has more than 30 years' venture capital experience. He was formerly President of Medvest Inc., a US-based early-stage venture capital group he founded with Johnson & Johnson. Dr Brooke's experience includes company formation and acquisitions as well as public listings on NYSE, NASDAQ and ASX exchanges. He is a non-executive director of Acrux Limited (ASX: ACR) and Chairman of Actinogen Medical Limited (ASX: ACW) and has been a founder, executive and director of private and public companies. From 2009 until 2015, Dr Brooke was an independent director of the Victoria WorkCover Authority. Dr Brooke holds a Bachelor of Medicine/Surgery from Melbourne University and a Masters of Business Administration from IMEDE (now IMD) in Switzerland.

Dr Ross Macdonald
PhD (Biochemistry), Grad Dip in Bus Admin

Chief Executive Officer, joined the Board in August 2013. Dr Macdonald has over 34 years' experience and a track record of success in pharmaceutical and biotechnology businesses. His career history includes positions as Vice President of Business Development for Sinclair Pharmaceuticals Ltd (now Sinclair Pharma Ltd), a UK-based specialty pharmaceuticals company and Vice President, Corporate Development for Stiefel Laboratories Inc, then the largest independent dermatology company in the world and acquired by GlaxoSmithKline in 2009 for £2.25b. Dr Macdonald has also served as CEO of Living Cell Technologies Ltd, Vice President of Business Development of Connetics Corporation and Vice President of Research and Development of F H Faulding & Co Ltd. Dr Macdonald currently serves as a member of the Investment Committee of UniSeed Management Pty Ltd.

Dr Stewart Washer
BSc (Hons), PhD

Non-Executive Director, joined the Board in August 2013 and was Executive Chairman until 28 February 2017. Dr Washer has over 30 years of CEO and board experience in medical technology and biotech companies. He is currently the Chairman of Emyria Limited (ASX: EMD), Orthocell Ltd (ASX: OCC) and a Director of Botanix Pharmaceuticals Ltd (ASX: BOT). Dr Washer was previously a Director of AusBiotech and a Senator with Murdoch University.

Directors' Report (cont'd)

Dr Paul Wotton
MBA, PhD

Non-Executive Director, joined the Board in June 2016 and was Non-Executive Chairman from 28 February 2017 until 18 August 2020. Dr Wotton is the Chief Executive Officer of Obsidian Therapeutics, a leading synthetic biology company based in Cambridge, Massachusetts. Prior to this, he was the Founding President and CEO of Sigilon Inc. He was previously President and CEO of Ocata Therapeutics Inc. (NASDAQ: OCAT) guiding the company through a take-over by Astellas Pharma Inc., in a US$379 million all cash transaction. Prior to Ocata, Dr Wotton had served as President and CEO of Antares Pharma Inc. (NASDAQ: ATRS) since October 2008. Prior to joining Antares, Dr Wotton was the CEO of Topigen Pharmaceuticals and prior to Topigen, he was the Global Head of Business Development of SkyePharma PLC. Dr Wotton held senior level positions at Eurand International BV, Penwest Pharmaceuticals, Abbott Laboratories and Merck, Sharp and Dohme. Dr Wotton is a member of the Board and Governance Committee of Vericel Corporation, a US company developing autologous cellular therapies and a member of the board at PaxMedica where he is Chairman of the Compensation Committee. He was a member of the board of Veloxis Pharmaceuticals A/S and Chairman of the Compensation Committee, until its acquisition by Asahi Kasai in February 2020 in a $1.3 billion all cash transaction. He is also past Chairman of the Emerging Companies Advisory Board of BIOTEC Canada. Dr Wotton received his PhD in pharmaceutical sciences from the University of Nottingham. In 2014, he was named New Jersey EY Entrepreneur of the Year in Life Sciences.

Dr Darryl Maher
MBBS, PhD

Non-Executive Director, joined the Board in June 2020. Dr Maher adds global biopharmaceutical and commercialisation capability to the Cynata board, with over 23 years' experience with CSL Limited. CSL is one of the world's most successful developers of biologic pharmaceutical products and has a market capitalisation of ~A$130 billion. Dr Maher has had a long successful career in pharmaceutical product development, most recently as the former Vice President of R&D and Medical Affairs at CSL Behring Australia where he was responsible for the development of multiple successful drug products from initiation through to clinical development and ultimately to commercialisation. Dr Maher undertook medical training, qualified as a specialist haematologist and completed a PhD before commencing his career in the pharmaceutical industry.

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Geoff Brooke	Acrux Limited	Since Jun 2016
	Actinogen Medical Limited	Since Mar 2017
Ross Macdonald	None	n/a
Stewart Washer	Orthocell Limited	Since 2014
	Zelira Therapeutics Limited	2016-2019
	Botanix Pharmaceuticals Limited	Since Feb 2019
	Emyria Limited	Since Mar 2018
Paul Wotton	Vericel Corporation	Since 2015
	Veloxis Pharmaceuticals A/S	2016-2020
Darryl Maher	None	n/a

Directors' shareholdings

The following table sets out each director's relevant interest in shares, rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares	Share options
	No.	No.
Geoff Brooke	77,000	2,300,000
Ross Macdonald	2,070,050	1,500,000
Stewart Washer	2,224,856	300,000
Paul Wotton	175,775	300,000
Darryl Maher	-	300,000

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Directors' Report (cont'd)

Options granted to directors and senior management

During and since the end of the financial year, an aggregate of 4,400,000 options were granted to the following key management personnel (2020: nil):

Key management personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
Geoff Brooke	2,000,000	Cynata Therapeutics Ltd	2,000,000
Ross Macdonald	1,500,000	Cynata Therapeutics Ltd	1,500,000
Stewart Washer	300,000	Cynata Therapeutics Ltd	300,000
Paul Wotton	300,000	Cynata Therapeutics Ltd	300,000
Darryl Maher	300,000	Cynata Therapeutics Ltd	300,000

Company Secretary

Mr Peter Webse held the position of company secretary of Cynata Therapeutics Limited at the end of the financial year. He joined Cynata in April 2012. Mr Webse is the director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse acts as Company Secretary for a number of ASX listed biotech and technology companies.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Grant date	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cynata Therapeutics Limited[1]	17 May 2019	300,000	Ordinary	$2.11	16 May 2024
Cynata Therapeutics Limited[2]	17 May 2019	1,425,000	Ordinary	$1.75	16 May 2022
Cynata Therapeutics Limited[3]	19 Aug 2020	1,250,000	Ordinary	$0.97	18 Aug 2024
Cynata Therapeutics Limited[4]	14 Sept 2020	100,000	Ordinary	$1.28	13 Sept 2024
Cynata Therapeutics Limited[5]	24 Nov 2020	4,500,000	Ordinary	$0.97	29 Nov 2025

1 Unlisted options issued to Dr Brooke on 17 May 2019 pursuant to the terms of his appointment as non-executive director.

2 Unlisted options issued to Dr Kelly (750,000), Dr Lipe (375,000) and Dr Atley (300,000) on 17 May 2019 pursuant to an Employee Option Acquisition Plan.

3 Unlisted options issued to Dr Kelly (1,000,000), Dr Lipe (100,000), Dr Atley (50,000) and Mr Thraves (100,000) on 19 August 2020 pursuant to an Employee Option Acquisition Plan. Mr Thraves is an employee of Cynata and was appointed on 3 August 2020.

4 Unlisted options issued to Mrs Gupta on 14 September 2020 pursuant to an Employee Option Acquisition Plan. Mrs Gupta is an employee of Cynata and was appointed on 7 September 2020.

5 Unlisted options issued to Dr Brooke (2,000,000), Dr Macdonald (1,500,000), Dr Washer (300,000), Dr Wotton (300,000), Dr Maher (300,000) and Mr Webse (100,000) on 30 November 2020 pursuant to an Employee Option Acquisition Plan.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

There were no shares or interests issued during or since the end of the financial year as a result of exercise of an option (2020: 1,450,000).

Directors’ Report (cont’d)

Directors’ meetings

The following table sets out the number of directors’ meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 12 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Geoff Brooke	12	12
Ross Macdonald	12	12
Stewart Washer	12	12
Paul Wotton	12	12
Darryl Maher	12	12

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit services

The auditor did not perform any non-audit services during the financial year.

Auditor’s independence declaration

The auditor’s independence declaration for the financial year ended 30 June 2021 has been received and is included on page 36 of this annual report.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Operating and Financial Review

Principal activities

The Group's principal activities throughout the financial year continued to be the development and commercialisation of a proprietary mesenchymal stem cell (MSC) technology for potential human therapeutic use, which the Company has branded Cymerus™. The Cymerus technology represents an important breakthrough in regenerative medicine that facilitates large-scale manufacture of highly uniform, potent MSCs from a single donor and a single donation, enabling the development of therapeutic stem cell products. This compares favourably to conventional MSC technologies that require multiple donors and multiple donations. Cynata's Cymerus technology has the potential to revolutionise the manufacture of MSC based therapeutic products for commercial use.

Operating results

The consolidated loss of the Group for the financial year, after accounting for an R&D refund of $1,391,067 (2020: $2,510,462) and providing for income tax, amounted to $7,689,683 (2020: $3,639,100). Further discussion on the Group's operations is provided below:

Operational update

Substantial progress made in the Phase 3 osteoarthritis trial

Cynata announced the commencement of the Phase 3 clinical trial of CYP-004 for osteoarthritis in November 2020 which is currently recruiting 440 patients with osteoarthritis of the knee at study centres in Sydney and Tasmania. This landmark trial is designed to assess the efficacy of Cymerus MSCs compared to placebo on clinical outcomes and knee joint structure in patients with osteoarthritis of the knee, over a two-year period. This is supported by preclinical research which suggests that MSCs can exert several important effects relevant to osteoarthritis.

The trial is sponsored by the University of Sydney and is funded by the Australian Government National Health and Medical Research Council (NHMRC) project grant. Esteemed Professor David Hunter, the Florance and Cope Chair of Rheumatology and the Professor of Medicine at the University of Sydney is leading the trial.

Cynata's CYP-004 MSC product has potential in the treatment of this progressively degenerative and incurable disorder that has a market estimate of ~US$11.6bn[1]. Trial results are expected in 2024, with timing dependent on various factors including COVID-19 restrictions.

Enrolment and patient treatment commenced in MEND respiratory failure trial

Following commencement in August 2020, Cynata received ethics committee approval in March 2021 to expand the recruitment criteria of the MEND (MEseNchymal coviD-19) clinical trial to include patients admitted to an ICU with respiratory failure of any cause. The expansion is expected to accelerate recruitment into the trial by increasing the pool of eligible patients with COVID-19 no longer a limiting requirement for eligibility.

Cynata achieved a significant milestone by treating the first patient in the trial in May 2021. The open-label randomised controlled clinical trial design aims to investigate the safety and early efficacy of Cymerus MSCs in 24 adult patients with respiratory failure. The trial will involve 12 critically infected patients randomised to receive Cymerus MSC infusions, in addition to standard of care, and 12 patients who will be randomised to the control group and will receive current standard of care only. Given the seasonal nature of the incidence of respiratory distress and the highly uncertain situation around COVID-19 outbreaks in Australia at present, Cynata is currently unable to provide firm guidance on when trial results might be expected. However, it is currently estimated that the trial will complete late in calendar 2021. The trial is fully funded by Cynata's existing cash reserves.

Cynata has identified acute respiratory distress syndrome (ARDS), sepsis, and cytokine release syndrome (CRS) as targets relevant to the outcome of this trial, as they present significant unmet medical needs, and are manifestations of the excessive inflammatory responses typically seen in acutely

1 Persistence Market Research 2018 research report: "Osteoarthritis Treatment Market: Global Industry Analysis (2012-2016) and Forecast (2017-2025).

Review of operations

Key Highlights

Commenced and advanced enrolment in the **Phase 3 osteoarthritis trial**

Expanded the recruitment criteria and commenced enrolment of patients with respiratory failure in the **MEND clinical trial**

Progressed toward commencing a clinical trial in patients with diabetic foot ulcers (DFU), with ethics approval received and Datapharm engaged as Clinical Research Organisation (CRO)

Signed a worldwide exclusive licence agreement with TekCyte Pty Ltd ('TekCyte') to utilise advanced wound dressing technology for the planned trial in DFU

Cynata's proprietary **Cymerus MSC technology was the subject of an article** published in, and featured on the front cover of, the prestigious Nature Medicine journal, providing further recognition of Cynata's technology platform

Expanding the clinical pipeline, with high priority targets identified, including idiopathic pulmonary fibrosis (IPF) and renal transplantation

Strengthened the Cynata Board to support Cynata's advancing clinical development and commercialisation pathways with the appointment of Dr. Geoff Brooke as Independent Chairman

Raised capital to accelerate clinical development, with ~$18.3m (gross) raised via an institutional placement and non-renounceable entitlement offer, led by a A$10m investment from BioScience Managers

Operating and Financial Review (cont'd)

unwell patients. Cynata's pre-clinical studies have shown that these conditions can potentially be improved with Cymerus MSCs which modulate the inflammatory reaction associated with these diseases. The combined market opportunity of ARDS, sepsis, and CRS is estimated to be over US$8bn[2].

Advancing a clinical trial in patients with diabetic foot ulcers (DFU)

In June, Cynata received approval from the Central Adelaide Local Health Network Human Research Ethics Committee to commence a clinical trial in patients with DFU. The Phase 1 DFU study will be a randomised, controlled trial investigating the safety, tolerability, and efficacy of Cymerus MSC product CYP-006TK, in adult patients with DFU, over a treatment period of 4 weeks, with a 24-week evaluation period.

DFU represents a significant unmet medical need, with an estimated market value approaching US$10b[3]. Cynata's MSCs have demonstrated efficacy in a preclinical model of DFU that was conducted independently by the Cooperative Research Centre for Cell Therapy Manufacturing, establishing a solid preclinical foundation for the proposed DFU trial.

Cynata also engaged leading Australian full-service CRO Datapharm Australia, to assist in the conduct and management of the DFU trial. Patient enrolment for the DFU trial is expected to commence late in calendar year 2021, subject to regulatory and administrative approvals, and completion of trial start up activities, which are presently underway. The trial will be funded from Cynata's available cash reserves.

The trial will take place under the leadership of Professor Robert Fitridge, who is Professor of Vascular Surgery at the University of Adelaide, and Consultant Vascular Surgeon with the Central Adelaide Local Health Network.

Signed a worldwide exclusive licence agreement with TekCyte

Cynata announced the execution of a worldwide exclusive licence agreement with TekCyte in June 2021, which enables the use of TekCyte's polymer-coated wound dressing technology in clinical trials and commercial development.

TekCyte, a leading manufacturer in advanced biomedical coatings, has developed a unique and scalable wound dressing technology that can facilitate the delivery of MSCs directly to DFUs. The licence is for the life of the relevant TekCyte patents and involves a signing fee and capped, success-based milestone payments.

Studies utilising TekCyte's dressing to apply Cymerus MSCs in a pre-clinical model of diabetic wounds have demonstrated promising efficacy, especially in comparison to other methods, and support further clinical development. The wound dressing technology will be utilised in Cynata's planned clinical trial in DFU.

Cynata's proprietary Cymerus MSC technology published in Nature Medicine

Cynata's proprietary Cymerus MSC technology was the subject of a publication in, and featured on the front cover of, the prestigious medical journal, Nature Medicine, in November 2020. The cover's illustration (by Patton'd Studios, Melbourne) was of an induced pluripotent stem cell (iPSC) derived mesenchymoangioblast colony, which represents a crucial step in the Cymerus MSC manufacturing process. The issue also includes a paper describing the successful Phase 1 GvHD trial results, in which all safety and efficacy endpoints were met, providing further recognition of Cynata's ground-breaking research in the wider field of regenerative medicine.

2 Vasomune Therapeutics company announcement, 2018 (reflects total global market opportunity in 2018); GlobalData 2017 (reflects total global market opportunity in 2026); GlobeNewswire, 2020.

3 Transparency Market Research, 2020 (Reflects global DFU treatment market by 2027).

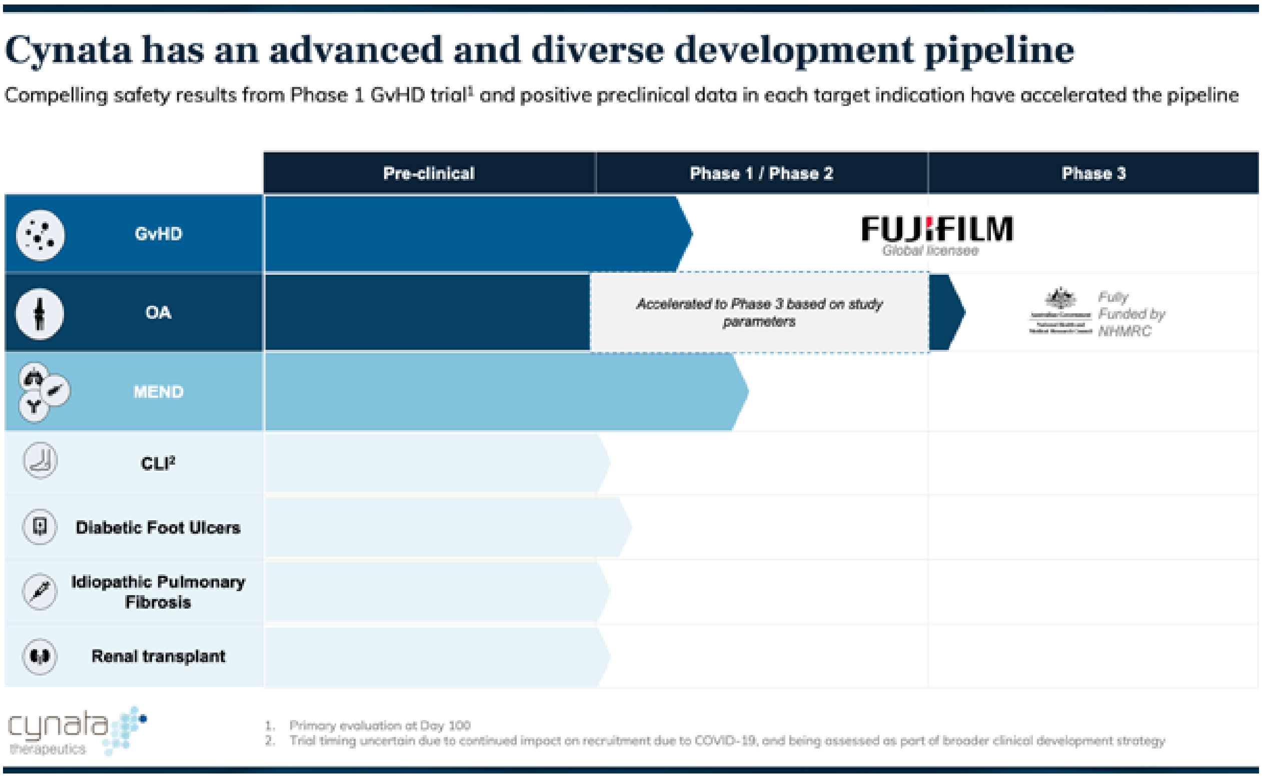
Expanding the clinical pipeline, with further potential targets including IPF and renal transplantation

Cynata is investigating further clinical trials in additional indications underpinned by promising results from studies in relevant preclinical disease models and significant commercial opportunities.

Clinical trial planning for IPF is underway, supported by positive preclinical results which demonstrate the efficacy of Cymerus MSCs in rodent models of IPF. The disease is incurable and causes extensive scarring of the lungs, often progressing to respiratory failure.

The Company is also investigating a potential clinical trial in renal transplantation. Donor kidney transplantation is a high-risk procedure that is associated with significant morbidity. Cymerus MSC treatment in a preclinical transplant model demonstrated immunoregulatory effects expected to prevent or reduce kidney transplant rejection, providing a promising outlook for future clinical trials. Existing treatment options for both indications have limited effects on disease progression and survival rates, representing significant unmet medical needs.

A schematic of the Company's product development pipeline is shown below.



Operating and Financial Review (cont'd)

Strengthened Cynata Board

Dr. Geoff Brooke was appointed as independent Chairman of Cynata's Board of Directors on 18 August 2020, following the commencement of the Phase 3 clinical trial in osteoarthritis. Preceding Chairman, Dr. Paul Wotton, remained on the Board as a Non-Executive Director.

Dr Brooke's substantial experience in healthcare and venture capital continues to be invaluable to the Cynata Board. He was the founder and former Managing Director of two leading life sciences venture capital firms, GBS Ventures and Medvest Inc, and has been the lead investor of numerous healthcare companies.

Raised capital to accelerate clinical development

Cynata raised A$15m in a successful institutional placement in December 2020. This was led by a A$10m investment from major healthcare investor BioScience Managers, via the BioScience Managers Translation Fund I. The endorsement by BioScience Managers provides outstanding validation of Cynata's technology platform and commercial potential. Following the placement, Cynata raised an additional ~A$3.3m via a 1 for 15 non-renounceable pro rata entitlement offer and partial placement of shortfall shares.

Proceeds will be used to fund the expanded clinical pipeline, including the proposed DFU trial, and trial planning activities in IPF and renal transplantation. Cynata is well placed to fund all planned trials.

Cynata also received a ~A$1.39m R&D Tax Incentive Refund for the 2019/2020 financial year from the Australian Government as part of the program that refunds up to 43.5% of eligible expenditure on research and development.

Outlook

Cynata has two active clinical trials underway; a Phase 3 trial in osteoarthritis and the MEND trial in patients with respiratory failure. The planned clinical trial in DFU is expected to commence in 4Q CY21, upon completion of trial start up activities and relevant approvals.

Cynata is in active discussions with its license partner FUJIFILM on the planning and start-up activities toward a proposed Phase 2 clinical trial in GvHD, with details to be announced at the appropriate time. The Company intends to continue its business development activities and has active engagement with entities that have expressed a commercial interest in accessing Cynata's technologies.

Cynata will look to assess opportunities to partner or initiate the approved Phase 2 trial in Critical Limb Ischemia (CLI), which is currently on hold, when the COVID-19 pandemic stabilises in Australia and the UK. The pandemic has significantly impeded potential recruitment for the CLI trial, due to the age and underlying health issues of the typical CLI patient.

Cynata is also focused on optimising and expanding manufacturing capabilities, while continuing to progress its US regulatory strategy. The diverse clinical pipeline, and potential commercial pathways place the Company in a strong position for growth and execution of its strategies to build shareholder value.

Financial position

The net assets of the Group have increased by $11,582,049 to $28,373,153 in 2021 (2020: $16,791,104).

Changes in state of affairs

There was no significant change in the state of affairs of the Group during the financial year.

Subsequent events

On 26 July 2021, Cynata announced the appointment of Dr Jolanta Airey as Chief Medical Officer (CMO). Dr Airey is an accomplished biopharmaceutical executive and physician with broad international experience in the successful development and commercialisation of pharmaceutical products, including novel biological agents.

Dr Airey is expected to join Cynata from CSL Limited in October 2021, where she currently holds the position of Director, Translational Development. Her previous experience includes Clinical Development Physician at Seqirus (a subsidiary of CSL), and a range of medical positions in various biopharma and research companies. Her appointment adds in-house medical knowledge and experience to Cynata's clinical trial activities and strategic management of its late-stage clinical product portfolio.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Future developments, prospects and business strategies

Cynata is well positioned in the regenerative medicine space, with its proprietary therapeutic stem cell platform technology Cymerus providing the unique ability to consistently manufacture high quality MSC's at scale from a single donor and from a single donation. This process overcomes many of the manufacturing challenges associated with conventional methods, placing the company in a highly favourable position to capitalise on the growing commercial potential of therapeutic MSCs. The Company continues to focus on investigating the safety and efficacy of its MSC product and optimising and expanding manufacturing capabilities to prepare for commercialisation.

The clinically relevant and favourable outcomes from our Phase 1 trial in GvHD provides the Company with the confidence to pursue further clinical trials across a number of indications, and potentially bypass Phase 1 in number of key target disease areas.

The licence transaction with FUJIFILM supports the potential for value to be generated through further commercial agreements around cell therapeutic products in other indications which are available to be licensed, such as CLI and osteoarthritis. Cynata continues to advance its partner outreach program and progress discussions with potential partners.

Environmental regulations

The Group's operations are not subject to significant environmental regulation under the Australian Commonwealth or State law.

Remuneration Report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cynata Therapeutics Limited's key management personnel for the financial year ended 30 June 2021.

The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Contents

The prescribed details for each person covered by this report are detailed below under the following headings:

1. Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Non-executive directors	Position
Dr Geoff Brooke	Non-executive Chairman
Dr Stewart Washer	Non-executive director
Dr Paul Wotton	Non-executive director
Dr Darryl Maher	Non-executive director

Executive director	Position
Dr Ross Macdonald	Managing Director/Chief Executive Officer

Other key management personnel	Position
Dr Kilian Kelly	Chief Operating Officer
Dr Suzanne Lipe	Vice President, Partner Engagement

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Report (cont'd)

2. Remuneration policy

Cynata's remuneration policy was developed by the Board and has been designed to facilitate the alignment of shareholder, director and executive interests by:

- Providing levels of fixed remuneration and 'at risk' remuneration sufficient to attract and retain individuals with the skills and experience required to build on and execute the Company's business strategy.
- Ensuring 'at risk' remuneration is contingent on outcomes that grow shareholder value.
- Ensuring a suitable proportion of remuneration is received as a share-based payment so that rewards are realised through the performance of the Company over the longer term.

Remuneration consists of:

- Fixed remuneration
- Short-term incentives ('STI')
- Long-term incentives ('LTI')
- Benefits (e.g. car parking, telephone, etc.)

The fixed remuneration component is determined regarding market conditions, so that the Company can recruit and retain the best available talent.

The Board's policy regarding short- and long-term incentives includes cash bonuses (STI) and the granting of options under the Company's Employee Option Acquisition Plan (EOAP) (LTI). Options are granted with an exercise price at a premium to the underlying market value of shares at the time of grant and vest over time subject to continuity of employment. The term of options is set to ensure that there is a reasonable expectation that the strategies and actions of the recipients will, if successful, produce above-market Company performance. This policy aligns the interests of executives with those of shareholders and creates a direct relationship between individual remuneration outcomes and Company performance.

As at the date of this report, the Company has two executives – the Chief Executive Officer and the Chief Operating Officer, four non-executive directors and one Vice President, Partner Engagement. As set out below, total remuneration costs for the 2021 financial year were $2,932,641 up from $1,640,514 for the previous financial year.

(a) Non-executive Director Remuneration

Non-executive directors are remunerated by way of fees, in the form of cash, superannuation contributions or salary sacrifice into equity (the latter subject to shareholder approval). Fees for non-executive directors are not linked to the performance of the Company. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and do not normally participate in schemes designed for the remuneration of executives.

Non-executive directors receive a superannuation guarantee contribution required by the government, which was 9.5% in the 2020/2021 financial year and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their fees to increase payments towards superannuation.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines, subject to shareholder approval, payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

(b) Executive Director Remuneration

Executive directors receive fixed remuneration, based upon performance, professional qualifications and experience and superannuation benefits and under certain circumstances, options and performance incentives.

Executive Remuneration Objectives

An appropriate balance of 'fixed' and 'at-risk' components.	Attract, motivate, and retain executive talent.	The creation of reward differentiation to drive performance and behaviours.	Shareholder value creation through EOAP.

Total Remuneration

Fixed Remuneration	Short-Term Incentives	Long-Term Incentives
Set based on relevant market relativities, performance, qualifications, experience, and location.	Set by reference to Company and individual stretch performance targets relevant to the specific position.	Realisation dependent upon total shareholder return.
Delivery		
Base salary including superannuation.	Payable in cash following review of performance against Key Result Areas (KRAs) and subject to Board discretion.	Eligible executives may participate in the Company's equity-based incentive scheme subject to Board discretion. Equity options are issued under the Company's EOAP at a premium to the underlying market value of shares and typically vest over a 3-year period.
Strategic Intent		
Generally guided by the median compared to relevant market-based data taking into consideration expertise and performance in roles.	Directed at achieving short-term KRAs. Fixed Remuneration plus STI to be positioned competitively when compared to groups of similar companies.	LTI is intended to align executive performance with the Company's long-term strategy and shareholders' interests.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so.

Executive remuneration and other terms of employment are reviewed annually by the Board with reference to the Company's performance, executive performance, comparable information from industry sectors and other listed companies in similar industries and expert advice.

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the specific remuneration received by directors or other key management personnel during the financial year ended 30 June 2021.

Remuneration Report (cont'd)

Performance Measurement

The performance of executives is measured against criteria agreed annually with each executive and is based upon the achievement of the strategic objectives to secure shareholder value.

All incentive bonuses must be linked to predetermined performance criteria. Key results areas are set annually by the Board on the following basis:

- are specifically tailored to the responsibility areas in which the executive is directly involved.
- target areas that the Board believe hold greater potential for business expansion and shareholder value.
- cover financial and non-financial as well as short and long-term goals.
- represent stretch targets to encourage exemplary performance.

KRAs for the Chief Executive Officer and Chief Operating Officer are focused on the areas of operational excellence, investor/stakeholder relations and corporate partnering and alliances.

Performance in relation to KRAs is assessed annually with incentives awarded depending on the number and difficulty of the KRAs achieved. Following this assessment, KRAs are reviewed by the Board considering their desired and actual outcomes. The efficacy of the KRAs is assessed in relation to the Company's goals and shareholder wealth, before the KRAs are set for the following year.

The Board may, however, exercise its discretion in relation to approving incentives, bonuses, and options, and can decide on changes. Any change must be justified by reference to measurable performance criteria.

(c) Equity Settled Compensation

The fair value of the equity which executives and employees are granted is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

3. Relationship between the Remuneration Policy and Company Performance

The Board considers at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are either not relevant or difficult to objectively quantify as the Group is pre-revenue and at an early stage in the implementation of a commercialisation strategy that includes the development of a novel life sciences (i.e. therapeutic stem cell) technology and the identification and execution of business opportunities as outlined in the directors' report.

The following table sets out summary information about the Group's earnings and movements in shareholder wealth for the five (5) years to 30 June 2021:

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
	$	$	$	$	$
Other income	1,688,351	7,153,903	1,569,103	1,518,060	1,843,105
Net loss before tax	7,689,683	3,639,100	8,472,146	4,566,134	4,553,536
Net loss after tax	7,689,683	3,639,100	8,472,146	4,566,134	4,553,536
Share price at start of year	0.610	1.245	1.365	0.61	0.31
Share price at end of year	0.505	0.610	1.245	1.365	0.61
Basic/diluted loss per share (cents)	5.90	3.48	8.48	5.04	5.69

4. Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Share-based payment		
	Salary & fees	Cash bonus	Others	Super-annuation	Options	Total	Value of options as proportion of remuneration
2021	$	$	$	$	$	$	%
Directors							
G. Brooke	102,903	-	-	-	511,446	614,349	83.25%
R. Macdonald[1]	361,250	70,104	79,511	25,000	370,981	906,846	40.91%
S. Washer	50,228	-	-	4,772	74,195	129,195	57.43%
P. Wotton	62,233	-	-	-	74,195	136,428	54.38%
D. Maher	50,228	-	-	4,772	74,195	129,195	57.43%
Other KMP							
K. Kelly[1]	300,000	56,550	63,485	25,000	292,268	737,303	39.64%
S. Lipe[1, 2]	180,822	34,452	2,213	19,310	42,528	279,325	15.23%
Total	**1,107,664**	**161,106**	**145,209**	**78,854**	**1,439,808**	**2,932,641**	**49.10%**

1 Amounts in 'Other' represent annual leave and long service leave (Dr Macdonald and Dr Kelly only) accrued in accordance with AASB 119 Employee Benefits. The amounts of $70,104 for Dr Macdonald, $56,550 for Dr Kelly and $34,452 for Dr Lipe under 'Cash bonus' represent bonus determined and accrued for the financial year 2021.

2 For the period 1 July 2020 to 31 December 2020, Dr Lipe's employment was temporarily varied to full time basis. As from 1 January 2021, Dr Lipe's employment reverted to part time basis.

During the 2021 financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Remuneration Report (cont'd)

2020	Short-term employee benefits			Post-employment benefits	Share-based payment		
	Salary & fees	Cash bonus	Other	Super-annuation	Options	Total	Value of options as proportion of remuneration
	$	$	$	$	$	$	
P. Wotton	110,000	-	-	-	-	110,000	-
R. Macdonald[1]	361,250	69,525	(1,609)	25,000	-	454,166	-
S. Washer	50,228	-	-	4,772	-	55,000	-
P. Webse[2,3]	55,000	-	85,000	-	-	140,000	-
G. Brooke	55,000	-	-	-	52,884	107,884	49.02%
D.Maher[4]	2,093	-	199	-	-	2,292	-
Other KMP							
K. Kelly[1]	300,000	39,000	3,195	25,000	104,653	471,848	22.18%
S. Lipe[1,5]	170,776	22,440	8,247	16,224	81,637	299,324	27.27%
Total	**1,104,347**	**130,965**	**95,032**	**70,996**	**239,174**	**1,640,514**	**14.58%**

1 Amounts in 'Other' represent annual leave accrued in accordance with AASB 119 Employee Benefits. The amount of $69,525 for Dr Macdonald, $39,000 for Dr Kelly and $22,440 in 'Cash bonus' represents bonus determined and accrued for the financial year 2020.

2 Amount in 'Other' represents company secretarial fees of $6,000 per month (exc. GST) and additional services charged at a rate of $250 per hour paid to Mr Webse pursuant to a consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Webse is the sole director of Platinum.

3 Resigned 30 June 2020.

4 Appointed 16 June 2020.

5 Effective 1 April 2020 and for a period of 9 months, Dr Lipe's employment was temporarily varied to full time basis.

During the 2020 financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

(a) Bonuses and share-based payments granted as compensation for the current financial year

(i) Bonuses

Cash bonuses of $69,525 to Dr Macdonald, $39,000 to Dr Kelly and $22,440 to Dr Lipe were paid during the financial year. These amounts were accrued in the 2020 accounts.

A performance bonus entitlement of $70,104 for Dr Macdonald, $56,550 for Dr Kelly and $34,452 for Dr Lipe were accrued in the 2021 accounts. Allocation of cash bonuses is determined by attainment of short and medium term KPIs which are considered to be important drivers of value and typical within the biotechnology industry for a company at Cynata's stage of development. For example, achievement of specified development, clinical, regulatory and commercial milestones. These amounts are payable subsequent to 30 June 2021.

No other cash bonuses were granted to key management personnel during 2021.

(ii) Employee share option plan

Cynata Therapeutics Limited operates an ownership-based scheme for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares.

Each employee share option converts to one ordinary share of Cynata Therapeutics Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

Option series	Number	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date
1*	300,000	17 May 2019	16 May 2024	$2.110	$0.3838	Vested
2**	1,425,000	17 May 2019	16 May 2022	$1.750	$0.3038	Vested
3***	1,250,000	19 Aug 2020	18 Aug 2024	$0.970	$0.4152	Various
4****	4,500,000	24 Nov 2020	29 Nov 2025	$0.970	$0.4927	Various

* Unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director.

** Unlisted options issued to employees of the Company pursuant to an Employee Option Acquisition Plan.

*** Unlisted options issued to employees of the Company pursuant to an Employee Option Acquisition Plan.

**** Unlisted options issued to Directors and Company Secretary pursuant to an Employee Option Acquisition Plan.

There are no further services or performance criteria that need to be met in relation to options granted under series (1) and (2) above, and as a consequence the beneficial interest has vested to the recipients. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Remuneration Report (cont'd)

Details of share-based payments granted as compensation to key management personnel during the current financial year:

Name	Option series	No. granted	No. vested	During the financial year % of grant vested $	% of grant forfeited $
G. Brooke	4	2,000,000	388,885	19.4%	n/a
R. Macdonald	4	1,500,000	291,662	19.4%	n/a
S. Washer	4	300,000	58,331	19.4%	n/a
P. Wotton	4	300,000	58,331	19.4%	n/a
D. Maher	4	300,000	58,331	19.4%	n/a
K. Kelly	3	1,000,000	305,556	30.6%	n/a
S. Lipe	3	100,000	30,556	30.6%	n/a

No share options were exercised by key management personnel during the year (2020: 500,000).

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5. Key terms of employment contracts

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Geoff Brooke	Effective 18 August 2020, Dr Brooke was appointed as non-executive Chairman with a fee of $110,000 per annum inclusive of statutory superannuation and excluding GST.	n/a	The appointment may be terminated if Dr Brooke gives notice of resignation and the appointment may be terminated immediately if Dr Brooke becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Ross Macdonald	A salary of $386,250 per annum including superannuation.	Eligible to receive an annual STI assessed against Company and Individual KRAs and at the discretion of the Board. Eligible to participate in the Company's equity- based incentive scheme. Any issue of securities is subject to Board and shareholder approval.	Term of renewed agreement – ongoing until terminated by agreement with both parties (by giving 6 months' written notice) or terminated by the Company with reasons.
Dr Stewart Washer	A fee of $55,000 per annum inclusive of statutory superannuation.	n/a	The appointment may be terminated if Dr Washer gives notice of resignation and the appointment may be terminated immediately if Dr Washer becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Paul Wotton	Effective 18 August 2020, Dr Wotton reverted to a non-executive director with a fee of $55,000 per annum.	n/a	The appointment may be terminated immediately by the Company if Dr Wotton becomes disqualified or is prohibited by law from being or acting as director or from being involved in the management of a company.

Remuneration Report (cont'd)

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Darryl Maher	A fee of $55,000 per annum inclusive of statutory superannuation.	n/a	The appointment may be terminated if Dr Maher gives notice of resignation and the appointment may be terminated immediately if Dr Maher becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Kilian Kelly	Effective 1 July 2021, a salary of $340,000 per annum including superannuation. During the financial year 2021, Dr Kelly was paid a salary of $325,000 per annum including superannuation.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 20% of the annual salary and based on attainment of agreed performance indicators. The Company may (but is not bound to) pay additional performance-based remuneration.	The contract may be terminated by either party providing 3 months' notice.
Dr Suzanne Lipe	Effective 1 July 2021, a salary of $184,000 per annum inclusive of statutory superannuation. Dr Lipe is employed on a part-time (0.8 FTE) basis. As from 1 April 2020 and for a period of 9 months ended 31 December 2020, Dr Suzanne's employment was temporarily varied to full time basis with a salary of $220,000 per annum inclusive of superannuation. As from 1 January 2021, Dr Lipe's employment reverted back to part time (0.8 FTE) basis.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 20% of the annual salary and based on attainment of agreed performance indicators.	The contract may be terminated by either party 3 months' notice.

6. Key management personnel with loans above $100,000 in the reporting period

The Company has provided 2 of its key management personnel with loans at rates comparable to the average commercial rate of interest. The loans to key management personnel are full recourse loans and unsecured. The loans carry a simple interest rate of 5.20% per annum, interest is paid annually and accrued daily.

The following table outlines amounts in relation to loans above $100,000 made to key management personnel of the Group:

Name	Balance at 1/7/2020 $	Interest charged $	Allowance for doubtful receivables $	Balance at 30/6/2021 $	Highest loan balance during the period (ii) $
R. Macdonald (i)	323,336	11,055	-	207,978	324,660
S. Washer (i)	334,320	1,539	-	-	335,645

(i) At a General Meeting of shareholders held on 12 September 2018, shareholders of Cynata approved the financial assistance and financial benefit provided to Dr Macdonald and Dr Washer or their nominees as constituted by the making of a director loan of $900,000 each to Dr Macdonald and Dr Washer solely for the purpose of funding the exercise of 2,500,000 unlisted options each at $0.40 having an expiry date of 27 September 2018. During the financial year ended 30 June 2021, Dr Macdonald repaid $126,413 (2020: $437,962) of his loan which included $26,413 accrued interest and Dr Washer made final repayment of $335,859 (2020: $646,800) of his loan which in included $35,859 accrued interest. The accrued interest paid by Dr Macdonald and Dr Washer is the interest due and payable on each anniversary of the loans. At 30 June 2021, the loan outstanding from Dr Macdonald is not impaired and has been classified under current assets as it is expected to be settled within 12 months.

(ii) Includes interest.

7. Key management personnel equity holdings

Fully paid ordinary shares of Cynata Therapeutics Limited

2021	Balance at 1 July 2020 No.	Received on exercise of options No.	Shares acquired No.	Shares disposed No.	Balance at resignation No.	Balance at 30 June 2021 No.
G. Brooke	77,000	-	-	-	-	77,000
R. Macdonald	2,070,050	-	-	-	-	2,070,050
S. Washer	2,224,856	-	-	-	-	2,224,856
P. Wotton	175,775	-	-	-	-	175,775
D. Maher	-	-	-	-	-	-
K. Kelly	494,013	-	-	-	-	494,013
S. Lipe	-	-	-	-	-	-

Remuneration Report (cont'd)

Fully paid ordinary shares of Cynata Therapeutics Limited

2020	Balance at 1 July 2019 No.	Received on exercise of options No.	Shares acquired No.	Shares disposed No.	Balance at resignation No.	Balance at 30 June 2020
P. Wotton	155,000	20,775	-	-	-	175,775
R. Macdonald	2,528,500	41,550	-	(500,000)	-	2,070,050
S. Washer	2,724,856	-	-	(500,000)	-	2,224,856
G. Brooke	-	-	77,000	-	-	77,000
D. Maher (i)	-	-	-	-	-	-
P. Webse (ii)	220,000	120,775	-	-	340,775	-
K. Kelly	494,013	-	-	-	-	494,013
S. Lipe	-	-	-	-	-	-

(i) Appointed 16 June 2020

(ii) Resigned 30 June 2020

Share options of Cynata Therapeutics Limited

2021	Balance at 1 July 2020 No.	Granted as comp-ensation No.	Exercised No.	Balance at resignation No.	Balance at 30 June 2021 No.	Balance vested at 30 June 2021 No.	Vested and exercisable No.	Options vested during year No.
G. Brooke	300,000	2,000,000	-	-	2,300,000	688,885	688,885	388,885
R. Macdonald	-	1,500,000	-	-	1,500,000	291,662	291,662	291,662
S. Washer	-	300,000	-	-	300,000	58,331	58,331	58,331
P. Wotton	-	300,000	-	-	300,000	58,331	58,331	58,331
D. Maher	-	300,000	-	-	300,000	58,331	58,331	58,331
K. Kelly	750,000	1,000,000	-	-	1,750,000	1,055,556	1,055,556	305,556
S. Lipe	375,000	100,000	-	-	475,000	405,556	405,556	30,556

Share options of Cynata Therapeutics Limited

2020	Balance at 1 July 2019 No.	Granted as compensation No.	Exercised No.	Balance at resignation No.	Balance at 30 June 2020 No.	Balance vested at 30 June 2020 No.	Vested and exercisable No.	Options vested during year No.
P. Wotton	2,100,000	(2,000,000)	(100,000)	-	-	-	-	-
R. Macdonald	200,000	-	(200,000)	-	-	-	-	-
S. Washer	-	-	-	-	-	-	-	-
G. Brooke	300,000	-	-	-	300,000	200,000	200,000	100,000
D. Maher (i)	-	-	-	-	-	-	-	-
P. Webse (ii)	200,000	-	(200,000)	-	-	-	-	-
K. Kelly	750,000	-	-	-	750,000	500,000	500,000	250,000
S. Lipe	375,000	-	-	-	375,000	250,000	250,000	125,000

(i) Appointed 16 June 2020

(ii) Resigned 30 June 2020

(iii) No options were granted to key management personnel during the 2020 year.

All share options issued to key management personnel were made in accordance with the provisions of the Employee Option Acquisition Plan.

Further details of the Employee Option Acquisition Plan and share options are contained in note 18 to the financial statements.

This is the end of the audited remuneration report

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors,

Dr Ross Macdonald

Managing Director/Chief Executive Officer

Melbourne,

30 August 2021

Auditor's Independence Declaration

Stantons

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Australia

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30 August 2021

Board of Directors
Cynata Therapeutics Limited
Level 3, 100 Cubitt Street
Cremorne, Victoria 3121

Dear Directors

RE: CYNATA THERAPEUTICS LIMITED

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cynata Therapeutics Limited.

As Audit Director for the audit of the financial statements of Cynata Therapeutics Limited for the year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Samir R Tirodkar
Director

Liability limited by a scheme approved under Professional Standards Legislation

Russell Bedford

Stantons Is a member of the Russell Bedford International network of firms

Independent Auditor's Report

Stantons

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CYNATA THERAPEUTICS LIMITED**

Report on the Audit of the Financial Report

Our Opinion

We have audited the financial report of Cynata Therapeutics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion: the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report (cont'd)

Stantons

Key Audit Matters	How the matter was addressed in the audit
Carrying value of intangible assets, amortisation and impairment At 30 June 2021, the Group had intangibles with a carrying value of $2,692,530. The intangible assets are considered a Key Audit Matter as they represent around 9% of the net assets of the Group and also due to the level of judgement required from the management in assessing their recoverable amounts. Cynata Therapeutics acquired intangible assets (patents) through the acquisition of a subsidiary. Under AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*, the Group is required to assess whether there are any indicators of impairment, and if so, perform an impairment review of the intangible assets at least annually.	Our audit procedures included, inter alia, the following: i. A review of the ASX announcements and Minutes of the Board of Directors minutes to obtain an understanding of the significant activities undertaken by the Group during the year; ii. An audit of the Group's patent register to obtain reasonable assurance any patents that have expired are written off; iii. Review of management's assessment of the carrying value of the patents and assessing the appropriateness and relevance of information provided to justify the carrying value of the patents; iv. Discussing the operational strategies and potential investments in the Company by other parties with management to obtain further understanding as to the basis of the assumptions used to justify carrying forward the patents. v. Checking the amortisation charge to ensure that the patents are being amortised over the 20-year patents' life; and vi. Evaluating the adequacy of the disclosures (Note 11) to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2021 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such

Stantons

internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

Independent Auditor's Report (cont'd)

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The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2021. The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion on the Remuneration Report

In our opinion, the Remuneration Report of Cynata Therapeutics Limited for the year ended 30 June 2021 complies with section 300A of the *Corporations Act 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir R Tirodkar

Director
West Perth, Western Australia
30 August 2021

Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) 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 and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the directors,

Dr Ross Macdonald
Managing Director/Chief Executive Officer

Melbourne,
30 August 2021

Financial Statements

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2021

For personal use only

		Year ended	
		30 June 2021	30 June 2020
	Note	$	$
Interest income	6	92,299	142,350
Other income	6	1,596,052	7,011,553
Total revenue and other income		**1,688,351**	**7,153,903**
Product development costs		(3,778,030)	(5,919,531)
Employee benefits expenses	7	(1,758,388)	(1,194,809)
Amortisation expenses	11	(279,965)	(280,732)
Share based payment expenses	7,18	(1,536,871)	(388,236)
Other expenses	7	(2,024,780)	(3,009,695)
Loss before income tax		**(7,689,683)**	**(3,639,100)**
Income tax expense	8	-	-
Loss for the year	7	**(7,689,683)**	**(3,639,100)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	-
Other comprehensive income for the year, net of income tax		**-**	
Total comprehensive loss for the year		**(7,689,683)**	**(3,639,100)**
Loss for the year attributable to:			
Owners of Cynata Therapeutics Limited		(7,689,683)	(3,639,100)
Total comprehensive loss for the year attributable:			
Owners of Cynata Therapeutics Limited		(7,689,683)	(3,639,100)
Loss per share:			
Basic and diluted (cents per share)	9	(5.90)	(3.48)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position as at 30 June 2021

	Note	30 June 2021 $	30 June 2020 $
Current assets			
Cash and cash equivalents	21	26,716,670	13,649,644
Trade and other receivables	10	70,464	16,965
Loans receivable	14	207,978	-
Prepayments		287,261	184,080
Total current assets		27,282,373	13,850,689
Non-current assets			
Intangibles	11	2,692,530	2,972,495
Loans receivable	14	-	657,656
Total non-current assets		2,692,530	3,630,151
Total assets		**29,974,903**	**17,480,840**
Current liabilities			
Trade and other payables	12	1,375,685	634,754
Provisions	13	226,065	54,982
Total current liabilities		1,601,750	689,736
Total liabilities		**1,601,750**	**689,736**
Net assets		**28,373,153**	**16,791,104**
Equity			
Issued capital	15	74,900,251	57,165,390
Option reserves	16	6,319,317	4,782,446
Foreign currency translation reserve	16	4,724	4,724
Accumulated losses		(52,851,139)	(45,161,456)
Total equity		**28,373,153**	**16,791,104**

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity for the year ended 30 June 2021

	Issued Capital	Option Reserve	Foreign currency translation reserve	Accum-ulated losses	Total
	$	$	$	$	$
Balance at 1 July 2019	**47,987,688**	**4,501,410**	**4,724**	**(41,522,356)**	**10,971,466**
Loss for the year	-	-	-	(3,639,100)	(3,639,100)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(3,639,100)**	**(3,639,100)**
Issue of ordinary shares (refer to note 15)	9,695,626	-	-	-	9,695,626
Share issue costs	(517,924)	-	-	-	(517,924)
Share based payments	-	281,036	-	-	281,036
Balance at 30 June 2020	**57,165,390**	**4,782,446**	**4,724**	**(45,161,456)**	**16,791,104**
	$	$	$	$	$
Balance at 1 July 2020	**57,165,390**	**4,782,446**	**4,724**	**(45,161,456)**	**16,791,104**
Loss for the year	-	-	-	(7,689,683)	(7,689,683)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(7,689,683)**	**(7,689,683)**
Issue of ordinary shares (refer to note 15)	18,306,813	-	-	-	18,306,813
Share issue costs	(571,952)	-	-	-	(571,952)
Share based payments (refer to note 16.1)	-	1,536,871	-	-	1,536,871
Balance at 30 June 2021	**74,900,251**	**6,319,317**	**4,724**	**(52,851,139)**	**28,373,153**

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

Consolidated statement of cash flows for the year ended 30 June 2021

	Note	Year ended 30 June 2021 $	30 June 2020 $
Cash flows from operating activities			
Grants and other income received	6	204,985	51,459
Payments to suppliers and employees		(3,770,355)	(3,894,444)
Interest received		82,033	83,590
Research and development tax refund received		1,391,067	2,510,462
Fujifilm Option License Fee received		-	4,227,151
Development costs paid		(3,070,839)	(6,365,897)
Net cash (used in) operating activities	**21**	**(5,163,109)**	**(3,387,679)**
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company	15	18,306,813	9,382,110
Payment for share issue costs		(571,952)	(406,924)
Repayment by related parties	14	462,272	1,084,762
Net cash provided by financing activities		**18,197,133**	**10,059,948**
Net increase in cash and cash equivalents		**13,034,024**	**6,672,269**
Cash and cash equivalents at the beginning of the year		13,649,644	6,977,390
Effects of exchange rate changes on the balance of cash held in foreign currencies		33,002	(15)
Cash and cash equivalents at the end of the year	21	**26,716,670**	**13,649,644**

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes

Notes to the consolidated financial statements for the year ended 30 June 2021

1. General information

Statement of compliance

Cynata Therapeutics Limited ("the Company") is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory to the annual report.

The principal activities of the Company and its controlled subsidiaries ("the Group") are described in the directors' report.

These financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 30 August 2021.

2. Application of new and revised Accounting Standards

2.1 Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2020.

New and revised Standards and amendments thereof and Interpretations effective for the current financial year that are relevant to the Group include:

- ***AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business***
  This Standard amends AASB 3 *Business Combinations*. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- ***AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material***
  This Standard amends AASB 101 *Presentation of*

Financial Statements and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and makes consequential amendments to several other pronouncements and publications.

- ***AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework***
  The amendments include consequential amendments to the affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.
- ***AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform***
  The amendments in AASB 2019-3 modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.
- ***AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia***
  This Standard makes amendments to AASB 1054 *Additional Australian Disclosures* by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect of an IFRS Standard that has not yet been issued by the AASB.

The adoption of these Amendments/Interpretation has had no significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2.2 New and revised Australian Accounting Standards and Interpretations on issue but not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not effective are listed below:

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023

3. Significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars ("$"), unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment*, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 *Financial Instruments*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Groups' cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Revenue recognition

The Group has applied AASB 15 Revenue from Contracts with Customers using the cumulative effective method. The Group does not have any revenue from contracts with customers.

3.5.1 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.6 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Grants related to the COVID-19 incentives are accounted for when received.

3.8 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.9 Share-based payment arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.10 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

R&D rebates are accounted for on a cash basis and included under other income.

3.10.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.11 Intangible assets

3.11.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangibles have been identified as all granted patents and patent applications. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

- Patents — 20 years

3.11.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.12 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

FINANCIAL ASSETS

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with AASB 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable).

For the purpose of subsequent measurement, financial assets other than those designated and effective as hedging instruments are classified into the following categories upon initial recognition:

- amortised cost;
- fair value through other comprehensive income (FVOCI); and
- fair value through profit or loss (FVPL).

Classifications are determined by both:

- the contractual cash flow characteristics of the financial assets; and
- the Group's business model for managing the financial asset.

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet with the following conditions (and are not designated as FVPL);

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, trade and most other receivables fall into this category of financial instruments.

Financial assets at fair value through other comprehensive income (Equity instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding; and
- the financial asset is held within a business model with the objective of both holding to collect contractual cash flows and selling the financial asset.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI.

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under AASB 132 *Financial Instruments: Presentation* and are not held for trading.

Financial assets at fair value through profit or loss (FVPL)

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

FINANCIAL LIABILITIES

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, gains and losses arising on changes in fair value are recognised in profit or loss.

IMPAIRMENT

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3.15 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

Significant accounting policies (cont'd)

3.16 Leases

The Group as a lessee

At inception of a contract, the Group assesses if the contract contains characteristics of or is a lease. If there is a lease present, a right-of-use asset and a corresponding liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (i.e. leases with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially, the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on the index of the rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options if the lessee if reasonably certain to exercise the options;
- lease payments under extension profits, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of options to terminate the lease.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the costs of the right-of-use asset reflects that the Group anticipates exercising a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

The Group does not currently have any leases that would require recognition of a right-of-use asset in the current reporting period.

3.17 Comparative amounts

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

4.1.1 Recoverability of intangible assets acquired in a business combination

During the year, the directors reconsidered the recoverability of the Group's intangible assets arising from the acquisition of Cynata Incorporated, which is included in the consolidated statement of financial position at 30 June 2021 with a carrying value of $2,692,530 (2020: $2,972,495) after accounting for amortisation.

The directors have allocated the carrying value of the patents (before amortisation) to the different categories of the research based on their estimates. The resulting allocation has given rise to an amortisation expense of $279,965 for the year ended 30 June 2021 (2020: $280,732).

The directors performed an impairment testing and concluded that no further impairment of the intangible assets is required for the year (2020: nil).

4.1.2 Share-based payment transactions

The Group accounts for all equity-settled share-based payments based on the fair value of the award on grant date. Under the fair value-based method, compensation cost attributable to options granted is measured at fair value at the grant date and amortised over the vesting period. The amount recognised as an expense is adjusted to reflect any changes in the Group's estimate of the options that will eventually vest and the effect of any non-market vesting conditions.

Share-based payment arrangements in which the Group receives good or services as consideration are measured at the fair value of the good or service received, unless that fair value cannot be reliably estimated.

5. Segment information

The Group operates in one business segment, namely the development and commercialisation of therapeutic products. AASB 8 *Operating Segments* states that similar operating segments can be aggregated to form one reportable segment. However, none of the operating segments currently meet any of the prescribed quantitative thresholds, and as such do not have to be reported separately. The Group has therefore decided to aggregate all its reporting segments into one reportable operating segment.

The revenue and results of this segment are those of the Group as a whole and are set out in the consolidated statement of profit or loss and other comprehensive income. The segment assets and liabilities are those of the Group and set out in the consolidated statement of financial position.

6. Interest income and other income

	2021	2020
Interest income	**$**	**$**
Interest income	79,705	65,951
Accrued interest on directors' loans (refer to note 14)	12,594	76,399
	92,299	**142,350**

	2021	2020
Other income	**$**	**$**
R&D rebate	1,391,067	2,510,462
Grants received (i)	204,985	-
Other income (ii)	-	4,501,091
	1,596,052	7,011,553

(i) This includes an Innovation Connections grant of $54,985, the Australian Federal Government's COVID-19 Cash Flow Boost package of $50,000 and the 2020 Export Market Development Grant of $100,000.

(ii) This includes an amount of $4,449,632 (US$3million) received from FUJIFILM Corporation in 2020 under the graft-versus-host-disease (GvHD) license agreement.

7. Loss for the year

	2021 $	2020 $
Loss for the year has been arrived at after charging the following items of expenses:		
Employee benefits expenses		
Wages and salaries	1,467,272	1,102,057
Superannuation expenses	120,033	79,065
Leave entitlements	171,083	13,687
Total employee benefits expenses (i)	1,758,388	1,194,809
Share-based payment expenses	1,536,871	388,236
Other expenses		
Share register fees	30,185	62,633
Director fees	275,136	277,289
Legal costs	289,701	888,547
Investor/public relations	269,649	472,740
Corporate advisors	208,625	198,897
Other administrative expenses	653,833	606,556
Foreign tax withheld (ii)	-	222,482
Effect of foreign exchange	297,651	280,551
Total other expenses	2,024,780	3,009,695

(i) Excludes amounts charged to product development costs.

(ii) This represents US$150,000 being the Japanese 5% withholding tax from the option fee received from FUJIFILM Corporation. The Group expensed the withholding tax as recoverability of this tax is not certain.

8. Income taxes relating to continuing operations

8.1 Income tax recognised in profit or loss

	2021 $	2020 $
Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:	2021 $	2020 $
Loss before tax from continuing operations	(7,689,683)	(3,639,100)
Income tax expense calculated at 26% (2020: 27.5%)	(1,999,317)	(1,000,753)
Tax effect of R&D rebate received	(361,677)	(690,377)
Effect of expenses that are not deductible in determining taxable income	1,450,270	1,906,239
Effect of unused tax losses not recognised as deferred tax assets	910,724	(215,109)
	-	-

The tax rate used for the 2021 reconciliations above is the corporate tax rate of 26% (2020: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

8.2 Income tax recognised directly in equity

	2021 $	2020 $
Current tax		
Share issue costs	-	-
Deferred tax		
Arising on transactions with owners:		
Share issue costs deductible over 5 years	-	-
	-	-

8.3 Unrecognised deferred tax assets in relation to:

	2021 $	2020 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised (i)	7,236,506	5,978,841
Other	240,668	107,904
	7,477,174	6,086,745

8.4 Unrecognised deferred tax (liabilities) in relation to:

	2021 $	2020 $
Intangibles	(700,058)	(817,436)
Other	(75,663)	(52,294)
	(775,721)	(869,730)
Net deferred tax assets	**6,701,453**	**5,217,015**

(i) All unused tax losses were incurred by Australian entities. The figure also includes unused carried forward tax losses of Cynata Australia Pty Ltd ("Cynata Australia"). Cynata Australia is the wholly owned subsidiary of Cynata Inc and Cynata Inc is the wholly owned subsidiary of Cynata Therapeutics Limited.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

9. Loss per share

	2021 ¢ / share	2020 ¢ / share
Basic and diluted loss per share (cents per share)	(5.90)	(3.48)

9.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2021 $	2020 $
Loss for the year attributable to owners of the Company	(7,689,683)	(3,639,100)

	2021 $	2020 $
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	130,427,077	104,510,253

10. Trade and other receivables

	2021 $	2020 $
Deposits made	25,528	3,568
Other receivables	44,936	13,397
	70,464	16,965

At the reporting date, none of the receivables were past due/impaired.

11. Intangibles

	2021 $	2020 $
Carrying value at beginning of year (i)	2,972,495	3,253,227
Amortisation (ii)	(279,965)	(280,732)
Net book value of research and development at end of year	2,692,530	2,972,495

(i) The carrying value at beginning of year represents the fair value attributable to interests in research and development of stem cells is due to, and in recognition of, the successful development activities and data generated by Cynata Incorporated as at the acquisition date (1 December 2013), representing progress toward the eventual commercialisation of the relevant technology less accumulated amortisation.

(ii) An amortisation expense of $279,965 has been recognised in profit or loss (2020: $280,732). Refer to note 3.12 for more information on the Group's accounting policy on intangibles and amortisation.

Cost	2021 $	2020 $
Balance at 1 July	4,821,799	4,821,799
Additions	-	-
Disposals	-	-
Balance at 30 June	4,821,799	4,821,799

Accumulated amortisation	2021 $	2020 $
Balance at 1 July	1,849,304	1,568,572
Amortisation expense	279,965	280,732
Balance at 30 June	2,129,269	1,849,304

12. Trade and other payables

	2021	2020
	$	$
Trade payables	676,104	297,359
Accrued expenses	699,581	337,395
	1,375,685	634,754

13. Provisions

	2021	2020
	$	$
Provisions for employee entitlements	226,065	54,982

14. Loans receivable

	2021	2020
	$	$
Balance at beginning of year (i)	657,656	1,666,019
Interest accrued (ii)	12,594	76,399
Repayments by related parties (iii)	(462,272)	(1,084,762)
Balance at end of year	207,978	657,656

(i) At the General Meeting of shareholders held on 12 September 2018, shareholders of Cynata approved the financial assistance and financial benefit provided to Dr Ross Macdonald and Dr Stewart Washer or their nominees as constituted by the making of a director loan of $900,000 each to Dr Ross Macdonald and Dr Stewart Washer solely for the purpose of funding the exercise of 2,500,000 unlisted options each at $0.40 having an expiry date of 27 September 2018. Each director paid $100,000 in cash on exercise of the options. The loans provided are full recourse loans and unsecured.

(ii) The director loans carry a simple interest rate of 5.20% per annum and have a 3-year term. Interest is paid annually and accrued daily.

(iii) During the financial year ended 30 June 2021, Dr Macdonald repaid $126,413 (2020: $437,962) of his loan which included $26,413 accrued interest and Dr Washer made final repayment of $335,859 (2020: $646,800) of his loan which included $35,859 accrued interest. The accrued interest paid by Dr Macdonald and Dr Washer is the interest due and payable on each anniversary of the loans. At 30 June 2021, the director loan outstanding from Dr Macdonald is not impaired and has been classified under current assets as it is expected to be settled within 12 months.

15. Issued capital

	2021 $	2020 $
143,276,594 fully paid ordinary shares (2020: 117,124,004)	74,900,251	57,165,390

	30 June 2021		30 June 2020	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of year	**117,124,004**	**57,165,390**	101,885,053	47,987,688
Share placement (i)	6,930,460	4,851,322	-	-
Share placement (ii)	14,285,715	10,000,000	-	-
Share placement (iii)	224,120	156,885	-	-
Rights Issue (iv)	3,558,725	2,491,108	-	-
Rights Issue Shortfall (v)	1,153,570	807,499	-	-
Exercise of share options (vi)	-	-	50,000	51,100
Exercise of share options (vii)	-	-	200,000	200,000
Exercise of share options (viii)	-	-	700,000	700,000
Exercise of share options (ix)	-	-	100,000	102,200
Exercise of share options (x)	-	-	83,100	107,199
Share placement (xi)	-	-	5,312,085	3,187,251
Share placement (xii)	-	-	569,251	341,551
Issue of shares (xiii)	-	-	8,000,014	4,800,009
Issue of shares (xiv)	-	-	224,501	206,316
Share issue costs	-	(571,953)	-	(517,924)
Balance at end of the year	**143,276,594**	**74,900,251**	**117,124,004**	**57,165,390**

(i) Issue of shares pursuant to a Placement at $0.70 per share on 21 December 2020.

(ii) Issue of shares pursuant to a Placement at $0.70 per share on 24 December 2020.

(iii) Issue of shares pursuant to a Placement at $0.70 per share on 31 December 2020.

(iv) Issue of shares pursuant to an Entitlement Offer at $0.70 per share on 20 January 2021.

(v) Issue of shares pursuant to a Shortfall Placement under the Entitlement Offer at $0.70 per share on 20 January 2021.

(vi) Exercise of unlisted 17 November 2019 options at $1.022 each on 2 August 2019.

(vii) Exercise of unlisted 17 July 2020 options at $1.00 each during the month of August 2019.

(viii) Exercise of unlisted 17 July 2020 options at $1.00 each during the month of September 2019.

(ix) Exercise of unlisted 17 November 2019 options at $1.022 each on 11 November 2019.

(x) Cashless exercise of unlisted 17 November 2019 options by Dr Paul Wotton, Dr Ross Macdonald and Mr Peter Webse on 11 November 2019.

(xi) Issue of shares to US investors pursuant to a Placement to raise US$2,000,000 (converted to A$ at a rate of 0.6275) at A$0.60 per share on 24 April 2020.

(xii) Issue of shares pursuant to a Placement at $0.60 per share on 1 May 2020.

(xiii) Issue of shares pursuant to a Share Purchase Plan at $0.60 per share on 2 June 2020.

(xiv) Issue of shares at $0.919 per share on 10 June 2020 to a third party for the completion of corporate services.

16. Reserves

16.1 Share-based payments

	2021 $	2020 $
Balance at beginning of year	4,782,446	4,501,410
Recognition of share-based payments (i)	1,536,871	281,036
Balance at end of year	6,319,317	4,782,446

(i) Total expenses arising from share-based payment transactions as a result of vesting on unlisted options to executives and employees recognised during the year ended 30 June 2021 was $1,536,871 (2020: $281,036).

Further information about share-based payments is set out in note 18.

16.2 Foreign currency translation reserve

	2021 $	2020 $
Balance at beginning of year	4,724	4,724
Exchange differences arising on translating the foreign operations	-	-
Balance at end of year	4,724	4,724

Exchange differences relating to the translation of results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

17. Financial instruments

17.1 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Group's approach to capital management during the year.

17.2 Categories of financial instruments

	2021 $	2020 $
Financial assets		
Cash and cash equivalents	26,716,670	13,649,644
Trade and other receivables	70,464	16,965
Loans receivable	207,978	657,656
	26,995,112	14,324,265
Financial liabilities		
Trade and other payables	1,375,685	634,754
	1,375,685	634,754
Net financial assets	**25,619,427**	**13,689,511**

The fair value of the above financial instruments approximates their carrying values.

17.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

17.4 Market risk

Market risk for the Group arises from the use of interest-bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 17.5 below).

17.5 Interest rate risk management

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2021 would decrease/increase by $267,167 (2020: $136,496)

17.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2021, the Company has cash denominated in US dollars (US$4,837,747 (2020: US$2,818,908)). The A$ equivalent at 30 June 2021 is $6,445,817 (2020: $4,094,858). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately $322,291 (2020: $204,743). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. As at 30 June 2021, the Group has not entered in any forward foreign exchange contracts.

17.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Financial instruments (cont'd)

17.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Contractual cash flows

	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2021						
Trade and other payables	1,375,685	1,375,685	-	-	-	1,375,685
2020						
Trade and other payables	634,754	634,754	-	-	-	634,754

18. Share-based payments

18.1 Employee Option Acquisition Plan

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate of a director except where approval is given by shareholders at a general meeting.

Each option converts into one ordinary share of Cynata Therapeutics Limited on exercise. The options carry neither right to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

The following share-based payment arrangements were in existence at balance date:

Option series	Number	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
CYPOPT12	300,000[i]	17 May 2019	$0.384	$2.110	16 May 2024	Vested
CYPOPT13	1,425,000[ii]	17 May 2019	$0.304	$1.750	16 May 2022	Vested
CYPOPT14	1,250,000[iii]	19 Aug 2020	$0.415	$0.970	18 Aug 2024	Various
CYPOPT15	100,000[iv]	14 Sept 2020	$0.388	$1.280	13 Sept 2024	Various
CYPOPT16	4,500,000[v]	24 Nov 2020	$0.493	$0.970	29 Nov 2025	Various

i This represents unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director.

ii This represents unlisted options issued to Dr Kelly (750,000), Dr Suzanne (375,000) and Dr Atley (300,000) pursuant to an Employee Option Acquisition Plan. Dr Atley is an employee of Cynata Therapeutics Ltd.

iii This represents unlisted options issued to Dr Kelly (1,000,000), Dr Lipe (100,000), Dr Atley (50,000) and Mr Thraves (100,000) pursuant to an Employee Option Acquisition Plan. Mr Thraves is an employee of Cynata Therapeutics Ltd.

iv This represents unlisted options issued to Mrs Gupta pursuant to an Employee Option Acquisition Plan. Mrs Gupta is an employee of Cynata Therapeutics Ltd.

v This represents unlisted options issued to Dr Brooke (2,000,000), Dr Macdonald (1,500,000), Dr Washer (300,000), Dr Wotton (300,000), Dr Maher (300,000) and Mr Webse (100,000) pursuant to an Employee Option Acquisition Plan.

There has been no alteration to the terms and conditions of the above options arrangements since the grant date.

18.2 Fair value of share options

Options were priced using the Black-Scholes pricing model. Expected volatility is based on the historical share price volatility over the past 12 months from grant date.

Where relevant, the fair value of the options has been adjusted based on management's best estimate for the effects of non-transferability of the options.

The weighted average exercise price of options granted during the year is $0.975 (2020: no options granted).

Share-based payments (cont'd)

The inputs to the Black-Scholes pricing model were as follows:

Inputs	CYPOPT14	CYPOPT15	CYPOPT16
Number of options	1,250,000	100,000	4,500,000
Grant date	19 Aug 2020	14 Sept 2020	24 Nov 2020
Grant date fair value	$0.415	$0.388	$0.493
Exercise price	$0.97	$1.28	$0.97
Expected volatility	74%	75%	74%
Implied option life (years)	4.0	4.0	5
Expected dividend yield	n/a	n/a	n/a
Risk-free rate	0.27%	0.23%	0.29%

18.3 Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2021		2020	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Balance at beginning of the year	3,165,557	1.439	6,615,557	1.363
Granted during the year	5,850,000	0.975	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	(1,450,000)	1.008
Expired during the year	(1,440,557)	0.992	(2,000,000)	1.500
Balance at end of year	**7,575,000**	**1.167**	**3,165,557**	**1.439**
Exercisable at end of year	2,931,929	1.466	2,590,557	1.356

18.4 Share options exercised during the year

No share options were exercised during the year (2020: 1,450,000).

18.5 Share options outstanding at the end of the year

Share options outstanding at the end of the year had a weighted average exercise price of $1.166 (2020: $1.439) and a weighted average remaining contractual life of 1,264 days (2020: 451 days).

19. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2021 $	2020 $
Short-term employee benefits	1,413,979	1,330,344
Post-employment benefits	78,854	70,996
Share-based payments	1,439,808	239,174
	2,932,641	**1,640,514**

Short-term employee benefits

These amounts include fees paid to non-executive directors, accrued bonuses, salary and paid leave benefits awarded to executive directors and key management personnel and fees paid to entities controlled by the directors.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity -settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to key management personnel remuneration can be found in the remuneration report contained in the directors' report.

20. Related party transactions

20.1 Entities under the control of the Group

The Group consists of the parent entity, Cynata Therapeutics Limited and its wholly-owned Ireland-based subsidiary Cynata Therapeutics Ireland Limited and US-based subsidiary Cynata Incorporated, which in turns controls 100% of Cynata Australia Pty Ltd, the non-operating entity of Cynata Incorporated.

Balances and transactions between the parent entity and its subsidiaries, which are related parties of the entity, have been eliminated on consolidation and are not disclosed in this note.

20.2 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report, note 18 and note 19.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

21. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2021 $	2020 $
Cash and bank balances	**26,716,670**	**13,649,644**

21.1 Reconciliation of loss for the year to net cash flows from operating activities

	2021 $	2020 $
Cash flow from operating activities		
Loss for the year	(7,689,683)	(3,639,100)
Adjustments for:		
Share-based payments	1,536,871	388,236
Amortisation expenses	279,965	280,732
Accrued income	(12,594)	(76,399)
Effects of exchange rate changes	(33,002)	274,013
Movements in working capital		
(Increase)/decrease in trade and other receivables and prepayments	(156,680)	152,063
Increase/(decrease) in trade and other payables	740,931	(780,911)
Increase in annual leave provisions	171,083	13,687
Net cash outflows from operating activities	**(5,163,109)**	**(3,387,679)**

22. Contingent liabilities and contingent assets

The directors are not aware of any significant contingencies at balance date other than a requirement for the payment of royalties pursuant to certain license agreements should future revenues exceed predetermined thresholds.

23. Commitments for expenditure

The Group has entered into a number of agreements related to research and development activities. As at 30 June 2021, under these agreements, the Company is committed to making payments over future periods, as follows:

	$
During the period 1 July 2021 – 30 June 2022	2,490,366
During the period 1 July 2022 – 30 June 2023	679,051
During the period 1 July 2023 – 30 June 2024	300,195

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2021.

24. Remuneration of auditors

Auditor of the Group	2021 $	2020 $
Audit and review of the financial statements	**46,967**	**48,522**

The auditor of the Group is Stantons International Audit and Consulting Pty Ltd.

25. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Refer to note 3 for a summary of significant accounting policies relating to the Group.

Financial position	2021	2020
	$	$
Assets		
Current assets	27,282,373	13,850,690
Non-current assets	4,890,653	5,548,308
Total assets	32,173,026	19,398,998
Liabilities		
Current liabilities	1,375,685	634,754
Provisions	226,065	54,982
Total liabilities	1,601,750	689,736
Net assets	**30,571,276**	**18,709,262**
Equity		
Issued capital	74,900,251	57,165,390
Reserves	6,319,317	4,782,446
Accumulated losses	(50,648,292)	(43,238,574)
Total equity	**30,571,276**	**18,709,262**
Financial performance		
Loss for the year	(7,409,718)	(3,358,368)

Commitments and contingencies

There were no material commitments or contingencies at the reporting date for the parent company except for those mentioned in note 22 and note 23 above.

26. Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2021	2020
Cynata Incorporated	Holds licenses with WARF for core IPs	USA	100%	100%
Cynata Therapeutics Ireland Limited	Legal representative of Cynata in the European Economic Area	Ireland	100%	100%
Cynata Australia Pty Ltd (i)	Non-operating subsidiary from date of reconstruction	Australia	100%	100%

(i) Cynata Australia Pty Ltd is a wholly owned subsidiary of Cynata Incorporated.

27. Events after the reporting period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

28. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 30 August 2021.

Corporate Governance Statement

This Corporate Governance Statement ("Statement") outlines the key aspects of the governance framework and main governance practices of Cynata Therapeutics Limited ('Cynata' or 'the Company'), a Company which is not included within the S&P/ASX 300 index.

The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Cynata's website located at www.cynata.com.

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Corporate Governance Principles and Recommendations 4th Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

As at the date of this Statement, the Board of Cynata Therapeutics Limited consists of five Directors. Three Directors are considered by the Board to be independent, and two Directors are considered by the Board as non-independent;

Dr Geoffrey Brooke	Independent Non-Executive Chairman
Dr Ross Macdonald	Managing Director
Dr Darryl Maher	Independent Non-Executive Director
Dr Stewart Washer	Non-Independent Non-Executive Director
Dr Paul Wotton	Independent Non-Executive Director

This Statement was approved by the Board of Directors and is current as at 27 August 2021.

Principle 1: Lay solid foundations for management and oversight

A listed entity should clearly delineate the respective roles and responsibilities of its Board and management and regularly review their performance.

1.1 A listed entity should have and disclose a Board Charter setting out the respective roles of the Board and management and those matters expressly reserved to the Board and those delegated to management.

Cynata's constitution ("Constitution") provides that the business of Cynata will be managed by or under the direction of the Board. The Board operates under a Board Charter, a copy of which is located on the Company's website at https://www.cynata.com/corporategovernance.

The key roles and responsibilities of the Board along with the key roles and responsibilities of senior management, including those specifically delegated to the Managing Director are set out in the Board Charter.

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Providing leadership, defining the Company's purpose and setting the strategic objectives of the Company;
- Monitoring management's implementation and execution of the Company's strategy, instilling of the Company's values and its performance generally, and (when required) challenging management and holding it to account;
- Developing and reviewing the Company's core values and corporate governance policies in order to underpin the desired culture within the Company, and monitoring corporate culture;
- In accordance with the Remuneration and Nomination Policy:
  - appointing the Chairperson;
  - reviewing the skills experience, expertise and diversity represented by the Directors on the Board;
  - selecting, appointing, removing and evaluating from time to time the performance of, determining the remuneration of, and planning succession of, the Managing Director;
  - approving the appointment and removal of the Company Secretary and Chief Financial Officer (if applicable);
  - approving the appointment of, determining the remuneration of, monitoring the performance of and planning succession of, members of key management personnel (including Non-Executive Directors);
  - ensuring that there are appropriate resources available to fulfill the responsibility of key management personnel (including Non-Executive Directors);
  - approving the delegation of authority framework;
  - approving the Company's remuneration policies and practices in order to ensure that they are aligned with the Company's purpose, values, strategic objectives and risk appetite; and
  - where applicable, approving measurable objectives for achieving diversity on an annual basis;
- In accordance with the Audit, Risk and Compliance Policy:
  - setting performance objectives and approving operating budgets;
  - reviewing, ratifying and monitoring systems of risk management, accountability, internal control and ethical and legal compliance, on a regular basis;
  - setting the risk appetite within which the Board expects management to operate;
  - approving major capital expenditure, acquisitions and divestitures, monitoring capital management;
  - monitoring and reviewing management processes aimed at ensuring the integrity of financial and other reporting;
  - reviewing performance, operations and compliance reports from the Chairperson and Managing Director, including reports and updates on strategic issues and risk management matters;
  - approving the selection and termination of the external auditor, subject to any shareholder approvals;
  - approving financial reports and other reports required at law or under the ASX Listing Rules to be adopted by the Board; and
  - reviewing and monitoring any related party transaction and recommending its approval;
- Ensuring that shareholders are kept informed of the Company's performance and major developments affecting its state of affairs;

- Performing such other functions as are prescribed by law or are assigned to the Board; and
- Satisfying itself that an appropriate framework exists for relevant information to be reported by management to the Board.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board has delegated to the Managing Director responsibility for the management and operation of Cynata. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Cynata within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Cynata's expense.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Cynata Website.

1.2 A listed entity should undertake appropriate checks before appointing a Director or senior executive or putting someone forward for election as a Director and provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Constitution of the Company sets out the process of appointment, retirement and rotation of directors.

The Company undertakes comprehensive reference checks prior to appointing a Director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of a Director. The Company provides all material information that is in its possession to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

1.3 A listed entity should have a written agreement with each Director and senior executive setting out the terms of their appointment.

Pursuant to the Company's Remuneration and Nomination Policy the appointment of any new Director (executive or non-executive) of Cynata and each senior executive is made by, and in accordance with, a formal letter of appointment or written agreement setting out the key terms and conditions relative at the time of appointment. All current agreements are made with the Director or senior executive personally.

1.4 The Company Secretary of a listed entity should be directly accountable to the Board, through the Chair, on all matters to do with the proper functioning of the Board.

In accordance with the Board Charter, the decision to appoint or remove the Company Secretary must be made or approved by the Board. The Company Secretary is accountable directly to the Board, through the Chairperson, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

1.5 A listed entity should have and disclose a Diversity Policy; set measurable objectives for achieving gender

diversity and disclose the measurable objectives set to achieve gender diversity.

The Board has adopted a Diversity Policy which is available on its website and provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board has not yet set measurable objectives for achieving gender diversity due to the Company's current size and level of operations. The Board is acutely aware of the importance for gender diversity within the workforce and looks to achieve a culture of inclusion when assessing a suitable candidate for an open position and through its day-to-day practices.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company — 50%
- Women in senior management positions — 33%
- Women on the Board — 0%

The Company is not a "relevant employer" under the Workplace Gender Equality Act.

The Company's Diversity Policy is available on its website.

1.6 A listed entity should have and disclose a process for periodically evaluating the performance of the Board, its committees and individual Directors and disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

A Board performance review was conducted during the year in accordance with the above process.

1.7 A listed entity should have and disclose a process for evaluating the performance of its senior executives at least once every reporting period and disclose for each reporting period whether a performance evaluation has been undertaken in accordance with that process during or in respect of that period.

The Company has an annual performance review process in place for its Managing Director and other senior executives. On an annual basis, corporate objectives and individual key performance indicators (KPIs) are set. The Managing Director reviews the performance of senior executives and their delivery of corporate and individual objectives.

Performance reviews of senior executives were conducted during the year in accordance with the above process.

Principle 2: Structure the board to be effective and add value

The Board of a listed entity should be of an appropriate size and collectively have the skills, commitment and knowledge of the entity and the industry in which it operates, to enable it to discharge its duties effectively and to add value.

2.1 The Board of listed entity should have a nomination committee or, if it does not have a nomination committee, disclose the fact and the processes it employs to address Board succession issues and to ensure that the Board has the appropriate balance of skill, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.

The Board considers that the Company does not currently benefit from the establishment of a separate Nomination Committee. In accordance with the Company's Board Charter and operating within the boundaries of the Remuneration and Nomination Policy, the Board is responsible for the nomination and selection of directors.

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern Cynata. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of the skills matrix and any gaps that may exist.

Generally, a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

2.2 A listed entity should have and disclose a Board skills matrix setting out the mix of skills that the Board currently has or is looking to achieve in its membership.

The Board has a skills matrix covering the competencies and experience of each Director. The results of the skills matrix assessment in relation to the Board as a whole is displayed on the Company's website at https://www.cynata.com/corporategovernance.

2.3 A listed entity should disclose the names of the Directors considered by the Board to be independent Directors and the length of service of each Director.

During the financial year and to the date of this report the Board was comprised of the following members:

Director	Length of Service
Dr Geoffrey Brooke	Independent Non-Executive Chairman (appointed as a Non-Executive director on 17 May 2019);
Dr Ross Macdonald	Managing Director (appointed 1 August 2013);
Dr Darryl Maher	Independent Non-Executive Director (appointed 16 June 2020);
Dr Stewart Washer	Non-Independent Non-Executive Director (appointed 1 August 2013);
Dr Paul Wotton	Independent Non-Executive Director (appointed as a Non-Executive Director on 8 June 2016).

2.4 A majority of the Board should be independent Directors.

The Board, at the date of this statement is comprised of a majority of independent Directors. Dr Geoffrey Brooke, Dr Darryl Maher and Dr Paul Wotton are the current directors considered to be independent. Dr Ross Macdonald is not considered to be an independent Director by virtue of him being an executive of the Company. Dr Stewart Washer is not considered to be an independent director by virtue of the fact that he was a former executive of the Company.

Cynata has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

2.5 The chair of the board of a listed entity should be an independent Director and, in particular, should not be the same person as the CEO of the entity.

Dr Geoffrey Brooke is the Chairman of the Company and is considered by the Board to be independent and is not the same person as the CEO of the Company.

2.6 A listed entity should have a program for inducting new Directors and for periodically reviewing whether there is a need for existing Directors to undertake professional development to maintain the skills and knowledge needed to perform their role as Directors effectively.

In accordance with the Company's Board Charter and the Remuneration and Nomination Policy the Board is responsible for the approval and review of induction and continuing professional development programs and procedures for Directors to ensure that they can effectively discharge their responsibilities.

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

The Company Secretary is responsible for facilitating inductions and professional development that is tailored to the individual's needs.

Principle 3: Instil a culture of acting lawfully, ethically and responsibly

A listed entity should instil and continually reinforce a culture across the organisation of acting lawfully, ethically and responsibly.

3.1 A listed entity should articulate and disclose its values

Cynata has adopted a Statement of Values that underpins the commitment that each individual and the Company as a whole lives by each and every day and includes the following values:

1. Honesty;
2. Integrity;
3. Creativity;
4. Compassion;
5. Diligence and perseverance; and
6. Ethical, responsible and law-abiding conduct.

3.2 A listed entity should have and disclose a Code of Conduct for its Directors, senior executives and employees and ensure that the Board or a committee of the Board is informed of any material breaches of that Code.

The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;

Corporate Governance Statement (cont'd)

- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to their manager or alternatively the Company Secretary, a Director or the Managing Director. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

3.3 A listed entity should have and disclose a Whistleblower Policy and ensure that the Board or a committee of the Board is informed of any material incidents reported under that Policy.

The Company has adopted a Whistleblower Protection Policy which is available on the Company's website.

The Policy includes that the Board will be informed of any material incidents reported under that Policy.

3.4 A listed entity should have and disclose an Anti-Bribery and Corruption Policy and ensure that the Board or a committee of the Board is informed of any material incidents breaches of that Policy.

The Company has adopted an Anti-Bribery and Corruption Policy which is available on the Company's website.

The Policy includes that the Board will be informed of any material breaches under that Policy.

Principle 4: Safeguard the integrity of corporate reports

A listed entity should have appropriate processes to verify the integrity of its corporate reports.

4.1 A Board of listed entity should have an audit committee or if it does not have an audit committee, disclose the fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.

The Board considers that the Company does not currently benefit from the establishment of a separate Audit Committee. The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Risk and Compliance Policy.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Cynata's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

4.2 A Board of listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

The Board has received certifications from the CEO and CFO (Equivalent) in connection with the financial statements for Cynata for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the *Corporations Act 2001* as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

4.3 A listed entity should disclose its process to verify the integrity of any period corporate report it releases to the market that is not audited or reviewed by an external auditor.

In reviewing the quarterly cashflow reports and prior to the lodgement with the ASX, the following process has been adopted:

- cash transactions for the quarter are provided by the accountant for each subsidiary and the parent entity to the Chief Financial Officer (equivalent);
- cash transactions are matched against the bank statements; and
- consolidated quarterly figures are compiled and verified by the CFO (equivalent) and CEO.

A declaration is then provided by the CFO (equivalent) and CEO to the Board noting compliance section 286 of the *Corporations Act 2001*, the appropriate accounting standards and with Listing Rule 19.11A.

Principle 5: Make timely and balanced disclosure

A listed entity should make timely and balanced disclosure of all matters concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

5.1 A listed entity should have and disclose a written policy for complying with its continuous disclosure obligations under listing rule 3.1.

The Company has adopted a Continuous Disclosure Policy for complying with its disclosure obligations of the Company as required under the ASX Listing Rules (including Listing Rule 3.1) and the *Corporations Act 2001*. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

a) All material market announcements are to be circulated to and reviewed by all members of the Board;

b) All announcements are clearly noted as to the authorising officer and in general, all material announcements are authorised for release by the Board;

c) All announcements are made in a timely manner, are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and *Corporations Act 2001*;

d) All announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions; and

e) Any new and substantive investor or analyst presentation will be released on the ASX market announcements platform ahead of the presentation.

5.2 A listed entity should ensure that its Board receives copies of all material market announcements after they have been made.

The Board receives copies of all material market announcements after they have been made.

5.3 A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.

Any new and substantive investor or analyst presentation will be released on the ASX Market Announcements Platform ahead of the presentation.

Principle 6: Respect the rights of security holders

A listed entity should provide its security holders with appropriate information and facilities to allow them to exercise their rights as security holders effectively.

6.1 A listed entity should provide information about itself and its governance framework to investors via its website.

The Company has adopted a Communications Strategy (Strategy) which is available on the Company's website. Under this Strategy, Cynata's website will contain information about the Company and its governance, copies of media releases, ASX announcements, annual reports, financial statements, notices of meeting of shareholders, copies of documents tabled at meetings of shareholders and any materials distributed at investor or analyst presentations.

6.2 A listed entity should have an investor relations program that facilitates effective two-way communication with investors.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via the ASX, the Company's website, information emailed or mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

Cynata's register is maintained by a professional security registry, Automic Group. Shareholders are able to communicate with Cynata and Automic via email and can register to receive communications and shareholder materials from Cynata via its security registry electronically.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "contact us" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

6.3 A listed entity should disclose how it facilitates and encourages participation at meetings of security holders.

The Communication Strategy provides that security holders are encouraged to attend and participate at general meetings. To facilitate this, meetings will be held during normal business hours, at a place, or in a manner, convenient for the greatest possible number of security holders to attend either in person or electronically. Moreover, Cynata's Constitution allows, if permitted by law, shareholder meetings to be held electronically and provides each security holder with the right to appoint a proxy, attorney or representative to vote on their behalf.

6.4 A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.

The Company has a policy that all resolutions at a meeting of security holders are to be decided by a poll.

6.5 A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.

The Company provides security holders the option to electronically receive communications from, and send communications to, the Company and its share registry, Automic Registry Services. The Company encourages security holders to utilise electronic communications with the Company to facilitate speed, convenience and environmental friendliness of communications.

Principle 7: Recognise and manage risk

A listed entity should establish a sound risk management framework and periodically review the effectiveness of that framework.

7.1 The Board of a listed entity should have a committee or committees that oversee risk and if it does not have a risk committee or committees, disclose that fact and the processes it employs for overseeing the entity's risk management framework

The Board considers that the Company does not currently benefit from the establishment of a separate Risk Committee. In accordance with the Company's Board Charter and operating within the boundaries of the Audit Risk and Compliance Policy, the Board carries out the duties that would ordinarily be carried out by the Risk Committee under the Risk and Compliance Policy.

The Board devotes time at Board meetings to fulfilling the roles and responsibilities associated with overseeing risk and maintaining the entity's risk management framework and associated internal compliance and control procedures.

The Board is committed to the identification, assessment and management of risk throughout Cynata's business activities. The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Cynata has established policies for the oversight and management of material business risks.

Cynata's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Cynata believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Cynata is committed to the ongoing development of a strategic and consistent enterprise-wide risk management program, underpinned by a risk conscious culture.

Cynata accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Cynata's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Cynata assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Cynata applies varying levels of management plans.

Corporate Governance Statement (cont'd)

7.2 The Board or a committee of the Board should review the entity's risk management framework at least annually to satisfy itself that it continues to be sound and that the entity is operating with due regard to the risk appetite set by the Board and disclose, in relation to each reporting period, whether such a review has taken place.

The Board reviews the Company's risk management framework at each scheduled Board meeting to ensure that it continues to effectively manage risk.

7.3 A listed entity should disclose if it has an internal audit function or if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its governance, risk management and internal control processes.

The Company does not have an internal audit function.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Cynata's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

7.4 A listed entity should disclose whether it has any material exposure to environmental or social risks and, if it does, how it manages or intends to manage those risks.

The Board does not consider that the Company currently has any material exposure to environmental or social risks.

Principle 8: Remunerate fairly and responsibly

A listed entity should pay Director remuneration sufficient to attract and retain high quality directors and design its executive remuneration to attract, retain and motivate high quality senior executives and to align their interests with the creation of value for security holders and with the entity's values and risk appetite.

8.1 The Board of a listed entity should have a remuneration committee or if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for Directors and senior executives and ensuring that such remuneration is appropriate and not excessive.

The Company does not have a Remuneration Committee. The Board considers that the Company will not currently benefit from the establishment of a Remuneration Committee and as a whole fulfills the functions normally delegated to the Remuneration Committee as detailed in the Remuneration and Nomination Policy.

In accordance with the Company's Board Charter, the Board carries out the duties that would ordinarily be carried out by the Remuneration Committee under the Remuneration and Nomination Policy, including devoting time at the annual Board meeting to assess the level and composition of remuneration for Directors and senior executives.

8.2 A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive Directors and the remuneration of executive Directors and other senior executives.

Cynata has implemented a Remuneration and Nomination Policy which was designed to recognise the competitive environment within which Cynata operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Cynata's performance. The overriding objective of the Remuneration and Nomination Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Cynata.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Cynata;
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes;
- motivate and recognise superior performers with fair, consistent and competitive rewards;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- through employee ownership of Cynata shares, foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

Cynata's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were $275,136.

Executive Directors and other senior executives are remunerated using combinations of fixed and performance-based remuneration. Fees and salaries are set at levels reflecting market rates and performance-based remuneration is linked directly to specific performance targets that are aligned to both short- and long-term objectives.

Further details in relation to the Company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

8.3 A listed entity which has an equity-based remuneration scheme should have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in the scheme and disclose that policy or a summary of it.

In accordance with the Company's Securities Trading Policy, participants in an equity-based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

ASX Additional Information

As at 24 August 2021

Substantial Shareholders

The names of the substantial holders in the Company and the number of shares to which each substantial holder has an interest in, as disclosed in substantial holding notices given to the Company under the *Corporations Act 2001* are:

Name	Shares Held No.	Issued Capital %
Phillip Asset Management Ltd atf BioScience Managers Translation Fund	14,285,715	10.33
FIL Investment Management (Hong Kong) Limited	9,506,625	10.00
Fujifilm Corporation	8,088,403	8.98

Distribution of Ordinary Shares

Category	Holders No.	Ordinary Shares No.	Issued Capital %
1 – 1,000	801	483,922	0.34
1,001 – 5,000	1,237	3,484,659	2.43
5,001 – 10,000	575	4,526,245	3.16
10,001 – 100,000	1,064	34,329,689	23.96
100,001 and over	166	100,452,079	70.11
	3,879	**143,276,594**	**100.00**

Voting Rights

(a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;

(b) on a show of hands each person present who is a member has one vote, and on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held; and

(c) no voting rights attach to unlisted options.

Number of Holders of Unlisted Options

1,425,000 unlisted employee share option acquisition plan Options exercisable at $1.75 and expiring on 16/05/2022 held by 3 holders;

300,000 unlisted $2.11 Options expiring 16/05/2024 held by 1 holder, Dr Geoffrey Brooke;

1,250,000 unlisted employee share option acquisition plan Options exercisable at $0.97 and expiring on 18/08/2024 held by 4 holders;

100,000 unlisted employee share option acquisition plan Options exercisable at $1.28 and expiring on 13/09/2024 held by 1 holder; and

4,500,000 unlisted $0.97 Options expiring 29/11/2025 held by 6 holders. Holders holding more than 20% being 2,000,000 held in the name of Dr Geoffrey Brooke (44.4%) and 1,500,000 held in the name of Dr Ross Macdonald (33.33%).

Restricted Securities

There are no ASX restricted securities on issue.

On-Market Buy-Back

There is no current on-market buy back.

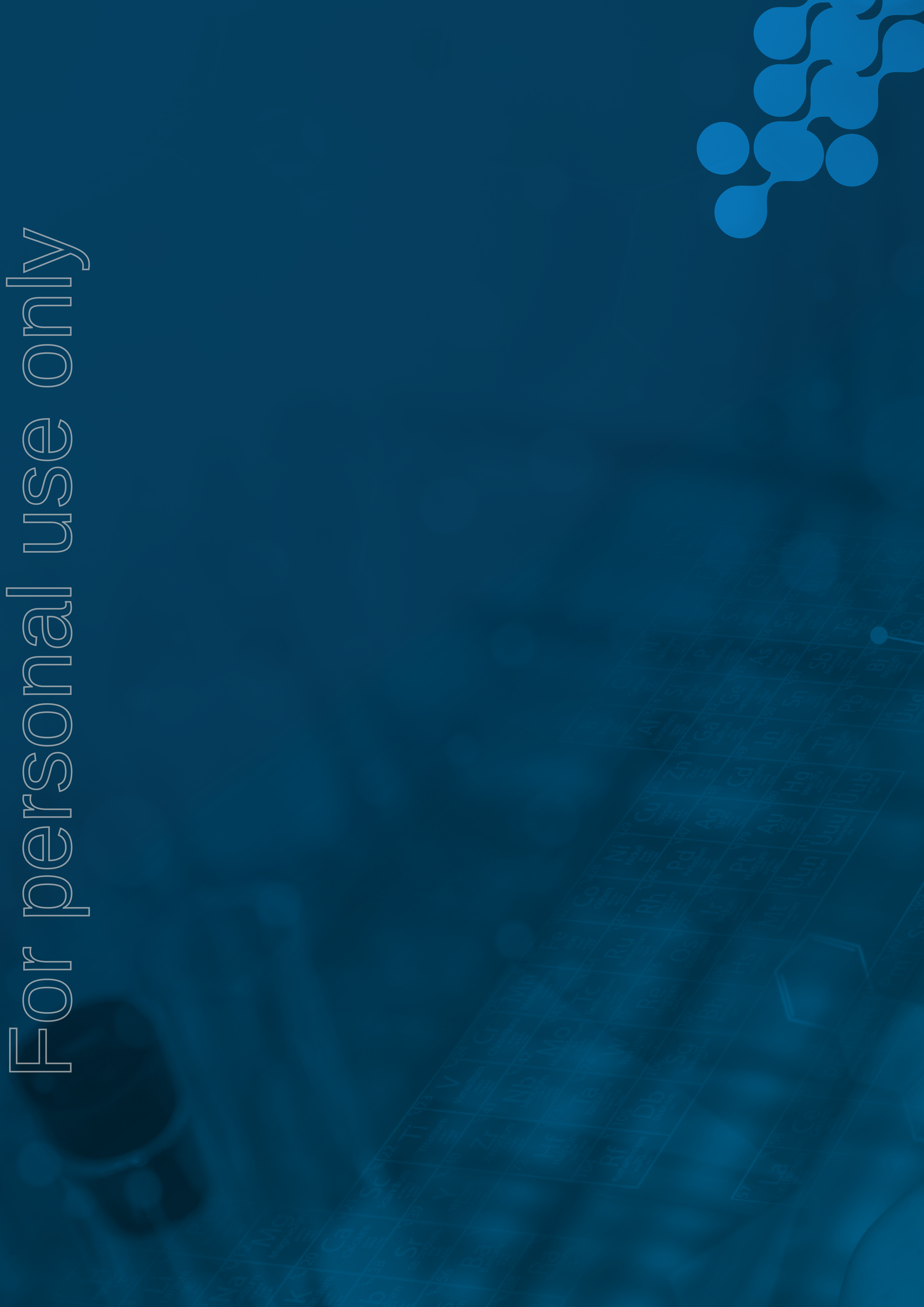
Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 651.

ASX Additional Information (cont'd)

20 Largest Shareholders

Name	Shares Held No.	Issued Capital %
HSBC Custody Nominees (Australia) Limited	15,855,298	11.07
Phillip Asset Management Limited <Bioscience MTF1 A/C>	14,285,715	9.97
Fujifilm Corporation	8,088,403	5.65
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	4,978,644	3.47
Citicorp Nominees Pty Limited	3,487,586	2.43
BNP Paribas Nominees Pty Ltd Six SIS Ltd<DRP A/C>	3,460,179	2.42
John W King Nominees Pty Ltd	2,323,596	1.62
Mal Washer Nominees Pty Ltd <Mal Washer Family A/C>	2,020,000	1.41
Dr Ross Alexander Macdonald	2,000,000	1.40
BNP Paribas Nominees Pty Ltd ACF Clearstream	1,823,294	1.27
National Nominees Pty Ltd	1,578,854	1.10
Helium Management Pty Ltd <Helium S/F A/C>	1,220,366	0.85
Dr Maksym Vodyanyk	1,191,658	0.83
Mr Jon Nicolai Bjarnason & Mrs Rina Eghoje Bjarnason <Jarck Super Fund A/C>	1,050,000	0.73
Riversdale Capital Funding Pty Ltd <The RCF A/C>	811,621	0.57
Ms Kyoko Yukawa	800,000	0.56
Mr Patrick Anthony Walsh	712,624	0.50
CM Cook Superannuation Pty Ltd <CM Cook Super Fund A/C>	700,000	0.49
Crosswind Trustee Company Limited <>Crosswind A/C>	700,000	0.49
BNP Paribas Noms Pty Ltd <DRP>	683,019	0.48
	67,770,857	**47.31**



cynata therapeutics

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