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 2022**
Previous Corresponding Period	Year ended 30 June 2021
Presentation Currency	Australian Dollars ($)

2. Results for announcement to the market

Key information	12 months ended 30 June 2022 $	12 months ended 30 June 2021 $	Increase/ (decrease) %	Amount change $
Revenues from ordinary activities	7,835,174	1,688,351	364.07%	6,146,823
Loss from ordinary activities after tax attributable to members	5,445,172	7,689,683	(29.19%)	(2,244,511)
Net loss for the period attributable to members	5,445,172	7,689,683	(29.19%)	(2,244,511)
Net tangible asset/(deficiency) per share	0.150	0.179		

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.

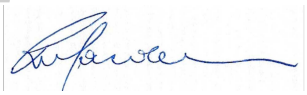
13. Commentary on results for period and explanatory information

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 2022 of $5,445,172 (2021: $7,689,683). At 30 June 2022, the Group had a cash balance of $23,798,046 (2021: $26,716,670) and net assets of $23,960,085 (2021: $28,373,153). The net cash outflow from operating activities for the financial year was $3,298,331 (2021: $5,163,109). During the financial year ended 30 June 2022, the Company received an R&D refund of $832,677 and also received US$5 million from FUJIFILM Corporation under a Strategic Partnership Agreement. During the reporting period, Cynata actively recruited and treated patients in three clinical trials: (1) the Phase 3 SCUlpTOR osteoarthritis clinical trial, (2) the MEND respiratory distress clinical trial and, (3) the Diabetic Foot Ulcers (DFU) clinical trial. The Company also received clearance from the US Food and Drug Administration (FDA) for Cynata's Investigational New Drug (IND) application for a proposed Phase 2 trial in acute graft-versus-host disease (aGvHD). During the financial year, Cynata signed a Strategic Partnership Agreement (SPA) and a Manufacturing Services Agreement with FUJIFILM Corporation and with FUJIFILM Cellular Dynamics, Inc., respectively, for FUJIFILM to manufacture Cymerus™ MSCs for clinical and commercial purposes. In addition, Cynata regained development and commercialisation rights to CYP-001 for graft-versus-host disease (GvHD) as part of the SPA and received a payment of US$5m as part of the SPA. The Company strengthened its intellectual property portfolio, with patents encompassing the Company's unique Cymerus MSC technology being granted in the US, Canada, Russia, China and Japan, which are core markets for the development of cutting-edge regenerative medicine technologies. Cynata reported compelling data from preclinical studies in models of idiopathic pulmonary fibrosis (IPF) and heart attack, with a paper describing the latter published in leading journal, Cytotherapy. Following a review after the completion of FY21-22 and in face of ongoing recruitment challenges, enrolment to the MEND trial was concluded as announced to the market on 12 August 2022. Cynata's core focus for the outlook period is to complete recruitment in its active clinical trials, negotiate with study centres the logistic aspects of the proposed Phase 2 clinical trial in aGvHD, and to continue to engage in commercial discussions with multiple potential partners. Cynata's pipeline is robust and diverse, with positive preclinical data demonstrated in a host of relevant disease models including in IPF, renal transplantation and myocardial infarction (heart attacks). The versatility of MSCs make the Company's Cymerus platform a powerful and valuable clinical asset and Cynata's history of positive preclinical and clinical results are a promising indication that MSCs can be leveraged across a range of target indications.

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

Authorised for release by the Board

24 August 2022

Annual Report
2021/2022

cynata therapeutics

Corporate Directory

cynata therapeutics

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

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

Postal Address

PO Box 7165
Hawthorn North, Victoria 3122

Website

www.cynata.com

Auditors

Stantons
Level 2, 40 Kings Park Road
West Perth, Western Australia 6005

Share Registry

Automic Registry Services
Level 5, 191 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 2022

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Key Highlights 2021-2022

Actively recruiting and treating patients in the **Phase 3 SCUlpTOR osteoarthritis clinical trial**

Actively recruited and treated patients in the **MEND respiratory distress clinical trial**

Actively recruiting and treating patients in the **Diabetic Foot Ulcers (DFU) clinical trial**

Received clearance from FDA for Cynata's IND application for Phase 2 trial in acute graft-versus-host disease (aGvHD)

Signed a Strategic Partnership Agreement and a Manufacturing Services **Agreement with FUJIFILM**

FUJIFILM to manufacture Cymerus™ MSCs for clinical and commercial purposes

Regained development and commercialisation rights to CYP-001 for graft-versus-host disease (GvHD)

Received a payment of US$5m as part of the SPA

Strengthened intellectual property portfolio, with patents granted in the US, Canada, Russia, China and Japan

Reported compelling data from preclinical studies in models of idiopathic pulmonary fibrosis (IPF) and heart attack.

Published a paper in leading journal, Cytotherapy, describing compelling data from preclinical studies in models of heart attack

Appointment of Dr Jolanta Airey to the new position of Chief Medical Officer to drive Cynata's advanced clinical product pipeline

Chairman's Letter

Dear Shareholders,

I am pleased to present to you Cynata Therapeutics Limited's ("Cynata") Annual Report for the period ended 30 June 2022.

I believe we have constructed a well-balanced and de-risked portfolio, that aims to provide a materially higher standard of care in a variety of clinical indications, thereby improving the lives of millions of people.

This year posed unique challenges with global equity market negativity, exacerbated by rising inflation and interest rates, supply chain issues, as well as the persistence of COVID-19. This volatility has resulted in increased risk aversion by investors, plus a broader rotation out of growth stocks, which has impacted the tech and biotech sector. Despite this, we believe Cynata is in its strongest position ever with the advancement of several clinical trials, new commercial partnerships, and a strong balance sheet. I am confident in the Company's ability to maintain this momentum into FY23.

Cynata's proprietary MSC technology achieves transformative milestone

We were extremely proud that our technology has been further validated by the US Food and Drug Administration (FDA), with the clearance of our Investigational New Drug (IND) application for a proposed Phase 2 trial in acute graft-versus-host disease (aGvHD). This important achievement is a landmark milestone for Cynata as it provides a gateway in the USA (which is the world's largest healthcare market) and, in addition to the proposed clinical study in aGvHD, allows us to pursue further clinical targets there in the future. It is important to note that Cynata has already received Orphan Drug Designation from the FDA.

Advancing clinical trials, building a strong portfolio

Cynata has three advanced clinical trials: a Phase 3 trial in osteoarthritis, a trial in diabetic foot ulcers (DFU) and a trial in acute respiratory distress syndrome (ARDS). Each indication has positive traits that typify our commercial profile – a large unmet need with a significant addressable market. The combined addressable market of our clinical and pre-clinical indications amounts to approximately A$46B.

Subsequent to the financial year, we conducted a comprehensive strategic review of our clinical portfolio and noted that the changing nature of the COVID-19 pandemic, together with continuous pressure on healthcare systems, all contributed to a slow rate of recruitment in the respiratory distress (MEND) clinical trial. With the consequent uncertainty about timely recruitment and completion we decided to conclude that trial, as announced on 12 August 2022.

Cynata is also progressing several other indications, such as renal transplantation, which exhibit large market opportunities and supportive preclinical data. These indications illustrate the potency of Cynata's proprietary MSC technology across a range of diseases and support the implementation of potential future clinical trials that assess the use of Cymerus™ MSCs. The Company remains engaged with prospective commercial partners as each indication provides a pathway to commercialisation.

I believe we have constructed a well-balanced and de-risked portfolio, that aims to provide a materially higher standard of care in a variety of clinical indications, thereby improving the lives of millions of people.

Strategic partnerships to validate and advance our technology

During the year the Company signed a Strategic Partnership Agreement and a Manufacturing Services Agreement with FUJIFILM Corporation and with FUJIFILM Cellular Dynamics, Inc., respectively. The new partnership allows Cynata to leverage FUJIFILM's leading manufacturing capabilities to produce its MSC products for clinical trials and other applications at a commercial scale. Further, the new agreement allows Cynata to retain all commercial and developmental rights to the aGvHD product, as well as receive US$5m from FUJIFILM as per the terms of the previous agreement. I am pleased that Cynata and FUJIFILM have maintained a strong and fruitful working relationship, and the Company is excited at the prospect of continuing this partnership with one of our largest shareholders.

In addition, our DFU trial leverages leading wound dressing technology from TekCyte, with whom we have signed a world-wide exclusive license agreement. If successful with DFU, Cynata's MSCs combined with TekCyte's wound dressing technology can potentially be leveraged across other indications that require topical applications of MSCs, further bolstering the Company's potential addressable market.

Strategic hire to accelerate development

Dr Jolanta Airey joined us as Chief Medical Officer earlier in the financial year, to drive Cynata's clinical development and commercialisation of our products. Dr Airey has already made a meaningful contribution in her short time with Cynata, leveraging her 25 years of experience in companies such as CSL Ltd. Her key insights and knowledge will help us continue to build and monetise our portfolio, as we progress with clinical trials.

Strong financial foundations

Cynata is in a robust financial position with A$23.8m in cash as at 30 June 2022 which leaves us well placed to grow and extend our product pipeline. Our well-funded position affords us greater financial flexibility, while still providing the Company with many shots on goal, to enable the greatest chance of success.

On behalf of the Board, I would like to thank all our shareholders for their continued support as we advance our portfolio. I would like to thank my fellow Directors, Ross, Kilian and the rest of the team for their hard-work and determination this year. I look forward to achieving further operational success in FY23.

Yours sincerely,

Dr Geoff Brooke
Chairman

CEO Letter

Dear Shareholders,

This year, Cynata achieved several key operational milestones, including signing a Strategic Partnership Agreement (SPA) with FUJFILM Corporation and a Manufacturing Services Agreement (MSA) with FUJIFILM Cellular Dynamics, Inc., gaining FDA clearance for our Investigational New Drug (IND) application for a proposed Phase 2 trial in acute graft-versus-host disease (aGvHD) and commencing a new clinical trial in diabetic foot ulcers (DFU).

I am proud of our team's focus, discipline, and hard work, which has led to the Company being in such a strong position for FY23 and beyond.

I am proud of our team's focus, discipline, and hard work, which has led to the Company being in such a strong position for FY23 and beyond.

New partnership strengthened our operations

Toward the end of 2021, we signed a SPA with FUJIFILM and executed an MSA with FUJIFILM Cellular Dynamics, Inc (FCDI), a subsidiary of FUJIFILM. FCDI has world-class manufacturing capabilities and is a global leader in manufacturing cell therapy products. These strengths, together with the fact that FCDI was the original developer of the induced pluripotent stem cell (iPSC) line used in our Cymerus™ manufacturing process, provides us with access to an enormously valuable resource for the development of our MSCs. The MSA encompasses provision of clinical and commercial manufacturing services for our Cymerus MSC products moving forward, with technology transfer currently underway at FCDI. FUJIFILM also extended its voluntary escrow over its 8.1 million shares in Cynata, a clear indicator of its commitment to a long-term relationship with Cynata.

Clinical trial progress and preclinical study success

We have seen good progress in our clinical trials across multiple indications. The Phase 3 SCUlpTOR osteoarthritis clinical trial, sponsored by the University of Sydney, is well into its recruitment and treatment phase with current expectations to complete enrolment in late 2024.

We also regained the rights to our lead product for aGvHD, CYP-001, upon execution of the new SPA with FUJIFILM, which laid the foundation for us to execute a product development strategy in the US for aGvHD. This is a significant development for Cynata, providing us with long-term benefit as we move closer to commercialisation of our Cymerus MSC products.

Recently, the US FDA cleared our Investigational New Drug (IND) application for a proposed Phase 2 clinical trial of CYP-001 in GvHD, allowing us to commence trial planning activities toward potentially opening enrolment by the end of 2022.

In December 2021, we advanced our clinical trial of CYP-006TK as a potential treatment for Diabetic Foot Ulcers (DFU) with the trial opening for enrolment. Our current expectation is that this trial will complete enrolment in the first half of calendar 2023. CYP-006TK utilises TekCyte's polymer coated wound-dressing technology seeded with Cymerus™ MSCs for topical application to DFUs. TekCyte is a leading manufacturer of biomedical coatings, and we are excited to have partnered with another Australian innovator through an exclusive worldwide licence to its technology for this trial, which potentially opens a pathway for other topical indications.

In June of this year, a further pre-clinical study in mice subjected to bleomycin (BLM)-induced pulmonary fibrosis, which mimics features of idiopathic pulmonary fibrosis (IPF) in humans was completed. The very encouraging data provided further evidence in support of the highly potent anti-inflammatory effects of our proprietary Cymerus MSCs. The study was conducted by Professor Chrishan Samuel, a Monash Biomedicine Discovery Fellow and Head of the Fibrosis Laboratory, Department of Pharmacology at Monash University.

Lastly, the MEND trial aims to investigate the efficacy of MSCs in patients admitted to ICUs with acute respiratory distress syndrome (ARDS). ARDS, and more broadly respiratory failure, is a severe and life-threatening illness and a major unmet medical need. Patient recruitment has been slower than expected and, in an effort to mitigate that and accelerate recruitment and the timeline for expected completion, we added a new site for the trial at St George Hospital in Sydney.

After the financial year, we conducted a strategic review of the clinical development pipeline with particular reference to the MEND trial and the widespread uptake of COVID-19 and influenza vaccines, availability of new antiviral drugs, vastly improved patient management practices in our target population, and major resource problems within the hospital system. Considering the review and the ongoing uncertainty about timely recruitment and completion, we decided to conclude the current MEND trial, as announced on 12 August 2022.

Recently granted patents have further expanded our IP footprint

In addition to expanding our clinical pipeline, we continued to add to the comprehensive patent portfolio which protects our unique and proprietary intellectual property. We were granted several new patents across the globe during the year, which strengthens our path to competitive commercialisation. In a significant achievement, a substantial six new patents were granted in Canada, Russia, Japan, China and the US, across a variety of Cymerus™ processes and applications.

FY23 outlook

Cynata is well placed to continue its successful operational development and growth into FY23 and onwards, building on the success of the past 12 months. With a series of advancements in clinical trials, strengthened partnerships with FUJIFILM and TekCyte, and ending the year with a strong balance sheet, we are in a better position than ever before.

I would like to especially thank our Chairman, Dr Geoff Brooke and the Board of Directors for their guidance and persistence, and the broader team for all their hard work in accelerating clinical and commercial developments. I would finally like to extend my gratitude to our shareholders who have continued to support us along this journey. I am confident that another year of milestone achievements lies ahead.

Yours sincerely,

Dr Ross Macdonald
Chief Executive Officer & Managing Director

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 2022.

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

Board of 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 31 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 clinical stage TIL therapy 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 Founder of AvengeBio, a clinical stage immune-oncology company focused on ovarian and peritoneal cancers. 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	117,809	2,300,000
Ross Macdonald	2,070,050	1,500,000
Stewart Washer	2,284,856	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 1,000,000 options were granted to the following key management personnel (2021: 4,400,000):

Key management personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
Jolanta Airey [1]	1,000,000	Cynata Therapeutics Ltd	1,000,000

[1] Dr Jolanta Airey is an employee of Cynata and was appointed on 11 October 2021 as Chief Medical Officer.

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]	19 Aug 2020	1,250,000	Ordinary	$0.97	18 Aug 2024
Cynata Therapeutics Limited[3]	14 Sept 2020	100,000	Ordinary	$1.28	13 Sept 2024
Cynata Therapeutics Limited[4]	24 Nov 2020	4,500,000	Ordinary	$0.97	29 Nov 2025
Cynata Therapeutics Limited[5]	11 Oct 2021	1,000,000	Ordinary	$0.89	11 Oct 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 (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.

3 Unlisted options issued to Mrs Gupta on 14 September 2020 pursuant to an Employee Option Acquisition Plan.

4 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.

5 Unlisted options issued to Dr Airey on 11 October 2021 pursuant to an Employee Option Acquisition Plan. Dr Airey is an employee of Cynata and was appointed on 11 October 2021 as Chief Medical Officer.

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 (2021: nil).

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, 10 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Geoff Brooke	10	10
Ross Macdonald	10	10
Stewart Washer	10	10
Paul Wotton	10	9
Darryl Maher	10	10

Proceedings on behalf of the Company

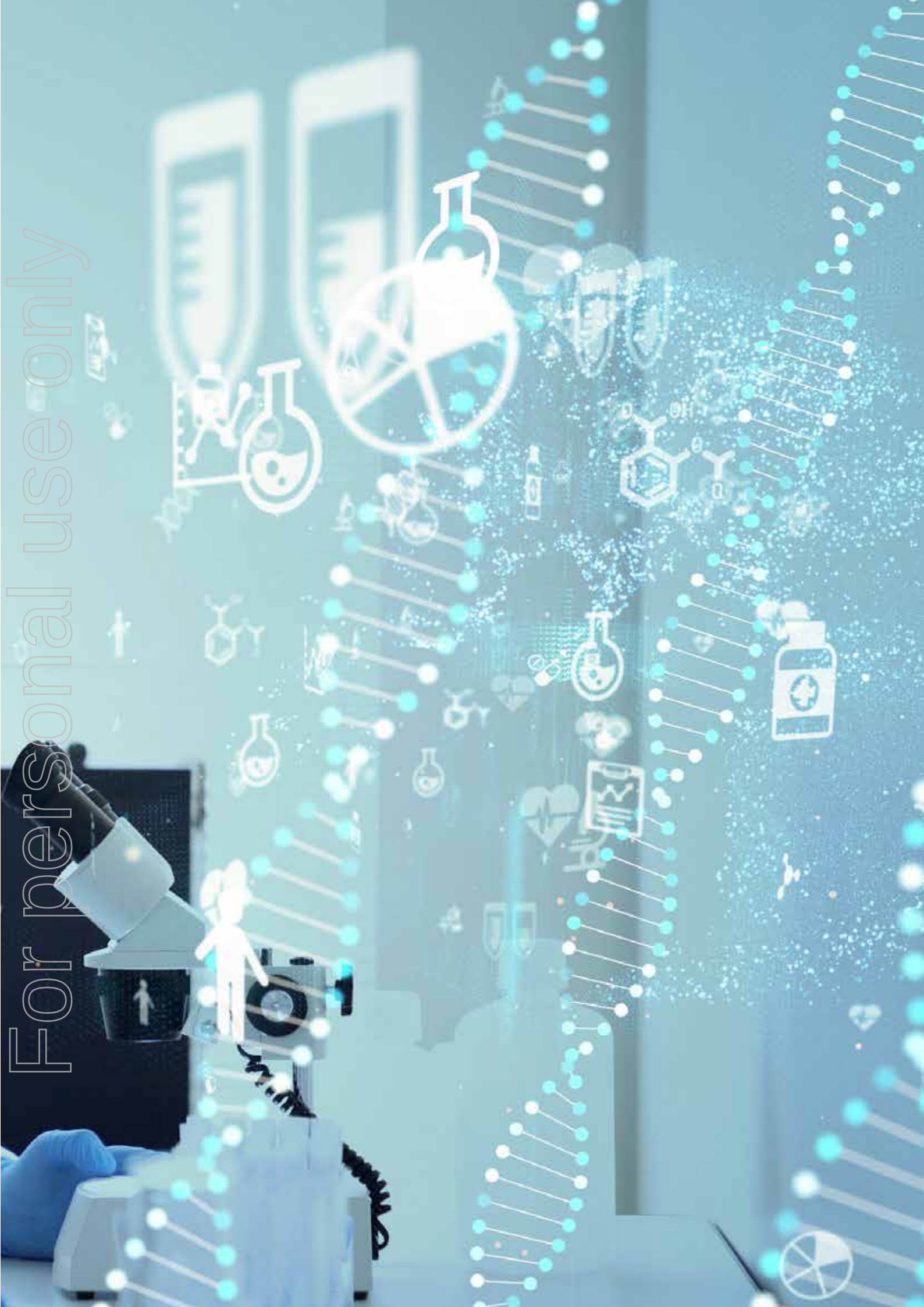
No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

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 2022 has been received and is included on page 36 of this annual report.



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™. There are currently three active clinical trials taking place using Cymerus technology which are attempting to treat osteoarthritis, respiratory distress, and diabetic foot ulcers.

The Cymerus technology represents an important breakthrough in regenerative medicine, enabling the development of therapeutic stem cell products through scalable manufacture of MSCs from a single donor and a single donation. This compares favourably to most other MSC technologies that require multiple donors and multiple donations. Cynata's proprietary Cymerus technology has the potential to revolutionise 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 $832,677 (2021: $1,391,067) and providing for income tax, amounted to $5,445,172 (2021: $7,689,683). Cynata also received US$5 million from FUJIFILM Corporation in Oct 2021 under a Strategic Partnership Agreement.

Further discussion on the Group's operations is provided below:

Operational update

Phase 3 osteoarthritis trial underway

The Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) trial sponsored by the University of Sydney continues to recruit patients with osteoarthritis of the knee. The study in 440 patients is designed to assess the efficacy of CYP-004, Cynata's Cymerus MSC product for osteoarthritis, compared to placebo on clinical outcomes and knee joint structure over a two-year period. The co-primary endpoints are pain alleviation and improvement in the underlying disease measured by cartilage loss, which provides a more objective performance assessment on the efficacy of MSCs. The trial is funded by an Australian Government National Health and Medical Research Council project grant, with full intellectual property and commercialisation rights held by Cynata. Currently, there is no cure for osteoarthritis and available treatment options only focus on managing symptoms. Research in pre-clinical and early clinical studies suggests that MSCs have the potential to evoke a regenerative response in the underlying disease, which is currently a significant unmet need with a market size of approximately US$11.6bn.

Diabetic Foot Ulcers clinical trial underway

During this past year, Cynata commenced a clinical trial in diabetic foot ulcers (DFU), following the successful completion of start-up activities including a Site Initiation Visit and human research ethics committee and research governance approvals. The trial is based in part on very promising results from an independent pre-clinical study in a model of diabetic wounds in which Cymerus MSCs demonstrated significantly better results compared to bone marrow derived MSCs. Currently, Cynata is continuing to recruit subjects after enrolling the initial patients into the trial in April 2022. Subjects are being followed for a treatment period of 4 weeks, and each patient will be evaluated for a total of 24 weeks. The trial aims to recruit 30 patients with DFU who will be randomly assigned to receive CYP-006TK or a standard treatment. CYP-006TK is a novel polymer-coated silicon wound dressing seeded with Cymerus mesenchymal stem cells (MSCs) to facilitate topical application to the wound. This unique dressing technology has been exclusively licensed from leading manufacturer of innovative biomedical coatings, TekCyte Limited. The trials are taking place at Royal Adelaide Hospital and The Queen Elizabeth Hospital, Adelaide. The primary outcome measure in the trial will be safety, with secondary efficacy outcome measures including wound healing, pain and quality of life at 12 and 24 weeks after treatment. The trial is expected to complete enrolment by the end of 2022.

MEND respiratory distress clinical trial

Patient recruitment and treatment in the MEND trial continued and passed the half-way point during the financial year. The randomised controlled clinical trial aimed to investigate the safety and early efficacy of Cymerus MSCs in 24 adult patients with respiratory failure who met the established criteria for acute respiratory distress syndrome (ARDS). In the face of slow recruitment caused by a range of external factors, Cynata added St. George Hospital in Sydney as a further study site. The hospital is the largest within the district with 550 beds and is amongst the leading centres for trauma and emergency management in the state. The addition of St. George Hospital was intended to accelerate

Review of operations

Key Highlights

Actively recruiting and treating patients in three clinical trials: 1. Phase 3 SCUlpTOR osteoarthritis clinical trial; 2. MEND respiratory distress clinical trial; and 3. Diabetic Foot Ulcers (DFU) clinical trial

Received clearance from the US Food and Drug Administration (FDA) for Cynata's Investigational New Drug (IND) application for a proposed Phase 2 trial in acute graft-versus-host disease (aGvHD)

Signed a Strategic Partnership Agreement (SPA) and a Manufacturing Services Agreement with FUJIFILM Corporation and with FUJIFILM Cellular Dynamics, Inc., respectively, for FUJIFILM to manufacture Cymerus™ MSCs for clinical and commercial purposes. In addition, Cynata: 1. regained development and commercialisation rights to CYP-001 for graft-versus-host disease (GvHD) as part of the SPA; and 2. received a payment of US$5m as part of the SPA.

Strengthened intellectual property portfolio, with patents encompassing the Company's unique Cymerus MSC technology granted in the US, Canada, Russia, China and Japan, which are core markets for the development of cutting-edge regenerative medicine technologies

Reported compelling data from preclinical studies in models of idiopathic pulmonary fibrosis (IPF) and heart attack, with a paper describing the latter published in leading journal, Cytotherapy

Appointment of Dr Jolanta Airey to the new position of Chief Medical Officer to drive Cynata's advanced clinical product pipeline

Operating and Financial Review (cont'd)

recruitment and formed part of Cynata's mitigation strategies to ensure that the trial is completed in a timely manner. The combined market opportunity of ARDS, sepsis and CRS, which represent potential targets if the trial is successful, is estimated to be over US$8bn. Cynata's pre-clinical studies have shown that these conditions can potentially be improved with Cymerus MSCs through modulation of the inflammatory reaction associated with these diseases. The trial is in collaboration with the Cerebral Palsy Alliance Research Institute and the COVID-19 Stem Cell Treatment Group. Following a review after the completion of FY21-22 and in the face of ongoing recruitment challenges, the trial was concluded, as announced to the market on 12 August 2022.

FDA clears Cynata's IND application for Phase 2 trial in aGvHD

During Q4 FY22, the US FDA cleared Cynata's IND application for a proposed Phase 2 clinical trial of CYP 001, Cynata's lead product, in patients with acute steroid resistant graft-versus-host disease (aGvHD). This is a major milestone and value catalyst for the Company as it affirms the quality of the data package for CYP-001 and provides a gateway in the USA to potential further clinical targets, validating Cynata's ongoing product development and commercial partnering activities. The proposed Phase 2 clinical study is expected to commence after completion of negotiations with study centres and receipt of relevant ethical and administrative approvals. It aims to recruit 60 patients with high risk aGvHD across several countries including the USA and Australia, with Overall Response Rate (ORR) evaluated at Day 28. The clinical trial will be randomised, and participants will receive either CYP 001 or a placebo, in addition to corticosteroids. The trial is expected to begin later this year, with results of the primary evaluation expected in early 2024. The cornerstone for this trial was Cynata's previous ground-breaking Phase 1 clinical trial in aGvHD in which all safety and efficacy endpoints were met. The highly encouraging data received significant attention including a feature on the front cover of prestigious medical journal, Nature Medicine.

Strategic Partnership Agreement (SPA) and Manufacturing Services Agreement (MSA) with FUJIFILM

During H1 FY22, Cynata and FUJIFILM entered into a new strategic partnership for FUJIFILM to provide clinical and commercial manufacturing services for, and supply of, Cynata's Cymerus MSC products. Under the SPA, Cynata executed a Manufacturing Services Agreement with FUJIFILM Cellular Dynamics Inc (FCDI), a subsidiary of FUJIFILM and the parties have begun work towards establishing the Cymerus manufacturing process at FCDI. FUJIFILM will undertake technology transfer, process validation and manufacturing under stage-by-stage commercial, arms-lengths arrangements while Cynata's existing contract manufacturer, Waisman Biomanufacturing, will continue to manufacture product for Cynata's current clinical trials.

As part of the SPA, Cynata regained all rights to CYP-001 for GvHD and received a US$5m payment from FUJIFILM. Subsequently, Cynata commenced implementation of a US development strategy for Cymerus MSCs, capitalising on the need for an effective and scalable MSC therapeutic product for acute GvHD. Cynata has already secured an IND as outlined above, in addition to the previously granted Orphan Drug Designation from the FDA for CYP-001, potentially providing several commercially significant incentives and decreased time to commercialisation. The effectiveness of current therapies for aGvHD are suboptimal, presenting a compelling opportunity for Cynata.

Strengthened intellectual property portfolio

Cynata continued to advance its unique and proprietary intellectual property portfolio, generating protection in major markets of commercial importance. During Q1 FY22, Cynata received a Notice of Allowance from the United States Patent and Trademark Office and also from the Canadian Intellectual Property Office, for a patent application covering its proprietary Cymerus MSC technology. The US patent and the Canadian patent will extend to 2037 and 2034, respectively. Additionally, the Patent Office of the Russian Federation accepted two patent

applications covering Cynata's Cymerus technology for grant, with expiration in 2037. Furthermore, Cynata has also been granted a patent from the State Intellectual Property Office of the People's Republic of China (SIPO) and the Japan Patent Office (JPO) for its proprietary Cymerus MSC technology, with expiration in 2037 and 2034, respectively. This strong portfolio of patents extends the already strong IP protection of the Cymerus platform and its unique ability to manufacture consistent MSCs at scale from a single donation derived from a single donor to create therapeutic stem cell products.

Pre-clinical studies

A scientific paper describing the use of Cymerus MSCs in a model of myocardial infarction (heart attack) was published in peer-reviewed journal, Cytotherapy, the official journal of the International Society for Cell & Gene Therapy. In the published study, rats were randomly assigned to receive Cymerus MSCs, bone marrow derived MSCs, or placebo control. The results were positive and demonstrated the efficacy of Cymerus MSCs in this pre-clinical model of myocardial infarction.

In addition, a pre-clinical study in an animal model of idiopathic pulmonary fibrosis (IPF), a serious lung disease, provided further evidence to support the efficacy of Cynata's Cymerus MSCs. The study presented more detail on the molecular mechanisms associated with the proprietary MSCs with key findings including a marked reduction in pulmonary fibrosis and a highly potent anti-inflammatory effect of Cynata's Cymerus MSCs in the airways/lungs. Importantly, the results support the implementation of future clinical trials that assess the use of Cymerus MSCs in treating fibrotic diseases of the lungs and other organs, providing a prospective pathway for Cynata to engage with potential commercial partners.

New Chief Medical Officer

During Q1, Cynata announced the appointment of Dr Jolanta Airey as Chief Medical Officer to drive Cynata's advanced clinical product pipeline, consistent with Cynata's growing trial activities and late-stage portfolio. Dr Airey is a highly experienced clinician who has over 25 years' clinical pharmaceutical industry experience working at listed companies in fields including respiratory medicine, rheumatology, dermatology and biological therapies developed for international markets. She was formerly Director, Translational Development at CSL Limited and has held a range of medical positions within biotech, pharmaceutical and clinical research companies.

Tax Incentive Rebate

During the year, Cynata received an ~A$833k R&D Tax Incentive Rebate which strengthened the company's cash position. The R&D Tax Incentive is an initiative by the Australian Government to support companies engaging in research and development benefitting Australia, reflective of the potential that Cymerus MSCs have on improving the lives of patients suffering from a range of devastating diseases.

Outlook

Significant progress continues to be made in the Phase 3 trial in osteoarthritis with patient enrolment steadily advancing. The Phase 3 trial is the largest randomised controlled trial of MSCs conducted in patients with osteoarthritis worldwide, with results having the potential to lead to a dramatic change in the clinical management and outcome of OA patients, globally. The sponsor of the study, the University of Sydney, expects the trial to conclude late in 2024, as planned.

Following a review after the completion of FY21-22 and in the face of ongoing recruitment challenges, the MEND trial was concluded as announced to the market on 12 August 2022.

Cynata's clinical trial in DFU continues to enrol subjects and it is expected that the target of 30 subjects will be achieved during the first half of 2023.

Cynata's core focus for the outlook period is to complete recruitment in its active clinical trials, negotiate with study centres the logistic aspects of the proposed Phase 2 clinical trial in aGvHD, and to continue to engage in commercial discussions with multiple potential partners. Cynata's pipeline

Operating and Financial Review (cont'd)

is robust and diverse, with positive preclinical data demonstrated in a host of relevant disease models including in IPF, renal transplantation and myocardial infarction (heart attacks). The versatility of MSCs make the Company's Cymerus platform a powerful and valuable clinical asset and Cynata's history of positive preclinical and clinical results are a promising indication that MSCs can be leveraged across a range of target indications.

Financial position

The net assets of the Group have decreased by $4,413,068 to $23,960,085 in 2022 (2021: $28,373,153).

Changes in state of affairs

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

Subsequent events

Subsequent to the financial year, Cynata received Notice of Allowance from the United States Patent and Trademark Office for a patent application covering the use of its proprietary Cymerus MSCs in treating asthma and allergic airway disease. The inventors are Professor Chrishan Samuel, a Monash Biomedicine Discovery Fellow and Head of the Fibrosis Laboratory, and Dr Simon Royce, Research Fellow, Department of Pharmacology at Monash University. Cynata anticipates that the patent will be granted around October 2022, with an expiration date of 31 August 2038.

Subsequent to the financial year, the Company conducted a strategic review of the clinical development pipeline to ensure the portfolio maximises the commercial opportunities and is optimised to deliver shareholder value. This was with particular reference to the MEND trial where widespread uptake of COVID-19 and influenza vaccines, availability of new antiviral drugs, vastly improved patient management practices in our target population and major resource problems within the hospital system. Given the ongoing recruitment activities in the Phase 3 osteoarthritis trial and Phase 2 diabetic foot ulcer (DFU) trial, as well as the recent IND clearance for a proposed Phase 2 acute graft-versus-host disease (aGvHD), the Company has decided to prioritise resources towards these initiatives and conclude the current MEND respiratory distress clinical trial, as announced on 12 August 2022.

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 donation from a single donor. 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 clinically relevant and favourable outcomes from our Phase 1 trial in GvHD, as well as gaining FDA clearance for a Phase 2 trial, provides the Company with the confidence to pursue further clinical trials across several indications, and potentially bypass Phase 1 in a number of key target disease areas.

The endorsement by FUJIFILM, through both the Strategic Partnership Agreement (SPA) and the Manufacturing Services Agreement (MSA), further supports the continued commercialisation of cell therapeutic products in other indications which are available to be licensed, such as critical limb ischemia (CLI) and osteoarthritis. The Company is focused on optimising and expanding manufacturing capabilities to prepare for commercialisation by ensuring a turnkey manufacturing solution that is both viable

and scalable. 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.

Corporate governance

Cynata Therapeutics Limited and the board support and adhere to the principles of corporate governance and are committed to achieving and demonstrating the highest standards of corporate governance. Cynata has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The 2022 Corporate Governance Statement is dated 23 August 2022 and reflects the corporate governance practices in place throughout the 2022 financial year. The 2022 Corporate Governance Statement was approved by the board on 23 August 2022. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.cynata.com/corporate-governance.

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 2022.

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
Dr Jolanta Airey[1]	Chief Medical Officer

[1] Appointed 11 October 2021.

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, one Vice President, Partner Engagement and one Chief Medical Officer. As set out below, total remuneration costs for the 2022 financial year were $2,581,604 down from $2,932,641 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 10% in the 2021/2022 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 2022.

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 table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five (5) years to 30 June 2022:

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
	$	$	$	$	$
Other income	7,835,174	1,688,351	7,153,903	1,569,103	1,518,060
Net loss before tax	5,445,172	7,689,683	3,639,100	8,472,146	4,566,134
Net loss after tax	5,445,172	7,689,683	3,639,100	8,472,146	4,566,134
Share price at start of year	0.505	0.610	1.245	1.365	0.61
Share price at end of year	0.360	0.505	0.610	1.245	1.365
Basic/diluted loss per share (cents)	3.80	5.90	3.48	8.48	5.04

Remuneration Report (cont'd)

4. Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Share-based payment		Value of options as proportion of remuneration
2022	Salary & fees $	Cash bonus $	Others $	Super-annuation $	Options $	Total $	%
Directors							
G. Brooke	110,000	-	-	-	351,379	461,379	76.16%
R. Macdonald[1]	358,750	55,620	10,212	27,500	263,534	715,616	36.83%
S. Washer	50,000	-	-	5,000	52,707	107,707	48.94%
P. Wotton	55,000	-	-	-	52,707	107,707	48.94%
D. Maher	50,000	-	-	5,000	52,707	107,707	48.94%
Other KMP							
K. Kelly[1]	312,500	40,800	1,086	27,500	117,495	499,381	23.53%
S. Lipe[1,]	168,899	34,452	(2,041)	20,335	11,750	233,395	5.03%
J. Airey[1, 2]	203,000	33,600	12,281	20,300	79,531	348,712	22.81%
Total	**1,308,149**	**164,472**	**21,538**	**105,635**	**981,810**	**2,581,604**	**38.03%**

[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 $55,620 for Dr Macdonald, $40,800 for Dr Kelly, $34,452 for Dr Lipe and $33,600 for Dr Airey under 'Cash bonus' represent potential bonus accrued for the financial year 2022.

[2] Appointed 11 October 2021.

During the 2022 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.

	Short-term employee benefits			Post-employment benefits	Share-based payment		
2021	Salary & fees $	Cash bonus $	Other $	Super-annuation $	Options $	Total $	Value of options as proportion of remuneration
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.

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

(i) Bonuses

Cash bonuses of $70,104 to Dr Macdonald, $56,550 to Dr Kelly and $34,452 to Dr Lipe were paid during the financial year ended 30 June 2022. These amounts were accrued in the 2021 accounts.

A potential performance bonus entitlement of $55,620 for Dr Macdonald, $40,800 for Dr Kelly, $34,452 for Dr Lipe and $33,600 for Dr Airey were accrued in the 2022 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 2022.

No other cash bonuses were granted to key management personnel during 2022.

Remuneration Report (cont'd)

(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
CYPOPT12*	300,000	17 May 2019	16 May 2024	$2.110	$0.3838	Vested
CYPOPT14**	1,250,000	19 Aug 2020	18 Aug 2024	$0.970	$0.4152	Various
CYPOPT16***	4,400,000	24 Nov 2020	29 Nov 2025	$0.970	$0.4927	Various
CYPOPT17****	1,000,000	11 Oct 2021	11 Oct 2025	$0.890	$0.156	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 Directors pursuant to an Employee Option Acquisition Plan.

**** Unlisted options issued to Dr Airey 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 CYPOPT12 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.

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

				During the financial year	
Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
				$	$
J. Airey	CYPOPT17	1,000,000	200,000	20%	n/a

No share options were exercised by key management personnel during the year (2021: nil).

5. Key terms of employment contracts

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Geoff Brooke	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	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	A salary of $340,000 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	A salary of $184,000 per annum inclusive of statutory superannuation. Dr Lipe is employed on a 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.
Dr Jolanta Airey	A salary of $308,000 per annum inclusive of statutory superannuation. Dr Airey is employed on a 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 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 1/7/2021 $	Interest charged $	Allowance for doubtful receivables $	Balance at 30/6/2022 $	Highest loan balance during the period (ii) $
R. Macdonald (i)	207,978	2,146	-	-	208,861
S. Washer (i)	-	-	-	-	-

(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 2022, Dr Macdonald made final repayment of $210,124 (2021: $126,413) of his loan which included $2,146 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 2022, all director loans were repaid.

(ii) Includes interest.

7. Key management personnel equity holdings

Fully paid ordinary shares of Cynata Therapeutics Limited

2022	Balance at 1 July 2021 No.	Received on exercise of options No.	Shares acquired No.	Shares disposed No.	Balance at resignation No.	Balance at 30 June 2022 No.
G. Brooke	77,000	-	40,809	-	-	117,809
R. Macdonald	2,070,050	-	-	-	-	2,070,050
S. Washer	2,224,856	-	60,000	-	-	2,284,856
P. Wotton	175,775	-	-	-	-	175,775
D. Maher	-	-	-	-	-	-
K. Kelly	494,013	-	-	-	-	494,013
S. Lipe	-	-	-	-	-	-
J. Airey (i)	-	-	-	-	-	-

(i) Appointed 11 October 2021.

Remuneration Report (cont'd)

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
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	-	-	-	-	-	-

Share options of Cynata Therapeutics Limited

2022	Balance at 1 July 2021 No.	Granted as compensation No.	Lapsed (ii) No.	Exercised No.	Balance at 30 June 2022 No.	Balance vested at 30 June 2022 No.	Vested and exercisable No.	Options vested during year No.
G. Brooke	2,300,000	-	-	-	2,300,000	1,355,545	1,355,545	666,660
R. Macdonald	1,500,000	-	-	-	1,500,000	791,654	791,654	499,992
S. Washer	300,000	-	-	-	300,000	158,327	158,327	99,996
P. Wotton	300,000	-	-	-	300,000	158,327	158,327	99,996
D. Maher	300,000	-	-	-	300,000	158,327	158,327	99,996
K. Kelly	1,750,000	-	(750,000)	-	1,000,000	638,889	638,889	333,333
S. Lipe	475,000	-	(375,000)	-	100,000	63,889	63,889	33,333
J. Airey (i)	-	1,000,000	-	-	1,000,000	200,000	200,000	200,000

(i) Appointed 11 October 2021

(ii) 1,125,000 options granted to KMP in the 2019 financial year lapsed unexercised during the 2022 financial year.

Share options of Cynata Therapeutics Limited

2021	Balance at 1 July 2020 No.	Granted as compensation No.	Lapsed No.	Exercised 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

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,

24 August 2022

Auditor's Independence Declaration

Stantons

PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

24 August 2022

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 2022, 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

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taking you further

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Independent Auditor's Report

Stantons

PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

**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 2022, 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 2022 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 2022, the Group had intangibles with a carrying value of $2,412,565. The intangible assets are considered a Key Audit Matter as they represent around 10% 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 2022 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

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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)

Stantons

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.

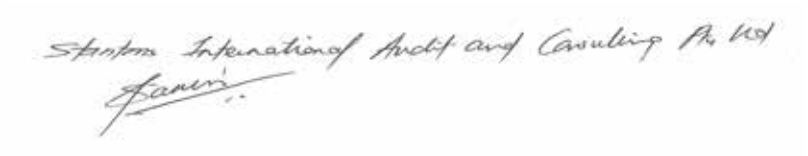
Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2022. 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 2022 complies with section 300A of the *Corporations Act 2001*.

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



Samir R Tirodkar

Director
West Perth, Western Australia
24 August 2022

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,

24 August 2022

Financial Statements

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022

	Note	Year ended 30 June 2022 $	Year ended 30 June 2021 $
Interest income	6	64,749	92,299
Other income	6	7,770,425	1,596,052
Total revenue and other income		**7,835,174**	**1,688,351**
Product development costs		(8,824,894)	(3,778,030)
Employee benefits expenses	7	(1,920,709)	(1,758,388)
Amortisation expenses	11	(279,965)	(279,965)
Share based payment expenses	7,18	(1,032,104)	(1,536,871)
Other expenses	7	(1,222,674)	(2,024,780)
Loss before income tax		**(5,445,172)**	**(7,689,683)**
Income tax expense	8	-	-
Loss for the year	7	**(5,445,172)**	**(7,689,683)**
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		**(5,445,172)**	**(7,689,683)**
Loss for the year attributable to:			
Owners of Cynata Therapeutics Limited		(5,445,172)	(7,689,683)
Total comprehensive loss for the year attributable:			
Owners of Cynata Therapeutics Limited		(5,445,172)	(7,689,683)
Loss per share:			
Basic and diluted (cents per share)	9	(3.80)	(5.90)

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 2022

	Note	30 June 2022 $	30 June 2021 $
Current assets			
Cash and cash equivalents	21	23,798,046	26,716,670
Trade and other receivables	10	100,389	70,464
Loans receivable	14	-	207,978
Prepayments		237,029	287,261
Total current assets		24,135,464	27,282,373
Non-current assets			
Intangibles	11	2,412,565	2,692,530
Total non-current assets		2,412,565	2,692,530
Total assets		**26,548,029**	**29,974,903**
Current liabilities			
Trade and other payables	12	2,327,368	1,375,685
Provisions	13	260,576	226,065
Total current liabilities		2,587,944	1,601,750
Total liabilities		**2,587,944**	**1,601,750**
Net assets		**23,960,085**	**28,373,153**
Equity			
Issued capital	15	74,900,251	74,900,251
Option reserves	16.1	7,351,421	6,319,317
Foreign currency translation reserve	16.2	4,724	4,724
Accumulated losses		(58,296,311)	(52,851,139)
Total equity		**23,960,085**	**28,373,153**

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 2022

	Issued Capital	Option Reserve	Foreign currency translation reserve	Accum-ulated losses	Total
	$	$	$	$	$
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	-	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**

	$	$	$	$	$
Balance at 1 July 2021	**74,900,251**	**6,319,317**	**4,724**	**(52,851,139)**	**28,373,153**
Loss for the year	-	-	-	(5,445,172)	(5,445,172)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(5,445,172)**	**(5,445,172)**
Share based payments (refer to note 16.1)	-	1,032,104	-	-	1,032,104
Balance at 30 June 2022	**74,900,251**	**7,351,421**	**4,724**	**(58,296,311)**	**(23,960,085)**

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 2022

	Note	Year ended 30 June 2022 $	Year ended 30 June 2021 $
Cash flows from operating activities			
Grants and other income received	6	-	204,985
Payments to suppliers and employees		(3,185,386)	(3,770,355)
Interest received		50,343	82,033
Research and development tax refund received		832,677	1,391,067
Fujifilm Option License Fee received		6,731,903	-
Development costs paid		(7,727,868)	(3,070,839)
Net cash (used in) operating activities	21.1	(3,298,331)	(5,163,109)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company	15	-	18,306,813
Payment for share issue costs		-	(571,952)
Repayment by related parties	14	210,124	462,272
Net cash provided by financing activities		210,124	18,197,133
Net (decrease)/increase in cash and cash equivalents		**(3,088,207)**	**13,034,024**
Cash and cash equivalents at the beginning of the year		26,716,670	13,649,644
Effects of exchange rate changes on the balance of cash held in foreign currencies		169,583	33,002
Cash and cash equivalents at the end of the year	21	**23,798,046**	**26,716,670**

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 2022

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 24 August 2022.

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 2021.

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

- **AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2***
  Amends AASB 4 *Insurance Contracts*, AASB 9 *Financial Instruments*, AASB 139 *Financial Instruments: Recognition and Measurement*, AASB 7 *Financial Instruments: Disclosures* and AASB 16 *Leases* to address issues that may affect financial reporting during interest rate benchmark reform, including the effect of changes to contractual cash flows or hedging relationships resulting from the replacement of an interest rate benchmark with an alternative benchmark rate.

The adoption of this Amendment 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 17 *Insurance Contracts (as amended)*	1 January 2023
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 2023
AASB 2021-2 *Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates*	1 January 2023
AASB 2021-5 *Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
AASB 2022-1 *Amendments to Australian Accounting Standards – Initial Application of AASB 17 and AASB 9 – Comparative Information*	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.

3.5.2 Other income

Other income is generally income earned from transactions outside the course of the Group's ordinary activities. Other income is recognised in profit or loss when received.

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.

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.

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 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions with maturities of four months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

3.18 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 2022 with a carrying value of $2,412,565 (2021: $2,692,530) 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 2022 (2021: $279,965).

The directors performed an impairment testing and concluded that no further impairment of the intangible assets is required for the year (2021: 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

Interest income	2022 $	2021 $
Interest income	62,603	79,705
Accrued interest on directors' loans (refer to note 14)	2,146	12,594
	64,749	92,299

Other income	2022 $	2021 $
R&D rebate	832,677	1,391,067
Grants received (i)	-	204,985
Other income (ii)	6,937,748	-
	7,770,425	1,596,052

(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 represents an amount of US$5 million from Fujifilm Corporation under a Strategic Partnership Agreement.

7. Loss for the year

	2022 $	2021 $
Loss for the year has been arrived at after charging the following items of expenses:		
Employee benefits expenses		
Wages and salaries	1,737,569	1,467,272
Superannuation expenses	148,630	120,033
Leave entitlements	34,510	171,083
Total employee benefits expenses (i)	1,920,709	1,758,388
Share-based payment expenses	1,032,104	1,536,871
Other expenses		
Share register fees	33,631	30,185
Director fees	275,000	275,136
Legal costs	437,858	289,701
Investor/public relations	65,966	269,649
Corporate advisors	201,500	208,625
Other administrative expenses	766,417	653,833
Effect of foreign exchange	(557,698)	297,651
Total other expenses	1,222,674	2,024,780

(i) Excludes amounts charged to product development costs.

8. Income taxes relating to continuing operations

8.1 Income tax recognised in profit or loss

	2022	2021
	$	$
Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

	2022	2021
	$	$
Loss before tax from continuing operations	(5,445,172)	(7,689,683)
Income tax expense calculated at 25% (2021: 26%)	(1,361,293)	(1,999,317)
Tax effect of R&D rebate received	(208,169)	(361,677)
Effect of expenses that are not deductible in determining taxable income	2,462,108	1,450,270
Effect of unused tax losses not recognised as deferred tax assets	(892,646)	910,724
	-	-

The tax rate used for the 2022 reconciliations above is the corporate tax rate of 25% (2021: 26%) payable by Australian corporate entities on taxable profits under Australian tax law.

8.2 Income tax recognised directly in equity

	2022	2021
	$	$
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:

	2022	2021
	$	$
Unused tax losses (revenue) for which no deferred tax assets have been recognised (i)	6,470,884	7,236,506
Other	251,866	240,668
	6,722,750	7,477,174

8.4 Unrecognised deferred tax (liabilities) in relation to:

	2022	2021
	$	$
Intangibles	(603,141)	(700,058)
Other	(63,260)	(75,663)
	(666,401)	(775,721)
Net deferred tax assets	**6,056,349**	**6,701,453**

(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

	2022	2021
	¢ / share	¢ / share
Basic and diluted loss per share (cents per share)	(3.80)	(5.90)

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:

	2022	2021
	$	$
Loss for the year attributable to owners of the Company	(5,445,172)	(7,689,683)

	2022	2021
	$	$
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	143,276,594	130,427,077

10. Trade and other receivables

	2022	2021
	$	$
Deposits made	25,528	25,528
Other receivables	74,861	44,936
	100,389	70,464

At the reporting date, none of the receivables were past due/impaired. There are no expected credit losses.

11. Intangibles

	2022	2021
	$	$
Carrying value at beginning of year (i)	2,692,530	2,972,495
Amortisation (ii)	(279,965)	(279,965)
Net book value of research and development at end of year	2,412,565	2,692,530

(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 (2021: $279,965). Refer to note 3.12 for more information on the Group's accounting policy on intangibles and amortisation.

Cost	2022	2021
	$	$
Balance at 1 July	4,821,799	4,821,799
Additions	-	-
Disposals	-	-
Balance at 30 June	4,821,799	4,821,799

Accumulated amortisation	2022	2021
	$	$
Balance at 1 July	2,129,269	1,849,304
Amortisation expense	279,965	279,965
Balance at 30 June	2,409,234	2,129,269

12. Trade and other payables

	2022	2021
	$	$
Trade payables	1,580,478	676,104
Accrued expenses	746,890	699,581
	2,327,368	1,375,685

13. Provisions

	2022	2021
	$	$
Provisions for employee entitlements	260,576	226,065

14. Loans receivable

	2022	2021
	$	$
Balance at beginning of year (i)	207,978	657,656
Interest accrued (ii)	2,146	12,594
Repayments by related parties (iii)	(210,124)	(462,272)
Balance at end of year	-	207,978

(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 2022, Dr Macdonald made final repayment of $210,124 (2021: $126,413) of his loan which included $10,124 accrued interest. At 30 June 2022, all director loans were repaid.

15. Issued capital

	2022	2021
	$	$
143,276,594 fully paid ordinary shares (2021: 143,276,594)	74,900,251	74,900,251

There were no movements in the issued capital of the Company in the current reporting period.

	30 June 2022		30 June 2021	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of year	**143,276,594**	**74,900,251**	**117,124,004**	**57,165,390**
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
Share issue costs	-	-	-	(571,953)
Balance at end of the year	**143,276,594**	**74,900,251**	**143,276,594**	**74,900,251**

(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.

16. Reserves

16.1 Share-based payments

	2022	2021
	$	$
Balance at beginning of year	6,319,317	4,782,446
Recognition of share-based payments (i)	1,032,104	1,536,871
Balance at end of year	7,351,421	6,319,317

(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 2022 was $1,032,104 (2021: $1,536,871).

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

16.2 Foreign currency translation reserve

	2022	2021
	$	$
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

	2022	2021
	$	$
Financial assets	$	$
Cash and cash equivalents	23,798,046	26,716,670
Trade and other receivables	100,389	70,464
Loans receivable	-	207,978
	23,898,435	26,995,112
Financial liabilities		
Trade and other payables	2,327,368	1,375,685
	2,327,368	1,375,685
Net financial assets	**21,571,067**	**25,619,427**

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 lower/ higher and all other variables were held constant, the Group's loss for the year ended 30 June 2022 would increase (or decrease) by $237,980 (2021: $267,167)

17.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2022, the Company had cash denominated in US dollars (US$6,305,303 (2021: US$4,837,747)). The A$ equivalent at 30 June 2022 is $9,166,204 (2021: $6,445,817). A 5% movement in foreign exchange rates would increase (or decrease) the Group's loss before tax by approximately $458,310 (2021: $322,291). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. As at 30 June 2022, 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.

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
	$	$	$	$	$	$
2022						
Trade and other payables	2,327,368	2,327,368	-	-	-	2,327,368
2021						
Trade and other payables	1,375,685	1,375,685	-	-	-	1,375,685

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 (30 June 2022):

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
CYPOPT14	1,250,000[ii]	19 Aug 2020	$0.415	$0.970	18 Aug 2024	Various
CYPOPT15	100,000[iii]	14 Sept 2020	$0.388	$1.280	13 Sept 2024	Various
CYPOPT16	4,500,000[iv]	24 Nov 2020	$0.493	$0.970	29 Nov 2025	Various
CYPOPT17	1,000,000[v]	11 Oct 2021	$0.156	$0.89	11 Oct 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 (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.

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

iv 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.

v This represents unlisted options issued to Dr Airey pursuant to an Employee Option Acquisition Plan. Dr Airey was appointed as Chief Medical Officer of the Company on 11 October 2021.

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 $0.89 (2021: $0.975).

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

Inputs	CYPOPT17
Number of options	1,000,000
Grant date	11 Oct 2021
Grant date fair value	$0.156
Exercise price	$0.89
Expected volatility	47%
Implied option life (years)	4.0
Expected dividend yield	n/a
Risk-free rate	0.58%

18.3 Movements in share options during the year

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

	2022		2021	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Balance at beginning of the year	7,575,000	1.167	3,165,557	1.439
Granted during the year	1,000,000	0.890	5,850,000	0.975
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	(1,425,000)	1.750	(1,440,557)	0.992
Balance at end of year	**7,150,000**	**1.011**	**7,575,000**	**1.167**
Exercisable at end of year	3,676,332	1.064	2,931,929	1.466

18.4 Share options exercised during the year

No share options were exercised during the year (2021: nil).

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 $1.011 (2021: $1.167) and a weighted average remaining contractual life of 1,130 days (2021: 1,264 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:

	2022	2021
	$	$
Short-term employee benefits	1,494,159	1,413,979
Post-employment benefits	105,635	78,854
Share-based payments	981,810	1,439,808
	2,581,604	**2,932,641**

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

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:

	2022	2021
	$	$
Cash and bank balances	**23,798,046**	**26,716,670**

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

	2022	2021
	$	$
Cash flow from operating activities		
Loss for the year	(5,445,172)	(7,689,683)
Adjustments for:		
Share-based payments	1,032,104	1,536,871
Amortisation expenses	279,965	279,965
Accrued income	(2,146)	(12,594)
Effects of exchange rate changes	(169,583)	(33,002)
Movements in working capital		
Decrease/(increase) in trade and other receivables and prepayments	20,307	(156,680)
Increase in trade and other payables	951,683	740,931
Increase in annual leave provisions	34,511	171,083
Net cash outflows from operating activities	**(3,298,331)**	**(5,163,109)**

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 2022, under these agreements, the Company is committed to making payments over future periods, as follows:

	$
During the period 1 July 2022 – 30 June 2023	3,497,689
During the period 1 July 2023 – 30 June 2024	223,260
During the period 1 July 2024 – 30 June 2025	225,950

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2022.

24. Remuneration of auditors

Auditor of the Group	2022	2021
	$	$
Audit and review of the financial statements	**48,814**	**46,967**

The auditor of the Group is Stantons.

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	2022	2021
	$	$
Assets		
Current assets	24,135,462	27,282,373
Non-current assets	4,890,653	4,890,653
Total assets	29,026,115	32,173,026
Liabilities		
Current liabilities	2,327,368	1,375,685
Provisions	260,576	226,065
Total liabilities	2,587,944	1,601,750
Net assets	**26,438,171**	**30,571,276**
Equity		
Issued capital	74,900,251	74,900,251
Reserves	7,351,421	6,319,317
Accumulated losses	(55,813,501)	(50,648,292)
Total equity	**26,438,171**	**30,571,276**
Financial performance		
Loss for the year	(5,165,209)	(7,409,718)

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	
			2022	2021
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

Subsequent to the financial year, Cynata received Notice of Allowance from the United States Patent and Trademark Office for a patent application covering the use of its proprietary Cymerus MSCs in treating asthma and allergic airway disease. The inventors are Professor Chrishan Samuel, a Monash Biomedicine Discovery Fellow and Head of the Fibrosis Laboratory, and Dr Simon Royce, Research Fellow, Department of Pharmacology at Monash University. Cynata anticipates that the patent will be granted around October 2022, with an expiration date of 31 August 2038.

Subsequent to the financial year, the Company conducted a strategic review of the clinical development pipeline to ensure the portfolio maximises the commercial opportunities and is optimised to deliver shareholder value. This was with particular reference to the MEND trial where widespread uptake of COVID-19 and influenza vaccines, availability of new antiviral drugs, vastly improved patient management practices in our target population and major resource problems within the hospital system. Given the ongoing recruitment activities in the Phase 3 osteoarthritis trial and Phase 2 diabetic foot ulcer (DFU) trial, as well as the recent IND clearance for a proposed Phase 2 acute graft-versus-host disease (aGvHD), the Company has decided to prioritise resources towards these initiatives and conclude the current MEND respiratory distress clinical trial, as announced on 12 August 2022.

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.

28. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 24 August 2022.

ASX Additional Information

As at 4 August 2022

Substantial Shareholders

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 4 August 2022 are:

Name	Shares Held	Issued Capital
	No.	%
Phillip Asset Management Ltd atf BioScience Managers Translation Fund I	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	Ordinary Shares	Issued Capital
	No.	No.	%
1 – 1,000	721	418,907	0.29
1,001 – 5,000	1,185	3,261,754	2.28
5,001 – 10,000	518	4,076,070	2.84
10,001 – 100,000	948	30,912,750	21.58
100,001 and over	170	104,607,113	73.01
	3,542	**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

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;

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%); and

1,000,000 unlisted employee share option acquisition plan Options exercisable at $0.89 Options and expiring 11/10/2025 held by 1 holder.

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 814.

ASX Additional Information (cont'd)

20 Largest Shareholders

Name	Shares Held No.	Issued Capital %
HSBC Custody Nominees (Australia) Limited	15,884,780	11.09
Phillip Asset Management Limited <Bioscience MTF1 A/C>	14,285,715	9.97
Fujifilm Corporation	8,088,403	5.65
BNP Paribas Noms Pty Ltd <DRP>	4,364,453	3.05
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	4,107,615	2.87
Citicorp Nominees Pty Limited	3,812,692	2.66
John W King Nominees Pty Ltd	2,080,701	1.45
Mal Washer Nominees Pty Ltd <Mal Washer Family A/C>	2,080,000	1.45
Dr Ross Alexander Macdonald	2,000,000	1.40
National Nominees Limited	1,843,054	1.29
BNP Paribas Nominees Pty Ltd ACF Clearstream	1,823,294	1.27
HSBC Custody Nominees (Australia) Limited-GSCO ECA	1,635,566	1.14
Helium Management Pty Ltd <Helium S/F A/C>	1,220,366	0.85
Mr Jon Nicolai Bjarnason & Mrs Rina Eghoje Bjarnason <Jarck Super Fund A/C>	1,200,000	0.84
Dr Maksym Vodyanyk	1,191,658	0.83
Mr Patrick Anthony Walsh	1,009,163	0.70
Mr Stephen Lyons	925,000	0.65
Mr Pawel Rej & Mrs Miroslawa Rej	854,000	0.60
Mr Craig Lawrence Darby	803,770	0.56
Ms Kyoko Yukawa	800,000	0.56
	70,010,333	**48.86**

cynata therapeutics

Registered and Principal Office

Level 3, 100 Cubitt Street
Cremorne, Victoria 3121
AUSTRALIA

Website

www.cynata.com

Postal Address

PO Box 7165
Hawthorn North, Victoria 3122

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