



**Cynata Therapeutics Limited**

**ACN 104 037 372**

**Annual report for the financial year ended**

**30 June 2019**

## Corporate directory

### Board of Directors

Dr Paul Wotton	Non-Executive Chairman
Dr Ross Macdonald	Managing Director/Chief Executive Officer
Dr Stewart Washer	Non-Executive Director
Mr Peter Webse	Non-Executive Director
Dr Geoff Brooke	Non-Executive Director

### Company Secretary

Mr Peter Webse

### Registered and Principal Office

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Carlton, Victoria 3053

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### Postal Address

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Hawthorn North, Victoria 3122

### Website

Website: [www.cynata.com](http://www.cynata.com)

### Auditors

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

### Share Registry

Automic Registry Services  
Level 2, 267 St Georges Terrace  
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### Stock Exchange

Australian Securities Exchange  
Level 40, Central Park  
152-158 St Georges Terrace  
Perth, Western Australia 6000

### ASX Code

CYP

# Annual report for the financial year ended 30 June 2019

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## Chairman's Letter

Dear Shareholders,

I am pleased to present to you Cynata Therapeutics Limited ("Cynata") Annual Report for the period ended 30 June 2019. It has been another productive twelve months for the Company as we continue on the path towards commercialising our proprietary Cymerus™ platform. This year we have been focused on building the momentum generated from the successful completion of our first Phase 1 clinical trial. Importantly, the favourable safety profile observed in that trial, conducted in patients with acute steroid-resistant graft-versus-host disease (GvHD), has allowed Cynata to progress directly to Phase 2 in other indications, as well as to further advance the development of our CYP-001 product for GvHD in association with our development partner, Fujifilm (subject to their exercise of the license option).

Cynata is the only company in the world to have completed a clinical trial with an induced pluripotent stem cell (iPSC) derived allogeneic cell therapy product. As illustrated by recent announcements, there has been increasing investor and media attention on allogeneic iPSCs due to their therapeutic potential and manufacturing advantages over other approaches for cell therapies. As you will be aware, Cynata itself has recently attracted the unsolicited attention of potential acquirors.

Along with the planning for our three Phase 2 trials, we have continued preclinical studies to expand our portfolio of target indications and potential commercial opportunities. The Company will continue with its partnership business model to accelerate its preclinical programs into clinical trials and ultimately towards commercialisation. The business model employed allows Cynata to potentially license the Cymerus technology across a range of therapeutic and geographic areas. In March 2019, the license option granted to Fujifilm for GvHD was extended to 19 September 2019. I am pleased to state that progress has been made as Cynata and Fujifilm continue to work towards finalising a license agreement. We have a supportive and key partner in Fujifilm and look forward to collaborating with them further in the ongoing development of CYP-001 for the treatment of this severe and ultimately fatal condition.

### **We are a leader in the regenerative medicine sector**

We have highlighted in previous years the technological and sociological trends driving the regenerative medicine market. In summary, the number of people aged over 60 will more than double by 2050 and more than triple by 2100. The ageing population, with its increased medical needs will continue to be a major source of demand for the new generation of cell therapies already being used in the clinic to treat diseases such as cancer.

We believe that Cynata remains at the forefront of this market having been the first company in the world to conduct a clinical trial with an iPSC-derived allogeneic cell therapy product. In order for this type of product to become broadly applicable to the population at large, we must develop an "off-the-shelf" solution to cell therapies that healthcare systems can afford and the only manufacturing approach that is viable is the allogeneic approach that we are pioneering.

Cynata has the only platform technology in the world that can produce commercial quantities of uniform MSCs from a single donor. One cell can literally make millions of doses. Our manufacturing technology is scalable, and our ability to overcome the inherent challenges in the manufacture of MSC-based cell therapies from limited cell sources, has the potential to rapidly advance the industrialisation of product manufacture in MSC-based cell therapies.

Protecting the intellectual property associated with our Cymerus platform is always a key priority and I'm pleased to be able to report that we have continued to strengthen the patent portfolio surrounding Cymerus both in Australia and in overseas jurisdictions.

### **Board and Management Strengthened**

As the Company moves closer to the point of commercialisation, there is a growing need at the Board and Executive level to be able to meet the challenges of product development along with partner and market-based delivery of products. I am very pleased that healthcare and venture capital industry veteran Dr Geoff Brooke joined the Board as a non-executive Director. Geoff's more than 30 years of international experience will be greatly valued by the Cynata Board. In further new appointments, Dr Suzanne Lipe joined Cynata in the new role of Vice President, Alliance Management, having previously been Vice President Operations at Mesoblast. Finally, Dr Kilian Kelly's outstanding contribution to Cynata over the previous 5 years has been recognised with promotion to the newly created role of Chief Operating Officer.

### **Looking forward**

There is much for all stakeholders to look forward to in the coming year. Whilst we are focusing our efforts on advancing three Phase 2 clinical trials in GvHD, critical limb ischemia (CLI) and osteoarthritis, we will also continue to seek new opportunities for our platform technology and build on the body of preclinical data we have to further strengthen our commercial value proposition.

On behalf of the Board, I thank you for your continued support as we execute on our strategy to use our Cymerus platform technology to develop scalable cellular therapeutic products to treat serious intractable disorders. We expect FY2020 to be another dynamic and successful year ahead for us all.

Yours sincerely



Dr Paul K. Wotton  
**Chairman**

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## CEO Letter

Dear Shareholders,

Welcome to the Cynata Therapeutics' Annual Report for the 2019 financial year. This year saw Cynata successfully build on the foundations established by our first ever clinical trial. From an operational standpoint, the financial year ended 30 June 2019 consisted of several key achievements for Cynata.

### **Clinical trial success**

The successful results from the Phase I trial in GvHD demonstrated key efficacy and safety of CYP-001. All endpoints were met in this world-first allogenic iPSC-derived cell therapy clinical trial, with no treatment-related serious adverse events observed and highly encouraging efficacy results. This is a clear validation of Cynata's MSCs and the Cymerus™ platform.

### **Phase II trials in planning**

The successful Phase I results enables other indications to progress directly to Phase II and such clinical trials are planned for GvHD, CLI and osteoarthritis. Planning for a GvHD trial continues, with the expectation that Fujifilm will exercise its license option. Planning for the CLI Phase II trial continues, and the trial is expected to commence this calendar year. The trial design has received positive feedback from the Medicines and Healthcare products Regulatory Agency (MHRA) in the UK, an important milestone in this program. In late 2018, the Australian National Health and Medical Research Council (NHMRC) approved a grant to fund a Phase II clinical trial to evaluate Cynata's MSCs as a treatment for osteoarthritis. Planning for the trial, which is being led by Professor David Hunter of the University of Sydney, is underway and start-up activities have commenced.

### **Well positioned for further development**

We are well positioned to advance development of stem cell therapies, with studies in a broad range of potential target indications. This builds the dataset around the Cymerus platform technology, while also expanding its commercial opportunities and potential value. During the year, we received positive pre-clinical results supporting the use of the Cymerus platform to develop MSC therapies for coronary artery disease, and further positive results demonstrating beneficial effects in models of heart attack, cancer and cytokine release syndrome. We continue to progress pre-clinical studies through working with our key partners, including Monash University, Critical Care Research Group, University of Sydney, Department of Neurosurgery at Brigham and Women's Hospital (Harvard Medical School), the CRC for Cell Therapy Manufacturing, University of New South Wales and the Royal College of Surgeons Ireland.

With the successful demonstration of the safety and clinical utility of our Cymerus technology the Company has been approached by leading scientific and medical bodies worldwide to present the results. For example, during the year, Cynata was featured in several presentations of the annual meeting of the International Society of Cell and Gene Therapy (ISCT). The ISCT Annual Meeting attracts over a thousand delegates from around 50 countries and represents the peak international meeting of scientists, thought leaders, companies and investors in cell therapy, providing further validation that we are at the leading edge in the industry.

Patent applications progressed in key markets, protecting Cynata's intellectual property portfolio in multiple jurisdictions. The European Patent Office granted a patent for Cymerus MSC technology, and a Notice of Acceptance has been issued by IP Australia, indicating their intent to grant a patent for Australia.

**FY2020 outlook and events subsequent to year end**

Cynata is well placed to continue its development and growth in FY2020, building on the progress made in FY2019, with three new Phase II trials anticipated to commence and ongoing license agreement discussions in further areas. Fujifilm continue to be a strong supporter, with its decision on the license option for GvHD due by 19 September 2019.

Subsequent to year end, Cynata reported that it received an indicative, non-binding and conditional proposal from Sumitomo. In the latest update on 15 August 2019, Cynata advised that it is continuing to engage with Sumitomo on a non-exclusive basis in order to determine whether both parties can agree terms for a final proposal and enter into a binding definitive agreement to implement a scheme of arrangement. Cynata will continue to keep shareholders updated on its discussions with Sumitomo and also its discussions with Fujifilm in accordance with continuous disclosure requirements under ASX Listing Rules.

Yours Sincerely,

  
Dr Ross Macdonald  
**Chief Executive Officer**

## 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 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Information about the directors

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

Name	Particulars
Dr Paul Wotton <i>MBA, PhD</i>	Chairman, joined the Board in June 2016. Dr Wotton is the Chief Executive Officer of Obsidian Therapeutics, a leading synthetic biology company based in Cambridge, Massachusetts. Prior to this, he was the Founding President and CEO of Sigilon Inc. He was previously President and CEO of Ocata Therapeutics Inc. (NASDAQ: OCAT) guiding the company through a take-over by Astellas Pharma Inc., in a US\$379 million all cash transaction. Prior to Ocata, Dr Wotton had served as President and CEO of Anteres 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 has 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, a member of the board at Veloxis Pharmaceuticals A/S where he is Chairman of the Compensation Committee. 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 Ross Macdonald <i>PhD (Biochemistry), Grad Dip in Bus Admin</i>	Chief Executive Officer, joined the Board in August 2013. Dr Macdonald has over 32 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 plc), a UK-based specialty pharmaceuticals company and Vice President, Corporate Development for Stiefel Laboratories Inc, 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 <i>BSc (Hons), PhD</i>	Non-Executive Director, joined the Board in August 2013 and was Executive Chairman until 28 February 2017. Dr Washer has over 26 years of CEO and board experience in medical technology and biotech companies. He is currently the Chairman of Emerald Clinics Ltd and Orthocell Ltd (ASX: OCC) and Director with Botanix Pharmaceuticals Ltd (ASX: BOT) and Zelda Therapeutics Ltd (ASX: ZLD). Dr Washer was previously a Director of AusBiotech and a Senator with Murdoch University.



Mr Peter Webse  
*B.Bus, FGIA, FCIS, FCPA, MAICD*

Non-Executive Director, joined the Board in May 2012. Mr Webse has over 27 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services.

Dr Geoff Brooke  
*MBBS, MBA*

Non-Executive Director, joined the Board in May 2019. 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 John Chiplin  
*BPharm, PhD, MRPharmS*

Non-Executive Director, joined the Board in November 2014. Dr Chiplin is the Managing Director of Newstar Ventures Ltd and has significant international experience in the life science and technology industries. Dr Chiplin resigned on 17 May 2019.

The above-named directors held office during the whole of the financial year and since the end of the financial year except for:

- Dr Geoff Brooke – appointed 17 May 2019
- Dr John Chiplin – resigned 17 May 2019.

### 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:

<b>Name</b>	<b>Company</b>	<b>Period of directorship</b>
Paul Wotton	Ocata Therapeutics Inc. (NASDAQ: OCAT)	2014-2016
	Vericel Corporation (NASDAQ: VCEL)	Since 2015
	Veloxis Pharmaceuticals A/S (VELO.CO)	Since 2016
	Sigilon Therapeutics	2016-2019
	Obsidian Therapeutics Inc.	Since Apr 2019
Stewart Washer	Orthocell Limited	Since 2014
	Zelda Therapeutics Limited	Since 2016
	Botanix Pharmaceuticals Limited	Since Feb 2019
Peter Webse	IMEXHS Limited	2017-2018
Geoff Brooke	Acrux Limited	Since Jun 2016
	Actinogen Medical Limited	Since Mar 2017

## 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
	Number	Number
Paul Wotton	155,000	2,100,000
Ross Macdonald	2,528,500	200,000
Stewart Washer	2,724,856	-
Peter Webse	220,000	200,000
Geoff Brooke	-	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.

## Options granted to directors and senior management

During and since the end of the financial year, an aggregate 1,425,000 options were granted to the following key management personnel:

Key management personnel	Number of options granted	Issuing entity	Number of ordinary shares held under option
Geoff Brooke	300,000	Cynata Therapeutics Ltd	300,000
Kilian Kelly	750,000	Cynata Therapeutics Ltd	750,000
Suzanne Lipe	375,000	Cynata Therapeutics Ltd	375,000

## Company Secretary

Mr 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 Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Peter 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 <sup>1</sup>	17 July 2015	1,972,224	Ordinary	\$1.00	17 Jul 2020
Cynata Therapeutics Limited <sup>2</sup>	17 July 2015	118,333	Ordinary	\$1.00	17 Jul 2020
Cynata Therapeutics Limited <sup>3</sup>	16 Nov 2016	500,000	Ordinary	\$1.022	17 Nov 2019
Cynata Therapeutics Limited <sup>4</sup>	7 Aug 2017	100,000	Ordinary	\$0.88	4 Aug 2020
Cynata Therapeutics Limited <sup>5</sup>	17 Nov 2017	2,000,000	Ordinary	\$1.50	17 Nov 2019
Cynata Therapeutics Limited <sup>6</sup>	17 May 2019	300,000	Ordinary	\$2.11	16 May 2024
Cynata Therapeutics Limited <sup>7</sup>	17 May 2019	1,425,000	Ordinary	\$1.75	16 May 2022

<sup>1</sup> Unlisted options (3,333,336) issued to institutional investors pursuant to a private placement on 17 July 2015. A total of 826,429 options were exercised during the months of February, March and August 2019.

<sup>2</sup> Unlisted options (333,333) issued to placement agent pursuant to the mandate for the private placement on 17 July 2015. A total of 115,000 options were exercised in July 2018.

<sup>3</sup> Unlisted options issued to Dr Macdonald, Dr Wotton, Dr Chiplin and Mr Webse (200,000 each) pursuant to an Employee Option Acquisition Plan approved at the Company's Annual General Meeting on 16 November 2016. Dr Wotton exercised 100,000 options on 25 September 2018 and Dr Chiplin exercised 200,000 options in February, May and August 2019.

<sup>4</sup> Unlisted options (300,000) issued to a third party on 7 August 2017 for the provision of corporate advisory services. 200,000 options lapsed on 23 January 2018.

<sup>5</sup> Unlisted incentive options issued to Dr Wotton on 17 November 2017 pursuant to the terms of his appointment as non-executive chairman and as approved at the 2017 Annual General Meeting.

<sup>6</sup> Unlisted options issued to Dr Brooke on 17 May 2019 pursuant to the terms of his appointment as non-executive director.

<sup>7</sup> Unlisted options issued to Dr Kelly (750,000), Dr Suzanne (375,000) and Dr Atley (300,000) on 17 May 2019 pursuant to an Employee Option Acquisition Plan. Dr Atley was appointed as Senior Project Manager in November 2018.

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.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are (2018: 1,527,056):

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Cynata Therapeutics Limited	477,373 <sup>i</sup>	Ordinary	-	-
Cynata Therapeutics Limited	5,000,000 <sup>ii</sup>	Ordinary	\$0.40	-
Cynata Therapeutics Limited	300,000 <sup>iii</sup>	Ordinary	\$0.53	-
Cynata Therapeutics Limited	791,429 <sup>iv</sup>	Ordinary	\$1.00	-
Cynata Therapeutics Limited	250,000 <sup>v</sup>	Ordinary	\$1.022	-
Cynata Therapeutics Limited	50,000 <sup>vi</sup>	Ordinary	\$1.022	-
Cynata Therapeutics Limited	150,000 <sup>vii</sup>	Ordinary	\$1.00	-

<sup>i</sup> Cashless exercise of 750,000 unlisted 16 Dec 2018 options by Dr Kelly in accordance with the terms and conditions using the cashless exercise mechanism.

<sup>ii</sup> Represents options exercised by Dr Macdonald and Dr Washer (2,500,000 options each). Dr Macdonald and Dr Washer each personally paid \$100,000 of the exercise cash price. The rest of the exercise cash price was funded via a loan of \$900,000 to each of Dr Macdonald and Dr Washer. Refer to ASX announcement of 10 August 2018.

<sup>iii</sup> Unlisted options exercised by external advisers on 22 February 2019. These options were granted on 22 February 2016.

<sup>iv</sup> 115,000 options were exercised by the USA placement agent in July 2018 and 676,429 options were exercised by overseas institutional investors during the months of February and March 2019.

<sup>v</sup> 100,000 unlisted options exercised by Dr Wotton on 25 September 2018 and 150,000 unlisted options exercised by Dr Chiplin on 11 February (100,000) and 7 May 2019 (50,000). Dr Chiplin resigned on 17 May 2019.

<sup>vi</sup> Unlisted options exercised by Dr Chiplin on 2 August 2019. Dr Chiplin resigned on 17 May 2019.

<sup>vii</sup> Unlisted options exercised by the USA placement agent in August 2019.

## 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.

Directors	Board of Directors	
	Held	Attended
Paul Wotton	10	10
Ross Macdonald	10	10
Stewart Washer	10	10
Peter Webse	10	10
Geoff Brooke	2	2
John Chiplin	7	7

## 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 is included on page 23 of this annual report.

## Operating and financial review

### Principal activities

The Group's principal activities in the course of the financial year continued to be the development and commercialisation of a proprietary mesenchymal stem cell (MSC) technology for potential human therapeutic use, which the Company has branded Cymerus™. The Cymerus technology represents an important breakthrough in regenerative medicine, enabling the development of therapeutic stem cell products that facilitates large-scale 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 Cymerus technology has the potential to revolutionise commercial manufacture of MSC based therapeutic products.

### Operating results

The consolidated loss of the Group for the financial year, after accounting for an R&D refund of \$1,308,552 (2018: \$1,328,685) and providing for income tax, amounted to \$8,472,146 (2018: \$4,566,134). Further discussion on the Group's operations is provided below:

### Review of operations

#### Key Highlights

- Successful completion of the Company's first clinical trial with all end points met and clear demonstration of efficacy of Cymerus MSC product CYP-001 in graft-versus-host disease (GvHD).
- Substantial progress was made as Cynata and Fujifilm continue to work towards the exercise of Fujifilm's license option for CYP-001 in GvHD following an extension of the term of the license option in March 2019.
- Activity underway for three Phase 2 clinical trial programs anticipated to commence late in 2019 for the treatment of GvHD, critical limb ischemia (CLI) and osteoarthritis.
- Ongoing pre-clinical research efforts to further enhance the potential value of the Cymerus technology. Positive preclinical results support the use of Cynata's Cymerus™ platform to develop MSC therapies for coronary artery disease (CAD).
- Further positive results in pre-clinical studies demonstrating beneficial effects in models of heart attack, cancer and Cytokine Release Syndrome (CRS), which may occur in cancer patients receiving immunotherapy.
- Continued to strengthen the intellectual property surrounding Cymerus with the Notice of Allowance issued by the European Patent Office and the receipt of Notice of Acceptance from IP Australia for patents covering the Cymerus technology.
- Strengthened the Board and Executive Management team to support Cynata's growing commercial activities with the appointment of Dr Geoff Brooke as Director, Dr Suzanne Lipe as VP, Alliance Management and the promotion of Dr Killian Kelly to the newly created position of Chief Operating Officer.

## Operational update

### *Phase I Clinical Trial of CYP-001 in GvHD complete and planning discussions ongoing for Phase 2*

The completion of the Company's first clinical trial of its Cymerus MSCs with very successful results was a significant milestone for Cynata. The Phase 1 clinical trial of CYP-001 in patients with steroid-resistant acute GvHD was the first completed clinical trial in the world using an allogeneic iPSC-derived therapy product.

CYP-001 met all safety and efficacy endpoints. Of note is that the endpoints of the Phase 1 trial were the same as those that would be required in a Phase 3 trial. The favourable safety profile observed in the trial allows Cynata to progress directly to Phase 2 in other indications.

Following the clinically and commercially significant outcomes generated from Phase 1, the Company commenced planning for a Phase 2 trial in GvHD with Fujifilm, subject to Fujifilm's exercise of its license option. Fujifilm's decision to exercise the option is due by 5.00pm on 19 September 2019.

Should Fujifilm exercise its license option, it would see them pay an initial US\$3m upfront license fee to Cynata for the exclusive worldwide license for the product for GvHD and a potential further ~A\$60m in milestone payments, plus double-digit royalties on product sales. Fujifilm would also take on all development and commercialisation costs associated with progressing CYP-001 to market for GvHD.

Cynata continues to work intensively and co-operatively with the parties involved on finalising all outstanding matters in relation to the license option and is committed to delivering a positive outcome for all stakeholders.

### *Planning for Phase 2 Clinical Trial in Critical Limb Ischemia (CLI) progressing*

The Company was pleased to announce in the June 2019 Quarterly Report that clinical trial protocol is now at final draft stage and has been reviewed and commented on by key clinical opinion leaders with expertise in CLI. Cynata has engaged a leading contract research organisation (CRO) to help prepare and advance the final clinical trial protocols. CLI is seen as a US\$1.4b p.a. commercial opportunity (*Source: ClearView Healthcare Partners' estimate of the peak annual global sales opportunity*).

### *Phase 2 Clinical Trial in Osteoarthritis announced*

In December 2018, the Company announced that the Australian National Health and Medical Research Council (NHMRC) approved a grant to fund a Phase 2 clinical trial to evaluate Cynata's Cymerus MSCs as a treatment for osteoarthritis. This was a major achievement as osteoarthritis is a very prevalent disease with a market opportunity that, based on published market research, will be approximately US\$11.6b globally by 2025. The 448-patient Phase 2 clinical trial will be one of the largest MSC trials ever run, providing a breakthrough opportunity for Cynata to showcase its ability to produce MSCs at scale. The Company retains full commercial rights to the use of Cymerus MSCs in osteoarthritis.

The Company continues to work collaboratively with the parties involved to progress this trial.

### *Strengthened IP through new Patent Applications*

Cynata continues to build a robust intellectual property portfolio around the Cymerus MSC technology in both Australia and overseas jurisdictions.

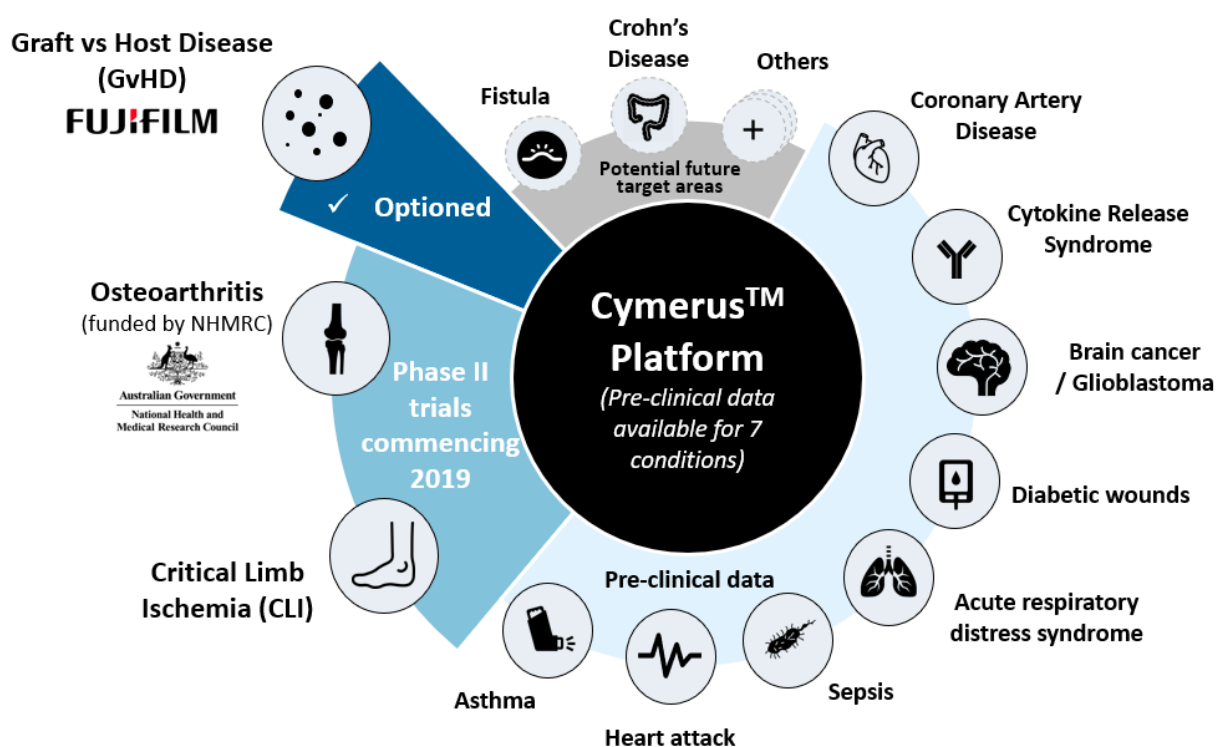
At the beginning of calendar 2019, the Company announced a Notice of Acceptance had been received from IP Australia for a patent covering Cymerus MSC technology. The Notice of Acceptance is sent when IP Australia intends to issue a patent. In April 2019, the Company announced that the European Patent Office granted a patent covering its proprietary Cymerus MSC technology. This patent has an expiration date of 12 March 2034.

### Preclinical Progress and Development

Cynata continues to expand its portfolio of target indications and potential commercial opportunities through further preclinical studies to demonstrate the broad applicability of our Cymerus platform. Our business model is to actively seek business partners and partnerships to assist in accelerating pre-clinical programs into clinical trials.

During the year, Cynata completed a number of successful pre-clinical studies using Cymerus MSCs. There were positive results in heart attack, asthma, diabetic ulcers and coronary artery disease (CAD). We continued to add new indications to our target portfolio including sepsis and diabetic wounds. We also confirmed the potential use of Cymerus MSCs as an adjunct to immunotherapies such as CAR-T in cancer treatment, to ameliorate the effects of cytokine release syndrome (CRS) – a serious adverse reaction that is seen in response to current immunotherapy products.

The image below highlights the broad applicability of the Cymerus Platform across a range of target indications.



### Strengthened Board and Executive Management Team

Towards the end of FY2019, Cynata announced changes to the Board and Executive Management Team. As the point of commercialisation approaches, there is a growing need to ensure the best team is in place to continue product development activities and execute on the commercial plans of the Company.

Healthcare industry and venture capital veteran Dr Geoff Brooke, has been appointed as an independent non-executive director to the Board. Dr Brooke's more than 30 years of international experience adds substantial life sciences and financial expertise to the Cynata Board.

The Company also appointed Dr Suzanne Lipe to the new role of Vice President, Alliance Management. Dr Lipe has more than 20 years' experience in biotechnology and pharmaceutical companies, including highly relevant experience in stem cell therapeutics and regenerative medicine as former Vice President Operations at Mesoblast.

Additionally, in recognition of his outstanding contribution and achievements in the further development of the organisation, Dr Kilian Kelly has been promoted to the new role of Chief Operating Officer.



### *Corporate Update*

The Company received a \$1,308,552 R&D Tax Incentive Refund for the 2017/2018 financial year from the Australian Government as part of the program that refunds up to 43.5% of eligible expenditure on research and development.

### **Outlook**

As has been highlighted, the Company made significant progress in FY2019 as we continue to move closer to commercialisation of the Cymerus technology. The clinically and commercially significant outcomes generated by our Phase 1 trial in GvHD has provided clear validation of Cynata's MSCs and the Cymerus platform. This has enabled the Company to undertake continued development of CYP-001 in further clinical trials in GvHD toward eventual marketing of this product, in partnership with Fujifilm (assuming exercise of the license option). It has also enabled the Company to pursue Phase 2 clinical trials in other indications like CLI and osteoarthritis. We look forward to updating the market on the progress of these trials throughout FY2020.

While we anticipate being involved in three Phase 2 clinical trials in GvHD, CLI and osteoarthritis in the coming year, the Company will continue with pre-clinical programs to further expand the commercial opportunities for the Company's proprietary Cymerus technology.

Cynata remains focused on commercialising the Cymerus technology and we will continue to engage with current and potential future partners and explore a number of business development opportunities as we enter the new financial year. As outlined in events subsequent to year end, the Company received an indicative, non-binding and conditional proposal from Sumitomo Dainippon Pharma Co. Limited regarding the possible acquisition of all the shares in Cynata. The Company will keep the market informed of any changes or outcomes in relation to this proposal.

The Company closed FY2019 with \$7 million in cash to continue to support its product development activities. Significantly, two of the three Phase 2 trials anticipated to commence in CY2019 are to be substantially funded by external collaboration and strategic partners.

The Board and Management of Cynata look forward to further demonstrating the broad applicability of our Cymerus platform and its proprietary MSC-based therapeutic products in 2020 in multiple indications and geographies.

### **Financial position**

The net assets of the Group have decreased by \$4,415,396 to \$10,971,466 in 2019 (2018: \$15,386,862).

### **Changes in state of affairs**

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



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## Subsequent events

On 19 July 2019, the Company announced that it had received an indicative, non-binding and conditional proposal from Sumitomo Dainippon Pharma Co. Ltd (“Sumitomo”) regarding a possible acquisition of all of the shares in Cynata at a price of A\$2.00 per share in cash by way of a scheme of arrangement (the “Proposal”). Following receipt of the Proposal, the Company decided to grant non-exclusive due diligence access to Sumitomo.

On 2 August 2019, the Company issued 50,000 and 100,000 fully paid ordinary shares following the exercise of unlisted 17 November 2019 and 17 July 2020 options respectively.

On 15 August 2019, the Company issued 50,000 fully paid ordinary shares following the exercise of unlisted 17 July 2020 options.

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 very well positioned in the regenerative medicine space, with its proprietary therapeutic stem cell platform technology Cymerus™. Of key importance is the Company’s ability to manufacture MSC’s at scale from a single donor and from a single donation.

The clinically significant outcomes from our Phase 1 trial in GvHD provides the Company with the confidence to pursue further pre-clinical and clinical trials across a number of indications and a number of key target disease areas.

Towards the end of May 2019, the Company announced that the Cymerus technology was to be featured in several presentations at the Annual Meeting of the ISCT. Invitations to present at meetings and conferences like this provide opportunities for messaging and strong validation that Cynata is at the forefront of regenerative medicine and cell therapy.

Cynata will continue to work closely with its strategic partner Fujifilm and with leading investigative institutions for the ongoing development and research of its Cymerus technology. The Company intends to continue its business development activities and has active engagement with entities that have a commercial interest in accessing Cynata’s technologies.

## Environmental regulations

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

## Remuneration report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cynata Therapeutics Limited's key management personnel for the financial year ended 30 June 2019. 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. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- key terms of employment contracts.

### Key management personnel

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

<b>Non-executive directors</b>	<b>Position</b>
Dr Paul Wotton	Non-executive chairman
Dr Stewart Washer	Non-executive director
Mr Peter Webse	Non-executive director
Dr Geoff Brooke (appointed 17 May 2019)	Non-executive director
Dr John Chiplin (resigned 17 May 2019)	Non-executive director
<b>Executive director</b>	<b>Position</b>
Dr Ross Macdonald	Managing director/Chief Executive Officer
<b>Other key management personnel</b>	<b>Position</b>
Dr Kilian Kelly	Chief Operating Officer
Dr Suzanne Lipe (appointed 10 June 2019)	Vice President, Alliance Management

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 policy

Cynata's remuneration policy, which is set out below, is designed to promote superior performance and long-term commitment to the Company.

As at the date of this report, the Company has two executives – the Chief Executive Officer and the Chief Operating Officer, four non-executive directors and one Vice President, Alliance Management. As set out below, total remuneration costs for the 2019 financial year were \$1,371,874 up from \$1,314,684 for the previous financial year.

#### *Non-executive director remuneration*

Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholder approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is \$300,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders.

*Executive director remuneration*

Executive directors receive a base remuneration which is market related, and may be entitled to performance-based remuneration, which is determined on an annual basis.

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 having regard to the performance, relevant comparative information and expert advice.

The board's remuneration policy reflects its obligation to align executive remuneration with shareholder interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

- (a) remuneration reflects the competitive market in which the Company operates;
- (b) individual remuneration should be linked to performance criteria if appropriate; and
- (c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

- (a) salary – executives receive a fixed sum payable monthly in cash;
- (b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
- (c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration.

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

*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.

**Relationship between the remuneration policy and company performance**

The board considers that 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 not relevant as the Group is at an early stage in the implementation of a corporate strategy that includes the development of a novel life sciences (i.e. therapeutic stem cell) manufacturing 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 2019:

	30 June 2019 \$	30 June 2018 \$	30 June 2017 \$	30 June 2016 \$	30 June 2015 \$
Other income	1,569,103	1,518,060	1,843,105	1,247,397	374,889
Net loss before tax	8,472,146	4,566,134	4,553,536	4,939,471	3,712,077
Net loss after tax	8,472,146	4,566,134	4,553,536	4,939,471	3,712,077
Share price at start of year	1.365	0.61	0.31	0.93	0.40
Share price at end of year	1.245	1.365	0.61	0.31	0.93
Basic/diluted loss per share (cents)	8.48	5.04	5.69	6.82	6.12

### Remuneration of key management personnel

2019	Short-term employee benefits			Post-employment benefits	Share-based payment	Total	Value of options as proportion of remuneration
	Salary & fees \$	Cash bonus \$	Other \$	Superannuation \$	Options \$		
<b>Directors</b>							
P. Wotton	100,833	-	-	-	71,333	172,166	41.43%
R. Macdonald <sup>1</sup>	361,250	84,589	6,078	25,000	-	476,917	-
S. Washer	46,043	-	-	4,374	-	50,417	-
P. Webse <sup>2</sup>	50,417	-	50,000	-	-	100,417	-
G. Brooke <sup>3</sup>	6,801	-	-	-	45,467	52,268	86.98%
J. Chiplin <sup>4</sup>	43,952	-	-	-	-	43,952	-
<b>Other KMP</b>							
K. Kelly <sup>5</sup>	278,831	49,563	5,602	24,965	89,976	448,937	20.04%
S. Lipe <sup>6</sup>	9,376	-	856	891	15,677	26,800	58.50%
<b>Total</b>	<b>897,503</b>	<b>134,152</b>	<b>62,536</b>	<b>55,230</b>	<b>224,453</b>	<b>1,371,874</b>	<b>16.22%</b>

<sup>1</sup> The amount of \$6,078 in 'Other' represents accrued annual leave in accordance with AASB 119 Employee Benefits. The amount of \$84,589 in 'Cash bonus' represents bonus determined and accrued for the financial year 2019.

<sup>2</sup> The amount of \$50,000 in 'Other' represents company secretarial fees of \$4,000 per month paid to Mr Webse pursuant to a consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Pursuant to a varied consultancy agreement with Platinum, the monthly company secretarial fees increased to \$6,000 per month as from 1 June 2019. Mr Webse is the sole director of Platinum.

<sup>3</sup> Appointed 17 May 2019.

<sup>4</sup> Resigned 17 May 2019.

<sup>5</sup> The amount of \$5,602 in 'Other' represents accrued annual leave in accordance with AASB 119 Employee Benefits. The amount of \$49,563 in 'Cash bonus' represents bonus determined and accrued for the financial year 2019.

<sup>6</sup> Appointed 10 June 2019. The amount of \$856 in 'Other' represents accrued annual leave in accordance with AASB 119 Employee Benefits.

During the 2019 financial year, the Company paid a premium in respect of a contract insuring the directors of the Company, the company secretary and all executive officers of the Company. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

## Remuneration of key management personnel (cont'd)

2018	Short-term employee benefits			Post-employment benefits	Share-based payment	Total	Value of options as proportion of remuneration
	Salary & fees \$	Cash bonus \$	Other \$	Superannuation \$	Options \$		
<b>Directors</b>							
P. Wotton	100,000	-	-	-	105,682	205,682	51.38%
R. Macdonald <sup>1</sup>	355,061	84,375	2,118	25,000	29,186	495,740	5.89%
S. Washer	45,662	-	-	4,338	-	50,000	-
J. Chiplin	50,000	-	-	-	29,186	79,186	36.86%
P. Webse <sup>2</sup>	50,000	-	48,000	-	29,186	127,186	22.95%
<b>Other KMP</b>							
K. Kelly <sup>1</sup>	258,676	45,320	14,780	24,574	13,540	356,890	3.79%
<b>Total</b>	<b>859,399</b>	<b>129,695</b>	<b>64,898</b>	<b>53,912</b>	<b>206,780</b>	<b>1,314,684</b>	<b>15.73%</b>

<sup>1</sup> The amount of \$2,118 in 'Other' represent accrued annual leave in accordance with AASB 119 Employee Benefits. The amount of \$84,375 in 'Cash bonus' represents bonus determined and accrued for the financial year 2018 for Dr Macdonald and \$45,320 represents bonus determined and accrued for the financial year 2018 for Dr Kelly.

<sup>2</sup> The amount of \$48,000 in 'Other' represents company secretarial fees of \$4,000 per month paid to Mr Webse pursuant to a consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Webse is the sole director of Platinum.

During the 2018 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.

## Bonuses and share-based payments granted as compensation for the current financial year

*Bonuses*

Cash bonuses of \$84,375 to Dr Macdonald and \$45,320 to Dr Kelly were paid during the financial year. These amounts were accrued in the 2018 accounts.

A performance bonus entitlement of \$84,589 for Dr Macdonald and \$49,563 for Dr Kelly were accrued in the 2019 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 2019. No other cash bonuses were granted to key management personnel during 2019.

*Incentive share-based payments arrangements*

During the current and prior financial year, the following share-based payment arrangements were in existence:

Option series	Number	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date
1*	800,000	16 Nov 2016	17 Nov 2019	\$1.022	\$0.3859	Vested
2**	2,000,000	17 Nov 2017	17 Nov 2019	\$1.500	\$0.7391	Vested
3***	300,000	17 May 2019	16 May 2024	\$2.110	\$0.3838	Various
4****	1,425,000	17 May 2019	16 May 2022	\$1.750	\$0.3038	Various

\* Unlisted options issued to Dr Macdonald, Dr Chiplin, Dr Wotton and Mr Webse (200,000 each) pursuant to an Employee Option Acquisition Plan approved at the Company's Annual General Meeting held on 16 Nov 2016.

\*\* Unlisted options issued to Dr Wotton pursuant to the terms of his appointment as non-executive chairman and approved at the Company's Annual General Meeting held on 17 Nov 2017. 1,000,000 options vest 12 months from date of grant and the remaining 1,000,000 options vest 18 months from date of grant.

\*\*\* Unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director. 100,000 options vest on grant date, 100,000 options vest in 12 months from date of grant and the remaining 100,000 options vest 24 months from date of grant.

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

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

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

Name	Option series	During the financial year			
		No. granted	No. vested	% of grant vested	% of grant forfeited
G. Brooke	Series 3	300,000	100,000	33.33%	-
K. Kelly	Series 4	750,000	250,000	33.33%	-
S. Lipe	Series 4	375,000	-	-	-

During the year, the following key management personnel exercised options that were granted to them as part of their compensation. Each option converted into one ordinary share of Cynata Therapeutics Limited.

Name	No. of options exercised	No. of ordinary shares of Cynata issued	Amount paid (\$)	Amount unpaid (\$)
R. Macdonald	2,500,000	2,500,000	(i)	-
S. Washer	2,500,000	2,500,000	(i)	-
K. Kelly	750,000	477,373	(ii)	-
P. Wotton	100,000	100,000	102,200	-
J. Chiplin	150,000	150,000	153,300	-

(i) Dr Macdonald and Dr Washer each personally paid \$100,000 of the exercise cash price. The rest of the exercise cash price was funded via a loan of \$900,000 to each of Dr Macdonald and Dr Washer. Refer to ASX announcement of 10 August 2018.

(ii) Cashless exercise of 750,000 unlisted 16 Dec 2018 options in accordance with the terms and conditions using the cashless exercise mechanism.

**Key terms of employment contracts**

The key terms and conditions of the appointment of Dr Paul Wotton are as follows:

- Effective 1 June 2019, a fee of \$110,000 per annum. During the financial year 2019 and up to 1 June 2019, Dr Wotton was paid a fee of \$100,000 per annum.
- 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.

The key terms and conditions of the appointment of Dr Ross Macdonald are as follows:

- 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.
- A salary of \$386,250 per annum including superannuation.
- The Company may (but it is not bound) pay additional performance-based remuneration.

The key terms and conditions of the appointment of Dr Stewart Washer are as follows:

- Effective 1 June 2019, a fee of \$55,000 per annum inclusive of statutory superannuation. During the financial year 2019 and up to 1 June 2019, Dr Washer was paid a fee of \$50,000 per annum inclusive of statutory superannuation.
- 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.

The key terms and conditions of the appointment of Dr Kilian Kelly are as follows:

- Effective 6 May 2019, a salary of \$325,000 per annum inclusive of statutory superannuation. During the financial year 2019 and up to 6 May 2019, Dr Kelly was paid a salary of \$300,000 per annum inclusive of statutory superannuation.
- The right to participate in the Company's equity-based incentive scheme and an incentive payment of up to 10% 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.

The key terms and conditions of the appointment of Dr Suzanne Lipe are as follows:

- A salary of \$176,000 per annum inclusive of statutory superannuation. Dr Lipe commenced on 10 June 2019 and is employed on a part-time (0.8 FTE) basis.
- The right to participate in the Company's equity-based incentive scheme.
- The contract may be terminated by either party providing 7 days' notice during the three-month period from the commencement date (10 June 2019); three months thereafter.

Mr Peter Webse's services as non-executive director and Company Secretary are provided through Platinum Corporate Secretariat Pty Ltd ("Platinum"). Effective 1 June 2019 and pursuant to a varied consultancy agreement, Platinum is paid a fee of \$55,000 (exc. GST) per annum for the provision of Mr Webse's services as a non-executive director and \$6,000 (exc. GST) per month for the provision of company secretarial services plus additional services charged at a rate of \$250 per hour as agreed from time to time. During the financial year 2019 and up to 1 June 2019, Platinum was paid a fee of \$50,000 (exc. GST) per annum for non-executive director services and \$4,000 (exc. GST) per month for the provision of company secretarial services. The varied agreement is subject to 3 months' notice of termination.

**Key management personnel with loans above \$100,000 in the reporting period**

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

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

<b>Name</b>	<b>Balance at 1/7/2018</b>	<b>Interest charged</b>	<b>Allowance for doubtful receivables</b>	<b>Balance at 30/6/2019</b>	<b>Highest loan balance during the period (ii)</b>
	\$	\$	\$	\$	\$
R. Macdonald (i)	-	30,246	-	730,246	912,195
S. Washer (i)	-	35,773	-	935,773	935,773

(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. On 19 December 2018, Dr Macdonald repaid \$200,000 of his loan and subsequent to the year end, he repaid a further \$100,000 of his loan.

(ii) Includes interest.

**Key management personnel equity holdings**

*Fully paid ordinary shares of Cynata Therapeutics Limited*

<b>2019</b>	<b>Balance at 1 July 2018</b>	<b>Granted as compensation</b>	<b>Received on exercise of options</b>	<b>Balance at resignation</b>	<b>Balance at 30 June 2019</b>
	No.	No.	No.	No.	No.
P. Wotton	55,000	-	100,000	-	155,000
R. Macdonald	28,500	-	2,500,000	-	2,528,500
S. Washer	224,856	-	2,500,000	-	2,724,856
G. Brooke (i)	-	-	-	-	-
P. Webse	220,000	-	-	-	220,000
J. Chiplin (ii)	50,000	-	150,000	(200,000)	-
K. Kelly (iii)	16,640	-	477,373	-	494,013
S. Lipe (iv)	-	-	-	-	-

(i) Appointed 17 May 2019

(ii) Resigned 17 May 2019.

(iii) Cashless exercise of 750,000 unlisted 16 Dec 2018 options in accordance with the terms and conditions using the cashless exercise mechanism.

(iv) Appointed 10 June 2019.

<b>2018</b>	<b>Balance at 1 July 2017</b>	<b>Granted as compensation</b>	<b>Received on exercise of options</b>	<b>Net other change</b>	<b>Balance at 30 June 2018</b>
	No.	No.	No.	No.	No.
P Wotton	55,000	-	-	-	55,000
R Macdonald	28,500	-	-	-	28,500
S Washer	224,856	-	-	-	224,856
J Chiplin	50,000	-	-	-	50,000
P Webse	220,000	-	-	-	220,000
K Kelly	16,640	-	-	-	16,640



**Key management personnel equity holdings (cont'd)***Share options of Cynata Therapeutics Limited*

<b>2019</b>	<b>Balance at 1 July 2018</b>	<b>Granted as compens- ation</b>	<b>Exercised</b>	<b>Balance at resignation</b>	<b>Balance at 30 June 2019</b>	<b>Balance vested at 30 June 2019</b>	<b>Vested and exercisable</b>	<b>Options vested during year</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
P. Wotton	2,200,000	-	(100,000)	-	2,100,000	2,100,000	2,100,000	2,000,000
R. Macdonald	2,700,000	-	(2,500,000)	-	200,000	200,000	200,000	-
S. Washer	2,500,000	-	(2,500,000)	-	-	-	-	-
G. Brooke (i)	-	300,000	-	-	300,000	100,000	100,000	100,000
P. Webse	200,000	-	-	-	200,000	200,000	200,000	-
J. Chiplin (ii)	200,000	-	(150,000)	(50,000)	-	-	-	-
K. Kelly	750,000	750,000	(750,000)	-	750,000	250,000	250,000	250,000
S. Lipe (iii)	-	375,000	-	-	375,000	-	-	-

(i) Appointed 17 May 2019.

(ii) Resigned 17 May 2019.

(iii) Appointed 10 June 2019.

<b>2018</b>	<b>Balance at 1 July 2017</b>	<b>Granted as compens- ation</b>	<b>Exerci- sed</b>	<b>Net other change</b>	<b>Balance at 30 June 2018</b>	<b>Balance vested at 30 June 2018</b>	<b>Vested and exercisable</b>	<b>Options vested during year</b>
	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>	<b>No.</b>
P Wotton	200,000	2,000,000	-	-	2,200,000	200,000	200,000	200,000
R Macdonald	2,700,000	-	-	-	2,700,000	2,700,000	2,700,000	200,000
S Washer	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	-
J Chiplin	200,000	-	-	-	200,000	200,000	200,000	200,000
P Webse	200,000	-	-	-	200,000	200,000	200,000	200,000
K Kelly	750,000	-	-	-	750,000	750,000	750,000	250,000

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

Further details of the employee share option 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, 23 August 2019

23 August 2019

Board of Directors  
Cynata Therapeutics Limited  
Level 3, 62 Lygon Street  
CARLTON, VICTORIA 3053

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 the Audit Director for the audit of the financial statements of Cynata Therapeutics Limited for the year ended 30 June 2019, 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**  
**(Trading as Stantons International)**  
**(Authorised Audit Company)**



**Samir R Tirodkar**  
Director

**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 2019, 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 2019 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.

Key Audit Matters	How the matter was addressed in the audit
<p><b>Carrying value of intangible assets, amortisation and impairment</b></p> <p>At 30 June 2019, the Group had intangibles with a carrying value of \$3,253,227. The intangible assets are considered a Key Audit Matter as they represent around 30% of the net assets of the Group.</p> <p>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.</p>	<p>Our audit procedures included, inter alia, the following:</p> <ul style="list-style-type: none"> <li>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;</li> <li>ii. An audit of the Group's patent register to obtain reasonable assurance any patents that have expired are written off;</li> <li>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;</li> <li>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.</li> <li>v. Checking the amortisation charge to ensure that the patents are being amortised over the 20-year patents' life; and</li> <li>vi. Evaluating the adequacy of the disclosures (Note 11) to the financial statements.</li> </ul>

### 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 2019 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 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.

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.

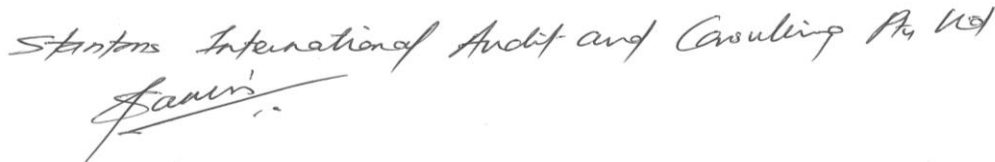
### **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 15 to 22 of the directors' report for the year ended 30 June 2019. 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 2019 complies with section 300A of the *Corporations Act 2001*.

**STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD**  
**(Trading as Stantons International)**  
**(An Authorised Audit Company)**



*Stantons International Audit and Consulting Pty Ltd*  
*Samir*

**Samir R Tirodkar**

Director  
West Perth, Western Australia  
23 August 2019

## 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 3 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, 23 August 2019

## Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2019

	Note	Consolidated	
		Year ended	
		30 June 2019	30 June 2018
		\$	\$
<b>Continuing operations</b>			
Other income	6	1,569,103	1,518,060
Product development costs		(5,652,119)	(3,220,523)
Employee benefits expenses	7	(949,151)	(859,904)
Amortisation expenses	11	(279,965)	(279,965)
Share based payment expenses	7	(904,308)	(274,415)
Other expenses	7	(2,255,706)	(1,449,387)
<b>Loss before income tax</b>		<b>(8,472,146)</b>	<b>(4,566,134)</b>
Income tax expense	8	-	-
<b>Loss for the year</b>		<b>(8,472,146)</b>	<b>(4,566,134)</b>
<b>Other comprehensive income, net of income tax</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>		-	-
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations		-	-
<b>Other comprehensive income for the year, net of income tax</b>			-
<b>Total comprehensive loss for the year</b>		<b>(8,472,146)</b>	<b>(4,566,134)</b>
<b>Loss for the year attributable to:</b>			
Owners of Cynata Therapeutics Limited		<b>(8,472,146)</b>	<b>(4,566,134)</b>
<b>Total comprehensive loss for the year attributable:</b>			
Owners of Cynata Therapeutics Limited		<b>(8,472,146)</b>	<b>(4,566,134)</b>
<b>Loss per share:</b>			
Basic and diluted (cents per share)	9	(8.48)	(5.04)

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 2019

	Note	Consolidated	
		30 June 2019 \$	30 June 2018 \$
<b>Current assets</b>			
Cash and cash equivalents	21	6,977,390	12,206,040
Trade and other receivables	10	67,044	56,256
Prepayments		286,064	337,520
<b>Total current assets</b>		<b>7,330,498</b>	<b>12,599,816</b>
<b>Non-current assets</b>			
Intangibles	11	3,253,227	3,533,192
Loans receivable	15	1,666,019	-
<b>Total non-current assets</b>		<b>4,919,246</b>	<b>3,533,192</b>
<b>Total assets</b>		<b>12,249,744</b>	<b>16,133,008</b>
<b>Current liabilities</b>			
Trade and other payables	12	1,236,983	725,395
Provisions	13	41,295	20,751
<b>Total current liabilities</b>		<b>1,278,278</b>	<b>746,146</b>
<b>Total liabilities</b>		<b>1,278,278</b>	<b>746,146</b>
<b>Net assets</b>		<b>10,971,466</b>	<b>15,386,862</b>
<b>Equity</b>			
Issued capital	14	47,987,688	44,191,746
Option reserves	16	4,501,410	4,240,602
Foreign currency translation reserve	16.2	4,724	4,724
Accumulated losses		(41,522,356)	(33,050,210)
<b>Total equity</b>		<b>10,971,466</b>	<b>15,386,862</b>

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 2019

	Issued Capital \$	Option Reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 2017</b>	<b>38,377,761</b>	<b>3,966,187</b>	<b>4,724</b>	<b>(28,484,076)</b>	<b>13,864,596</b>
Loss for the year	-	-	-	(4,566,134)	(4,566,134)
Other comprehensive income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(4,566,134)</b>	<b>(4,566,134)</b>
Issue of ordinary shares ( <i>refer to note 14</i> )	5,988,441	-	-	-	5,988,441
Share issue costs	(174,456)	-	-	-	(174,456)
Share based payments	-	274,415	-	-	274,415
<b>Balance at 30 June 2018</b>	<b>44,191,746</b>	<b>4,240,602</b>	<b>4,724</b>	<b>(33,050,210)</b>	<b>15,386,862</b>
<b>Balance at 1 July 2018</b>	<b>44,191,746</b>	<b>4,240,602</b>	<b>4,724</b>	<b>(33,050,210)</b>	<b>15,386,862</b>
Loss for the year	-	-	-	(8,472,146)	(8,472,146)
Other comprehensive income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(8,472,146)</b>	<b>(8,472,146)</b>
Issue of ordinary shares ( <i>refer to note 14</i> )	3,849,429	-	-	-	3,849,429
Share issue costs	(53,487)	-	-	-	(53,487)
Share based payments	-	260,808	-	-	260,808
<b>Balance at 30 June 2019</b>	<b>47,987,688</b>	<b>4,501,410</b>	<b>4,724</b>	<b>(41,522,356)</b>	<b>10,971,466</b>

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 2019

	Note	Consolidated	
		Year ended	
		30 June 2019	30 June 2018
		\$	\$
<b>Cash flows from operating activities</b>			
Grants and other income received		-	46,450
Payments to suppliers and employees		(3,192,273)	(2,583,941)
Interest received		188,903	161,343
Research and development tax refund received		1,308,552	1,328,685
Development costs paid		(5,064,259)	(3,014,453)
Net cash (used in) operating activities	21.1	(6,759,077)	(4,061,916)
<b>Cash flows from investing activities</b>			
Net cash used in investing activities		-	-
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity instruments of the Company	14	1,405,929	5,988,441
Payment for share issue costs		(75,514)	(130,028)
Repayment by related parties	15	200,000	-
Net cash provided by financing activities		1,530,415	5,858,413
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(5,228,662)</b>	<b>1,796,497</b>
Cash and cash equivalents at the beginning of the year		12,206,040	10,349,764
Effects of exchange rate changes on the balance of cash held in foreign currencies		12	59,779
<b>Cash and cash equivalents at the end of the year</b>	21	<b>6,977,390</b>	<b>12,206,040</b>

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

## Notes to the consolidated financial statements for the year ended 30 June 2019

### 1. General information

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.

### 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 their operations and effective for the current reporting period.

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

- AASB 9 *Financial Instruments* and related amending Standards.
- AASB 15 *Revenue from Contracts with Customers* and relating amending Standards.
- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions*.
- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.

#### *AASB 9 Financial Instruments and related amending Standards*

The Standard replaces AASB 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement, impairment, and hedge accounting.

#### *AASB 15 Revenue from Contracts with Customers and relating amending Standards.*

The Standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges for goods and services. AASB 15 provides the following five-step process:

- identify the contract(s) with the customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise the revenue when (or as) the performance obligations are satisfied.

#### *AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions.*

The amendments to AASB 2 *Share-based Payment* addresses three main areas:

- the effect of vesting conditions on the measurement of a cash-settled share-based payment transaction;
- the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
- accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

*Interpretation 22 Foreign Currency Transactions and Advance Consideration*

This interpretation addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

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

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

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

<b>Standard/amendment</b>	<b>Effective for annual reporting periods beginning on or after</b>
AASB 16 <i>Leases</i>	1 January 2019
AASB 17 <i>Insurance Contracts</i>	1 January 2021
AASB 2018-7 <i>Amendments to Australian Accounting Standards – Definition of Material</i>	1 January 2020
AASB 2019-1 <i>Amendments to Australian Accounting Standards – References to the Conceptual Framework</i>	1 January 2020

## **3. Significant accounting policies**

### **3.1 *Statement of compliance***

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 23 August 2019.

### **3.2 *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.

### **3.3 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.

### 3.4 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.

### **3.5 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 3.4 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.

### **3.6 Revenue recognition**

The Group has applied *AASB 15 Revenue from Contracts with Customers* using the cumulative effective method. Therefore, the comparative information has not been restated and continues to be presented under *AASB 118 Revenue* and *AASB 111 Construction Contracts*. The Group does not have any revenue from contracts with customers.

#### **3.6.1 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 through the expected life of the financial asset to that asset's net carrying amount on initial recognition.



### **3.7 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.

### **3.8 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.

### **3.9 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.

### **3.10 Share-based payments 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.

### **3.11 Taxation**

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

#### **3.11.1 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.

### 3.11.2 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.

### 3.11.3 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.

### **3.12 Intangible assets**

#### **3.12.1 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

#### **3.12.2 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.

### **3.13 *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.

### **3.14 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.

### **3.15 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**

From 1 July 2018, 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, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

**Comparative information**

The Group has applied AASB 9 Financial Instruments retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

**Classification**

Until 30 June 2018, the Group classified its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- held-to-maturity investments; and
- available for sale financial assets.

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

**3.16 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.

**3.17 Comparative amounts**

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

#### 4. Critical accounting judgements and key sources of estimation uncertainty

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

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

##### 4.1 Key sources of estimation uncertainty

###### 4.1.1 Recoverability of intangible assets acquired in a business combination

During the year, the directors reconsidered the recoverability of the Group's intangible assets arising from the acquisition of Cynata Incorporated, which is included in the consolidated statement of financial position at 30 June 2019 with a carrying value of \$3,253,227 (2018: \$3,533,192) 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 2019 (2018: \$279,965).

The directors performed an impairment testing and concluded that no further impairment of the intangible assets is required for the year (2018: nil).

#### 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. Other income

	2019	2018
	\$	\$
<b>Continuing operations</b>		
Interest revenue	194,532	142,925
Other income and grants	-	46,450
Research and development rebate	1,308,552	1,328,685
Accrued interest on directors' loans ( <i>refer to note 15</i> )	66,019	-
	<b>1,569,103</b>	<b>1,518,060</b>



**7. Loss for the year**

*Loss for the year has been arrived at after charging the following items of expenses:*

	2019	2018
	\$	\$
<b>Employee benefits expenses</b>		
Wages and salaries	869,584	789,094
Superannuation expenses	59,023	53,912
Leave entitlements	20,544	16,898
Total employee benefits expenses <sup>i</sup>	949,151	859,904
<b>Share-based payment expenses</b>	904,308	274,415
<b>Other expenses</b>		
Share register fees	15,674	13,386
Director fees	252,419	200,000
Legal costs	653,685	162,923
Investor/public relations	581,352	609,407
Corporate advisors	243,521	145,272
Other administrative expenses	528,937	365,226
Effect of foreign exchange	(19,881)	(46,827)
Total other expenses	2,255,707	1,449,387

<sup>i</sup> excludes amounts charged to product development costs.

**8. Income taxes relating to continuing operations****8.1 Income tax recognised in profit or loss**

	2019	2018
	\$	\$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2019	2018
	\$	\$
Loss before tax from continuing operations	(8,472,146)	(4,566,134)
Income tax expense calculated at 27.5% (2018: 27.5%)	(2,329,840)	(1,255,687)
Tax effect of R&D rebate received	(359,852)	(365,388)
Effect of expenses that are not deductible in determining taxable income	2,169,214	1,166,940
Effect of unused tax losses not recognised as deferred tax assets	520,478	454,135
	-	-

The tax rate used for the 2019 reconciliations above is the corporate tax rate of 27.5% (2018: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law.

**8.2 Income tax recognised directly in equity**

	2019	2018
	\$	\$
<b>Current tax</b>		
Share issue costs	-	-
<b>Deferred tax</b>		
Arising on transactions with owners:		
Share issue costs deductible over 5 years	-	-
	-	-

**8. Income taxes relating to continuing operations (cont'd)****8.3 Unrecognised deferred tax assets in relation to:**

	2019	2018
	\$	\$
Unused tax losses (revenue) for which no deferred tax assets have been recognised (i)	6,011,237	5,181,552
Other	134,011	122,943
	<b>6,145,248</b>	<b>5,304,495</b>

**8.4 Unrecognised deferred tax (liabilities) in relation to:**

	2019	2018
	\$	\$
Intangibles	(894,638)	(1,059,958)
Other	(85,190)	(5,043)
	<b>(979,828)</b>	<b>(1,065,001)</b>

**Net deferred tax assets**

	<b>5,165,420</b>	<b>4,239,494</b>
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(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**

	2019	2018
	cents per share	cents per share
Basic and diluted loss per share (cents per share)	(8.48)	(5.04)

**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:

	2019	2018
	\$	\$
Loss for the year attributable to owners of the Company	(8,472,146)	(4,566,134)

	2019	2018
	No.	No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	99,913,217	90,608,951

**10. Trade and other receivables**

	2019	2018
	\$	\$
Deposits made	3,568	3,568
Other receivables	63,476	52,688
	<b>67,044</b>	<b>56,256</b>

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

**11. Intangibles**

	<b>2019</b>	<b>2018</b>
	\$	\$
Carrying value at beginning of year (i)	3,533,192	3,813,157
Amortisation (ii)	(279,965)	(279,965)
Net book value of research and development at end of year	3,253,227	3,533,192

(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 (2018: \$279,965). Refer to note 3.13 for more information on the Group's accounting policy on intangibles and amortisation.

**Cost**

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at 1 July	4,821,799	4,821,799
Additions	-	-
Disposals	-	-
Balance at 30 June	4,821,799	4,821,799

**Accumulated amortisation**

	<b>2019</b>	<b>2018</b>
	\$	\$
Balance at 1 July	1,288,607	1,008,642
Amortisation expense	279,965	279,965
Balance at 30 June	1,568,572	1,288,607

**12. Trade and other payables**

	<b>2019</b>	<b>2018</b>
	\$	\$
Trade payables	790,964	299,080
Accrued expenses	446,019	426,315
	1,236,983	725,395

**13. Provisions**

	<b>2019</b>	<b>2018</b>
	\$	\$
Provisions for employee entitlements	41,295	20,751

**14. Issued capital**

101,885,053 fully paid ordinary shares (30 June 2018:  
95,066,251)

	<b>2019</b>	<b>2018</b>
	\$	\$
	47,987,688	44,191,746

**Fully paid ordinary shares**

	<b>30 June 2019</b>		<b>30 June 2018</b>	
	<b>No.</b>	<b>\$</b>	<b>No.</b>	<b>\$</b>
Balance at beginning of year	95,066,251	44,191,746	90,057,248	38,377,761
Exercise of share options (i)	60,000	60,000	-	-
Exercise of share options (ii)	477,373	643,500	-	-
Exercise of share options (iii)	55,000	55,000	-	-
Exercise of share options (iv)	5,000,000	2,000,000	-	-
Exercise of share options (v)	100,000	102,200	-	-
Exercise of share options (vi)	336,429	336,429	-	-
Exercise of share options (vii)	100,000	102,200	-	-
Exercise of share options (viii)	300,000	159,000	-	-
Exercise of share options (ix)	340,000	340,000	-	-
Exercise of share options (x)	50,000	51,100	-	-
Exercise of share options (xi)	-	-	300,000	159,000
Exercise of share options (xii)	-	-	309,683	309,683
Exercise of share options (xiii)	-	-	225,000	225,000
Exercise of share options (xiv)	-	-	100,000	100,000
Issue of shares (xv)	-	-	4,074,320	5,194,758
Share issue costs	-	(53,487)	-	(174,456)
<b>Balance at end of the year</b>	<b>101,885,053</b>	<b>47,987,688</b>	<b>95,066,251</b>	<b>44,191,746</b>

- (i) Exercise of unlisted 17 July 2020 options at \$1.00 each on 6 July 2018.
- (ii) Cashless exercise of 750,000 unlisted 16 December 2018 options on 11 July 2018 resulting in the issue of 477,373 ordinary shares at a calculate value of \$643,499.
- (iii) Exercise of unlisted 17 July 2020 options at \$1.00 each on 16 July 2018.
- (iv) Exercise of unlisted 27 September 2018 options at \$0.40 each on 25 September 2018 (refer to note 15).
- (v) Exercise of unlisted 17 November 2019 options at \$1.022 each on 25 September 2018.
- (vi) Exercise of unlisted 17 July 2020 options at \$1.00 each in February 2019.
- (vii) Exercise of unlisted 17 November 2019 options at \$1.022 each on 11 February 2019.
- (viii) Exercise of unlisted 22 February 2019 options at \$0.53 each on 22 February 2019.
- (ix) Exercise of unlisted 17 July 2020 options at \$1.00 each in March 2019.
- (x) Exercise of unlisted 17 November 2019 options at \$1.022 each on 7 May 2019.
- (xi) Exercise of unlisted 22 February 2019 options at \$0.53 each on 28 February 2018.
- (xii) Exercise of unlisted options at \$1.00 each in March 2018.
- (xiii) Exercise of unlisted options at \$1.00 each in April 2018.
- (xiv) Exercise of unlisted options at \$1.00 each in May 2018.
- (xv) Issue of fully paid ordinary shares at \$1.275 each on 4 June 2018 to Fidelity International.

**15. Loans receivable**

	2019	2018
Loans advanced to related parties (i)	1,800,000	-
Interest accrued (ii)	66,019	-
Repayments by related parties (iii)	(200,000)	-
Balance at end of year	1,666,019	-

(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 has paid \$100,000 in cash. The loans provided are full recourse loans and unsecured. At 30 June 2019, neither of the loans were impaired. Refer to the ASX announcement of 10 August 2018 for more information.

(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) On 19 December 2018, Dr Ross Macdonald repaid \$200,000 of his loan. Subsequent to the year end, Dr Macdonald repaid another \$100,000 of his loan.

**16. Reserves****16.1 Share-based payments**

	2019 \$	2018 \$
Balance at beginning of year	4,240,602	3,966,187
Recognition of share-based payments (i)	260,808	274,415
Balance at end of year	4,501,410	4,240,602

(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 2019 was \$260,808 (2018: 274,415).

(ii) Total amount of share-based payments recognised in the statement of profit or loss and other comprehensive income (\$904,308) include an amount of \$643,500 representing the value assigned to the cashless exercise of 750,000 unlisted options by Dr Kelly in accordance with the terms and conditions of using the cashless exercise mechanism.

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

**16.2 Foreign currency translation reserve**

	2019 \$	2018 \$
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

	2019	2018
	\$	\$
<b>Financial assets</b>		
Cash and cash equivalents	6,977,390	12,206,040
Trade and other receivables	67,044	56,256
Loans receivable	1,666,019	-
	8,710,453	12,262,296
<b>Financial liabilities</b>		
Trade and other payables	1,236,983	725,395
	1,236,983	725,395
<b>Net financial assets</b>	<b>7,473,470</b>	<b>11,536,901</b>

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. Financial instruments (cont'd)

### 17.5 Interest rate risk management

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

#### *Interest rate sensitivity analysis*

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2019 would decrease/increase by \$69,774 (2018: \$122,060)

### 17.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2019, the Company has cash denominated in US dollars (US\$168 (2018: US\$1,299,552)). The A\$ equivalent at 30 June 2019 is \$239 (2018: \$1,755,434). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately \$12 (2018: \$87,772). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. As at 30 June 2019, 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
	\$	\$	\$	\$	\$	\$
<b>2019</b>						
Trade and other payables	1,236,983	1,236,983	-	-	-	1,236,983
<b>2018</b>						
Trade and other payables	725,395	725,395	-	-	-	725,395

## 18. Share-based payments

### 18.1 Employee share option 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 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 the reporting date:

Option series	Number	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
1	118,333	17 July 2015	\$0.610	\$1.000	17 July 2020	Vested
2	550,000 <sup>i</sup>	16 Nov 2016	\$0.386	\$1.022	17 Nov 2019	Vested
3	100,000 <sup>ii</sup>	7 Aug 2017	\$0.233	\$0.880	4 Aug 2020	Vested
4	2,000,000 <sup>iii</sup>	17 Nov 2017	\$0.074	\$1.500	17 Nov 2019	Vested
5	300,000 <sup>iv</sup>	17 May 2019	\$0.384	\$2.110	16 May 2024	Various
6	1,425,000 <sup>v</sup>	17 May 2019	\$0.304	\$1.750	16 May 2022	Various

<sup>i</sup> This represents unlisted options issued to Dr Macdonald, Dr Wotton, Dr Chiplin and Mr Webse (200,000 each) pursuant to an Employee Option Acquisition Plan. Dr Wotton exercised 100,000 options on 25 September 2018 and Dr Chiplin exercised 150,000 options in February and May 2019. Dr Chiplin resigned on 17 May 2019.

<sup>ii</sup> This represents unlisted options (300,000) issued to a third party for the provision of corporate advisory services. 200,000 lapsed on 23 January 2018.

<sup>iii</sup> This represents unlisted incentive options issued to Dr Wotton pursuant to the terms of his appointment as non-executive chairman.

<sup>iv</sup> This represents unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director. 100,000 options vest on grant, 100,000 vest in 12 months and the remainder in 24 months from date of grant.

<sup>v</sup> This represents unlisted options issued to Dr Kelly (750,000), Dr Suzanne (375,000) and Dr Atley (300,000) pursuant to an Employee Option Acquisition Plan. Dr Atley is an employee of Cynata Therapeutics Ltd and was appointed in November 2018.

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

### 18.2 Fair value of share options granted in the year

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

The weighted average exercise price of options granted during the year is \$1.81 (2018: \$1.42).

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.

Input	Series 5 (300,000)	Series 6 (1,425,000)
Grant date share price	\$1.175	\$1.175
Exercise price	\$2.110	\$1.750
Expected volatility	55%	55%
Option life	5 years	3 years
Dividend yield	n/a	n/a
Risk-free interest rate	1.48%	1.40%



**18. Share-based payments (cont'd)****18.3 Movements in share options during the year**

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

	2019		2018	
	Number of options No.	Weighted average exercise price \$	Number of options No.	Weighted average exercise price \$
Balance at beginning of the year	9,183,333	0.726	7,483,333	0.513
Granted during the year	1,725,000	1.813	2,300,000	1.419
Forfeited during the year	-	-	-	-
Exercised during the year	(6,415,000)	0.452	(400,000)	0.648
Expired during the year	-	-	(200,000)	0.880
Balance at end of year	<b>4,493,333</b>	<b>1.535</b>	<b>9,183,333</b>	<b>0.726</b>
Exercisable at end of year	<b>3,218,333</b>	<b>1.427</b>	<b>7,183,333</b>	<b>0.510</b>

**18.4 Share options exercised during the year**

The following share options were exercised during the year (2018: 400,000):

Option series	Number exercised	Exercise date	Share price at exercise date
Granted 27 Sept 2013	5,000,000	25 Sept 2018	\$1.300
Granted 16 Dec 2015	750,000	11 Jul 2018	\$1.300
Granted 22 Feb 2016	300,000	22 Feb 2019	\$1.475
Granted 17 Jul 2015	60,000	6 Jul 2018	\$1.320
Granted 17 Jul 2015	55,000	16 Jul 2018	\$1.340
Granted 16 Nov 2016	100,000	25 Sept 2018	\$1.300
Granted 16 Nov 2016	100,000	11 Feb 2019	\$1.560
Granted 16 Nov 2016	50,000	7 May 2019	\$1.170

**18.5 Share options outstanding at the end of the year**

The share options outstanding at the end of the year had a weighted average exercise price of \$1.535 (2018: \$0.723) and a weighted average remaining contractual life of 551 days (2018: 251 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:

	2019	2018
	\$	\$
Short-term employee benefits	1,094,191	1,053,992
Post-employment benefits	55,230	53,912
Share-based payments	222,453	206,780
	<b>1,371,874</b>	<b>1,314,684</b>

### 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 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 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 15 and note 19.

Mr Webse's services are provided by Platinum Corporate Secretariat Pty Ltd ("Platinum Corporate"). Mr Webse is the sole director of Platinum Corporate. Company secretarial fees paid to Platinum Corporate are disclosed in the remuneration report.

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

## 21. Cash and cash equivalents

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

	2019	2018
	\$	\$
Cash and bank balances	6,977,390	12,206,040

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

	2019	2018
	\$	\$
<b>Cash flow from operating activities</b>		
Loss for the year	(8,472,146)	(4,566,134)
Adjustments for:		
Share-based payments	904,308	274,415
Amortisation expenses	279,965	279,965
Accrued income	(66,019)	-
Effects of exchange rate changes on the balance of cash held in foreign currencies	(12)	(59,781)
Movements in working capital		
Decrease/(increase) in trade and other receivables and prepayments	40,668	(302,502)
Increase in trade and other payables	533,615	295,223
Increase in provisions – annual leave	20,544	16,898
<b>Net cash outflows from operating activities</b>	<b>(6,759,077)</b>	<b>(4,061,916)</b>

## 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 2019, under these agreements, the Company is committed to making payments over future periods, as follows:

	A\$
- During the period 1 July 2019 – 30 June 2020	2,050,229
- During the period 1 July 2020 – 30 June 2021	438,379
- During the period 1 July 2021 – 30 June 2022	349,187

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2019.

**24. Remuneration of auditors*****Auditor of the Group***

	2019	2018
	\$	\$
Audit and review of the financial statements	46,641	36,388

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

**25. Parent entity information**

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of significant accounting policies relating to the Group.

***Financial position***

	2019	2018
	\$	\$
<b>Assets</b>		
Current assets	7,330,499	12,599,817
Non-current assets	6,556,672	4,890,653
<b>Total assets</b>	<b>13,887,171</b>	<b>17,490,470</b>
<b>Liabilities</b>		
Current liabilities	1,236,983	725,395
Provisions	41,295	20,751
<b>Total liabilities</b>	<b>1,278,278</b>	<b>746,146</b>
<b>Net assets</b>	<b>12,608,893</b>	<b>16,744,324</b>
<b>Equity</b>		
Issued capital	47,987,688	44,191,746
Reserves	4,501,410	4,240,602
Accumulated losses	(39,880,205)	(31,688,024)
<b>Total equity</b>	<b>12,608,893</b>	<b>16,744,324</b>
<b><i>Financial performance</i></b>		
Loss for the year	(8,192,181)	(4,286,169)

**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	
			2019	2018
Cynata Incorporated	Holds licenses with WARF for core IPs	USA	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**

On 19 July 2019, the Company announced that it had received an indicative, non-binding and conditional proposal from Sumitomo Dainippon Pharma Co. Ltd (“Sumitomo”) regarding a possible acquisition of all of the shares in Cynata at a price of A\$2.00 per share in cash by way of a scheme of arrangement (the “Proposal”). Following receipt of the Proposal, the Company decided to grant non-exclusive due diligence access to Sumitomo.

On 2 August 2019, the Company issued 50,000 and 100,000 fully paid ordinary shares following the exercise of unlisted 17 November 2019 and 17 July 2020 options respectively.

On 15 August 2019, the Company issued 50,000 fully paid ordinary shares following the exercise of unlisted 17 July 2020 options.

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 23 August 2019.

## Corporate Governance Statement

This Corporate Governance Statement (“Statement”) outlines the key aspects of Cynata Therapeutics Limited (“Cynata” or “the Company”) governance framework and main governance practices. The Company’s charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Cynata’s website located at [www.cynata.com](http://www.cynata.com).

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council’s (“the Council’s”) “Corporate Governance Principles and Recommendations 3rd Edition” (“the Recommendations”).

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

This Statement was approved by the Board of Directors and is current as at 23 August 2019.

### ***Principle 1: Lay solid foundations for management and oversight***

#### ***Roles of the Board & Management***

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

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

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Identifying areas of significant business risk and ensure that the Company is appropriately positioned to manage those risks;
- Overseeing the management of safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Ensuring that appropriate internal and external audit arrangements are in place and operating effectively;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  - Code of Conduct;
  - Continuous Disclosure Policy;
  - Diversity Policy;
  - Performance Evaluation Policy;
  - Procedures for Selection and Appointment of Directors;
  - Remuneration Policy;
  - Risk Management and Internal Compliance and Control Policy;
  - Securities Trading Policy; and
  - Shareholder Communications Policy.

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

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

#### **Board Committees**

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

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

#### **Board Appointments**

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

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

#### **The Company Secretary**

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

#### **Diversity**

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

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

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

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

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

#### **Board & Management Performance Review**

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

The annual review includes consideration of the following measures:

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

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

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

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

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

Board and management performance reviews were conducted during the financial year in accordance with the above processes.

#### ***Independent Advice***

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

#### ***Principle 2: Structure the board to add value***

##### ***Board Composition***

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

Dr Paul Wotton	Non-Executive Chairman (appointed 8 June 2016);
Dr Ross Macdonald	Managing Director (appointed 1 August 2013);
Dr Geoffrey Brooke	Non-Executive Director (appointed 17 May 2019);
Dr Stewart Washer	Non-Executive Director (appointed 1 August 2013);
Mr Peter Webse	Non-Executive Director (appointed 18 May 2012);
Dr John Chiplin	Non-Executive Director (appointed 18 November 2014. Resigned 17 May 2019).

The Board currently consists of one Executive Director, being the Managing Director, and four Non-Executive Directors, one of whom is also the Company Secretary.

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

The Board does not consist of a majority of independent directors. Dr Geoffrey Brooke and Dr Paul Wotton are the only current directors considered to be independent. Dr Ross Macdonald is not considered to be an independent director by virtue of him being an executive of the Company. Dr Stewart Washer is not considered to be an independent director by virtue of the fact that he was a former executive of the Company. Mr Peter Webse is not considered to be an independent director by virtue of the fact the he has a contractual arrangement to provide company secretarial services to the Company.

Given the size of the Board and the nature and scale of the Company's current operations the Board believes the presence of two independent directors on the Board is sufficient.



**Board Selection Process**

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

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

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

**Induction of New Directors and Ongoing Development**

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

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

**Principle 3: Act ethically and responsibly**

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

All employees and Directors are expected to:

- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company's reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

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

**Principle 4: Safeguard integrity in corporate reporting**

The Board as a whole fulfills the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

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

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

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

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

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

***CEO and CFO (Equivalent) Certifications***

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

***Principle 5: Make timely and balanced disclosure***

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

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

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

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

- a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
- b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

***Principle 6: Respect the rights of security holders***

The Company recognises the value of providing current and relevant information to its shareholders.

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

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

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

Shareholders may elect to, and are encouraged to, receive communications from Cynata and Cynata's securities registry electronically.

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

***Principle 7: Recognise and manage risk***

The Board is committed to the identification, assessment and management of risk throughout Cynata's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Cynata has established policies for the oversight and management of material business risks.

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

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

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

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

The Board has required management to design and implement a risk management and internal compliance and control system to manage Cynata's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

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

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

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Cynata's management of its material business risks on at each Board meeting.

### ***Principle 8: Remunerate fairly and responsibly***

The Board as a whole fulfils the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

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

The key principles are to:

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

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

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

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

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

The total fees paid to Non-Executive Directors during the reporting period were \$252,419.

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

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

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

## ASX Additional Information as at 8 October 2019

### Substantial Shareholders

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 8 October 2019 are:

Name	Number of Shares Held	% of Issued Capital
FIL Investment Management (Hong Kong) Limited	9,506,625	10.00%
Fujifilm Corporation	8,088,403	8.98%

### Distribution of Ordinary Shares

Category	Number of Holders	Ordinary Shares	% of Issued Capital
1 – 1,000	636	355,956	0.34
1,001 – 5,000	889	2,569,317	2.50
5,001 – 10,000	397	3,241,577	3.15
10,001 – 100,000	725	24,244,404	23.58
100,001 and over	132	72,423,799	70.43
	<b>2,779</b>	<b>102,035,053</b>	<b>100.00</b>

### 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

500,000 unlisted \$1.022 Options expiring 17/11/2019 held by 4 holders <sup>(1)</sup>;  
 1,340,557 unlisted \$1.00 Options expiring 17/07/2020 held by 5 holders <sup>(2)</sup>;  
 100,000 unlisted \$0.88 Options expiring 4/8/2020 held by 1 holder <sup>(3)</sup>;  
 2,000,000 unlisted \$1.50 Options expiring 17/11/2019 held by 1 holder <sup>(4)</sup>;  
 1,425,000 unlisted \$1.75 Options expiring 16/05/2022 held by 3 holders <sup>(5)</sup>; and  
 300,000 unlisted \$2.11 Options expiring 16/05/2024 held by 1 holder <sup>(6)</sup>.

Unlisted Option Holders holding 20% or more:

<sup>(1)</sup> 200,000 Options held in the name of Mrs Sharon Anne Macdonald (40%), 200,000 Options held in the name of Mrs Kay Joan Webse (40%) and 100,000 Options held in the name of Dr Paul K Wotton (20%).

<sup>(2)</sup> 611,112 Options held in the name of Merrill Lynch (Australia) Nominees Pty Limited (45.59%) and 611,112 Options held in the name of Citicorp Nominees Pty Limited (45.59%).

<sup>(3)</sup> 100,000 Options held in the name of Pegari Pty Ltd (100%).

<sup>(4)</sup> 2,000,000 Options held in the name of Dr Paul Wotton (100%).

<sup>(5)</sup> 1,425,000 Options issued pursuant to the Employee Option Acquisition Plan.

<sup>(6)</sup> 300,000 Options held in the name of Dr Geoffrey Brooke (100%).

**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 121.

**20 Largest Shareholders**

<b>Name</b>	<b>Number of Shares Held</b>	<b>% of Issued Capital</b>
HSBC Custody Nominees (Australia) Limited	10,039,306	9.76
Fujifilm Corporation	8,088,403	7.87
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient Drp>	3,916,961	3.81
Citicorp Nominees Pty Limited	3,467,727	3.37
J P Morgan Nominees Australia Limited	2,713,686	2.64
Mal Washer Nominees Pty Ltd <Mal Washer Family A/C>	2,520,000	2.45
Dr Ross Alexander Macdonald	2,500,000	2.43
John W King Nominees Pty Ltd	2,463,596	2.40
Brispot Nominees Pty Ltd	1,609,903	1.57
Tiree Finance Limited	1,599,697	1.56
Helium Management Pty Ltd <Helium S/F A/C>	1,384,366	1.35
Dr Maksym Vodyanyk	1,191,658	1.16
Tenbagga Resources Fund Pty Ltd <Tenbagga Family A/C>	1,155,447	1.12
Celtic Capital Pte Ltd <Investment 1 A/C>	1,000,000	0.97
Riversdale Capital Funding Pty Ltd <The RCF A/C>	793,200	0.77
C M Cook Superannuation Pty Ltd <CM Cook Super Fund A/C>	700,000	0.68
BNP Paribas Noms Pty Ltd <Drp>	683,202	0.66
Neweconomy Com AU Nominees Pty Limited <900 Account>	645,349	0.63
Mr Ivada Partington	576,120	0.56
Mr George McDougall & Ms Geraldine Frances Elmes <GMD Super Fund A/C>	530,000	0.52
	<b>47,578,621</b>	<b>46.28</b>