

# Appendix 4E

## Preliminary final report

### 1. Details of reporting period

Name of entity	Cynata Therapeutics Limited (the Company)
ABN	98 104 037 372
Reporting Period	<b>Year ended 30 June 2020</b>
Previous Corresponding Period	Year ended 30 June 2019
Presentation Currency	Australian Dollars (\$)

### 2. Results for announcement to the market

Key information	12 months ended 30 June 2020 \$	12 months ended 30 June 2019 \$	Increase/ (decrease) %	Amount change \$
Revenues from ordinary activities	7,153,903	1,569,103	355.92%	5,584,800
Loss from ordinary activities after tax attributable to members	3,639,100	8,472,146	(57.05%)	4,833,046
Net loss for the period attributable to members	3,639,100	8,472,146	(57.05%)	4,833,046
Net tangible asset/(deficiency) per share	0.118	0.076		

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

Refer to attached consolidated financial statements.

### 4. Consolidated statement of financial position

Refer to attached consolidated financial statements.

### 5. Consolidated statement of cash flows

Refer to attached consolidated financial statements.

### 6. Consolidated statement of changes in equity

Refer to attached consolidated financial statements.

### 7. Dividends/Distributions

No dividends declared in current or prior year.

### 8. Details of dividend reinvestment plans

Not applicable.

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

Not applicable.

**10. Details of associate and joint venture entities**

Not applicable.

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

Refer to attached consolidated financial statements.

**12. Foreign entities**

Refer to attached consolidated financial statements.

**13. Commentary on results for period and explanatory information**

Cynata Therapeutics Limited ("Cynata" or "the Company") and its controlled entities (the Group) incurred a net loss from operations for the financial year ended 30 June 2020 of \$3,639,100 (2019: \$8,472,146). At 30 June 2020, the Group had a cash balance of \$13,649,644 (2019: \$6,977,390) and net assets of \$16,791,104 (2019: \$10,971,466). The net cash outflow from operating activities for the financial year was \$3,387,679 (2019: \$6,759,077). In September 2019, Fujifilm exercised its option to an exclusive, worldwide license to develop and commercialise Cynata's lead MSC product, CYP-001, for the prevention and treatment of GvHD in humans. In return, Cynata received US\$3m cash from Fujifilm as an upfront fee and will potentially receive additional future milestone payments totalling up to US\$43m, plus royalties on eventual product sales. All future product development and commercialisation activities will be financed by Fujifilm. In June 2020, the Phase 3 clinical trial of CYP-004 for osteoarthritis was formally approved by the University of Sydney Human Research Ethics Committee, representing a key milestone towards commencing the recruitment of the trial. While originally described as a Phase 2 clinical trial, based on the size of the trial and the impact of the clinical effect being investigated, it was reclassified as a Phase 3 trial. Additionally, an agreement was reached on an expedited regulatory pathway for this trial. Following extensive discussions, the Therapeutic Goods Administration (TGA) advised that the trial can be conducted under the Clinical Trial Notification (CTN) scheme, which requires only submitting a notification to the TGA, as opposed to undergoing a potentially lengthy formal review and approval process. In April 2020, Cynata announced compelling results demonstrating the beneficial effects of Cymerus MSCs in a pre-clinical model of ARDS, which is an inflammatory process that leads to the build-up of fluid in the lungs and is one of the most serious complications experienced by patients suffering from COVID-19. The study was conducted independently of Cynata and led by Professor John Fraser of the Critical Care Research Group, The Prince Charles Hospital, Brisbane. Following these positive ARDS results, Cynata received ethics committee approval to commence a clinical trial to investigate Cymerus MSCs in adults admitted to intensive care with COVID-19. During the year, Cynata successfully raised ~A\$8.3m through a A\$3.5m Placement and A\$4.8m Share Purchase Plan (SPP). Cynata also received a ~A\$2.5m R&D Tax Incentive Refund for the 2018/2019 financial year from the Australian Government. For more information, refer to the attached consolidated financial statements.

#### 14. Audit

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

A handwritten signature in blue ink, appearing to read 'Dr. Ross Macdonald', with a long horizontal flourish extending to the right.

Dr. Ross Macdonald

**Managing Director/Chief Executive Officer**

25 August 2020

# Annual Report

2019/2020

# Corporate Directory



**Cynata Therapeutics Limited**  
ACN 104 037 372

## Board of Directors

Dr Geoff Brooke  
Non-Executive Chairman

Dr Ross Macdonald  
Managing Director/  
Chief Executive Officer

Dr Stewart Washer  
Non-Executive Director

Dr Paul Wotton  
Non-Executive Director

Dr Darryl Maher  
Non-Executive Director

## Company Secretary

Mr Peter Webse

## Registered and Principal Office

Level 3, 62 Lygon Street  
Carlton, Victoria 3053

## Postal Address

PO Box 7165  
Hawthorn North, Victoria 3122

Tel: +61 3 9824 5254  
Fax: +61 3 9822 7735  
Email: [info@cynata.com](mailto:info@cynata.com)

## 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  
Perth, Western Australia 6000

Tel: 1300 288 664 (within Australia)  
+61 2 9698 5414  
(outside Australia)

Fax: +61 8 9321 2337  
Email: [hello@automic.com.au](mailto:hello@automic.com.au)  
Web: [www.automic.com.au](http://www.automic.com.au)

## Stock Exchange

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

## ASX Code

CYP

## Annual report for the financial year ended

30 June 2020

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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 2020.

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


As you may be aware, I recently took over as Chairman of Cynata, following Paul Wotton stepping down but remaining as a non-executive director. I very much appreciate the confidence shown in me and look forward to serving shareholders through this exciting time in the Company's development.

Despite the challenges faced by the healthcare industry this year in light of the global pandemic, I am pleased to inform you that Cynata has continued to advance its leadership position in the regenerative medicine sector. Throughout the year, we focused on our clinical development plans across various indications, including securing our first product out-licence deal. We further strengthened our Board and bolstered our financial position to provide the financial strength needed to advance product development plans with confidence and ensure we emerge in a robust position to commence clinical trials as soon as possible after

COVID-19 related restrictions on recruitment are lifted.

### **Advanced platform technology provides a truly commercially viable MSC solution**

The market for mesenchymal stem cells (MSCs) is highly attractive, with a growing amount of pre-clinical and clinical evidence supporting the role of MSCs in repair and regeneration. MSC therapeutic products have been embraced by regulatory agencies in the major markets of Japan and Europe, where fast-track approval pathways are streamlining market launch. Further global regulatory approvals are expected thereby increasing the demand for MSCs, which will in turn focus attention on the current manufacturing issues all other MSC-based companies face in their efforts to produce commercial quantities of product.



Cynata is in a unique position in the MSC market. We have the most advanced manufacturing platform technology globally, which can produce commercial quantities of consistent, robust MSCs from a single blood donation. The absolute requirement for product consistency has recently been brought into stark focus by the FDA, further cementing Cynata's unique competitive advantage. Our distinctive technology draws on induced pluripotent stem cells (iPSCs) as a starting material which can then be developed into virtually any cell in the human body and produce effectively limitless quantities of finished product, from the same cell bank. MSC products derived from our iPSCs, using our proprietary Cymerus™ technology, therefore overcome the inherent challenges associated with the conventional methods of manufacturing MSC-based therapies.

#### **Executing licensing strategy endorses platform, with further commercial interest**

In September 2019, FUJIFILM exercised its licence option in graft-versus-host disease (GvHD), representing a clear validation of our platform technology solution, as well as a significant commercial opportunity for Cynata. The Company received a US\$3m cash upfront fee, with a potentially lucrative future revenue stream through milestone payments of ~US\$43m plus royalties on eventual product sales. The endorsement also supports the continued commercialisation of Cymerus cell therapy products in further indications.

During the year, Cynata has continued to receive active commercial interest from a range of parties. In early FY20, Cynata announced a non-binding proposal from Sumitomo Dainippon regarding an acquisition of all of its shares at a price of \$2.00 per share in cash by way of a scheme of arrangement. While the parties withdrew from those discussions, we are pleased by the further commercial interest we are receiving and will continue to engage strategic parties to explore potential collaboration and partnering opportunities as they arise.

#### **Cynata is in a strengthened position to execute strategy and progress clinical development**

As our diverse clinical development pipeline advances, Cynata continues to build an impressive team, which has been strengthened by the recent addition of Dr Darryl Maher as an independent Non-Executive Director. Dr Maher's 23 years of experience in biopharmaceutical development and commercialisation at CSL Limited will be pivotal in Cynata's next stage of growth, and we are pleased to welcome him to the Board.

Cynata is in a robust financial position, with A\$13.65m in cash as at 30 June 2020. In April 2020, the Company made the prudent decision to raise ~\$A8.3m to support clinical development across multiple indications. We were extremely pleased with the resounding support received from investors during this time. Cynata is now in a strong position to progress development across existing indications and advance any opportunities to pursue new therapeutic targets to drive shareholder value.

At this point, I would like to thank Paul Wotton for his considerable contributions as the previous chair. Paul has a superb relevant background for Cynata and I am very happy he has agreed to continue to serve on the Company's board.

On behalf of the Board, I would also like to thank all our shareholders for their continued support as we develop our Cymerus technology to produce scalable cellular therapeutic products to treat serious and debilitating diseases. Our staff and partners have continued to show their unwavering dedication to Cynata during these challenging times and I am confident that another successful year lies ahead for us all.

Yours sincerely,



**Dr Geoff Brooke**  
Chairman



# CEO Letter

## Dear Shareholders,

From an operational standpoint, there were several key achievements for Cynata during the financial year ended 30 June 2020. In addition to completing the licence transaction with FUJIFILM for GvHD, and strengthening our balance sheet, we have received approval for three new clinical trials, and completed several further pre-clinical studies with compelling results, two of which have been published in leading peer-reviewed journals.

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In light of the industry-wide upheavals caused by the global pandemic, Cynata took the opportunity to assess and optimise its clinical development plans for the new environment.

### **Strong progress towards multiple clinical trials, despite COVID-19 impacts**

In June, we were pleased to receive approval from the University of Sydney Human Research Ethics Committee for the Phase 3 clinical trial of CYP-004 for osteoarthritis, which represents a significant milestone towards commencing recruitment of the trial. While initially described as a Phase 2 clinical trial, based on the size and impact of the expected clinical effect, it was reclassified as a Phase 3 trial. Additionally, Cynata and the University of Sydney (as sponsor of the trial) reached an agreement on an expedited regulatory pathway of this trial with the Therapeutic Goods

Administration. Despite the COVID-19 related restrictions resulting in patient recruitment being delayed, Cynata continues to prepare for the trial so that it is ready for enrolment as soon as possible. The trial, funded by an Australian Government grant, will showcase our manufacturing capability with 440-patients to be recruited, making it one of the largest ever MSC-based clinical trials.

In light of the industry-wide upheavals caused by the global pandemic, Cynata took the opportunity to assess and optimise its clinical development plans for the new environment. Following receipt of results in April 2020 that demonstrated beneficial effects of Cymerus MSCs in a pre-

clinical model of acute respiratory distress syndrome (ARDS), Cynata received rapid approval to undertake a clinical trial to investigate early efficacy of Cymerus MSCs in adults admitted into intensive care with COVID-19. This trial will build on Cynata's strong pre-clinical results across ARDS, sepsis and cytokine release syndrome (CRS), all of which represent significant hallmarks of a serious COVID-19 infection, as well as representing large unmet medical needs in their own right, beyond COVID-19. We are proud of our contributions thus far towards the global effort to develop effective treatments for patients infected with the virus. The capital raised earlier this year further places the Company in a strong position to continue working towards treating this debilitating disease.

Following the execution of FUJIFILM's licence agreement in GvHD earlier in FY20, Cynata continues to collaborate on the planning and start-up activities in preparation for the proposed Phase 2 clinical trial in GvHD, which is expected to commence in Japan towards the end of 2020.

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

Our Cymerus platform technology has multiple potential clinical applications, and it is our view that the most effective way to generate shareholder value across these applications is to access the capital, expertise and resources of large pharmaceutical

and biotech companies. As such, we continue to advance our vigorous partner outreach program and progress discussions with potential partners toward transactions that are sound and drive meaningful shareholder value. In parallel, Cynata continues to progress its broad preclinical and clinical pipeline, providing further data to drive potential strategic partnerships.

Cynata is well placed to continue its development and growth in FY21, building on its success in FY20, with various clinical trials advancing and a strong financial position to support future activity. The Company and its clinical advisors will continue to progress clinical trial start-up activities and carefully monitor the evolving global pandemic environment, so that patient recruitment into the upcoming trials can commence as soon as possible.

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 2020.

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

## Information about the directors

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



**Dr Geoff Brooke**  
MBBS, MBA

**Chairman**, joined the Board in May 2019 as Non-Executive Director and appointed Chairman on 18 August 2020. Dr Brooke co-founded GBS Venture Partners in 1996 and has more than 30 years' venture capital experience. He was formerly President of Medvest Inc., a US-based early-stage venture capital group he founded with Johnson & Johnson. Dr Brooke's experience includes company formation and acquisitions as well as public listings on NYSE, NASDAQ and

ASX exchanges. He is a non-executive director of Acrux Limited (ASX: ACR) and Chairman of Actinogen Medical Limited (ASX: ACW) and has been a founder, executive and director of private and public companies. From 2009 until 2015, Dr Brooke was an independent director of the Victoria Workcover Authority. Dr Brooke holds a Bachelor of Medicine/Surgery from Melbourne University and a Masters of Business Administration from IMEDE (now IMD) in Switzerland.



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

**Chief Executive Officer**, joined the Board in August 2013. Dr Macdonald has over 33 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**  
BSc (Hons), PhD

**Non-Executive Director**, joined the Board in August 2013 and was Executive Chairman until 28 February 2017. Dr Washer has over 27 years of CEO and board experience in medical technology and biotech companies. He is currently the Chairman of Emerald Clinics Ltd (ASX: EMD), Orthocell Ltd

(ASX: OCC) and a Director of Botanix Pharmaceuticals Ltd (ASX: BOT). Dr Washer was previously a Director of Zelira Therapeutics Ltd (formerly Zeldia Therapeutics Ltd) (ASX: ZLD) and AusBiotech and a Senator with Murdoch University.

## Directors' Report cont'd



**Dr Paul Wotton**  
MBA, PhD

**Non-Executive Director**, joined the Board in June 2016 and was Non-Executive Chairman from 28 February 2017 until 18 August 2020. Dr Wotton is the Chief Executive Officer of Obsidian Therapeutics, a leading synthetic biology company based in Cambridge, Massachusetts. Prior to this, he was the Founding President and CEO of Sigilon Inc. He was previously President and CEO of Ocata Therapeutics Inc. (NASDAQ: OCAT) guiding the company through a take-over by Astellas Pharma Inc., in a US\$379 million all cash transaction. Prior to Ocata, Dr Wotton had served as President and CEO of Antares Pharma Inc. (NASDAQ: ATRS) since October 2008. Prior to joining Antares, Dr Wotton was the CEO of Topigen Pharmaceuticals and prior to Topigen, he was the Global Head of Business Development of SkyePharma PLC. Dr Wotton held senior level

positions at Eurand International BV, Penwest Pharmaceuticals, Abbott Laboratories and Merck, Sharp and Dohme. Dr Wotton is a member of the Board and Governance Committee of Vericel Corporation, a US company developing autologous cellular therapies and a member of the board at PaxMedica where he is Chairman of the Compensation Committee. He was a member of the board of Veloxis Pharmaceuticals A/S and Chairman of the Compensation Committee, until its acquisition by Asahi Kasai in February 2020 in a \$1.3 Billion all cash transaction. He is also past Chairman of the Emerging Companies Advisory Board of BIOTEC Canada. Dr Wotton received his PhD in pharmaceutical sciences from the University of Nottingham. In 2014, he was named New Jersey EY Entrepreneur of the Year in Life Sciences.



**Dr Darryl Maher**  
MBBS, PhD

**Non-Executive Director**, joined the Board in June 2020. Dr Maher adds global biopharmaceutical and commercialisation capability to the Cynata board, with over 23 years' experience with CSL Limited. CSL is one of the world's most successful developers of biologic pharmaceutical products and has a market capitalisation of ~A\$130 billion. Dr Maher has had a long successful career in pharmaceutical product development, most recently as the former Vice President of R&D

and Medical Affairs at CSL Behring Australia where he was responsible for the development of multiple successful drug products from initiation through to clinical development and ultimately to commercialisation. Dr Maher undertook medical training, qualified as a specialist haematologist and completed a PhD before commencing his career in the pharmaceutical industry.



#### Mr Peter Webse

B.Bus, FGIA, FCIS, FCPA, MAICD

**Non-Executive Director**, joined the Board in May 2012. Mr Webse has over 28 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. Mr Webse resigned as Non-Executive Director on 30 June 2020.

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

- Dr Darryl Maher – appointed 16 June 2020
- Mr Peter Webse – resigned 30 June 2020

## Directorships of other listed companies

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

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

# Directors' Report cont'd

## 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 share No.	Share options No.
Paul Wotton	175,775	-
Ross Macdonald	2,070,050	-
Stewart Washer	2,224,856	-
Geoff Brooke	77,000	300,000
Darryl Maher	-	-

## 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

No options were granted to directors and senior management during the financial year ended 30 June 2020 (2019: 1,425,000). Subsequent to the year end,

a total of 1,100,000 options were issued to senior management.

## 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 May 2019	300,000	Ordinary	\$2.11	16 May 2024
Cynata Therapeutics Limited <sup>2</sup>	17 May 2019	1,425,000	Ordinary	\$1.75	16 May 2022
Cynata Therapeutics Limited <sup>3</sup>	19 Aug 2020	1,250,000	Ordinary	\$0.97	18 Aug 2024

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.

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

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

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

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are (2019: 7,018,802):

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Cynata Therapeutics Limited	150,000 <sup>i</sup>	Ordinary	\$153,300	-
Cynata Therapeutics Limited	900,000 <sup>ii</sup>	Ordinary	\$900,000	-
Cynata Therapeutics Limited	83,100 <sup>iii</sup>	Ordinary	-	-

i. Exercise of 50,000 unlisted 17 November 2019 options on 2 August 2019 and 100,000 unlisted 17 November 2019 on 11 November 2019.

ii. Exercise of 200,000 unlisted 17 July 2020 options in August 2019 and 700,000 unlisted 17 July 2020 options in September 2019.

iii. Cashless exercise of 400,000 unlisted 17 November 2019 options by Dr Wotton, Dr Macdonald and Mr Webse on 11 November 2019 in accordance with the terms and conditions using the cashless exercise mechanism.



# Directors' Report cont'd

## Directors' meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the

number of meetings attended by each director (while they were a director or committee member). During the financial year, 19 board meetings were held.

Directors	Board of Directors	
	Held	Attended
Paul Wotton	19	19
Ross Macdonald	19	19
Stewart Washer	19	17
Geoff Brooke	19	15
Darryl Maher	1	1
Peter Webse	19	19

## 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 34 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 \$2,510,462 (2019: \$1,308,552) and providing for income tax, amounted to \$3,639,100 (2019:

\$8,472,146). Further discussion on the Group's operations is provided below:

## Operational update

### FUJIFILM exercised licence option for GvHD and Phase 2 clinical trial planning underway

In September 2019, FUJIFILM exercised its option to an exclusive, worldwide licence to develop and commercialise Cynata's lead MSC product, CYP-001, for the prevention and treatment of GvHD in humans. In return, Cynata received US\$3m cash from FUJIFILM as an upfront fee and will potentially receive additional

future milestone and royalty payments totalling up to US\$43m, plus royalties on eventual product sales. All future product development and commercialisation activities will be financed by FUJIFILM.

FUJIFILM'S decision to exercise its licence option in GvHD is a clear validation of the Cymerus technology for manufacturing MSCs at scale.

Cynata continues to work collaboratively with FUJIFILM on the planning and start-up activities towards the proposed Phase 2 clinical trial in GvHD, which is expected to commence in Japan towards the end of 2020.

### Substantial progress made in Phase 3 Clinical Trial in Osteoarthritis

In June 2020, the Phase 3 clinical trial of CYP-004 for osteoarthritis was formally approved by the University of Sydney Human Research Ethics Committee, representing a key milestone towards commencing the recruitment of the trial. While originally described as a Phase 2 clinical trial, based on the size of the trial and the impact of the clinical effect being investigated, it was reclassified as a Phase 3 trial. Additionally, an agreement was reached on an expedited regulatory pathway for this trial. Following extensive discussions, the Therapeutic Goods Administration (TGA) advised that the trial can be conducted under the Clinical Trial Notification (CTN) scheme, which requires only submitting a notification to the TGA, as opposed to undergoing a potentially lengthy formal review and approval process.

This trial will assess 440 patients and is one of the largest ever conducted using MSCs. It is designed to assess the effect of Cymerus MSCs compared to placebo on clinical outcomes and knee joint structure in patients with osteoarthritis of the knee. The Cymerus product has the potential to favourably modify the progressively degenerative nature of osteoarthritis, giving Cynata an attractive competitive advantage in a very large market.

As a consequence of the COVID-19 pandemic, the Clinical Trial Support Office of the University of Sydney advised that the newly approved trial should not commence trial participant involvement (first visits) until further notice. This mirrors the situation for a very large proportion of clinical trials being conducted by biotech and pharmaceutical companies around the world. Cynata continues to work with the Chief Investigator, Professor David Hunter, to continue to prepare for the trial to be ready to commence enrolment as soon as possible.

## Review of operations

### Key Highlights

**FUJIFILM exercised licence option** for GvHD, with planning underway for a Phase 2 clinical trial expected to commence in 2020

**Ethics committee approval** and continued progress towards commencing recruitment in the Phase 3 osteoarthritis trial

**Ethics committee approval** to conduct a clinical trial in patients admitted to ICU with COVID-19, following positive pre-clinical results in ARDS, with Cynata taking this opportunity to optimise clinical development plans

**Approval received** from the UK Medicines and Healthcare products Regulatory Agency (MHRA) to proceed with a Phase 2 clinical trial of CYP-002 in patients with critical limb ischaemia (CLI)

**Continued to strengthen** the intellectual property surrounding Cymerus™ with a patent received from the Canadian Intellectual Property Office (CIPO)

**Strengthened the Cynata Board** to support Cynata's advancing clinical development with the appointment of Dr Darryl Maher as Non-executive Director

**Raised ~A\$8.3m in capital** through a Placement and SPP to accelerate product development

# Operating and Financial Review cont'd

## COVID-19 trial follows compelling pre-clinical results, with Cynata clinical development reassessed

In April 2020, Cynata announced compelling results demonstrating the beneficial effects of Cymerus MSCs in a pre-clinical model of ARDS, which is an inflammatory process that leads to the build-up of fluid in the lungs and is one of the most serious complications experienced by patients suffering from COVID-19. The study was conducted independently of Cynata and led by Professor John Fraser of the Critical Care Research Group, The Prince Charles Hospital, Brisbane. A scientific paper describing the findings was accepted for publication in the *American Journal of Respiratory and Critical Care Medicine (AJRCCM)*, which is widely regarded as the foremost peer-reviewed journal in the field of respiratory and critical care medicine.

Following these positive ARDS results, Cynata received ethics committee approval to commence a clinical trial to investigate Cymerus MSCs in adults admitted to intensive care with COVID-19. The trial will build on Cynata's strong pre-clinical study results not only in ARDS, but also in sepsis and CRS, which together are the leading causes of death in COVID 19 patients. This trial forms part of a broader strategy for Cynata to leverage increased interest to accelerate its development program and validate its technology.

In light of the global pandemic, Cynata and its clinical advisors took the opportunity to reassess its clinical development plans. It is the expectation that the pandemic will have a continued impact on potential recruitment for the critical limb ischemia (CLI) trial, due to the age and underlying conditions of the typical CLI patient. Consequently, although approval for a Phase 2 CLI trial has now been granted by the UK Medicines and Healthcare products Regulatory Agency, the Company determined that it would be imprudent to commence recruitment at this stage, and decided to re-direct its financial and operational resources to progress other opportunities, such as the COVID-19 trial. The Company believes it is now in a stronger position to productively advance its clinical development activities because of this strategy.

## Further compelling pre-clinical results accepted for publication

In September 2019, a scientific paper demonstrating the efficacy of Cymerus MSCs in a preclinical model of organ transplant rejection was accepted for publication in a leading peer-reviewed journal, *Stem Cell Research & Therapy*. Organ transplantation can be a life-saving procedure in patients with end-stage organ failure, but success rates are severely limited by rejection of the transplanted organ. Conducted at King Faisal Specialist Hospital Research Centre, the results point clearly to Cynata's MSC product being a potential option for immunosuppression in organ transplant recipients, with the conclusion that a clinical trial of Cymerus MSCs is warranted.

As noted above, a further scientific paper has been published in the *American Journal of Respiratory and Critical Care Medicine* describing the use of Cymerus MSCs in a pre-clinical model of ARDS. This adds to previously published papers regarding pre-clinical studies of Cymerus MSCs in models of CLI, GvHD and allergic airways disease. The publication of research like this provides important validation as well as raising awareness of Cynata's potential in a broad pipeline of indications.

## Strengthened IP through new Patent Grant

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 year 2020, the Company announced that the Canadian Intellectual Property Office (CIPO) had granted a patent covering Cynata's proprietary Cymerus MSC technology. The patent application is owned by the University of Wisconsin-Madison's Wisconsin Alumni Research Foundation (WARF) and is among the intellectual property licenced exclusively from WARF to Cynata.



### Strengthened Cynata Board

In June 2020, Cynata was pleased to announce the appointment of Dr Darryl Maher as an independent Non-Executive Director effective 16 June 2020. Dr Maher adds global biopharmaceutical development and commercialisation capability to the Cynata board, with over 23 years' experience with CSL Limited, one of the world's most successful developers of biologic pharmaceutical products. As the Vice President of R&D and Medical Affairs at CSL Behring Australia, Dr Maher was responsible for the development of multiple successful drug products from initiation through clinical development and ultimately to commercialisation. Dr Maher's expertise will be a valuable addition to Cynata as clinical phase development progresses.

### Raised capital to accelerate clinical development

During the year, Cynata successfully raised ~A\$8.3m through a A\$3.5m Placement and A\$4.8m Share Purchase Plan (SPP). Given the overwhelming support the Company received from shareholders to participate in the capital raise, the SPP cap was increased from A\$2.0m to ensure that existing shareholders would have an equitable opportunity to participate in the capital raising on the same terms as the Placement. Funds will be used to accelerate ongoing product development, to ensure Cynata is well placed to take advantage of further opportunities and to strengthen the Company's Balance Sheet.

Cynata also received a ~A\$2.5m R&D Tax Incentive Refund for the 2018/2019 financial year from the Australian Government as part of the program that refunds up to 43.5% of eligible expenditure on research and development. Furthermore, the Company also received a temporary cash flow boost of \$50,000, an initiative by the Australian Government to support organisations during the economic downturn associated with COVID-19.

## Outlook

Cynata's focus remains on advancing clinical trial development to provide clinical safety and efficacy data in support of potential treatments for patients with serious and debilitating diseases, with multiple clinical trials expected to commence in CY20. While exact timing for some trials remains uncertain due to the unprecedented impacts of COVID-19, there are numerous workstreams which are being progressed in the meantime to ensure that the Company is ready for patient recruitment once this crisis resolves.

The Phase 3 clinical trial in osteoarthritis, funded by the NHMRC, is expected to commence patient recruitment in CY20. The trial will take place at study centres in Sydney and Tasmania, and patients will be followed up for a total of two years from enrolment. This 440-patient study will showcase Cynata's ability to consistently manufacture high quality MSCs at scale and represents a significant commercial opportunity with the osteoarthritis market estimated to be worth ~US\$11.6bn.

The Phase 2 clinical trial in COVID-19 patients admitted to an ICU with COVID-19 and respiratory distress is expected to commence recruitment in the near term, subject to finalisation of relevant agreement with study centres and related practical matters. ARDS represents a significant unmet medical need beyond COVID-19 patients, and also provides a valuable opportunity with the treatment market estimated at ~US\$2.5bn. Given there is some uncertainty surrounding timing of patient recruitment, it is premature to provide a reliable estimate of recruitment rate and trial duration, however the current expectation is that the trial will complete within 6-12 months. To ensure timely completion of this clinical trial the Company is now working on completing all the essential trial start-up activities and considering multiple strategies, including the potential to expand the trial to other jurisdictions.

Plans for patient recruitment for the CLI Phase 2 trial have been put on hold given the current situation

## Operating and Financial Review cont'd

and widespread clinical trial restrictions now in place globally. The age and underlying conditions of the typical CLI patient has led Cynata and its clinical advisors to conclude that it would be imprudent to commence recruitment in this trial while the pandemic is still evolving. The situation will be continually assessed as the restrictions associated with COVID-19 are relaxed.

The Company also continues to work with its licence partner, FUJIFILM, to progress the planned Phase 2 clinical trial in GvHD. Beyond the upfront licence

fee already received, the partnership also offers potentially lucrative future revenue streams through milestone payments and royalties that could be worth more than A\$100m. The nearest milestone is on completion of the Phase 2 clinical trial, when a milestone payment of US\$2m will be due to Cynata. The Phase 2 trial is expected to commence this calendar year. All costs associated with the further development of CYP-001 for GvHD are being met by FUJIFILM under the terms of the licence agreement.

### Financial position

The net assets of the Group have increased by \$5,819,638 to \$16,791,104 in 2020 (2019: \$10,971,466).

### Changes in state of affairs

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





## Subsequent events

On 20 July 2020, the Company confirmed the expiry of 1,340,557 unlisted options, having an exercise price of \$1.00 each and an expiry date of 17 Jul 2020.

On 5 August 2020, the Company announced the expiry of 100,000 unlisted options, having an exercise price of \$0.88 each and an expiry date of 4 August 2020.

On 6 August 2020, Dr Stewart Washer repaid \$300,000 of his director loan, thereby fully discharging the loan.

On 14 August 2020, Dr Ross Macdonald repaid \$100,000 of his director loan, leaving a balance of \$200,000.

On 19 August 2020, 1,000,000 options were issued to Dr Kilian Kelly and 100,000 options to Dr Suzanne Lipe pursuant to Cynata's Employee Option Acquisition Plan. The options are exercisable at \$0.97 and expire on 18 August 2024.

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

## Future developments, prospects and business strategies

Cynata is well positioned in the regenerative medicine space, with its proprietary therapeutic stem cell platform technology Cymerus providing the ability to consistently manufacture high quality MSCs at scale from a single donor and from a single donation. This unique technology overcomes many of the manufacturing challenges, particularly in assuring product consistency, associated with the conventional process which involves deriving MSC products from multiple tissue donations (e.g. bone marrow) from multiple donors.

The clinically important 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. The data generated in that trial has enabled Cynata to advance to Phase 2

clinical trials not only in GvHD (through licence partner FUJIFILM, expected to commence in Japan towards the end of 2020) but also in other indications such as CLI, COVID-19 associated ARDS and osteoarthritis (Phase 3).

The endorsement by FUJIFILM further supports the continued commercialisation of cell therapeutic products in other indications which are available to be licenced, such as CLI and osteoarthritis. The Company believes the most effective way to generate shareholder value is to access the capital, expertise and resources of large pharmaceutical and biotech companies. As such, we continue to advance the partner outreach program and progress discussion with potential partners that have a commercial interest in accessing Cynata's technologies.

## Environmental regulations

The Group's operations are not affected significantly by 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 2020.

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

## Contents

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

- 1. Key management personnel**
- 2. Remuneration policy**
  - (a) Non-executive director remuneration
  - (b) Executive director remuneration
  - (c) Equity settled compensation
- 3. Relationship between the remuneration policy and Company performance**
- 4. Remuneration of key management personnel**
  - (a) Bonus and share-based payments granted as compensation for the current financial year
    - (i) Bonuses
    - (ii) Incentive share-based payment arrangements
- 5. Key terms of employment contracts**
- 6. Key management personnel with loans above \$100,000 in the reporting period**
- 7. Key management personnel equity holdings**

## 1. Key management personnel

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

Non-executive directors	Position
Dr Geoff Brooke <sup>1</sup>	Non-executive chairman
Dr Stewart Washer	Non-executive director
Mr Peter Webse (resigned on 30 June 2020)	Non-executive director
Dr Paul Wotton <sup>2</sup>	Non-executive director
Dr Darryl Maher (appointed on 16 June 2020)	Non-executive director

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

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

- 1 Appointed as non-executive Chairman on 18 August 2020. Dr Brooke was appointed as a non-executive director on 17 May 2019.
- 2 Reverted to non-executive director on 18 August 2020. Dr Wotton was appointed as non-executive Chairman on 28 February 2017.

# Remuneration Report (audited) cont'd

## 2. Remuneration policy

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

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

Remuneration consists of:

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

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

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

As at the date of this report, the Company has two executives – the Chief Executive Officer and the Chief Operating Officer, four non-executive directors and

one Vice President, Alliance Management. As set out below, total remuneration costs for the 2020 financial year were \$1,640,514 up from \$1,371,874 for the previous financial year.

### (a) Non-executive Director Remuneration

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

Non-executive directors receive a superannuation guarantee contribution required by the government, which was 9.5% in the 2019/2020 financial year and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their fees to increase payments towards superannuation.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines, subject to shareholder approval, payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The Board has engaged an independent consultant to undertake a review of long-term incentive plans and remuneration of board members across the Australian listed biotechnology sector and this was used to benchmark remuneration received by directors.

### (b) Executive Director Remuneration

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

### Executive Remuneration Objectives

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

Fixed Remuneration	Short-Term Incentives	Long-Term Incentives
Set based on relevant market relativities, performance, qualifications, experience, and location.	Set by reference to Company and individual stretch performance targets relevant to the specific position.	Realisation dependent upon total shareholder return.

### Delivery

Base salary including superannuation.	Payable in cash following review of performance against Key Result Areas (KRAs) and subject to Board discretion.	Eligible executives may participate in the Company's equity-based incentive scheme subject to Board discretion. Equity options are issued under the Company's EOAP at a premium to the underlying market value of shares and typically vest over a 3-year period.
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### Strategic Intent

Generally guided by the median compared to relevant market-based data taking into consideration expertise and performance in roles.	Directed at achieving short-term KRAs. Fixed Remuneration plus STI to be positioned competitively when compared to groups of similar companies.	LTI is intended to align executive performance with the Company's long-term strategy and shareholders' interests.
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Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so.

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

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

the financial year ended 30 June 2020. However, the Board has engaged an independent consultant, Wexford Hayes Pty Ltd to undertake a review of long-term incentives plans and remuneration of board members and executives across the Australian listed biotechnology sector and this was used to benchmark remuneration received by executives. An amount of \$11,000 was paid to the independent consultant to conduct the review. Wexford Hayes Pty Ltd is an independent company based in Sydney, Australia and the Board is satisfied that the review was made free from undue influence by the members of the Board.

# Remuneration Report (audited) cont'd

## Performance Measurement

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

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

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

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

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

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


## (c) Equity Settled Compensation

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

## 3. Relationship between the Remuneration Policy and Company Performance

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

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five (5) years to 30 June 2020:



	30 June 2020	30 June 2019	30 June 2018	30 June 2017	30 June 2016
	\$	\$	\$	\$	\$
Other income	7,153,903	1,569,103	1,518,060	1,843,105	1,247,397
Net loss before tax	3,639,100	8,472,146	4,566,134	4,553,536	4,939,471
Net loss after tax	3,639,100	8,472,146	4,566,134	4,553,536	4,939,471
Share price at start of year	1.245	1.365	0.61	0.31	0.93
Share price at end of year	0.610	1.245	1.365	0.61	0.31
Basic/diluted loss per share (cents)	3.48	8.48	5.04	5.69	6.82

#### 4. Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Share-based payment	Value of options as proportion of remuneration	
	Salary & fees	Cash bonus	Others	Super-annuation	Options	Total	
	\$	\$	\$	\$	\$	\$	%
<b>2020</b>							
<b>Directors</b>							
P. Wotton	110,000	-	-	-	-	110,000	-
R. Macdonald <sup>3</sup>	361,250	69,525	(1,609)	25,000	-	454,166	-
S. Washer	50,228	-	-	4,772	-	55,000	-
P. Webse <sup>4,5</sup>	55,000	-	85,000	-	-	140,000	-
G. Brooke	55,000	-	-	-	52,884	107,884	49.02%
D.Maher <sup>6</sup>	2,093	-	199	-	-	2,292	-
<b>Other KMP</b>							
K. Kelly <sup>3</sup>	300,000	39,000	3,195	25,000	104,653	471,848	22.18%
S. Lipe <sup>3,7</sup>	170,776	22,440	8,247	16,224	81,637	299,324	27.27%
<b>Total</b>	<b>1,104,347</b>	<b>130,965</b>	<b>95,032</b>	<b>70,996</b>	<b>239,174</b>	<b>1,640,514</b>	<b>14.58%</b>

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

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

5 Resigned 30 June 2020.

6 Appointed 16 June 2020.

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

## Remuneration Report (audited) cont'd

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

	Short-term employee benefits			Post-employment benefits	Share-based payment		Value of options as proportion of remuneration
	Salary & fees	Cash bonus	Other	Super-annuation	Options	Total	
2019	\$	\$	\$	\$	\$	\$	
<b>Directors</b>							
P. Wotton	100,833	-	-	-	71,333	172,166	41.43%
R. Macdonald <sup>8</sup>	361,250	84,589	6,078	25,000	-	476,917	-
S. Washer	46,043	-	-	4,374	-	50,417	-
P. Webse <sup>9</sup>	50,417	-	50,000	-	-	100,417	-
G. Brooke <sup>10</sup>	6,801	-	-	-	45,467	52,268	86.99%
J. Chiplin <sup>11</sup>	43,952	-	-	-	-	43,952	-
<b>Other KMP</b>							
K. Kelly <sup>12</sup>	278,831	49,563	5,602	24,965	89,976	448,937	20.04%
S. Lipe <sup>13</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>222,453</b>	<b>1,371,874</b>	<b>16.22%</b>

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.

- 8 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.
- 9 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.
- 10 Appointed 17 May 2019.
- 11 Resigned 17 May 2019.
- 12 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.
- 13 Appointed 10 June 2019. The amount of \$856 in 'Other' represents accrued annual leave in accordance with AASB 119 Employee Benefits.

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

**(i) Bonuses**

Cash bonuses of \$84,589 to Dr Macdonald and \$49,563 to Dr Kelly were paid during the financial year. These amounts were accrued in the 2019 accounts.

A performance bonus entitlement of \$69,525 for Dr Macdonald, \$39,000 for Dr Kelly and \$22,440 for Dr Lipe were accrued in the 2020 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 2020.

No other cash bonuses were granted to key management personnel during 2020.

**(ii) Incentive share-based payments arrangements**

As at the date of this report, the following share-based payment arrangements were in existence:

Option series	Number	Grant date	Expiry date	Exercise price fair value	Grant date	Vesting date
1*	300,000	17 May 2019	16 May 2024	\$2.110	\$0.3838	Various
2**	1,425,000	17 May 2019	16 May 2022	\$1.750	\$0.3038	Various

\* Unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director. 200,000 options have vested and the remaining 100,000 options vest 24 months from grant date.

\*\* Unlisted options issued to employees of the Company pursuant to an Employee Option Acquisition Plan. 950,000 options have vested and the remaining 475,000 vest in 24 months from grant date.

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.

No share options were granted to key management personnel during the current financial year.

During the financial 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	Value of options exercised (ii)
			\$	\$
R. Macdonald	200,000	41,550	(i)	53,807
P. Webse	100,000	100,000	102,200	73,800
P. Webse	100,000	20,775	(i)	26,903
P. Wotton	100,000	20,775	(i)	26,903

(i) Cashless exercise of unlisted 17 November 2019 options in accordance with the terms and conditions using the cashless exercise mechanism.

(ii) The value of options exercised during the year is calculated as the market price of the shares of the Company on the exercise date after deducting the price paid to exercise the options.



# Remuneration Report (audited) cont'd

## 5. Key terms of employment contracts

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



Employee/Director	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Geoff Brooke	Effective 18 August 2020, Dr Brooke was appointed as non-executive Chairman with a fee of \$110,000 per annum inclusive of statutory superannuation and excluding GST. During the financial year 2020, Dr Brooke was paid a fee of \$55,000 for his role as non-executive director.	N/A	The appointment may be terminated if Dr Brooke gives notice of resignation and the appointment may be terminated immediately if Dr Brooke becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Darryl Maher	A fee of \$55,000 per annum inclusive of statutory superannuation.	N/A	The appointment may be terminated if Dr Maher gives notice of resignation and the appointment may be terminated immediately if Dr Maher becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Kilian Kelly	A salary of \$325,000 per annum including superannuation.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 20% of the annual salary and based on attainment of agreed performance indicators.  The Company may (but is not bound to) pay additional performance-based remuneration.	The contract may be terminated by either party providing 3 months' notice.

## Remuneration Report (audited) cont'd

Employee/Director	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Suzanne Lipe	A salary of \$176,000 per annum inclusive of statutory superannuation. Dr Lipe is employed on a part-time (0.8 FTE) basis. As from 1 April 2020 and for a period of 9 months ended 31 December 2020, Dr Suzanne's employment was temporarily varied to full time basis with a salary of \$220,000 per annum inclusive of superannuation.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 20% of the annual salary and based on attainment of agreed performance indicators.	The contract may be terminated by either party 3 months' notice.
Mr Peter Webse	In the FY2020, services as non-executive director and Company Secretary were provided through Platinum Corporate Secretariat Pty Ltd ("Platinum"). Platinum was 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. Effective, 1 July 2020 and pursuant to a varied consultancy agreement, Platinum is paid a fee of \$8,500 (exc. GST) per month for the provision of company secretarial services. The varied agreement is subject to 3 months' notice of termination. Mr Webse resigned as a director of Cynata on 30 June 2020.	N/A	The varied agreement is subject to 3 months' notice of termination.

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

The Company has provided 2 of its key management personnel with loans at rates comparable to the average commercial rate of interest. The loans to key management personnel are full recourse loans and unsecured. The loans carry a simple interest rate

of 5.20% per annum, interest is paid annually and accrued daily.

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

Name	Balance at 1/7/2019 \$	Interest charged \$	Allowance for doubtful receivables \$	Balance at 30/6/2020 \$	Highest loan balance during the period (ii) \$
R. Macdonald (i)	730,246	31,052	-	325,336	733,261
S. Washer (i)	935,773	45,347	-	334,320	947,569

(i) At a General Meeting of shareholders held on 12 September 2018, shareholders of Cynata approved the financial assistance and financial benefit provided to Dr Macdonald and Dr Washer or their nominees as constituted by the making of a director loan of \$900,000 each to Dr Macdonald and Dr Washer solely for the purpose of funding the exercise of 2,500,000 unlisted options each at \$0.40 having an expiry date of 27 September 2018. During the financial year ended 30 June

2020, Dr Macdonald repaid \$437,962 (2019: \$200,000) of his loan which included \$37,962 accrued interest and Dr Washer repaid \$646,800 (2019: \$nil) of his loan which included \$46,800 accrued interest. The accrued interest paid by Dr Macdonald and Dr Washer is the interest due and payable on the first anniversary of the loans. At 30 June 2020, neither of the loans were impaired.

(ii) Includes interest.

## 7. Key management personnel equity holdings

### Fully paid ordinary shares of Cynata Therapeutics Limited

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

(i) Appointed 16 June 2020

(ii) Resigned 30 June 2020

# Remuneration Report (audited) cont'd

## Fully paid ordinary shares of Cynata Therapeutics Limited

	Balance at 1 July 2018	Granted as compensation	Received on exercise of options	Balance at resignation	Balance at 30 June 2019
2019	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.

## Share options of Cynata Therapeutics Limited

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

(i) Appointed 16 June 2020

(ii) Resigned 30 June 2020

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

## Share options of Cynata Therapeutics Limited

	Balance at 1 July 2018	Granted as compensation	Exercised	Balance at resignation	Balance at 30 June 2019	Balance vested at 30 June 2019	Vested and exercisable	Options vested during year
2019	No.	No.	No.	No.	No.	No.	No.	No.
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.

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

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

### This is the end of the audited remuneration report

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

On behalf of the directors,



**Dr Ross Macdonald**

Managing Director/Chief Executive Officer

Melbourne,

25 August 2020

# Auditor's Independence Declaration

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia  
Level 2, 1 Walker Avenue  
West Perth WA 6005  
Australia  
Tel: +61 8 9481 3188  
Fax: +61 8 9321 1204  
ABN: 84 144 581 519  
www.stantons.com.au

25 August 2020

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 2020, 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

Liability limited by a scheme approved  
under Professional Standards Legislation

Member of Russell Bedford International



# Independent Auditor's Report

Stantons International Audit and Consulting Pty Ltd  
trading as

**Stantons International**  
Chartered Accountants and Consultants

PO Box 1908  
West Perth WA 6872  
Australia

Level 2, 1 Walker Avenue  
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## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYNATA THERAPEUTICS LIMITED

### Report on the Audit of the Financial Report

#### Our Opinion

We have audited the financial report of Cynata Therapeutics Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, 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 2020 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.

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# Independent Auditor's Report cont'd

**Stantons International**

## Key Audit Matters

## How the matter was addressed in the audit

### Carrying value of intangible assets, amortisation and impairment

At 30 June 2020, the Group had intangibles with a carrying value of \$2,972,495. The intangible assets are considered a Key Audit Matter as they represent around 18% of the net assets of the Group.

Cynata Therapeutics acquired intangible assets (patents) through the acquisition of a subsidiary. Under AASB 138 *Intangible Assets* and AASB 136 *Impairment of Assets*, the Group is required to assess whether there are any indicators of impairment, and if so, perform an impairment review of the intangible assets at least annually.

Our audit procedures included, inter alia, the following:

- i. A review of the ASX announcements and Minutes of the Board of Directors minutes to obtain an understanding of the significant activities undertaken by the Group during the year;
- ii. An audit of the Group's patent register to obtain reasonable assurance any patents that have expired are written off;
- iii. Review of management's assessment of the carrying value of the patents and assessing the appropriateness and relevance of information provided to justify the carrying value of the patents;
- iv. Discussing the operational strategies and potential investments in the Company by other parties with management to obtain further understanding as to the basis of the assumptions used to justify carrying forward the patents.
- v. Checking the amortisation charge to ensure that the patents are being amortised over the 20-year patents' life; and
- vi. Evaluating the adequacy of the disclosures (Note 11) to the financial statements.

### Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2020 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.



## Stantons International

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.

## Independent Auditor's Report cont'd

### Stantons International

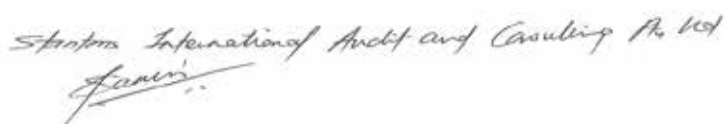
#### **Report on the Remuneration Report**

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2020. 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 2020 complies with section 300A of the *Corporations Act 2001*.

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

A handwritten signature in dark ink, appearing to read 'Samir R Tirodkar', is written over a faint, stylized background that resembles the company name 'Stantons International Audit and Consulting Pty Ltd'.

#### **Samir R Tirodkar**

Director  
West Perth, Western Australia  
25 August 2020

# 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,

25 August 2020

# Financial Statements

# Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2020

	Note	Year ended	
		30 June 2020	30 June 2019
		\$	\$
Interest income	6	142,350	260,551
Other income	6	7,011,553	1,308,552
<b>Total revenue and other income</b>		<b>7,153,903</b>	<b>1,569,103</b>
Product development costs		(5,919,531)	(5,652,119)
Employee benefits expenses	7	(1,194,809)	(949,151)
Amortisation expenses	11	(280,732)	(279,965)
Share based payment expenses	7	(388,236)	(904,308)
Other expenses	7,16	(3,009,695)	(2,255,706)
<b>Loss before income tax</b>		<b>(3,639,100)</b>	<b>(8,472,146)</b>
Income tax expense	8	-	-
<b>Loss for the year</b>	7	<b>(3,639,100)</b>	<b>(8,472,146)</b>
<b>Other comprehensive income, net of income tax</b>			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	-
<b>Other comprehensive income for the year, net of income tax</b>			-
<b>Total comprehensive loss for the year</b>		<b>(3,639,100)</b>	<b>(8,472,146)</b>
<b>Loss for the year attributable to:</b>			
Owners of Cynata Therapeutics Limited		(3,639,100)	(8,472,146)
<b>Total comprehensive loss for the year attributable:</b>			
Owners of Cynata Therapeutics Limited		(3,639,100)	(8,472,146)
<b>Loss per share:</b>			
Basic and diluted (cents per share)	9	(3.48)	(8.48)

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

# Consolidated statement of financial position

## as at 30 June 2020

	Note	30 June 2020 \$	30 June 2019 \$
<b>Current assets</b>			
Cash and cash equivalents	21	13,649,644	6,977,390
Trade and other receivables	10	16,965	67,044
Prepayments		184,080	286,064
<b>Total current assets</b>		<b>13,850,689</b>	<b>7,330,498</b>
<b>Non-current assets</b>			
Intangibles	11	2,972,495	3,253,227
Loans receivable	14	657,656	1,666,019
<b>Total non-current assets</b>		<b>3,630,151</b>	<b>4,919,246</b>
<b>Total assets</b>		<b>17,480,840</b>	<b>12,249,744</b>
<b>Current liabilities</b>			
Trade and other payables	12	634,754	1,236,983
Provisions	13	54,982	41,295
<b>Total current liabilities</b>		<b>689,736</b>	<b>1,278,278</b>
<b>Total liabilities</b>		<b>689,736</b>	<b>1,278,278</b>
<b>Net assets</b>		<b>16,791,104</b>	<b>10,971,466</b>
<b>Equity</b>			
Issued capital	15	57,165,390	47,987,688
Option reserves	16.1	4,782,446	4,501,410
Foreign currency translation reserve	16.2	4,724	4,724
Accumulated losses		(45,161,456)	(41,522,356)
<b>Total equity</b>		<b>16,791,104</b>	<b>10,971,466</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 2020

	Issued Capital	Option Reserve	Foreign currency translation reserve	Accum- ulated losses	Total
2018-2019	\$	\$	\$	\$	\$
Balance at 1 July 2018	44,191,746	4,240,602	4,724	(33,050,210)	15,386,862
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 (refer to note 15)	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>
2019-2020	\$	\$	\$	\$	\$
Balance at 1 July 2019	47,987,688	4,501,410	4,724	(41,522,356)	10,971,466
Loss for the year	-	-	-	(3,639,100)	(3,639,100)
Other comprehensive income for the year, net of tax	-	-	-	-	-
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(3,639,100)</b>	<b>(3,639,100)</b>
Issue of ordinary shares (refer to note 15)	9,695,626	-	-	-	9,695,626
Share issue costs	(517,924)	-	-	-	(517,924)
Share based payments (refer to note 16.1)	-	281,036	-	-	281,036
<b>Balance at 30 June 2020</b>	<b>57,165,390</b>	<b>4,782,446</b>	<b>4,724</b>	<b>(45,161,456)</b>	<b>16,791,104</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 2020

		Year ended	
		30 June 2020	30 June 2019
	Note	\$	\$
<b>Cash flows from operating activities</b>			
Grants and other income received		51,459	-
Payments to suppliers and employees		(3,894,444)	(3,192,273)
Interest received		83,590	188,903
Research and development tax refund received		2,510,462	1,308,552
Fujifilm Option Licence Fee received		4,227,151	-
Development costs paid		(6,365,897)	(5,064,259)
Net cash (used in) operating activities	21	(3,387,679)	(6,759,077)
<b>Cash flows from financing activities</b>			
Proceeds from issue of equity instruments of the Company		9,382,110	1,405,929
Payment for share issue costs		(406,924)	(75,514)
Repayment by related parties	14	1,084,762	200,000
Net cash provided by financing activities		10,059,948	1,530,415
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,672,269</b>	<b>(5,228,662)</b>
Cash and cash equivalents at the beginning of the year		6,977,390	12,206,040
Effects of exchange rate changes on the balance of cash held in foreign currencies		(15)	12
<b>Cash and cash equivalents at the end of the year</b>	<b>21</b>	<b>13,649,644</b>	<b>6,977,390</b>

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



# Notes

Notes to the consolidated financial statements  
for the year ended 30 June 2020

## 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 its operations and effective for an accounting period that begins on or after 1 July 2019.

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

#### AASB 16 Leases

AASB 16 introduces new or amended requirements with respect to lease accounting. It introduces

significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases with low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

#### AASB 2018-3 Amendments to Australian Accounting Standards – Reduced Disclosure Requirements

AASB 2018-3 establishes the disclosure requirements of AASB 16 Leases in financial statements prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (RDR).

#### Interpretation 23 Uncertainty over Income Tax Treatments and AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments

Interpretation 23 sets out how to determine the accounting tax position when there is uncertainty over income tax treatments.

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

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

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

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022

## 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 25 August 2020.

### 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

## Significant accounting policies cont'd

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.

# Significant accounting policies cont'd

## 3.6 Revenue recognition

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

### 3.6.1 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.

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



### 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 payment arrangements

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

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

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

instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

### 3.11 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

## Significant accounting policies cont'd

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.

# Significant accounting policies cont'd

## Classification and measurement

### FINANCIAL ASSETS

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

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

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

Classifications are determined by both:

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

#### Financial assets at amortised cost

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

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

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

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

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

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

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

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

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

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

### FINANCIAL LIABILITIES

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

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

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

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

#### IMPAIRMENT

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

### 3.16 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 Leases

#### The Group as a lessee

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent

## Significant accounting policies cont'd

measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

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

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

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

### 3.18 Comparative amounts

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

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

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

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

### 4.1 Key sources of estimation uncertainty

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

During the year, the directors reconsidered the recoverability of the Group's intangible assets arising from the acquisition of Cynata Incorporated, which is included in the consolidated statement of financial position at 30 June 2020 with a carrying value of \$2,972,495 (2019: \$3,253,227) 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 \$280,732 for the year ended 30 June 2020 (2019: \$279,965).

The directors performed an impairment testing and concluded that no further impairment of the intangible assets is required for the year (2019: nil).

#### 4.1.2 Share-based payment transactions

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

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

## 5. Segment information

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

has therefore decided to aggregate all its reporting segments into one reportable operating segment.

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

## 6. Interest income and other income

	2020 \$	2019 \$
<b>Interest income</b>		
Interest income	65,951	194,532
Accrued interest on directors' loans (refer to note 14)	76,399	66,019
	142,350	260,551
<b>Other income</b>		
R&D rebate	2,510,462	1,308,552
Other income/grants (i)	4,501,091	-
	7,011,553	1,308,552

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



## 7. Loss for the year

	2020	2019
	\$	\$
Loss for the year has been arrived at after charging the following items of expenses:		
<b>Employee benefits expenses</b>		
Wages and salaries	1,102,057	869,584
Superannuation expenses	79,065	59,023
Leave entitlements	13,687	20,544
Total employee benefits expenses (i)	1,194,809	949,151
<b>Share-based payment expenses</b>	388,236	904,308
<b>Other expenses</b>		
Share register fees	62,633	15,674
Director fees	277,289	252,419
Legal costs	888,547	653,685
Investor/public relations	472,740	581,352
Corporate advisors	198,897	243,521
Other administrative expenses	606,556	528,937
Foreign tax withheld (ii)	222,482	-
Effect of foreign exchange	280,551	(19,881)
Total other expenses	3,009,695	2,255,707

- (i) Excludes amounts charged to product development costs.
- (ii) This represents US\$150,000 being the Japanese 5% withholding tax from the option fee received from FUJIFILM Corporation. The Group expensed the withholding tax as recoverability of this tax is not certain.

## 8. Income taxes relating to continuing operations

### 8.1 Income tax recognised in profit or loss

	2020	2019
	\$	\$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2020	2019
	\$	\$
Loss before tax from continuing operations	(3,639,100)	(8,472,146)
Income tax expense calculated at 27.5% (2019: 27.5%)	(1,000,753)	(2,329,840)
Tax effect of R&D rebate received	(690,377)	(359,852)
Effect of expenses that are not deductible in determining taxable income	1,906,239	2,169,214
Effect of unused tax losses not recognised as deferred tax assets	(215,109)	520,478
	-	-

### 8.2 Income tax recognised directly in equity

	2020	2019
	\$	\$
<b>Current tax</b>		
Share issue costs	-	-
<b>Deferred tax</b>		
Arising on transactions with owners:		
Share issue costs deductible over 5 years	-	-
	-	-

### 8.3 Unrecognised deferred tax assets in relation to:

	2020	2019
	\$	\$
Unused tax losses (revenue) for which no deferred tax assets have been recognised (i)	5,978,841	6,011,237
Other	107,904	134,011
	6,086,745	6,145,248

# Income taxes relating to continuing operations cont'd

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

	2020 \$	2019 \$
Intangibles	(817,436)	(894,638)
Other	(52,294)	(85,190)
	(869,730)	(979,828)

<b>Net deferred tax assets</b>	<b>5,217,015</b>	<b>5,165,420</b>
--------------------------------	------------------	------------------

- (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

	2020 ¢ / share	2019 ¢ / share
Basic and diluted loss per share (cents per share)	(3.48)	(8.48)

### 9.1 Basic and diluted loss per share

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

	2020 \$	2019 \$
Loss for the year attributable to owners of the Company	(3,639,100)	(8,472,146)

	2020 \$	2019 \$
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	104,510,253	99,913,217

## 10. Trade and other receivables

	2020	2019
	\$	\$
Deposits made	3,568	3,568
Other receivables	13,397	63,476
	16,965	67,044

## 11. Intangibles

	2020	2019
	\$	\$
Carrying value at beginning of year (i)	3,253,227	3,533,192
Amortisation (ii)	(280,732)	(279,965)
Net book value of research and development at end of year	2,972,495	3,253,227

(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 \$280,732 has been recognised in profit or loss (2019: \$279,965). Refer to note 3.13 for more information on the Group's accounting policy on intangibles and amortisation.

Cost	2020	2019
	\$	\$
Balance at 1 July	4,821,799	4,821,799
Additions	-	-
Disposals	-	-
Balance at 30 June	4,821,799	4,821,799

Accumulated amortisation	2020	2019
	\$	\$
Balance at 1 July	1,568,572	1,288,607
Amortisation expense	280,732	279,965
Balance at 30 June	1,849,304	1,568,572

## 12. Trade and other payables

	2020	2019
	\$	\$
Trade payables	297,359	790,964
Accrued expenses	337,395	446,019
	634,754	1,236,983

## 13. Provisions

	2020	2019
	\$	\$
Provisions for employee entitlements	54,982	41,295

## 14. Loans receivable

	2020	2019
	\$	\$
Balance at beginning of year (i)	1,666,019	1,800,000
Interest accrued (ii)	76,399	66,019
Repayments by related parties (iii)	(1,084,762)	(200,000)
Balance at end of year	657,656	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 paid \$100,000 in cash on exercise of the options. The loans provided are full recourse loans and unsecured. At 30 June 2020, neither of the loans were impaired.

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

(iii) During the financial year ended 30 June 2020, Dr Macdonald repaid \$437,962 (2019: \$200,000) of his loan which included \$37,962 accrued interest and Dr Washer repaid \$646,800 (2019: \$nil) of his loan which \$46,800 represents accrued interest. The accrued interest paid by Dr Macdonald and Dr Washer is the interest due and payable on the first anniversary of the loans. Subsequent to the year end, Dr Washer repaid \$300,000, thereby fully discharging his loan and Dr Macdonald repaid \$100,000, leaving a balance of \$200,000.

## 15. Issued capital

	2020	2019
	\$	\$
117,124,004 fully paid ordinary shares (2019: 101,885,053)	57,165,390	47,987,688

	30 June 2020		30 June 2019	
Fully paid ordinary shares	No.	\$	No.	\$
Balance at beginning of year	101,885,053	47,987,688	95,066,251	44,191,746
Exercise of share options (i)	50,000	51,100	-	-
Exercise of share options (ii)	200,000	200,000	-	-
Exercise of share options (iii)	700,000	700,000	-	-
Exercise of share options (iv)	100,000	102,200	-	-
Exercise of share options (v)	83,100	107,199	-	-
Share placement (vi)	5,312,085	3,187,251	-	-
Share placement (vii)	569,251	341,551	-	-
Issue of shares (viii)	8,000,014	4,800,009	-	-
Issue of shares (ix)	224,501	206,316	-	-
Exercise of share options (x)	-	-	60,000	60,000
Exercise of share options (xi)	-	-	477,373	643,500
Exercise of share options (xii)	-	-	55,000	55,000
Exercise of share options (xiii)	-	-	5,000,000	2,000,000
Exercise of share options (xiv)	-	-	100,000	102,200
Exercise of share options (xv)	-	-	336,429	336,429
Exercise of share options (xvi)	-	-	100,000	102,200
Exercise of share options (xvii)	-	-	300,000	159,000
Exercise of share options (xviii)	-	-	340,000	340,000
Exercise of share options (xix)	-	-	50,000	51,100
Share issue costs	-	(517,924)	-	(53,487)
<b>Balance at end of the year</b>	<b>117,124,004</b>	<b>57,165,390</b>	<b>101,885,053</b>	<b>47,987,688</b>

- |   |   |
|---|---|
| <p>(i) Exercise of unlisted 17 November 2019 options at \$1.022 each on 2 August 2019.</p> <p>(ii) Exercise of unlisted 17 July 2020 options at \$1.00 each during the month of August 2019.</p> <p>(iii) Exercise of unlisted 17 July 2020 options at \$1.00 each during the month of September 2019.</p> <p>(iv) Exercise of unlisted 17 November 2019 options at \$1.022 each on 11 November 2019.</p> | <p>(v) Cashless exercise of unlisted 17 November 2019 options by Dr Paul Wotton, Dr Ross Macdonald and Mr Peter Webse on 11 November 2019.</p> <p>(vi) Issue of shares to US investors pursuant to a Placement to raise US\$2,000,000 (converted to A\$ at a rate of 0.6275) at A\$0.60 per share on 24 April 2020.</p> <p>(vii) Issued shares pursuant to a Placement at \$0.60 per share on 1 May 2020.</p> |
|---|---|

## Issued capital cont'd

- (viii) Issued shares pursuant to a Share Purchase Plan at \$0.60 per share on 2 June 2020.
- (ix) Issue of shares at \$0.919 per share on 10 June 2020 to a third party for the completion of corporate services.
- (x) Exercise of unlisted 17 July 2020 options at \$1.00 each on 6 July 2018.
- (xi) 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.
- (xii) Exercise of unlisted 17 July 2020 options at \$1.00 each on 16 July 2018.
- (xiii) Exercise of unlisted 27 September 2018 options at \$0.40 each on 25 September 2018.
- (xiv) Exercise of unlisted 17 November 2019 options at \$1.022 each on 25 September 2018.
- (xv) Exercise of unlisted 17 July 2020 options at \$1.00 each in February 2019.
- (xvi) Exercise of unlisted 17 November 2019 options at \$1.022 each on 11 February 2019.
- (xvii) Exercise of unlisted 22 February 2019 options at \$0.53 each on 22 February 2019.
- (xviii) Exercise of unlisted 17 July 2020 options at \$1.00 each in March 2019.
- (xix) Exercise of unlisted 17 November 2019 options at \$1.022 each on 7 May 2019.

## 16. Reserves

### 16.1 Share-based payments

	2020	2019
	\$	\$
Balance at beginning of year	4,501,410	4,240,602
Recognition of share-based payments (i)	281,036	260,808
Balance at end of year	4,782,446	4,501,410

- (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 2020 was \$281,038 (2019: \$260,808).

- (ii) Total amount of share-based payments recognised in the statement of profit or loss and other comprehensive income (\$388,236) include an amount of \$107,200 representing the value assigned to the cashless exercise of 400,000 unlisted options; 100,000 by Dr Wotton, 200,000 by Dr Macdonald and 100,000 by Mr Webse in accordance with the terms and conditions of using the cashless exercise mechanism. This was credited to issued capital.

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

### 16.2 Foreign currency translation reserve

	2020	2019
	\$	\$
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

	2020	2019
	\$	\$
Financial assets		
Cash and cash equivalents	13,649,644	6,977,390
Trade and other receivables	16,965	67,044
Loans receivable	657,656	1,666,019
	14,324,265	8,710,453
Financial liabilities		
Trade and other payables	634,754	1,236,983
	634,754	1,236,983
<b>Net financial assets</b>	<b>13,689,511</b>	<b>7,473,470</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.

# Financial instruments cont'd

## 17.4 Market risk

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

## 17.5 Interest rate risk management

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

### Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2020 would decrease/increase by \$136,496 (2019: \$69,774)

## 17.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2020, the Company has cash denominated in US dollars (US\$2,818,908 (2019: US\$168)). The A\$ equivalent at 30 June 2020 is \$4,094,858 (2019: \$239). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately \$204,743 (2019: \$12). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. As at 30 June 2020, 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>2020</b>						
Trade and other payables	634,754	634,754	-	-	-	634,754
<b>2019</b>						
Trade and other payables	1,236,983	1,236,983	-	-	-	1,236,983

## 18. Share-based payments

### 18.1 Employee Option Acquisition plan

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

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

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

Option series	Number	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
1	1,340,557 (i)	17 July 2015	\$0.610	\$1.000	17 July 2020	Vested
2	100,000 (ii)	7 Aug 2017	\$0.233	\$0.880	4 Aug 2020	Vested
3	300,000 (iii)	17 May 2019	\$0.384	\$2.110	16 May 2024	Various
4	1,425,000 (iv)	17 May 2019	\$0.304	\$1.750	16 May 2022	Various

(i) This represent remainder of unlisted options issued to institutional investors and the placement agent on 17 July 2015 pursuant to a private placement in July 2015.

(ii) This represents remainder of unlisted options issued to a third party on 7 August 2017 for provision of corporate advisory services.

(iii) This represents unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director. 200,000 options have vested and the remainder 100,000 vest in 24 months from grant date.

(iv) 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. 950,000 options have vested and the remainder 475,000 vest in 24 months from grant date.

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

## Share-based payments cont'd

### 18.2 Fair value of share options

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

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

There were no options granted during the year.

### 18.3 Movements in share options during the year

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

	2020		2019*	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	\$	No.	\$
Balance at beginning of the year	6,615,557	1.363	11,981,986	
Granted during the year	-	-	1,725,000	1.813
Forfeited during the year	-	-	-	-
Exercised during the year	(1,450,000)	1.008	(7,091,429)	0.504
Expired during the year	(2,000,000)	1.500	-	-
<b>Balance at end of year</b>	<b>3,165,557</b>	<b>1.439</b>	<b>6,615,557</b>	<b>1.363</b>
Exercisable at end of year	2,590,557	1.356	5,340,557	1.257

\* The 2019 figures were restated to correct an error in the presentation of this disclosure. This error in presentation did not have any impact on the statement of financial position or the statement of profit and loss and other comprehensive income.

### 18.4 Share options exercised during the year

The following share options were exercised during the year (2019: 6,415,000):

Option series	Number exercised	Exercise date	Share price at exercise date
Granted 17 July 2015	100,000	2 August 2019	\$1.760
Granted 16 November 2016	50,000	2 August 2019	\$1.760
Granted 17 July 2015	50,000	15 August 2019	\$1.625
Granted 17 July 2015	50,000	27 August 2019	\$1.600
Granted 17 July 2015	200,000	3 September 2019	\$1.600
Granted 17 July 2015	500,000	18 September 2019	\$1.735
Granted 16 November 2016	500,000	17 November 2019	\$1.295

### 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 \$1.439 (2019: \$1.363) and a weighted average remaining contractual life of 451 days (2019: 497 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:

	2020	2019
	\$	\$
Short-term employee benefits	1,330,344	1,094,191
Post-employment benefits	70,996	55,230
Share-based payments	239,174	222,453
	<b>1,640,514</b>	<b>1,371,874</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 key management personnel and fees paid to entities controlled by the directors.

#### Post-employment benefits

These amounts are superannuation contributions made during the year.

#### Share-based payments

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

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

## 20. Related party transactions

### 20.1 Entities under the control of the Group

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

Balances and transactions between the parent entity and its subsidiaries, which are related parties of the

entity, have been eliminated on consolidation and are not disclosed in this note.

### 20.2 Key management personnel

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

## Related party transactions cont'd

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

Mr Webse's services are provided by Platinum Corporate Secretariat Pty Ltd ("Platinum"). Mr Webse is the sole director of Platinum Corporate. Company

secretarial fees paid to Platinum 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:

	2020	2019
	\$	\$
Cash and bank balances	13,649,644	6,977,390

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

	2020	2019
	\$	\$
<b>Cash flow from operating activities</b>		
Loss for the year	(3,639,100)	(8,472,146)
Adjustments for:		
Share-based payments	388,236	904,308
Amortisation expenses	280,732	279,965
Accrued income	(76,399)	(66,019)
Effects of exchange rate changes on the balance of cash held in foreign currencies	274,013	(12)
Movements in working capital		
Decrease in trade and other receivables and prepayments	152,063	40,668
(Decrease)/increase in trade and other payables	(780,911)	533,615
Increase in annual leave provisions	13,687	20,544
<b>Net cash outflows from operating activities</b>	<b>(3,387,679)</b>	<b>(6,759,077)</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 licence 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 2020, under these agreements, the Company is committed to making payments over future periods, as follows:

	AU\$
During the period 1 July 2020 – 30 June 2021	1,149,863
During the period 1 July 2021 – 30 June 2022	352,356
During the period 1 July 2022 – 30 June 2023	352,356

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2020.

## 24. Remuneration of auditors

Auditor of the Group	2020	2019
	\$	\$
Audit and review of the financial statements	48,522	46,641

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	2020	2019
	\$	\$
<b>Assets</b>		
Current assets	13,850,690	7,330,499
Non-current assets	5,548,308	6,556,672
<b>Total assets</b>	<b>19,398,998</b>	<b>13,887,171</b>
<b>Liabilities</b>		
Current liabilities	634,754	1,236,983
Provisions	54,982	41,295
<b>Total liabilities</b>	<b>689,736</b>	<b>1,278,278</b>
<b>Net assets</b>	<b>18,709,262</b>	<b>12,608,893</b>
<b>Equity</b>		
Issued capital	57,165,390	47,987,688
Reserves	4,782,446	4,501,410
Accumulated losses	(43,238,574)	(39,880,205)
<b>Total equity</b>	<b>18,709,262</b>	<b>12,608,893</b>
<b>Financial performance</b>		
Loss for the year	(3,358,368)	(8,192,181)

### 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	
			2020	2019
Cynata Incorporated	Holds licences with WARF for core IPs	USA	100%	100%
Cynata Therapeutics Ireland Limited	Legal representative of Cynata in the European Economic Area	Ireland	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 20 July 2020, the Company announced the expiry of 1,340,557 unlisted options, having an exercise price of \$1.00 each and an expiry date of 17 Jul 2020.

On 5 August 2020, the Company announced the expiry of 100,000 unlisted options, having an exercise price of \$0.88 each and an expiry date of 4 August 2020.

On 6 August 2020, Dr Stewart Washer repaid \$300,000 of his director loan, thereby fully discharging his loan.

On 14 August 2020, Dr Ross Macdonald repaid \$100,000 of his director loan, leaving a balance of \$200,000.

On 19 August 2020, 1,000,000 options were issued to Dr Kilian Kelly and 100,000 options to Dr Suzanne Lipe pursuant to Cynata's Employee Option Acquisition Plan. The options are exercisable at \$0.97 and expire on 18 August 2024.

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 25 August 2020.

# 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. The Company will be reporting against the *Corporate Governance Principles and Recommendations 4th Edition* for the financial year ending 30 June 2021.

This Statement was approved by the Board of Directors and is current as at 25 August 2020.

## 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

# Corporate Governance Statement cont'd

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 — 40%
- 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 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:

<b>Dr Geoff Brooke</b>	Non-Executive Chairman (Non-Executive Director from 17 May 2019 to 18 August 2020. Non-Executive Chairman from 18 August 2020);
<b>Dr Ross Macdonald</b>	Managing Director (appointed 1 August 2013);
<b>Dr Paul Wotton</b>	Non-Executive Director (Non-Executive Director from 8 June 2016 to 28 February 2017. Non-Executive Chairman from 28 February 2017 to 18 August 2020. Non-Executive Director from 18 August 2020);
<b>Dr Stewart Washer</b>	Non-Executive Director (appointed 1 August 2013);
<b>Mr Peter Webse</b>	Non-Executive Director (appointed 18 May 2012; resigned 30 June 2020);
<b>Dr Darryl Maher</b>	Non-Executive Director (appointed 16 June 2020).

The Board currently consists of one Executive Director, being the Managing Director, and four Non-Executive Directors.

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

The Board, at the date of this statement is comprised of a majority of independent Directors. However, prior to the appointment of Dr Darryl Maher on 16 June 2020 and the resignation of Mr Peter Webse on 30 June 2020, the Company did not have a majority of independent Directors. Dr Paul Wotton, Dr Geoffrey Brooke and Dr Darryl Maher are the current directors considered to be independent. Dr Ross Macdonald is not considered to be an independent director by virtue of him being an executive of the Company. Dr Stewart Washer is not considered to be an independent director by virtue of the fact that he was a former executive of the Company. Mr Peter Webse, who resigned on 30 June 2020 was 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.

### 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.

# Corporate Governance Statement cont'd

## 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.

# Corporate Governance Statement cont'd

## 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 \$277,292.

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 5 August 2020

## Substantial Shareholders

The names of the substantial shareholders disclosed to the Company as substantial shareholders as at 5 August 2020 are:

Name	Shares Held	Issued Capital
	No.	%
FIL Investment Management (Hong Kong) Limited	10,915,666	9.32%
Fujifilm Corporation	8,088,403	6.92%

## Distribution of Ordinary Shares

Category	Holders	Ordinary Shares	Issued Capital
	No.	No.	%
1 – 1,000	754	465,627	0.40
1,001 – 5,000	1,182	3,293,141	2.81
5,001 – 10,000	524	4,162,791	3.55
10,001 – 100,000	930	30,620,555	26.14
100,001 and over	144	78,581,890	67.10
	<b>3,534</b>	<b>117,124,004</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

1,425,000 unlisted employee share option acquisition plan Options exercisable at \$1.75 and expiring on 16/05/2022 held by 3 holders; and 300,000 unlisted \$2.11 Options expiring 16/05/2024 held by 1 holder, Dr Geoffrey Brooke.

## Restricted Securities

There are no ASX restricted securities on issue. The Company has 224,501 fully paid ordinary shares subject to voluntary escrow until 10 June 2021.

## 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 501.

# ASX Additional Information cont'd

## 20 Largest Shareholders

Name	Shares Held	Issued Capital
	No.	%
HSBC Custody Nominees (Australia) Limited	13,103,036	11.21
Fujifilm Corporation	8,088,403	6.92
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient Drp>	4,106,755	3.51
J P Morgan Nominees Australia Limited	3,643,722	3.12
Citicorp Nominees Pty Limited	2,894,258	2.48
John W King Nominees Pty Ltd	2,373,596	2.03
National Nominees Pty Ltd	2,198,294	1.88
Mal Washer Nominees Pty Ltd <Mal Washer Family A/C>	2,020,000	1.73
Dr Ross Alexander Macdonald	2,000,000	1.71
Brispot Nominees Pty Ltd <House Head Nominee A/C>	1,768,344	1.51
Helium Management Pty Ltd <Helium S/F A/C>	1,360,366	1.16
Merrill Lynch (Australia) Nominees Pty Limited	1,193,881	1.02
Dr Maksym Vodyanyk	1,191,658	1.02
Tenbagga Resources Fund Pty Ltd <Tenbagga Family A/C>	936,847	0.80
Riversdale Capital Funding Pty Ltd <The RCF A/C>	811,621	0.69
Mr Jon Nicolai Bjarnason & Mrs Rina Eghoje Bjarnason <Jarck Super Fund A/C>	810,000	0.69
Celtic Capital Pte Ltd <Investment 1 A/C>	800,000	0.68
Ms Kyoko Yukawa	800,000	0.68
Neweconomy Com AU Nominees Pty Limited <900 Account>	777,697	0.67
CM Cook Superannuation Pty Ltd <CM Cook Super Fund A/C>	700,000	0.60
	<b>51,578,478</b>	<b>44.11</b>





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