

## ASX Appendix 4D

### Half-Year Financial Report to 31 December 2020

#### 1. Details of reporting period

Name of Entity	Cynata Therapeutics Limited ("the Company")
ABN	98 104 037 372
Reporting Period	<b>31 December 2020</b>
Previous Corresponding Period	31 December 2019

#### 2. Results for announcement to the market

	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>	<b>Movement</b>	<b>Movement</b>	<b>Up/Down</b>
	<b>(\$)</b>	<b>(\$)</b>	<b>(%)</b>	<b>(\$)</b>	
Revenue and other income	118,151	4,525,649	97.39%	4,407,498	Down
Loss from ordinary activities after tax attributable to members	4,839,572	2,548,661	89.89%	2,290,911	Up
Comprehensive loss for the period attributable to members	4,839,572	2,548,661	89.89%	2,290,911	Up

**Brief explanation of any of the figures reported above necessary to enable figures to be understood:**

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached consolidated financial statements.

#### 3. Net tangible asset backing

	<b>31 December 2020</b>	<b>31 December 2019</b>
Net tangible asset backing per ordinary security	17.50 cents	6.43 cents

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

N/A

#### 5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2020.

**6. Details of dividend reinvestment plans**

N/A

**7 Details of associate and joint venture entities**

N/A

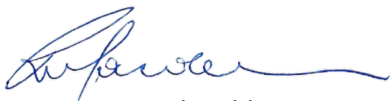
**8. Foreign entities**

N/A

**9. Audit**

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Authorised for release by the Board



Dr Ross Macdonald  
***Managing Director/Chief Executive Officer***

25 February 2021



**Cynata Therapeutics Limited**

**ABN 98 104 037 372**

**and its controlled entities**

**Half year report for the half-year ended**

**31 December 2020**



## Corporate directory

### 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

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Carlton, Victoria 3053

Tel: +61 3 9824 5254

Fax: +61 3 9822 7735

Email: [info@cynata.com](mailto:info@cynata.com)

### Postal Address

PO Box 7165  
Hawthorn North, Victoria 3122

### 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

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# Half year report for the half-year ended 31 December 2020

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## Directors' report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") submit herewith the interim financial report of Cynata Therapeutics Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

The names of directors of the Company during or since the end of the half-year are:

### Name

Dr Geoff Brooke  
Dr Ross Macdonald  
Dr Stewart Washer  
Dr Paul Wotton  
Dr Darryl Maher

### Review of operations

The loss of the Group for the half-year ended 31 December 2020, after providing for income tax, amounted to \$4,839,572 compared to a loss of \$2,548,661 for the half-year ended 31 December 2019. As at 31 December 2020, cash and cash equivalents were \$24,919,567 after the Company successfully completed a placement of \$15,008,207 (before transaction costs); subsequent to the end of the half-year the Company completed an entitlement offer and shortfall placement raising an additional \$3,298,607 (before transaction costs).

### Key Highlights

- **Advancing clinical development of Cymerus™ mesenchymal stem cell (MSC) products, with multiple clinical trials progressing:**
  - Osteoarthritis: commenced the Phase 3 SCULpTOR clinical trial of CYP-004; sponsored by the University of Sydney and funded by a federal government grant
  - COVID-19: opened enrolment for MEND clinical trial
  - GvHD: continued interaction with licensee FUJIFILM towards the next graft versus host disease (GvHD) clinical trial
    - Cynata's Phase 1 GvHD trial in CYP-001 achieved positive two-year follow up results, with the broader results published in the prestigious *Nature Medicine* journal, highlighting this ground-breaking clinical achievement
- **Expanding clinical development pipeline:** addition of high priority targets including idiopathic pulmonary fibrosis (IPF) renal transplantation and diabetic foot ulcers (DFU)
- **Successful outcomes achieved for Cynata's broad preclinical pipeline:**
  - Efficacy demonstrated in preclinical rodent model of idiopathic pulmonary fibrosis (IPF)
  - Cymerus MSCs shown to enhance the recovery of the blood supply to damaged heart confirming potential utility in restoring cardiac function following heart attack
- **Secured ~\$18.3m via placement and entitlement offer, led by \$10m from experienced healthcare investor BioScience Managers**
- **Appointed Dr Geoff Brooke as Chairman of Cynata's Board of Directors**

## Operational Update

Cynata continues to make excellent progress in building value in its proprietary Cymerus™ cell therapy platform, a unique, scalable technology that manufactures potent mesenchymal stem cells (MSCs) of consistent quality utilising a single cell donation from a single donor. Cynata is progressing multiple clinical trials with new high priority indications selected to broaden the clinical development pipeline. Further activities related to its robust preclinical pipeline have progressed, with compelling pre-clinical data expanding the utility of its Cymerus MSCs as a potential treatment for a range of target diseases.

### *Advancing clinical development, with multiple active trials and expanding pipeline*

During the half-year ended 31 December 2020, several key results were achieved following the GvHD Phase 1 clinical trial in CYP-001. In July 2020, Cynata announced positive results from the two-year follow-up of patients enrolled in the clinical trial with overall survival after two years of 60%, which compares favourably to previously published outcomes in this population. In addition, no treatment-related serious adverse events or safety concerns were identified. Also, during the half-year, a paper describing the Phase 1 clinical trial of CYP-001 in patients with GvHD was published in the prestigious journal *Nature Medicine*. The paper highlighted Cynata's ground-breaking, world first clinical trial of an allogeneic induced pluripotent stem cell (iPSC)-derived product and underscored the significance of Cynata's activities in the field of cell-based medicine. Cynata continues to work with licensee FUJIFILM towards the next planned GvHD clinical trial.

Following ethics approval for the MEND (MEseNchymal coviD-19) trial earlier in 2020, Cynata opened the trial for patient enrolment in August 2020. The trial will investigate safety and early efficacy of Cynata's proprietary Cymerus MSCs in adults admitted to intensive care with COVID-19 and compromised lung function, such as respiratory distress. This severe complication represents a significant unmet need in patients with COVID-19 as well as in patients infected with other respiratory pathogens. Cynata is actively progressing a strategy to accelerate recruitment.

In November 2020, Cynata's Phase 3 SCULpTOR (Stem Cells as a symptom-and strUcture-modifying Treatment for medial tibiofemoral OsteoaRthritis) trial of CYP-004 for osteoarthritis commenced. Following the successful completion of a four-week safety follow-up of the initial patients treated in November, the University of Sydney is now enrolling patients more broadly. The trial is being sponsored by the University of Sydney and funded by an Australian Government National Health and Medical Research Council (NHMRC) Project Grant. The aim of this comprehensive trial is to assess the effect of Cymerus MSCs compared to placebo on clinical outcomes and knee joint structure over a two-year period, in 440 patients with osteoarthritis of the knee.

Cynata has significantly expanded its clinical development pipeline. The additional high priority indications of IPF, renal transplantation and DFU were carefully selected based on promising results and solid foundations, building on a number of relevant pre-clinical disease models. The indications represent significant unmet medical needs and considerable commercial opportunities for the Company and its shareholders. Good progress is being made on developing the clinical programs, with key activities already underway including trial design, regulatory consultation, endpoint selection, key opinion leader engagements and clinical site selection.

### *Key outcomes achieved for Cynata's broad preclinical pipeline*

The Company continues to build on the significant body of evidence of the potential clinical utility of Cynata's Cymerus platform technology through multiple preclinical studies, with promising preclinical data supporting the enhanced pipeline.

In September 2020, the Company announced positive efficacy data from a study of Cymerus MSCs in a preclinical rodent model of IPF. Statistically significant improvements in multiple harmful effects of lung fibrosis were observed providing promising data for IPF where existing treatments have limited efficacy.

Later in September 2020, positive efficacy data from a preclinical ischaemic heart attack model was released which showed Cymerus MSCs enhanced the recovery of the blood supply to the damaged heart through the generation of new blood vessels. The new data confirmed the potential utility of Cymerus MSCs in restoring cardiac function following heart attack and builds on the significant dataset demonstrating the superior effects of Cymerus MSCs when compared to both placebo and conventional bone marrow derived MSC treatment.

*Successful capital raise, with clinical development strategy endorsed by BioScience Managers*

During the period under review, Cynata undertook a placement and entitlement offer, led by a \$10m investment from BioScience Managers (BSM), an experienced healthcare investor with a mandate to invest in Australia based innovative healthcare technology. BSM's investment followed a comprehensive review of Cynata's business and technology and represents an important endorsement of the Company. The placement, entitlement offer and shortfall placement successfully raised gross proceeds of ~ \$18.3m.

Proceeds will be used to fund the expansion of the clinical development pipeline, and also to optimise and expand manufacturing capabilities to enhance scale-up efficiencies and progress Cynata's US regulatory strategy.

*Continued focus on business development and corporate activities*

Consistent with Cynata's business strategy to enhance the profile of the Cymerus technology, the Company participated in multiple conferences, including the AusBiotech + Invest 2020 conference in October 2020. The conference attracts industry leaders within the biotech space and is Australia's largest life science conference. Dr Kilian Kelly, Cynata's Chief Operating Officer, presented as part of the regenerative medicine session.

During the period, Cynata appointed Dr Geoff Brooke as Chairman of the Board of Directors. Dr. Brooke's extensive experience in healthcare and life sciences coupled with his financial expertise will be a valuable asset as the Company continues to execute on its clinical development pipeline.

The board and management are focused on transacting additional corporate partnering and commercialisation opportunities as they arise. The Company continues to vigorously engage with strategic parties and potential partners, with interest received for several indications.



## Outlook

Cynata's broad and attractive clinical development pipeline with multiple upcoming catalysts places the Company in a strong position going forward. Cynata is well funded to execute on its product development plans and is actively pursuing strategic and commercial opportunities, both currently and as they may arise.

The SCULpTOR osteoarthritis phase 3 clinical trial is currently recruiting patients through the University of Sydney, with initial subjects having received their first doses of treatment. Following enrolment, each participant will receive injections of Cymerus MSCs (or placebo in the case of the control group) on three occasions over a one-year period and will be followed up for a total of two years post enrolment. The study will be one of the largest MSC clinical trials world-wide with 440 patients to be recruited, allowing Cynata to demonstrate its ability to consistently manufacture potent MSCs at scale. The market opportunity in osteoarthritis is significant, estimated at US\$11.6bn<sup>1</sup>.

Cynata continues to collaborate with licensee FUJIFILM towards a further clinical trial in GvHD, with all further development and commercialisation costs to be met by FUJIFILM. There are multiple potential cash flow events in relation to upcoming milestones, including \$2.86m on completion of a Phase 2 trial, and \$100m+ in potential future milestone payments and royalties. The FUJIFILM transaction provides validation of Cymerus technology and supports the licensing of additional target areas.

Cynata is actively progressing a strategy to accelerate recruitment of its MEND clinical trial, currently targeting patients with severe complications due to COVID-19. The critical limb ischaemia (CLI) trial is phase 2 ready with regulatory and ethics approval received in the UK and Australia. Trial timing remains uncertain due to the continued impact of COVID-19 on recruitment.

In addition, the Company is focused on developing clinical programs for the new high priority targets of IPF, renal transplantation, and DFU, leveraging the promising pre-clinical data generated to date. The board and management look forward to advancing clinical development, with further details expected to be announced as soon as plans have been ratified following completion of consultations with relevant stakeholders and agencies.

In parallel to clinical activities, Cynata is also focused on enhancing process development. This involves optimising and expanding manufacturing capabilities to enhance scale-up efficiencies and progressing Cynata's US regulatory strategy, to place the Company in a strong position to commercialise its proprietary therapeutic MSC products.

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

### **Subsequent events**

On 18 January 2021, the Company issued 4,712,295 fully paid ordinary shares at \$0.70 per share pursuant to a successful 1 for 15 non-renounceable pro-rata entitlement offer and partial placement of shortfall shares to raise \$3.3m (before transaction costs).

### **Auditor's independence declaration**

The auditor's independence declaration is included on page 6 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors



Dr Ross Macdonald  
**Managing Director/Chief Executive Officer**

Melbourne, 25 February 2021

25 February 2021

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 review of the financial statements of Cynata Therapeutics Limited for the half-year ended 31 December 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

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



**Samir Tirodkar**  
Director

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

**Report on the Half-Year Financial Report**

*Conclusion*

We have reviewed the half-year financial report of Cynata Therapeutics Limited, which comprises the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Cynata Therapeutics Limited does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Cynata Therapeutics Limited's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

*Basis for Conclusion*

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* has been given to the directors of the Company on 25 February 2021.

*Responsibility of the Directors for the Financial Report*

The directors of the Cynata Therapeutics Limited are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility for the Review of the Financial Report*

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

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

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

**Samir Tirodkar**  
Director

West Perth, Western Australia  
25 February 2021

## Directors' declaration

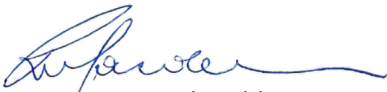
The directors declare that:

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

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *Interim Financial Reporting* and give a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



Dr Ross Macdonald  
**Managing Director/Chief Executive Officer**

Melbourne, 25 February 2021

## Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2020

	Note	Half-year ended	
		31 Dec 2020 \$	31 Dec 2019 \$
Interest income	5	40,659	76,017
Other income	5	77,492	4,449,632
<b>Total revenue and other income</b>		<b>118,151</b>	<b>4,525,649</b>
Product development and marketing costs		(2,087,628)	(4,431,015)
Employee benefits expenses		(809,848)	(537,347)
Share based payments expenses	11	(485,594)	(274,354)
Amortisation expenses	8	(139,983)	(140,366)
Other operational expenses	6	(1,434,670)	(1,691,228)
<b>Loss before income tax</b>		<b>(4,839,572)</b>	<b>(2,548,661)</b>
Income tax expense		-	-
<b>Loss for the period</b>		<b>(4,839,572)</b>	<b>(2,548,661)</b>
<b>Other comprehensive income, net of income tax</b>			
<i>Items that will not be reclassified subsequently to profit or loss</i>		-	-
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translating foreign operations		-	-
<b>Other comprehensive income/(loss) for the period, net of income tax</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive loss for the period</b>		<b>(4,839,572)</b>	<b>(2,548,661)</b>
<b>Loss attributable to:</b>			
Owners of Cynata Therapeutics Limited		<b>(4,839,572)</b>	<b>(2,548,661)</b>
<b>Total comprehensive loss attributable to:</b>			
Owners of Cynata Therapeutics Limited		<b>(4,839,572)</b>	<b>(2,548,661)</b>
<b>Loss per share:</b>			
Basic and diluted (cents per share)		(4.09)	(2.49)

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

## Consolidated statement of financial position as at 31 December 2020

	Note	31 Dec 2020 \$	30 Jun 2020 \$
<b>Current assets</b>			
Cash and cash equivalents		24,919,567	13,649,644
Trade and other receivables	7	69,592	16,965
Loans receivable	9	202,792	-
Prepayments		76,383	184,080
<b>Total current assets</b>		<b>25,268,334</b>	<b>13,850,689</b>
<b>Non-current assets</b>			
Intangibles	8	2,832,512	2,972,495
Loans receivable	9	-	657,656
<b>Total non-current assets</b>		<b>2,832,512</b>	<b>3,630,151</b>
<b>Total assets</b>		<b>28,100,846</b>	<b>17,480,840</b>
<b>Current liabilities</b>			
Trade and other payables		832,537	634,754
Provisions		180,296	54,982
<b>Total current liabilities</b>		<b>1,012,833</b>	<b>689,736</b>
<b>Total liabilities</b>		<b>1,012,833</b>	<b>689,736</b>
<b>Net assets</b>		<b>27,088,013</b>	<b>16,791,104</b>
<b>Equity</b>			
Issued capital	10	71,816,277	57,165,390
Option reserves	11	5,268,040	4,782,446
Foreign currency translation reserve		4,724	4,724
Accumulated losses		(50,001,028)	(45,161,456)
<b>Total equity</b>		<b>27,088,013</b>	<b>16,791,104</b>

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



## Consolidated statement of changes in equity for the half-year ended 31 December 2020

	Issued Capital \$	Option Reserve \$	Foreign currency translation reserve \$	Accumulated losses \$	Total \$
<b>Balance at 1 July 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>
Loss for the period	-	-	-	(2,548,661)	(2,548,661)
Other comprehensive income/(loss), net of tax	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(2,548,661)</b>	<b>(2,548,661)</b>
Issue of ordinary shares	1,160,500	-	-	-	1,160,500
Share issue costs	(15,165)	-	-	-	(15,165)
Share based payments	-	167,154	-	-	167,154
<b>Balance at 31 December 2019</b>	<b>49,133,023</b>	<b>4,668,564</b>	<b>4,724</b>	<b>(44,071,017)</b>	<b>9,735,294</b>
<b>Balance at 1 July 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>
Loss for the period	-	-	-	(4,839,572)	(4,839,572)
Other comprehensive income/(loss), net of tax	-	-	-	-	-
<b>Total comprehensive loss for the period</b>	-	-	-	<b>(4,839,572)</b>	<b>(4,839,572)</b>
Issue of ordinary shares ( <i>refer to note 10</i> )	15,008,207	-	-	-	15,008,207
Share issue costs	(357,320)	-	-	-	(357,319)
Share based payments ( <i>refer to note 11</i> )	-	485,594	-	-	485,594
<b>Balance at 31 December 2020</b>	<b>71,816,277</b>	<b>5,268,040</b>	<b>4,724</b>	<b>(50,001,028)</b>	<b>27,088,013</b>

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

## Consolidated statement of cash flows for the half-year ended 31 December 2020

	Note	Half-year ended	
		31 Dec 2020	31 Dec 2019
		\$	\$
<b>Cash flows from operating activities</b>			
Other income		77,801	4,227,150
Payments to suppliers and employees		(1,888,957)	(2,205,575)
Interest received (excluding interest on loans receivable)		28,443	49,793
Product development costs paid		(2,396,263)	(4,353,441)
Net cash (used) in operating activities		(4,178,976)	(2,282,073)
<b>Cash flows from financing activities</b>			
Proceeds from equity instruments of the Company	10	15,008,207	1,053,300
Received from related parties on repayment of loans and interest	9	462,272	184,762
Payment for share issue costs		(357,320)	(15,165)
Net cash provided by financing activities		15,113,159	1,222,897
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>10,934,183</b>	<b>(1,059,176)</b>
Cash and cash equivalents at the beginning of the period		13,649,644	6,977,390
Effect of exchange rate fluctuations		335,740	-
<b>Cash and cash equivalents at the end of the period</b>		<b>24,919,567</b>	<b>5,918,214</b>

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

# Condensed notes to the consolidated financial statements for the half-year ended 31 December 2020

## 1. General information

### Statement of compliance

The half-year financial report is a general-purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with annual financial statements of the Company for the year ended 30 June 2020 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by the directors on 25 February 2021.

### Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2020 annual financial report for the financial year ended 30 June 2020, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

### Principles of consolidation

The consolidated financial statements incorporate all assets, liabilities and results of the parent and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

### Significant accounting judgements and key estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2020.

## 2. Adoption of new and revised Australian Accounting Standards

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

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

- *AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business*  
This Standard amends AASB 3 *Business Combinations*. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as business. To be considered a business an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.
- *AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material*  
This Standard amends AASB 101 *Presentation of Financial Statements* and AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*, and makes consequential amendments to several other pronouncements and publications.
- *AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework*  
The amendments include consequential amendments to affected Australian Accounting Standards, Interpretations and other pronouncements to reflect the issuance of the Conceptual Framework for Financial Reporting (Conceptual Framework) by the AASB.
- *AASB 2019-3 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*  
The amendments in AASB 2019-3 modify specific hedge accounting requirements to allow hedge accounting to continue for affected hedges during the period of uncertainty before the hedged items or hedging instruments affected by the current interest rate benchmarks are amended as a result of the ongoing interest rate benchmark reforms.
- *AASB 2019-5 Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*  
This Standard makes amendments to AASB 1054 *Additional Australian Disclosures* by adding a disclosure requirement for an entity intending to comply with IFRS Standards to disclose information specified in paragraphs 30 and 31 of AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors* on the potential effect of an IFRS Standard that has not yet been issued by the AASB.

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

### 3. 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 Company 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 condensed 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 condensed consolidated statement of financial position.

### 4. Dividends

No dividends were paid or declared for the half-year ended 31 December 2020 and the directors have not recommended the payment of a dividend.

### 5. Interest income and other income

	31 Dec 2020	31 Dec 2019
	\$	\$
<b>Interest income</b>		
Interest income	33,251	36,331
Accrued interest on directors' loans	7,408	39,686
	<b>40,659</b>	<b>76,017</b>
<b>Other income</b>		
Grants received (i)	77,492	-
Other income (ii)	-	4,449,632
	<b>77,492</b>	<b>4,449,632</b>

(i) This includes an Innovation Connections grant of \$27,492 and the Australian Federal Government's COVID-19 Cash Flow Boost package of \$50,000.

(ii) This represents US\$3million paid by FUJIFILM Corporation under the graft-versus-host-disease (GvHD) license agreement. There were no such receipt in the current period.

### 6. Other operational expenses

	31 Dec 2020	31 Dec 2019
	\$	\$
Accounting and audit fees	49,664	49,805
Consultants and advisory fees	197,416	154,173
Company secretarial fees	52,962	49,000
Directors fees	137,636	137,500
Investor/public relations	144,708	260,331
Legal fees	123,036	488,381
Other general expenses	729,248	329,556
Foreign tax withheld (i)	-	222,482
	<b>1,434,670</b>	<b>1,691,228</b>

(i) 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. There was no such expense in the current period.

## 7. Trade and other receivables

	31 Dec 2020	30 Jun 2020
	\$	\$
Deposits made	3,568	3,568
Other receivables	66,024	13,397
	69,592	16,965

None of the trade and other receivables are past due at the reporting date.

## 8. Intangibles

	31 Dec 2020	30 Jun 2020
	\$	\$
Balance at the beginning of the period (i)	2,972,495	3,253,227
Amortisation (ii)	(139,983)	(280,732)
Balance at the end of the period	2,832,512	2,972,495

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

(ii) An amortisation expense of \$139,983 has been recognised in profit or loss for the half-year ended 31 December 2020 (31 December 2019: \$140,366). For more information on the Group's accounting policy on intangibles and amortisation, refer to the 2020 annual financial report.

## 9. Loans receivable

	31 Dec 2020	30 Jun 2020
	\$	\$
Balance at beginning of period	657,656	1,666,019
Interest accrued (ii)	7,408	76,399
Repayments by related parties (iii)	(462,272)	(1,084,762)
Balance at reporting period	202,792	657,656

(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. Each director has paid \$100,000 in cash on exercise of these options. The loans provided are full recourse loans and unsecured.

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

(iii) During the half-year ended 31 December 2020, Dr Macdonald repaid \$126,413 of his loan which included \$26,413 accrued interest and Dr Washer made final repayment of \$335,859 of his loan which included 35,859 accrued interest. The accrued interest paid by Dr Macdonald and Dr Washer is the interest due and payable on each anniversary of the loans. At 31 December 2020, the director loan outstanding from Dr Macdonald is not impaired and has been classified under current assets as it is expected to be settled within 12 months.

## 10. Issued capital

138,564,299 fully paid ordinary shares  
(30 June 2020: 117,124,004)

31 Dec 2020	30 Jun 2020
\$	\$
71,816,277	57,165,390

### Fully paid ordinary shares

	31 Dec 2020		30 Jun 2020	
	No.	\$	No.	\$
Balance at beginning of period	117,124,004	57,165,390	101,885,053	47,987,688
Share placement (i)	6,930,460	4,851,322	-	-
Share placement (ii)	14,285,715	10,000,000	-	-
Share placement (iii)	224,120	156,885	-	-
Exercise of share options (iv)	-	-	50,000	51,100
Exercise of share options (v)	-	-	200,000	200,000
Exercise of share options (vi)	-	-	700,000	700,000
Exercise of share options (vii)	-	-	100,000	102,200
Exercise of share options (viii)	-	-	83,100	107,199
Share placement (ix)	-	-	5,312,085	3,187,251
Share placement (x)	-	-	569,251	341,551
Issue of shares (xi)	-	-	8,000,014	4,800,009
Issue of shares (xii)	-	-	224,501	206,316
Share issue costs	-	(357,320)	-	(517,924)
	138,564,299	71,816,277	117,124,004	57,165,390

- (i) Issue of shares pursuant to a Placement at \$0.70 per share on 21 December 2020.  
(ii) Issue of shares pursuant to a Placement at \$0.70 per share on 24 December 2020.  
(iii) Issue of shares pursuant to a Placement at \$0.70 per share on 31 December 2020.  
(iv) Exercise of unlisted 17 November 2019 options at \$1.022 each on 2 August 2019.  
(v) Exercise of unlisted 17 July 2020 options at \$1.00 each during the month of August 2019.  
(vi) Exercise of unlisted 17 July 2020 options at \$1.00 each during the month of September 2019.  
(vii) Exercise of unlisted 17 November 2019 options at \$1.022 each on 11 November 2019.  
(viii) Cashless exercise of unlisted 17 November 2019 options by Dr Wotton, Dr Macdonald and Mr Webse on 11 November 2019.  
(ix) 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.  
(x) Issue of shares pursuant to a Placement at \$0.60 per share on 1 May 2020.  
(xi) Issue of shares pursuant to a Share Purchase Plan at \$0.60 per share on 2 June 2020.  
(xii) Issue of shares at \$0.919 per share on 10 June 2020 to a third party for the completion of corporate services.

## 11. Option reserves

### Share-based payments

	31 Dec 2020	30 Jun 2020
	\$	\$
Balance at beginning of period	4,782,446	4,501,410
Recognition of share-based payments (i)	485,594	281,036
Balance at end of period	5,268,040	4,782,446

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors.

- (i) Total amount arising from share-based payment transactions as a result of the vesting of unlisted options recognised during the half-year ended 31 December 2020 was \$485,594 (30 June 2020: \$281,036).

Further information about share-based payments is set out in note 12.

## 12. Share-based payments

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.

During the half-year ended 31 December 2020, the Company recorded the following share-based payments:

(i) Issue of 1,250,000 unlisted options exercisable at \$0.97 expiring on or before 18 August 2024 to employees of the Company pursuant to the Employee Option Acquisition Plan ("Employees Options"). The Employees Options were granted to Dr Kelly (1,000,000), Dr Lipe (100,000), Dr Atley (50,000) and Mr Thraves (100,000).

(ii) Issue of 100,000 unlisted options exercisable at \$1.28 expiring on or before 13 September 2024 to Mrs Harsha Gupta pursuant to the Employee Option Acquisition Plan ("Gupta Options"). Mrs Gupta is an employee of the Company.

(iii) Issue of 4,500,000 unlisted options exercisable at \$0.97 expiring on or before 29 November 2025 to Directors and former director Mr Peter Webse pursuant to the Employee Option Acquisition Plan ("Directors Options"). The Directors Options were allotted to Dr Brooke (2,000,000), Dr Macdonald (1,500,000), Dr Washer (300,000), Dr Wotton (300,000), Dr Maher (300,000) and Mr Webse (100,000).

### ***Fair Value***

The Black-Scholes option pricing model was used to determine the fair value of the Employee Options, Gupta Options and Directors Options. The inputs to the model and valuation were as follows:

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



## 12. Share-based payments (*cont'd*)

The following options were on issue at the reporting date:

Number of options	Grant Date	Exercise Price	Expiry Date
300,000	17 May 2019	\$2.110	16 May 2024
1,425,000	17 May 2019	\$1.750	16 May 2022
1,250,000	19 August 2020	\$0.970	18 August 2024
100,000	14 September 2020	\$1.280	13 September 2024
4,500,000	27 November 2020	\$0.970	29 November 2025

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

## 13. Contingent liabilities and contingent assets

There has been no significant change in contingent liabilities and/or contingent assets since the last annual report.

## 14. Commitments

### *Research commitments*

The Group has entered into a number of agreements related to research and development activities. As at 31 December 2020, under these agreements, the Company is committed to making payments over the future period, as follows:

	A\$
- During the period 1 Jan 2021 – 30 June 2021	1,235,752
- During the period 1 July 2021 – 30 June 2022	979,396
- During the period 1 July 2022 – 30 June 2023	338,863

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 31 December 2020.

## 15. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2020 annual financial report.

Key management personnel continue to receive compensation in the form of short-term employee benefits, bonuses, post-employment benefits and share-based payments.

## 16. Subsequent events

On 18 January 2021, the Company issued 4,712,295 fully paid ordinary shares at \$0.70 per share pursuant to a successful 1 for 15 non-renounceable pro rata entitlement offer and partial placement of shortfall shares to raise \$3.3m (before transaction costs).