ASX ANNOUNCEMENT 27 April 2021

March 2021 Quarterly Activity Report

Melbourne, Australia; 27 April 2021: Cynata Therapeutics Limited (ASX: "**CYP", "Cynata",** or the **"Company"**), a clinical-stage biotechnology company specialising in cell therapeutics, has today released its Quarterly Activity Report for the three-month period ended 31 March 2021.

Key highlights

- **Phase 3 Osteoarthritis clinical trial actively recruiting and treating patients, following successful completion of the follow-up of the initial subjects**
- **Ethics approval received for the MEND clinical trial recruitment criteria to be expanded to a broader group of patients experiencing respiratory distress (beyond COVID-19)**
- **Progress made in planning for clinical trials in the high priority indications of diabetic foot ulcers (DFU), idiopathic pulmonary fibrosis (IPF), and renal transplantation**
- **MoU signed with TekCyte to utilise advanced wound dressing technology for the proposed DFU trial**
- **New pre-clinical study commenced to investigate the biological mechanisms underpinning the previously demonstrated high potency of Cymerus™ mesenchymal stem cells (MSCs) in a pre-clinical model of lung fibrosis**
- **Strong financial position with A$28.2m in cash as at 31 March 2021**
    - Includes ~A$1.4m R&D tax incentive refund received, and ~A$3.3m capital raised via a non-renounceable entitlement offer and partial placement of shortfall shares

Dr. Ross Macdonald, Cynata's CEO and MD, said:
"We are very pleased with the progress made this quarter across our new clinical programs, with significant uplift in clinical activity following unfortunate delays last year due to the pandemic. We now have two active trials progressing well and several more in the pipeline with the aim to commence in the medium-term. Patient recruitment and treatment in the osteoarthritis trial is advancing well, and we have received ethics approval to expand the active MEND trial to include causes of respiratory distress beyond COVID-19 enabling access to a much larger pool of eligible patients which is expected to accelerate recruitment. In addition, we continue to focus on developing programs for our new indications, for which we are now well placed and well-funded to advance clinical development.

The broad clinical pipeline is underpinned by Cynata's unique MSC manufacturing technology, designed to ensure consistent commercial scale manufacturing and commercial viability."

Clinical update

Two clinical trials currently underway
The Phase 3 SCUlpTOR ("Stem Cells as a symptom-and strUcture-modifying Treatment for medial tibiofemoral OsteoaRthritis") trial is underway, sponsored by the University of Sydney and funded by an Australian Government National Health and Medical Research Council project grant. Study centres are located in Sydney and Hobart. The trial is designed to assess the effect of CYP-004, Cynata's Cymerus MSC product for osteoarthritis, compared to placebo on clinical outcomes and knee joint structure over a two-year period, in 440 patients with osteoarthritis of the knee. This trial is supported

by preclinical research which shows that MSCs can exert several important effects relevant to osteoarthritis. There is no cure for osteoarthritis and current treatment options focus on alleviating symptoms, rather than addressing the underlying cause of the disease.

Cynata received ethics committee approval to expand recruitment criteria in its active MEND (MEseNchymal coviD-19) clinical trial to include a broader group of patients in intensive care experiencing respiratory failure, with COVID-19 no longer being a specific requirement for eligibility. The open-label randomised controlled clinical trial is investigating the safety and efficacy of Cymerus MSCs in 24 seriously ill adult patients with respiratory failure. Many of these patients are expected to have underlying acute respiratory distress syndrome (ARDS), sepsis and cytokine release syndrome (CRS) representing a significant unmet medical need beyond COVID-19. Cynata's pre-clinical studies have shown that these conditions can potentially be improved with Cymerus MSCs by reducing the inflammatory reaction associated with these diseases. ARDS is a type of respiratory failure associated with widespread lung inflammation, which often occurs simultaneously in patients experiencing sepsis and CRS.

The critical limb ischaemia (CLI) trial is Phase 2 ready with regulatory and ethics approval received. Trial timing remains uncertain due to the continued impact of COVID-19 on recruitment.

Expanding clinical development pipeline

Cynata is focused on development programs in the high priority indications of diabetic foot ulcers (DFU), idiopathic pulmonary fibrosis (IPF) and renal transplantation. These indications have been carefully selected based on promising results from studies in relevant pre-clinical disease models, and are expected to deliver results within the horizon of existing cash reserves.

During the quarter, Cynata advanced its planned clinical trial in DFU, signing a Memorandum of Understanding (MoU) with TekCyte Pty Ltd ('TekCyte'), in respect of TekCyte's proprietary wound dressing technology which can deliver MSCs directly to wounds. Cynata had previously utilised TekCyte's dressing technology in a preclinical model of DFU, which demonstrated promising efficacy. DFU is one of the most common and serious complications of patients with diabetes and can lead to lower limb amputation if not addressed in a timely manner.

Clinical trial plans for IPF are underway, supported by positive preclinical results from a rodent model of IPF. This preclinical study showed a statistically significant improvement in multiple harmful effects of IPF. The disease is incurable and of an unknown cause resulting in extensive scarring of the lungs, progressing to respiratory failure. The disease represents a high unmet medical need, as existing treatment options have limited effects on disease progression and survival rates.

Cynata is also advancing planning for its renal transplantation program. Donor kidney transplantation is the ultimate outcome for end-stage kidney diseases, a high-risk procedure that is associated with significant morbidity. Cynata's Cymerus MSC treatment in a preclinical transplant model demonstrated immunoregulatory effects expected to prevent or reduce kidney transplant rejection, providing a promising outlook for future clinical trials.

Preclinical studies

Cynata has initiated a new preclinical study to investigate the molecular mechanisms involved in the observed high potency of Cynata's proprietary Cymerus MSCs, in a pre-clinical model of lung disease. The study, led by Professor Chrishan Samuel at Monash University, is expected to conclude within 6 months. This pre-clinical study will provide broad insights for Cynata's clinical development and add to the significant body of knowledge.

Corporate update

Cynata closed the quarter with A$28.2m in cash, as at 31 March 2021. This includes capital raised through a 1 for 15 non-renounceable pro-rata entitlement offer to eligible shareholders at an offer price of A$0.70 per share, which raised ~A$2.5m (before transaction costs). Additionally, Cynata successfully placed ~A$0.8m under a partial placement of shortfall shares, bringing the total to ~A$3.3m raised in the quarter.

During the previous quarter, Cynata raised ~$15m via an institutional placement, bringing the gross proceeds including this quarter's entitlement offer and shortfall placement to ~A$18.3m. These funds will be primarily used to expand Cynata's clinical development pipeline, enhance process development and progress US regulatory strategy for commercialisation and general working capital purposes.

Net operating cash inflows for the quarter totalled A$0.46m, primarily relating to the receipt of a $1.4m R&D tax incentive refund and a reduction in research and development expenses (as a consequence of the cyclic nature of R&D expenditure) of $1.03m (which includes a refund of prepaid expenses of $0.48m). In item 6 of the Appendix 4C cash flow report for the quarter, payments were made to related parties of approximately A$165k comprising salary paid to the Managing Director and fees paid to Non-Executive Directors.

Outlook

The osteoarthritis Phase 3 SCUlpTOR trial is underway, with the University of Sydney seeking to enrol 440 patients. 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 continue follow ups for an additional year, with final results expected in 2024. Co-primary endpoints at 24 months include: the proportion of participants achieving patient-acceptable symptom state (PASS) for knee pain, and central medial femorotibial (cMFT) cartilage loss from baseline.

The Phase 2 MEND trial in patients with respiratory failure is seeking to enrol 24 patients, with the expansion of the recruitment criteria expected to accelerate this process. The trial will involve 12 patients randomised to receive Cymerus MSC infusions, in addition to standard of care, while 12 patients will be randomised to the control group and will receive current standard of care. This study is expected to provide useful data relevant to potential target indications of ARDS, sepsis and CRS, which are all manifestations of excessive inflammatory responses and often occur in patients simultaneously. Cymerus MSCs have shown potential as treatments for these indications in preclinical studies, including reducing inflammation. The primary endpoints include an improvement in PaO_2/FiO_2 ratio, and safety and tolerability, which apply to all three indications.

FUJIFILM is responsible for all further development and commercialisation of Cymerus MSCs for GvHD, through its global license. Although delays have been experienced, Cynata continues to collaborate with Fujifilm to advance this program.

Cynata continues to focus on executing the expansion of its clinical pipeline and is progressing planning of new clinical programs in high priority indications including DFU, renal transplantation and IPF. Following the MoU, the Company is seeking to sign a formal agreement with TekCyte to utilise its advanced wound dressing technology in a planned DFU study.

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The board and management continue to actively engage with strategic parties and potential partners and will assess opportunities as they arise, with interest received in several indications. Cynata seeks to strengthen its commercialisation strategy by advancing clinical development and undertaking further corporate partnering transactions.

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. Commentary from the United States Food and Drug Administration (FDA) late in 2020 provided particularly useful insights into the agency's position on cell therapy product manufacturing, especially in relation to ensuring product consistency. Cynata's Cymerus process places the Company in a unique position to provide a highly consistent and potent MSC product without encountering the challenges identified by the FDA associated with methods that rely on multiple donors.

-ENDS-

Authorised for release by Dr Ross Macdonald, Managing Director & CEO

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About Cynata Therapeutics (ASX: CYP)

Cynata Therapeutics Limited (ASX: CYP) is an Australian clinical-stage stem cell and regenerative medicine company focused on the development of therapies based on Cymerus™, a proprietary therapeutic stem cell platform technology. Cymerus™ overcomes the challenges of other production methods by using induced pluripotent stem cells (iPSCs) and a precursor cell known as mesenchymoangioblast (MCA) to achieve economic manufacture of cell therapy products, including mesenchymal stem cells (MSCs), at commercial scale without the limitation of multiple donors.

Cynata's lead product candidate CYP-001 met all clinical endpoints and demonstrated positive safety and efficacy data for the treatment of steroid-resistant acute graft-versus-host disease (GvHD) in a Phase 1 trial. Cynata has active clinical trials, using its Cymerus™ MSCs for a Phase 3 trial is osteoarthritis and a Phase 2 trial in patients admitted to intensive care with respiratory failure. Cynata plans to advance into trials for GvHD (through licensee Fujifilm) and critical limb ischemia. Cynata is planning for additional clinical programs in further indications (including idiopathic pulmonary fibrosis, renal transplantation, and diabetic foot ulcers), following encouraging pre-clinical data. In addition, Cynata has demonstrated utility of its Cymerus™ MSC technology in preclinical models of asthma, diabetic wounds, heart attack, sepsis, acute respiratory distress syndrome (ARDS) and cytokine release syndrome.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity	
CYNATA THERAPEUTICS LIMITED	
ABN	**Quarter ended ("current quarter")**
98 104 037 372	31 MARCH 2021

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(383)	(2,699)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(132)	(437)
	(d) leased assets	-	-
	(e) staff costs	(304)	(892)
	(f) administration and corporate costs	(169)	(598)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	29	58
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives		
	- 2020 R&D Tax Incentive	1,391	1,391
	- Innovation Connections Grant	28	56
1.8	Other (provide details if material)	-	-
1.9	**Net cash from / (used in) operating activities**	**460**	**(3,121)**

2.	**Cash flows from investing activities**		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,299	18,307
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(538)	(660)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	400
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other – Interest on Directors' Loan received	-	62
3.10	**Net cash from / (used in) financing activities**	**2,761**	**18,109**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	24,920	13,650
4.2	Net cash from / (used in) operating activities (item 1.9 above)	460	(3,121)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,761	18,109
4.5	Effect of movement in exchange rates on cash held	89	(408)
4.6	**Cash and cash equivalents at end of period**	**28,230**	**28,230**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	18,230	17,920
5.2	Call deposits	10,000	7,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**28,230**	**24,920**

6.	Payments to related parties of the entity and their associates	Current quarter $A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	165
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.

7.	**Financing facilities** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	-	-

7.5	**Unused financing facilities available at quarter end**	-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	460
8.2	Cash and cash equivalents at quarter end (item 4.6)	28,230
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	28,230
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

N/A

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.

2 This statement gives a true and fair view of the matters disclosed.

Date: 27 April 2021

Authorised by: .The Board of Directors
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.

2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.

3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [*name of board committee – eg Audit and Risk Committee*]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".

5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.