# ASX Appendix 4D

## Half-Year Financial Report to 31 December 2021

### 1. Details of reporting period

| | |
|---|---|
| Name of Entity | Cynata Therapeutics Limited (the Company) |
| ABN | 98 104 037 372 |
| Reporting Period | **31 December 2021** |
| Previous Corresponding Period | 31 December 2020 |
| Presentation Currency | Australian Dollar ($) |

### 2. Results for announcement to the market

| | 31 Dec 2021 ($) | 31 Dec 2020 ($) | Movement (%) | Movement ($) | Up/Down |
|---|---|---|---|---|---|
| Revenue and other income (i) | 6,970,874 | 118,151 | 5,799.97% | 6,852,723 | Up |
| Loss from ordinary activities after tax attributable to members | 1,131,195 | 4,839,572 | 76.63% | 3,708,377 | Down |
| Comprehensive loss for the period attributable to members | 1,131,195 | 4,839,572 | 76.63% | 3,708,377 | Down |

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

(i) Includes an amount of US$5M received from FUJIFILM Corporation under a Strategic Partnership Agreement whereby Cynata regained rights to CYP-001 for graft-versus-host diseases (GvHD).
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

| | 31 December 2021 | 31 December 2020 |
|---|---|---|
| Net tangible asset backing per ordinary security | 17.67 cents | 17.50 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 2021.

## 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 2022

# Cynata Therapeutics Limited

**ABN 98 104 037 372**

# Half year report for the half-year ended

# 31 December 2021

# 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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Cremorne, Victoria 3121

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**Postal Address**

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Hawthorn North, Victoria 3122

**Website**

www.cynata.com

**Auditors**

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

**Share Registry**

Automic Registry Services
Level 5, 191 St Georges Terrace
Perth, Western Australia 6000
Tel: 1300 288 664 (within Australia) +61 2 9698 5414 (outside Australia)
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Email: hello@automic.com.au
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**Stock Exchange**

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

**ASX Code**

CYP

# Half year report for the half-year ended 31 December 2021

## Contents

# Directors' report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") submit herewith the interim financial report of Cynata Therapeutics Limited and its controlled entities ("the Group") for the half-year ended 31 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## Directors

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

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 2021, after providing for income tax, amounted to $1,131,195 compared to a loss of $4,839,572 for the half-year ended 31 December 2020. As at 31 December 2021, cash and cash equivalents were $26,786,840 which included US$5M received from FUJIFILM Corporation under a Strategic Partnership Agreement whereby Cynata regained rights to CYP-001 for graft-versus-host disease (GvHD).

### Key Highlights

- **Progressed clinical development of Cymerus™ mesenchymal stem cell (MSC) products, with multiple active clinical trials:**
    - Osteoarthritis: actively recruiting and treating patients in the Phase 3 SCULpTOR clinical trial of CYP-004
    - Respiratory distress: MEND clinical trial in respiratory distress actively recruiting and treating patients
    - Diabetic Foot Ulcers: clinical trial commenced in December as projected
- **Signed both a Strategic Partnership Agreement (SPA) with FUJIFILM Corporation and a Manufacturing Services Agreement (MSA) with FUJIFILM Cellular Dynamics, Inc, with additional payment of US$5m received from FUJIFILM**
- **Progressed planning for a Phase 2 acute graft-versus-host-disease (aGvHD) trial to be conducted in the US, subsequent to Cynata regaining development and commercialisation rights to CYP-001 for aGvHD as part of the SPA with FUJIFILM**
- **Received Notices of Allowance for patent applications covering Cynata's unique Cymerus™ mesenchymal stem cell (MSC) technology in the US, Canada and Russia**
- **Preclinical study showing beneficial effects of Cymerus MSCs in heart attacks was published in the leading peer-reviewed journal, Cytotherapy**
- **Appointed Dr Jolanta Airey as Chief Medical Officer**

## Operational Update

Cynata continues to make substantial progress with its ongoing clinical trials, including new high priority plans to expand the Company's clinical development pipeline. A compelling pre-clinical data package, successful safety and efficacy results from the aGvHD clinical trial and multiple publications in leading medical journals supports Cynata's Cymerus™ cell therapy platform. The proprietary technology provides a unique ability to manufacture potent mesenchymal stem cells (MSCs) from a single donor and donation to potentially treat a broad range of debilitating diseases.

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

**Osteoarthritis:** During the half year, patient recruitment and treatment advanced in the Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) osteoarthritis trial. The trial, sponsored by the University of Sydney, aims to enrol a total of 440 patients with osteoarthritis of the knee and assess the effect of CYP-004, Cynata's Cymerus mesenchymal stem cell (MSC) product for osteoarthritis, compared to placebo on clinical outcomes and knee joint structure over a two-year period. Funded substantially by the NHMRC, this trial is one of the largest of its kind to ever be conducted using MSCs.

**Respiratory distress:** Cynata continues to recruit subjects into the MEND trial investigating the safety and early efficacy of Cymerus in adult patients admitted to intensive care with compromised lung function, who meet the established criteria for Acute Respiratory Distress Syndrome (ARDS). This trial, which aims to recruit a total of 24 patients, is in collaboration with the Cerebral Palsy Alliance Research Institute and the COVID-19 Stem Cell Treatment Group. Following the successful completion of a routine review by the independent DSMB (data safety monitoring board), the DSMB recommended the trial continue as planned.

**Diabetic foot ulcers:** As projected, following the successful completion of a Site Initiation Visit in November 2021, Cynata commenced a clinical trial in diabetic foot ulcers (DFU). As part of the trial start-up activities, Cynata received human research ethics committee and research governance approvals from the Central Adelaide Local Health Network (CALHN). The trial aims to recruit 30 adult patients with DFU who will be randomly assigned to receive CYP-006TK or standard care. CYP-006TK is a novel polymer-coated silicon wound dressing seeded with Cymerus MSCs to facilitate topical application to the wound. This unique dressing technology has been licensed from TekCyte Limited, a leading manufacturer of innovative biomedical coatings. The primary outcome measure in the trial will be safety, with secondary outcome measures including wound healing, pain and quality of life at 12 and 24 weeks after treatment.

**Acute GvHD:** Cynata's lead product candidate CYP-001 achieved all clinical endpoints, demonstrating positive safety and efficacy data for the treatment of steroid-resistant acute graft-versus-host disease (aGvHD) in a Phase 1 trial. No serious adverse events or safety concerns related to the treatment were identified. This excellent outcome has formed a sound basis for active planning for a Phase 2 clinical trial in aGvHD and Cynata expects to accelerate its US development strategy by conducting a Phase 2 aGvHD trial in the United States (subject to FDA approval), expected to commence in 2022.

***Sustained focus on building strategic partnerships, business development and commercialisation opportunities***

As announced on 30 September 2021, Cynata and FUJIFILM entered into a new strategic partnership agreement (SPA), with Cynata subsequently receiving a US$5m payable as part of that SPA. In December 2021, Cynata executed a manufacturing services agreement (MSA) with FUJIFILM Cellular Dynamics, Inc (FCDI), to provide clinical and commercial manufacturing services for Cynata's Cymerus therapeutic mesenchymal stem cell products, with initial activities directed towards establishing the Cymerus manufacturing process at FCDI. Cynata's existing contract manufacturer, Waisman Biomanufacturing, will continue to manufacture product for Cynata's current clinical trials. As part of the SPA, FUJIFILM has agreed to extend the voluntary escrow of their ~8.1 million shares in Cynata for a further 12 months, cementing their strong and longstanding commitment to the Company.

Cynata has strengthened its broad intellectual property portfolio having secured further patent protection in major commercial markets. Cynata received Notices of Allowance from the United States Patent and Trademark Office and from the Canadian Intellectual Property Office, for a patent application covering its proprietary Cymerus MSC technology. The Canadian patent and the US patent will extend to 2034 and 2037, respectively. Additionally, the Patent Office of the Russian Federation accepted two applications covering Cynata's Cymerus technology for which it granted patents in late 2021, with expiration in 2037.

Consistent with growing the awareness of Cynata's unique technology, a scientific paper describing the use of Cymerus MSCs in a preclinical animal model of heart attack was published in leading peer-reviewed journal, *Cytotherapy,* the official journal of the International Society for Cell & Gene Therapy. The study concluded that Cymerus MSCs in this model of myocardial infarction (heart attack) were efficacious. The results showed that Cymerus MSCs achieved better therapeutic effects compared to conventional bone marrow derived MSCs. This recognition highlights the significance of Cymerus MSCs in treating serious and debilitating diseases and enhances the profile of Cynata's advanced technology. Cynata remains at the forefront of induced pluripotent stem cell (iPSC) technology worldwide, with many other cell therapy companies now recognising the clear advantages of iPSC-based manufacturing strategies for their particular cell therapy products.

***Strengthening senior management team***

During the half-year ended 31 December 2021, Cynata appointed Dr Jolanta Airey as Chief Medical Officer. Dr Airey brings over 25 years of experience in respiratory, rheumatology, dermatology, biologicals, international markets and listed companies. As former Director of Translational Development at CSL Limited, she successfully led the development and commercialization of pharmaceutical products. Dr Airey's extensive experience as a clinician and within clinical development will be invaluable as Cynata continues to execute on its clinical product pipeline.

## Outlook

Cynata's broad product pipeline in clinical development, with several upcoming catalysts, and a rich pre-clinical data package across multiple disease targets, places the Company in a strong position. Furthermore, with a strong cash balance of A$26.8m as at 31 December 2021, Cynata is well funded to progress clinical and process development and, in addition, is actively pursuing strategic and commercial opportunities as they arise.

**Osteoarthritis:** The osteoarthritis phase 3 clinical trial continues to make progress as the University of Sydney, as sponsor, seeks 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 be followed up for a total of two years post enrolment. The University of Sydney expects to complete the study in 2024.

**Respiratory distress:** The MEND respiratory distress trial is underway, with a total of 24 critically ill adult patients expected to participate. 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 only. Resources at our study centers, and indeed at many hospitals in eastern Australia, have been stretched beyond limits to support the huge numbers of patients affected by COVID-19 and this has had an adverse impact on the expected enrolment rate. Nevertheless, Cynata expects to complete the trial during 2022, providing an important value catalyst.

**Diabetic foot ulcers:** The clinical trial in DFU has commenced recruitment, aiming for a total of 30 adult patients. Patients will be randomly assigned to receive CYP-006TK or standard care. The treatment period will be 4 weeks, and each patient will be evaluated for a total of 24 weeks. Cynata expects the trial to complete during calendar 2022.

**Acute GvHD:** A Phase 2 clinical trial in aGvHD is expected to commence during 2022, subject to regulatory approval by the US FDA. This trial will build on the excellent results seen from the Phase 1 clinical study of CYP-001, with all clinical endpoints being successfully met. Advancing into Phase 2 through a US regulatory pathway will be a major achievement for the Company and represents a further and highly significant value catalyst.

**Other indications:** Cynata is seeking to further expand its clinical development pipeline through the addition of high priority indications including Idiopathic pulmonary Fibrosis (IPF) and renal transplantation. Both these indications were carefully selected based on promising results and solid foundations, building on several relevant pre-clinical disease models. Currently, clinical trial planning for IPF and renal transplantation has assumed a subordinated priority as resources have been diverted towards advancing the proposed Phase 2 trial in aGvHD, and the three ongoing clinical trials.

**Commercial strategy**: In tandem with its clinical and regulatory activities, Cynata is also focused on enhancing and expanding the manufacturing processes and capabilities for its proprietary Cymerus technology. This ensures that Cynata, along with its future partners, will be in a strong position to readily commercialise its proprietary therapeutic MSC products. Similarly, the Company continues to conduct an active and vigorous partnering outreach with the aim to form further strategic partnerships and enhance development and commercialisation of the Cymerus technology and to further build shareholder value.

## Subsequent events

On 19 January 2022, the Company received a $832,677 R&D Tax Incentive Refund.

## Auditor's independence declaration

The auditor's independence declaration for the half-year ended 31 December 2021 has been received and is included on page 5 of this 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 2022

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25 February 2022

Board of Directors
Cynata Therapeutics Limited
Level 3,100 Cubitt Street
Cremorne, Victoria 3121

Dear Directors

**RE: CYNATA THERAPEUTICS LIMITED**

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of Cynata Therapeutics Limited.

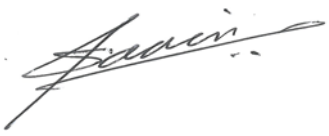
As Audit Director for the review of the financial statements of Cynata Therapeutics Limited for the half-year ended 31 December 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(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**
**(An Authorised Audit Company)**



**Samir Tirodkar**
**Director**

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# 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 statement of financial position as at 31 December 2021, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, condensed notes comprising 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 Cynata Therapeutics Limited's financial position as at 31 December 2021 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 2022.

### *Responsibility of the Directors for the Financial Report*

The directors of 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.

Stantons

***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 2021 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**
**(An Authorised Audit Company)**

Stantons International Audit and Consulting Pty Ltd

**Samir Tirodkar**
Director

West Perth, Western Australia
25 February 2022

# 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 2022

# Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2021

| | Note | Half-year ended 31 Dec 2021 $ | Half-year ended 31 Dec 2020 $ |
|---|---|---|---|
| Interest income | 5 | 33,126 | 40,659 |
| Other income | 5 | 6,937,748 | 77,492 |
| **Total income** | | **6,970,874** | **118,151** |
| Product development and marketing costs | | (5,500,840) | (2,087,628) |
| Employee benefits expenses | | (848,528) | (809,848) |
| Share based payments expenses | 11 | (630,889) | (485,594) |
| Amortisation expenses | 8 | (139,983) | (139,983) |
| Other operational expenses | 6 | (981,829) | (1,434,670) |
| **Loss before income tax** | | **(1,131,195)** | **(4,839,572)** |
| Income tax expense | | - | - |
| **Loss for the period** | | **(1,131,195)** | **(4,839,572)** |
| **Other comprehensive income, net of income tax** | | | |
| ***Items that will not be reclassified subsequently to profit or loss*** | | - | - |
| ***Items that may be reclassified subsequently to profit or loss*** | | | |
| Exchange differences on translating foreign operations | | - | - |
| **Other comprehensive income/(loss) for the period, net of income tax** | | **-** | **-** |
| **Total comprehensive (loss) for the period** | | **(1,131,195)** | **(4,839,572)** |
| **(Loss) attributable to:** | | | |
| Owners of Cynata Therapeutics Limited | | **(1,131,195)** | **(4,839,572)** |
| **Total comprehensive (loss) attributable to:** | | | |
| Owners of Cynata Therapeutics Limited | | **(1,131,195)** | **(4,839,572)** |
| **(Loss) per share:** | | | |
| Basic and diluted (cents per share) | | (0.79) | (4.09) |

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 2021

| | Note | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|---|
| **Current assets** | | | |
| Cash and cash equivalents | | 26,786,840 | 26,716,670 |
| Other receivables | 7 | 69,101 | 70,464 |
| Loans receivable | 9 | - | 207,978 |
| Prepayments | | 124,108 | 287,261 |
| **Total current assets** | | **26,980,049** | **27,282,373** |
| | | | |
| **Non-current assets** | | | |
| Intangibles | 8 | 2,552,547 | 2,692,530 |
| **Total non-current assets** | | **2,552,547** | **2,692,530** |
| **Total assets** | | **29,532,596** | **29,974,903** |
| | | | |
| **Current liabilities** | | | |
| Trade and other payables | | 1,388,719 | 1,375,685 |
| Provisions | | 271,030 | 226,065 |
| **Total current liabilities** | | **1,659,749** | **1,601,750** |
| **Total liabilities** | | **1,659,749** | **1,601,750** |
| **Net assets** | | **27,872,847** | **28,373,153** |
| | | | |
| **Equity** | | | |
| Issued capital | 10 | 74,900,251 | 74,900,251 |
| Option reserves | 11 | 6,950,206 | 6,319,317 |
| Foreign currency translation reserve | | 4,724 | 4,724 |
| Accumulated losses | | (53,982,334) | (52,851,139) |
| **Total equity** | | **27,872,847** | **28,373,153** |

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 2021

| | Issued Capital $ | Option Reserve $ | Foreign currency translation reserve $ | Accumulated losses $ | Total $ |
|---|---|---|---|---|---|
| **Balance at 1 July 2020** | **57,165,390** | **4,782,446** | **4,724** | **(45,161,456)** | **16,791,104** |
| Loss for the period | - | - | - | (4,839,572) | (4,839,572) |
| Other comprehensive income/(loss), net of tax | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(4,839,572)** | **(4,839,572)** |
| Issue of ordinary shares | 15,008,207 | - | - | - | 15,008,207 |
| Share issue costs | (357,320) | - | - | - | (357,319) |
| Share based payments | - | 485,594 | - | - | 485,594 |
| **Balance at 31 December 2020** | **71,816,277** | **5,268,040** | **4,724** | **(50,001,028)** | **27,088,013** |
| | | | | | |
| **Balance at 1 July 2021** | **74,900,251** | **6,319,317** | **4,724** | **(52,851,139)** | **28,373,153** |
| Loss for the period | - | - | - | (1,131,195) | (1,131,195) |
| Other comprehensive income/(loss), net of tax | - | - | - | - | - |
| **Total comprehensive loss for the period** | **-** | **-** | **-** | **(1,131,195)** | **(1,131,195)** |
| Share based payments (*refer to note 11*) | - | 630,889 | - | - | 630,889 |
| **Balance at 31 December 2021** | **74,900,251** | **6,950,206** | **4,724** | **(53,982,334)** | **27,872,847** |

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 2021

| | Note | Half-year ended 31 Dec 2021 $ | Half-year ended 31 Dec 2020 $ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Other income | | 6,731,903 | 77,801 |
| Payments to suppliers and employees | | (2,030,176) | (1,888,957) |
| Interest received (excluding interest on loans receivable) | | 30,723 | 28,443 |
| Product development costs paid | | (5,053,913) | (2,396,263) |
| Net cash (used) in operating activities | | (321,463) | (4,178,976) |
| | | | |
| **Cash flows from financing activities** | | | |
| Proceeds from equity instruments of the Company | 10 | - | 15,008,207 |
| Received from related parties on repayment of loans and interest | 9 | 210,124 | 462,272 |
| Payment for share issue costs | | - | (357,320) |
| Net cash provided by financing activities | | 210,124 | 15,113,159 |
| | | | |
| **Net (decrease)/increase in cash and cash equivalents** | | **(111,339)** | **10,934,183** |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 26,716,670 | 13,649,644 |
| Effect of exchange rate fluctuations | | 181,509 | 335,740 |
| **Cash and cash equivalents at the end of the period** | | **26,786,840** | **24,919,567** |

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 2021

## 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 2021 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 2022.

### Basis of preparation

The 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 2021 annual financial report for the financial year ended 30 June 2021, 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 2021.

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

***New and amended Accounting Standards that are effective for the current period***

In the current half-year, the Group has applied the below amendment to Australian Accounting Standards *and Interpretations* issued by the Australian Accounting Standards Board (the Board) that are effective for the Group's annual reporting that began on 1 July 2021. Its adoption has had no material impacts on the disclosures and/or amounts reported in these financial statements:

- AASB 2020-8 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2*
  This amendment modifies 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 are amended as a result of the interest rate benchmark reform.

## 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 Group has therefore decided to aggregate all its reporting segments into one reportable 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.

## 4. Dividends

No dividends were paid or declared for the half-year ended 31 December 2021 and the directors have not recommended the payment of a dividend.

## 5. Interest income and other income

| | 31 Dec 2021<br>$ | 31 Dec 2020<br>$ |
|---|---|---|
| **Interest income** | | |
| Interest income | 30,980 | 33,251 |
| Accrued interest on directors' loans | 2,146 | 7,408 |
| | 33,126 | 40,659 |
| **Other income** | | |
| Grants received (i) | - | 77,492 |
| Other income (ii) | 6,937,748 | - |
| | 6,937,748 | 77,492 |

(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 received in the corresponding 31 December 2020 period. There was no such receipt in the current period.
(ii) This represents US$5million paid by FUJIFILM Corporation under a Strategic Partnership Agreement whereby Cynata regained rights to CYP-001 for graft-versus-host disease (GvHD).

## 6. Other operational expenses

| | 31 Dec 2021 $ | 31 Dec 2020 $ |
|---|---|---|
| Accounting and audit fees | 50,898 | 49,664 |
| Consultants and advisory fees | 225,784 | 197,416 |
| Company secretarial fees | 52,853 | 52,962 |
| Directors' fees | 137,500 | 137,636 |
| Investor/public relations | 43,496 | 144,708 |
| Legal fees | 314,330 | 123,036 |
| Other general expenses | 156,968 | 729,248 |
| | 981,829 | 1,434,670 |

## 7. Other receivables

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Deposits made | 25,528 | 25,528 |
| Other receivables | 43,573 | 44,936 |
| | 69,101 | 70,464 |

None of the receivables are past due at the reporting date.

## 8. Intangibles

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Balance at the beginning of the period (i) | 2,692,530 | 2,972,495 |
| Amortisation (ii) | (139,983) | (279,965) |
| Balance at the end of the period | 2,552,547 | 2,692,530 |

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

(ii) An amortisation expense of $139,983 has been recognised in profit or loss for the half-year ended 31 December 2021 (31 December 2020: $139,983). For more information on the Group's accounting policy on intangibles and amortisation, refer to the 2021 annual financial report.

## 9. Loans receivable

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Balance at beginning of period | 207,978 | 657,656 |
| Interest accrued (ii) | 2,146 | 12,594 |
| Repayments by related parties (iii) | (210,124) | (462,272) |
| Balance at reporting period | - | 207,978 |

(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 2021, Dr Macdonald made final repayment of $210,124 of his loan which included $10,124 accrued interest. As at 31 December 2021, all director loans were repaid.

## 10. Issued capital

| | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| 143,276,594 fully paid ordinary shares (30 Jun 2021: 143,276,594) | 74,900,251 | 74,900,251 |

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

| Fully paid ordinary shares | 31 Dec 2021 | | 30 Jun 2021 | |
|---|---|---|---|---|
| | No. | $ | No. | $ |
| Balance at beginning of period | 143,276,594 | 74,900,251 | 117,124,004 | 57,165,390 |
| Share placement (i) | - | - | 6,930,460 | 4,851,322 |
| Share placement (ii) | - | - | 14,285,715 | 10,000,000 |
| Share placement (iii) | - | - | 224,120 | 156,885 |
| Rights Issue (iv) | - | - | 3,558,725 | 2,491,108 |
| Rights Issue Shortfall (v) | - | - | 1,153,570 | 807,499 |
| Share issue costs | - | - | - | (571,953) |
| | 143,276,594 | 74,900,251 | 143,276,594 | 74,900,251 |

(i) Issue of shares pursuant to a Placement at $0.70 per share on 21 December 2020.
(ii) Issue of shares pursuant to a Placement at $0.70 per share on 24 December 2020.
(iii) Issue of shares pursuant to a Placement at $0.70 per share on 31 December 2020.
(iv) Issue of shares pursuant to an Entitlement Offer at $0.70 per share on 20 January 2021.
(v) Issue of shares pursuant to a Shortfall Placement under the Entitlement Offer at $0.70 per share on 20 January 2021.

## 11. Option reserves

| ***Share-based payments*** | 31 Dec 2021 $ | 30 Jun 2021 $ |
|---|---|---|
| Balance at beginning of period | 6,319,317 | 4,782,446 |
| Recognition of share-based payments (i) | 630,889 | 1,536,871 |
| Balance at end of period | 6,950,206 | 6,319,317 |

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 2021 was $630,889 (30 June 2021: $1,536,871).

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 dividend 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 2021, the Company recorded the following share-based payment:

(i) Issue of 1,000,000 unlisted options exercisable at $0.89 expiring on or before 11 October 2025 to Dr Jolanta Airey pursuant to the Employee Option Acquisition Plan ("Airey Options"). Dr Jolanta was appointed as Chief Medical Officer on 11 October 2021 and is an employee of the Company.

***Fair Value***

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

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

***Options on issue as at reporting date***

The following options arrangements 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 | 24 November 2020 | $0.970 | 29 November 2025 |
| 1,000,000 | 11 October 2021 | $0.890 | 11 October 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 & development commitments***

The Group has entered into a number of agreements related to research and development activities. As at 31 December 2021, under these agreements, the Company is committed to making payments over the future period, as follows:

| | A$ |
|---|---|
| - During the period 1 Jan 2022 – 30 June 2022 | 3,223,613 |
| - During the period 1 July 2022 – 30 June 2023 | 1,052,829 |
| - During the period 1 July 2023 – 30 June 2024 | 315,578 |

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 31 December 2021.

## 15. Subsequent events

On 19 January 2022, the Company received a $832,677 R&D Tax Incentive Refund.