Appendix 4E

Preliminary final report

1. Details of reporting period

Name of entity	Cynata Therapeutics Limited (the Company)
ABN	98 104 037 372
Reporting Period	**Year ended 30 June 2023**
Previous Corresponding Period	Year ended 30 June 2022
Presentation Currency	Australian Dollars ($)

2. Results for announcement to the market

Key information	30 June 2023 $	30 June 2022 $	Increase/ (decrease) %	Amount change $
Revenues from ordinary activities (i)	2,007,179	7,835,174	(74.38%)	(5,827,996)
Loss from ordinary activities after tax attributable to members	14,277,495	5,445,172	162.20%	8,832,323
Net loss for the period attributable to members	14,277,495	5,445,172	162.20%	8,832,323
Net tangible asset per share	0.081	0.150	-	-

(i) The 30 June 2022 figure includes US$5M received from FUJIFILM Corporation under a Strategic Partnership Agreement whereby Cynata regained rights to CYP-001 for graft-versus-host diseases (GvHD).

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

Refer to attached consolidated financial statements.

4. Consolidated statement of financial position

Refer to attached consolidated financial statements.

5. Consolidated statement of cash flows

Refer to attached consolidated financial statements.

6. Consolidated statement of changes in equity

Refer to attached consolidated financial statements.

7. Dividends/Distributions

No dividends declared in current or prior year.

8. Details of dividend reinvestment plans

Not applicable.

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

Not applicable.

10. Details of associate and joint venture entities

Not applicable.

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

Refer to attached consolidated financial statements.

12. Foreign entities

Refer to attached consolidated financial statements.

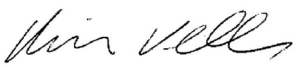
13. Commentary on results for period and explanatory information

Cynata Therapeutics Limited ("Cynata" or the "Company") and its controlled entities ("the Group") incurred a net loss from operations for the financial year ended 30 June 2023 of $14,277,495 (2022: $5,445,172). At 30 June 2023, the Group had a cash balance of $16,167,356 (2022: $23,798,046) and net assets of $16,733,481 (2022: $23,960,085). The net cash outflow from operating activities for the financial year was $14,282,729 (2022: $3,298,331). During the financial year, Cynata progressed trial startup activities, including securing regulatory and ethics approvals, for the Phase 2 clinical trial of CYP-001, in patients with High-Risk aGvHD (HR-aGvHD). The trial aims to enrol approximately 60 patients. Encouraging outcomes from Cynata's Phase 1 clinical trial of CYP-001 for the treatment of steroid-resistant aGvHD (SR-aGvHD) were presented in June 2023 at the International Society of Cell and Gene Therapy meeting. During the financial year, Cynata also released encouraging initial data from the first six patients enrolled in the Phase 1 clinical trial of CYP-006TK in patients with Diabetic Foot Ulcer demonstrating a clear difference in the reduction in average ulcer size in patients treated with MSC product compared to those who received standard of care treatment. The University of Sydney (USYD) continues to progress recruitment of patients in the Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) trial of CYP-004, targeting patients suffering from Osteoarthritis of the knee. The trial aims to reduce pain and disease progression in up to 440 patients. This trial is a collaboration between Cynata and USYD. In partnership with Leiden University Medical Center, Cynata continues to progress start-up activities for a Phase 1 clinical trial of CYP-001 in patients who have undergone renal transplantation, with the aim of reducing or withdrawing immunosuppressant (i.e., anti-rejection) drugs. Subsequent to the year, the trial received regulatory approval.

For more information, refer to the attached consolidated financial statements.

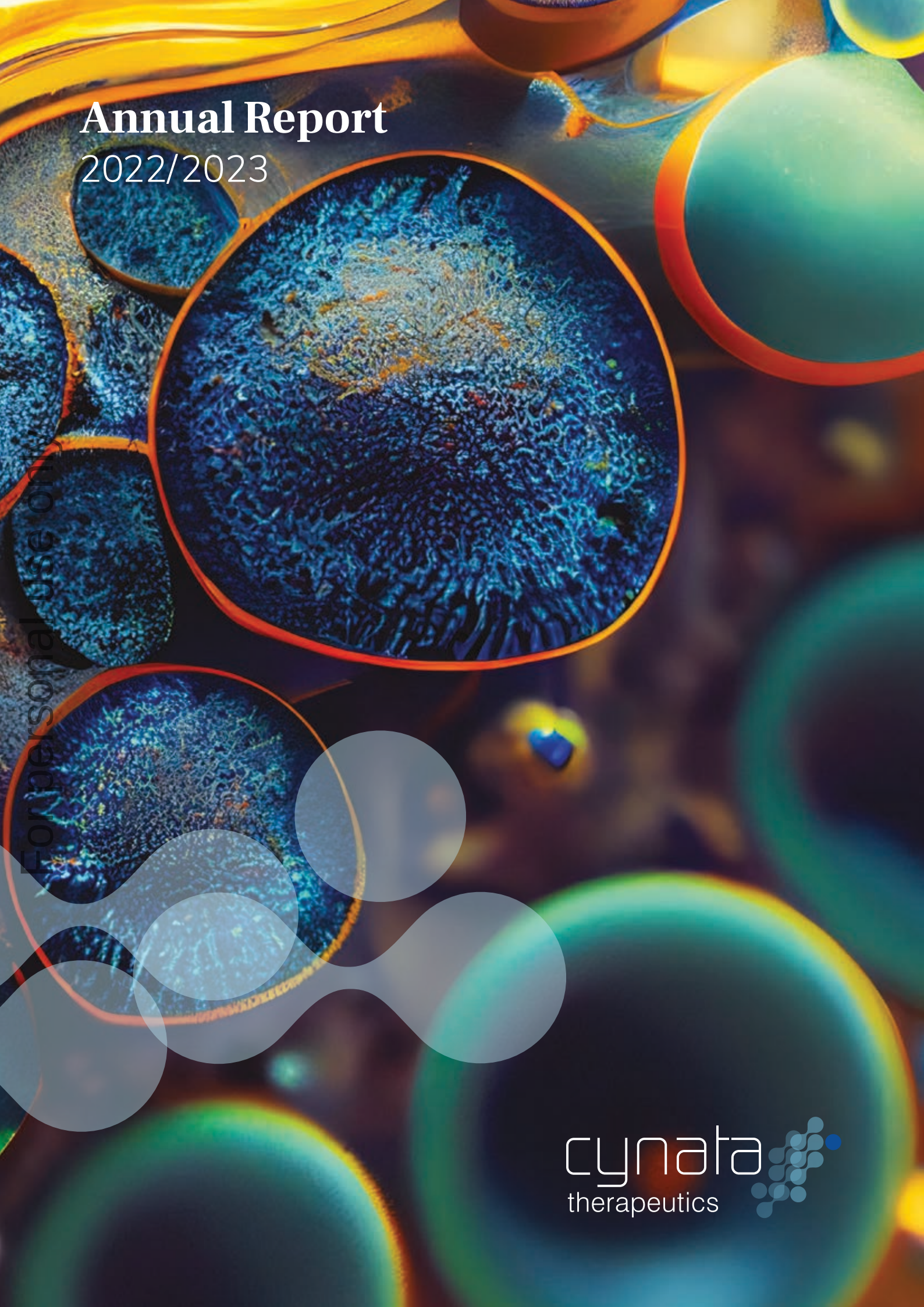
14. Audit

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



Dr Kilian Kelly
Managing Director & Chief Executive Officer
28 August 2023

Annual Report
2022/2023



cynata therapeutics

Corporate Directory

Cynata Therapeutics Limited
ACN 104 037 372

Board of Directors

Dr Geoff Brooke
Non-Executive Chair

Dr Kilian Kelly
Managing Director &
Chief Executive Officer

Dr Darryl Maher
Non-Executive Director

Dr Paul Wotton
Non-Executive Director

Ms Janine Rolfe
Non-Executive Director

Dr David Atkins
Non-Executive Director

Company Secretary

Mr Peter Webse

Registered Office and Place of Business

Level 3, 100 Cubitt Street
Cremorne, Victoria 3121

Tel: +61 3 7067 6940
Email: info@cynata.com

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)
Fax: +61 8 9321 2337
Email: hello@automic.com.au
Web: www.automic.com.au

Stock Exchange

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

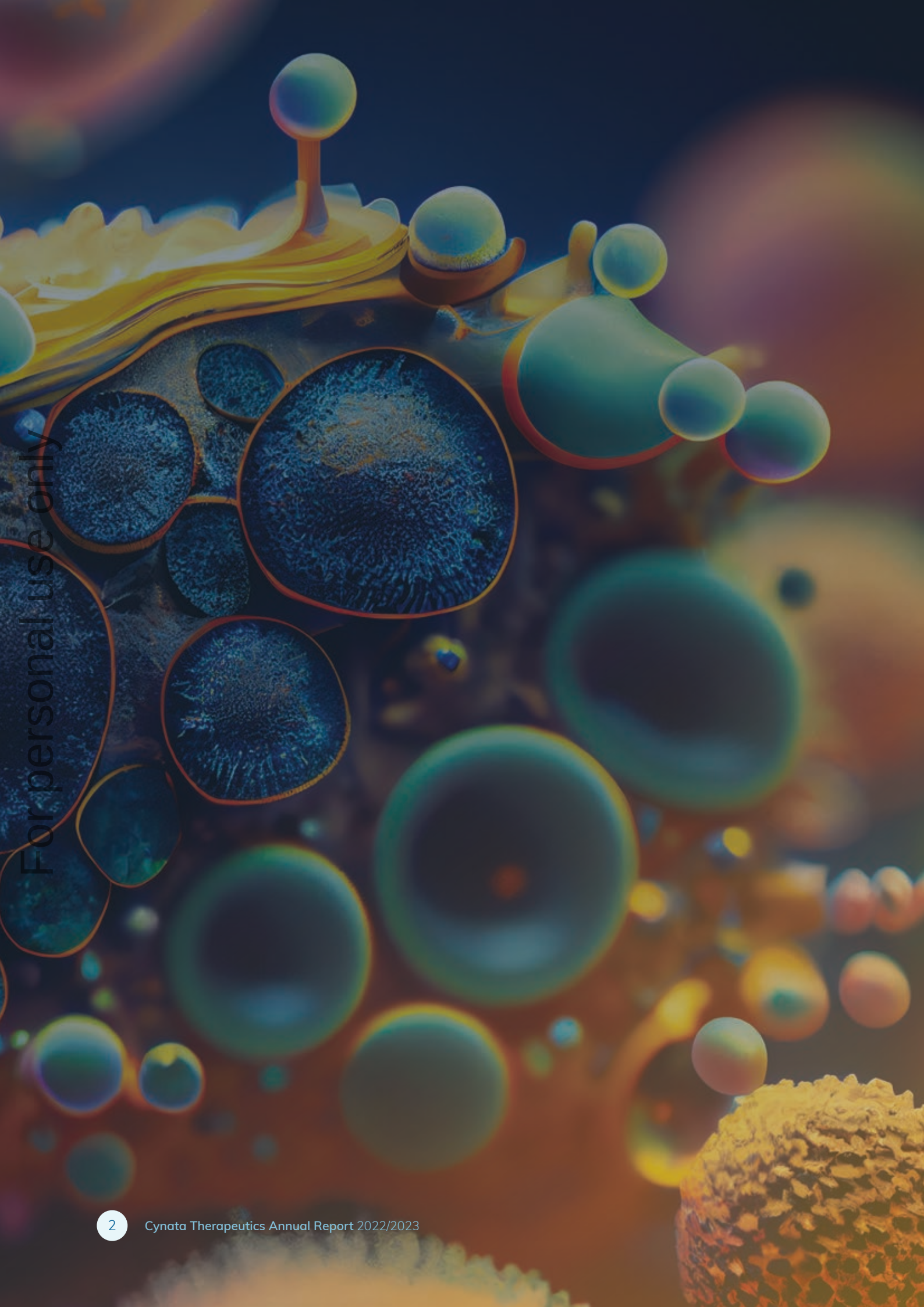
ASX Code

CYP – fully paid ordinary shares
CYPOA – options

Annual report for the financial year ended

30 June 2023

Contents



Key Highlights 2022-2023

Patient recruitment open for **Phase 2 trial in acute graft-versus-host disease (aGvHD)**

Phase 1 SR-aGvHD trial data selected for presentation at the prestigious International Society for Cell & Gene Therapy Annual Meeting

Successful review of initial data and recruitment ongoing in Phase 1 for the **Diabetic Foot Ulcers (DFU) clinical trial**

~300 patients enrolled into the **Phase 3 SCUlpTOR osteoarthritis clinical trial**

CYP-001 clinical trial for renal transplantation approved

Establishment of Cymerus™ manufacturing process at FUJIFILM at an advanced stage

~$1m Grant awarded to investigate ischaemic heart disease (IHD)

Intellectual property portfolio continues to strengthen

A$7m in capital raising including a A$5m placement and A$2m SPP

Cash balance of A$16.2m as at 30 June 2023, sufficient to complete current clinical trial commitments

Dr Kilian Kelly appointed to the position of CEO and Managing Director

Chair's Letter

Dear Shareholders,

I am pleased to present to you the Annual Report of Cynata Therapeutics Limited ("Cynata" or "the Company") for the period ended 30 June 2023.

I believe we are now well positioned to successfully execute each of these programs and achieve our targeted milestones in the new financial year.

Throughout the year, we made important progress with our ongoing and planned clinical trials, strengthened the Company's financial position, and implemented board and management changes to position the Company for the next stage in its growth as a leader in the stem cell and regenerative medicine field.

Clinical Development Progress

We now have three active ongoing clinical trials: acute graft versus host disease; diabetic foot ulcer, and osteoarthritis. Start-up activities for a further proposed trial, in patients who have received a kidney transplant, are also underway. While these trials relate to four distinct therapeutic areas, they all focus on areas of huge unmet medical need, with substantial addressable markets. Trial progress was slower than anticipated last year for several reasons, but I believe we are now well positioned to successfully execute each of these programs and achieve our targeted milestones in the new financial year.

CEO Succession and Board Changes

At the end of the year, we were delighted to announce the appointment of Dr Kilian Kelly to the position of Chief Executive Officer and Managing Director, effective 1 July 2023, following the retirement of the Company's founding CEO, Dr Ross Macdonald. Kilian joined the Company in early 2014, and initially held the role of Vice President, Product Development, before his promotion to Chief Operating Officer in 2019. He oversaw the development of CYP-001, Cynata's lead Cymerus™ product for

acute graft-versus-host disease (aGvHD), including the highly successful world-first clinical trial. His deep understanding of the business and the Cymerus™ platform provides an ideal basis for the advancement of the Company's pipeline and partner engagement.

At the same time, Dr Stewart Washer stepped down from his position as a Non-Executive Director, and we welcomed Dr David Atkins to the Board. Dr Atkins is the Managing Partner of BioScience Managers, an international healthcare investment firm and a major Cynata shareholder.

I wish to convey the heartfelt thanks of the Board to Stewart and Ross. They held the roles of the inaugural Chair and CEO, playing pivotal roles in leading Cynata through its IPO in 2013, and subsequently steering the growth of the Company over the past decade. We extend our best wishes to both of them for their future endeavours.

Sound Financial Position

We enter the new financial year with over A$16m in cash, which is sufficient to fund our ongoing clinical trials.

I would like to express my gratitude to all our shareholders for their unwavering support as we make strides with our portfolio. I also extend my appreciation to my colleagues on the Board, and the rest of the Company's team, for their dedication and efforts throughout this year. We now set our sights on success in the new fiscal year.

Yours sincerely,

Dr Geoff Brooke
Chair

CEO's Letter

Our number one priority is the successful execution of our clinical trials, and in particular, meeting our recruitment goals in the new financial year. We are in a very strong position to do this.

Dear Shareholders,

Firstly, I am honoured to have been appointed as CEO and Managing Director of Cynata, and I extend my thanks to our Chair, Dr Geoff Brooke, and the rest of the Board for trusting me with this opportunity.

After almost a decade with the Company, during which I have developed an extensive knowledge of all aspects of the Company's business, I am excited to lead Cynata to success in the years ahead.

Clinical Pipeline

A key focus this year was on advancing our clinical development programs. The Phase 1 trial in patients with diabetic foot ulcer (DFU) and the Phase 3 trial in patients with osteoarthritis continued to enrol patients throughout the year, while our global Phase 2 clinical trial in patients with high-risk acute graft versus host disease (HR-aGvHD) opened for recruitment subsequent to the year end.

In addition to progressing the start-up activities for the Phase 2 HR-aGvHD trial, we also gained further recognition for the highly encouraging Phase 1 aGvHD trial, when a summary of the two-year follow-up data was selected for presentation at the International Society of Cell and Gene Therapy (ISCT) annual meeting.

We also released positive initial data from the first six patients enrolled in the Phase 1 DFU trial, and implemented measures to address the unexpectedly high screening failure rate in that trial.

The enrolment rate in the Phase 3 osteoarthritis trial improved dramatically, with almost 300 patients enrolled in the trial by year end – making this one of the largest patient

cohorts ever enrolled in a trial involving an MSC-based therapy.

Furthermore, we have been working on a proposed new trial in patients who have received a kidney transplant, in partnership with Leiden University Medical Center, which received regulatory approval subsequent to the year end.

Robust Intellectual Property Estate

During the year, we continued to grow our robust intellectual property portfolio, with further notices of allowances or equivalent granted for three different patents, in several jurisdictions.

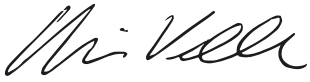
FY24 outlook

Our number one priority is the successful execution of our clinical trials, and in particular, meeting our recruitment goals in the new financial year. We are in a very strong position to do this. Our current cash balance is sufficient to fund the HR-aGvHD and DFU trials, while the osteoarthritis and renal transplant trials are being funded by our external partners.

As announced following our strategic review subsequent to the year end, we anticipate patient recruitment in the DFU and osteoarthritis trials to conclude in late 2023 or early 2024. Looking further ahead, we anticipate results of the ongoing trials being released in mid-2024 (DFU), in the second half of 2025 (HR-aGvHD) and in the first half of-2026 (osteoarthritis), respectively. We also anticipate the commencement of the proposed kidney transplant trial within the coming months.

I would like to thank the whole Cynata team for their commitment to advancing our Company and its assets. I would also like to thank our shareholders for their continued support. I am very optimistic about our prospects for the new financial year, and indeed the years beyond that.

Yours sincerely,



Dr Kilian Kelly
Chief Executive Officer & Managing Director

Directors' Report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2023.

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

Board of Directors

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

Dr Geoff Brooke

MBBS, MBA

Independent Chair, joined the Board in May 2019 as Non-Executive Director and appointed Chair on 18 August 2020. Dr Brooke co-founded GBS Venture Partners in 1996 and has more than 30 years' venture capital experience. He was formerly President of Medvest Inc., a US-based early-stage venture capital group he founded with Johnson & Johnson. Dr Brooke's experience includes company formation and acquisitions as well as public listings on NYSE, NASDAQ and ASX exchanges. He is a non-executive director of Acrux Limited (ASX: ACR) and Chairman of Actinogen Medical Limited (ASX: ACW) and has been a founder, executive and director of private and public companies. From 2009 until 2015, Dr Brooke was an independent director of the Victoria Workcover Authority. Dr Brooke holds a Bachelor of Medicine/Surgery from Melbourne University and a Masters of Business Administration from IMEDE (now IMD) in Switzerland.

Dr Kilian Kelly

MPharm, PhD, MAICD

Appointed **Managing Director & Chief Executive Officer** on 1 July 2023 following the retirement of Dr Macdonald. Dr Kelly was appointed as Vice President, Product Development in January 2014 and has since then been a member of Cynata's executive management team. Dr Kelly has served as Senior Director, Drug Development at Biota Pharmaceuticals Inc. Prior to joining Biota, he was Vice President, Regulatory and Clinical at Mesoblast Ltd. Dr Kelly has also held a variety of regulatory and project management positions with Kendle International, Amgen and AstraZeneca. He holds a Masters in Pharmacy from Robert Gordon University, Aberdeen and a PhD in Pharmaceutical Sciences from Strathclyde University, Glasgow. He is a registered pharmacist and a member of the Royal Pharmaceutical Society, the Australian Institute of Company Directors and the International Society for Cell and Gene Therapy. Dr Kelly also serves on the Industry Interface Committee of the Centre for Commercialisation of Regenerative Medicine (CCRM) Australia.

Directors' Report (cont'd)

Dr Darryl Maher
MBBS, PhD

Independent Non-Executive Director, joined the Board in June 2020. Dr Maher adds global biopharmaceutical and commercialisation capability to the Cynata board, with over 23 years' experience with CSL Limited. CSL is one of the world's most successful developers of biologic pharmaceutical products and has a market capitalisation of ~A$130 billion. Dr Maher has had a long successful career in pharmaceutical product development, most recently as the former Vice President of R&D and Medical Affairs at CSL Behring Australia where he was responsible for the development of multiple successful drug products from initiation through to clinical development and ultimately to commercialisation. Dr Maher undertook medical training, qualified as a specialist haematologist and completed a PhD before commencing his career in the pharmaceutical industry.

Dr Paul Wotton
MBA, PhD

Independent Non-Executive Director, joined the Board in June 2016 and was Non-Executive Chair from 28 February 2017 until 18 August 2020. Dr Wotton was the Chief Executive Officer of Obsidian Therapeutics, a clinical stage TIL therapy company based in Cambridge, Massachusetts. Prior to this, he was the Founding President and CEO of Sigilon Inc. He was previously President and CEO of Ocata Therapeutics Inc. (NASDAQ: OCAT) guiding the company through a take-over by Astellas Pharma Inc., in a US$379 million all cash transaction. Prior to Ocata, Dr Wotton had served as President and CEO of Antares Pharma Inc. (NASDAQ: ATRS) since October 2008. Prior to joining Antares, Dr Wotton was the CEO of Topigen Pharmaceuticals and prior to Topigen, he was the Global Head of Business Development of SkyePharma PLC. Dr Wotton held senior level positions at Eurand International BV, Penwest Pharmaceuticals, Abbott Laboratories and Merck, Sharp and Dohme. Dr Wotton is a member of the Board and Governance Committee of Vericel Corporation (NASDQA: VCEL), a US company developing autologous cellular therapies, Chairman of Kytopen Corp., an MIT startup focused on non-viral transduction technology, independent director at Dimension Inx, a biomaterials platform company and Founder of AvengeBio, a clinical stage immune-oncology company focused on ovarian and peritoneal cancers. He was a member of the board of Veloxis Pharmaceuticals A/S and Chairman of the Compensation Committee, until its acquisition by Asahi Kasai in February 2020 in a $1.3 billion all cash transaction. He is also past Chairman of the Emerging Companies Advisory Board of BIOTEC Canada. Dr Wotton received his PhD in pharmaceutical sciences from the University of Nottingham. In 2014, he was named New Jersey EY Entrepreneur of the Year in Life Sciences.

Ms Janine Rolfe

BEc, LLB (Hons), GAICD

Independent Non-Executive Director, joined the Board in September 2022. Ms Rolfe brings more than two decades of legal, governance and management experience across various sectors to the Board. In recent years, Ms Rolfe has transitioned to professional non-executive director roles. Ms Rolfe's last executive role was as General Counsel & Company Secretary for S&P/ASX100 Link Group. Prior to that, Ms Rolfe established governance consultancy, Company Matters, where she served at the helm for over a decade and during a period where stakeholders greatly intensified their expectations of Australian companies' governance practices. Previously, she was a legal counsel and company secretary at Qantas Airways and a solicitor at Mallesons Stephen Jaques (now King & Wood Mallesons).

Dr David Atkins

BSc, MBA, PhD

Non-Independent Non-Executive Director, joined the Board in July 2023. Dr Atkins has over 25 years' experience as a global leader in a broad range of life science and healthcare businesses including Johnson & Johnson and Danaher. He has held senior leadership positions in R&D, business development, operations and sales and marketing. Dr Atkins has extensive commercial experience in markets in North America, EMEA, Asia and Latin America. He has founded or assumed leadership roles in 3 start-up businesses in gene therapy, molecular and cellular cancer diagnostics and clinical genomics. Dr Atkins is the Managing Partner at BioScience Managers.

Dr Ross Macdonald

PhD (Biochemistry), Grad Dip in Bus Admin

Dr Macdonald joined the Board in August 2013 and served as Managing Director & Chief Executive Officer. Dr Macdonald has over 34 years' experience and a track record of success in pharmaceutical and biotechnology businesses. Dr Macdonald retired from his position on 30 June 2023.

Dr Stewart Washer

BSc (Hons), PhD

Dr Washer joined the Board in August 2013 and was Executive Chair until 28 February 2017. Dr Washer has over 31 years of CEO and board experience in medical technology and biotech companies. Dr Washer resigned on 1 July 2023.

Directors' Report (cont'd)

Directorships of other listed companies

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

Name	Company	Period of directorship
Geoff Brooke	Acrux Limited	Since Jun 2016
	Actinogen Medical Limited	Since Mar 2017
Stewart Washer	Orthocell Limited	Since 2014
	Botanix Pharmaceuticals Limited	Since Feb 2019
	Emyria Limited	Since Mar 2018
Paul Wotton	Vericel Corporation	Since 2015
	Veloxis Pharmaceuticals A/S	2016-2020

Directors' shareholdings

The following table sets out each director's relevant interest in shares, rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

Directors	Fully paid ordinary shares	Share options
	No.	No.
Geoff Brooke	257,343	2,369,767
Kilian Kelly (i)	525,508	3,015,748
Darryl Maher	50,000	325,000
Paul Wotton	315,309	369,767
Janine Rolfe (ii)	116,279	358,140
David Atkins (iii)	-	-

(i) Appointed Managing Director & CEO on 1 July 2023 following the retirement of Dr Macdonald. Dr Kelly was previously the Chief Operating Officer.

(ii) Appointed 1 September 2022.

(iii) Appointed 1 July 2022.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Options granted to directors and senior management

During and since the end of the financial year, an aggregate of 2,636,096 options were granted to the following key management personnel (2022: 1,000,000):

Key management personnel	Number of options granted	Issuing entity	Number of ordinary shares under option
Geoff Brooke[1]	69,767	Cynata Therapeutics Ltd	69,767
Kilian Kelly[2]	2,015,748	Cynata Therapeutics Ltd	2,015,748
Ross Macdonald[3]	27,907	Cynata Therapeutics Ltd	27,907
Stewart Washer[4]	69,767	Cynata Therapeutics Ltd	69,767
Paul Wotton[1]	69,767	Cynata Therapeutics Ltd	69,767
Darryl Maher[1]	25,000	Cynata Therapeutics Ltd	25,000
Janine Rolfe[5]	300,000	Cynata Therapeutics Ltd	300,000
Janine Rolfe[1]	58,140	Cynata Therapeutics Ltd	58,140

1 Free attaching listed options issued on 1 June 2023 pursuant to participation in a Placement.

2 Appointed Managing Director & Chief Executive Officer on 1 July 2023 following the retirement of Dr Macdonald. Dr Kelly was previously the Chief Operating Officer. 2,000,000 unlisted options were granted pursuant to his appointment as MD & CEO and 15,748 listed options were issued as attaching options with shares acquired pursuant to participation in a Share Purchase Plan.

3 Free attaching listed options issued on 1 June 2023 pursuant to participation in a Placement. Dr Macdonald retired from the Board on 30 June 2023.

4 Free attaching listed options issued on 1 June 2023 pursuant to participation in a Placement. Dr Washer resigned on 1 July 2023.

5 Unlisted options issued to Ms Rolfe in consideration for joining the Board. Ms Rolfe was appointed as an Independent Non-Executive Director on 1 September 2022.

Company Secretary

Mr Peter Webse held the position of company secretary of Cynata Therapeutics Limited at the end of the financial year. He joined Cynata in April 2012. Mr Webse is a director of Governance Corporate Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse acts as Company Secretary for a number of ASX listed biotech and technology companies.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

Directors' Report (cont'd)

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Grant date	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cynata Therapeutics Limited[1]	17 May 2019	300,000	Ordinary	$2.11	16 May 2024
Cynata Therapeutics Limited[2]	19 Aug 2020	1,100,000	Ordinary	$0.97	18 Aug 2024
Cynata Therapeutics Limited[3]	14 Sept 2020	100,000	Ordinary	$1.28	13 Sept 2024
Cynata Therapeutics Limited[4]	24 Nov 2020	4,500,000	Ordinary	$0.97	29 Nov 2025
Cynata Therapeutics Limited[5]	11 Oct 2021	1,000,000	Ordinary	$0.89	11 Oct 2025
Cynata Therapeutics Limited[6]	22 Nov 2022	300,000	Ordinary	$0.51	23 Nov 2027
Cynata Therapeutics Limited[7]	1 June 2023	18,177,637	Ordinary	$0.30	1 Apr 2025
Cynata Therapeutics Limited[8]	30 Jun 2023	2,300,000	Ordinary	$0.176	30 Jun 2028

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

2 Unlisted options issued to Dr Kelly (1,000,000), Dr Lipe (100,000), Dr Atley (50,000) and Mr Thraves (100,000) on 19 August 2020 pursuant to an Employee Option Acquisition Plan. Dr Atley and Dr Lipe ceased to be an employee on 4 Nov 2022 and 3 Jan 2023 respectively.

3 Unlisted options issued to Mrs Gupta on 14 September 2020 pursuant to an Employee Option Acquisition Plan.

4 Unlisted options issued 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) on 30 November 2020 pursuant to an Employee Option Acquisition Plan.

5 Unlisted options issued to Dr Airey on 11 October 2021 pursuant to an Employee Option Acquisition Plan. Dr Airey is an employee of Cynata and was appointed on 11 October 2021 as Chief Medical Officer.

6 Unlisted options issued to Ms Rolfe on 23 November 2022 in consideration of her agreeing to join the Board and to reward her expected future commitment and contribution as a director. Ms Rolfe was appointed as a non-executive director on 1 September 2022.

7 Listed options issued to Directors and investors on 1 June 2023 pursuant to a Placement.

8 Unlisted options issued to Dr Kelly (2,000,000) and a nominee of Dr Atkins (300,000) pursuant to their appointments.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

There were no shares or interests issued during or since the end of the financial year as a result of exercise of an option (2022: nil).

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director. During the financial year, 10 board meetings were held.

	Board of Directors	
Directors	**Held**	**Attended**
Geoff Brooke	10	10
Ross Macdonald (retired 30 June 2023)	10	10
Stewart Washer (resigned 1 July 2023)	10	10
Paul Wotton	10	8
Darryl Maher	10	10
Janine Rolfe (appointed 1 Sept 2022)	8	8

Indemnification of officers and auditors

The Company indemnifies each of its Directors, Officers and Company Secretary. The Company indemnifies each Director or officer to the maximum extent permitted by the *Corporations Act 2001* from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a Director or Officer against any liability, which does not arise out of conduct constituting a willful breach of duty or a contravention of the *Corporations Act 2001*. The Company must also use its best endeavours to insure a Director or Officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

The Company has not entered into any agreement with its current auditors indemnifying them against any claims by third parties arising from their provision of audit services.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Changes in state of affairs

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

Directors' Report (cont'd)

Subsequent events

As announced on 30 June 2023, Dr Kilian Kelly was appointed to the position of Chief Executive Officer and Managing Director, effective 1 July 2023, following the retirement of Dr Ross Macdonald. Dr Kelly had been Cynata's Chief Operating Officer since May 2019 and has been instrumental in advancing the Company's clinical pipeline since joining Cynata as Vice President, Product Development in 2014.

Also on 30 June 2023, the Company announced the appointment of Dr David Atkins to the Board of Directors, effective 1 July 2023. Dr Atkins is the Managing Partner of BioScience Managers, an international healthcare investment firm and a major Cynata shareholder. Dr Stewart Washer stepped down from his position as a non-executive director on the same date.

On 24 July 2023, the Company announced the outcome of a strategic review of its clinical development portfolio, which was led by Dr Kelly. The updates on the Company's four active clinical development programs are reflected in the summaries of each program above.

On 10 August 2023, the Company announced it has opened recruitment in its Phase 2 clinical trial of CYP-001, in patients with High-Risk acute Graft versus Host Disease (HR-aGvHD). This global trial aims to enrol approximately 60 patients with HR-aGvHD who will be randomised to receive either steroids plus CYP-001 or steroids plus placebo.

On 21 August 2023, the Company advised that the Competent (regulatory) Authority in the Netherlands has approved the Phase 1 clinical trial of CYP-001 in patients who have received a kidney transplant.

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

Corporate governance

Cynata Therapeutics Limited and the board support and adhere to the principles of corporate governance and are committed to achieving and demonstrating the highest standards of corporate governance. Cynata has reviewed its corporate governance practices against the Corporate Governance Principles and Recommendations (4th edition) published by the ASX Corporate Governance Council. The 2023 Corporate Governance Statement is dated 28 August 2023 and reflects the corporate governance practices in place throughout the 2023 financial year. The 2023 Corporate Governance Statement was approved by the board on 28 August 2023. A description of the Group's current corporate governance practices is set out in the Group's Corporate Governance Statement which can be viewed at www.cynata.com/corporate-governance.

Environmental regulations

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

Non-audit services

The auditor did not perform any non-audit services during the financial year.

Auditor's independence declaration

The auditor's independence declaration for the financial year ended 30 June 2023 has been received and is included on page 39 of this annual report.

Operating and Financial Review

Principal activities

The Group's principal activities throughout the financial year continued to be the development and commercialisation of a proprietary induced pluripotent stem cell (iPSC)-based platform technology, Cymerus™.

The Cymerus platform utilises leading edge iPSC technology to enable scalable manufacture of mesenchymal stem cell (MSC)-based products for potential human therapeutic use. The primary advantage of the Cymerus platform is its ability to produce an effectively limitless number of consistent, high quality MSCs from a single cell bank, which in turn was derived from a single donation from one donor. This avoids challenges associated with conventional MSC manufacturing methods, including the need for new tissue donations from different donors on an ongoing basis, which can lead to substantial variability and potential impacts on MSC functionality.

There are currently four active clinical development programs using the Cymerus technology. Two of those programs are being managed and funded directly by the Company (acute graft versus host disease [aGvHD] and diabetic foot ulcer [DFU]), while two are being funded and managed via partners (osteoarthritis [OA; partnered with the University of Sydney] and renal transplant [partnered with Leiden University Medical Center]).

Operating results

The consolidated loss of the Group for the financial year, after accounting for an R&D refund of $1,654,310 (2022: $832,677) and providing for income tax, amounted to $14,277,495 (2022: $5,445,172). During the year ended 30 June 2023, Cynata successfully raised ~$7.04m (before transaction costs) via a Share Placement and Share Purchase Plan. Further discussion on the Group's operations is provided below:

Operational update

Acute Graft Versus Host Disease

During the year, Cynata progressed trial startup activities, including securing regulatory and ethics approvals, for the Phase 2 clinical trial of CYP-001, in patients with High-Risk aGvHD (HR-aGvHD). The trial aims to enrol approximately 60 patients with HR-aGvHD, who will be randomised to receive either steroids plus CYP-001, or steroids plus placebo. This trial is being managed and funded by Cynata.

Subsequent to the year end, on 10 August 2023, recruitment in this trial opened at the first participating centre (Westmead Hospital, Sydney, Australia). It is anticipated that additional centres in the US and Australia will be initiated and opened for recruitment in the first quarter of the new financial year, with

further centres in a number of European countries opening later, subject to necessary approvals, including regulatory and ethics.

The Company anticipates completion of enrolment in this trial by the end of 2024. Following patient treatment, follow-up and data analysis, the release of primary evaluation results is expected in the second half of 2025.

Encouraging outcomes from Cynata's Phase 1 clinical trial of CYP-001 for the treatment of steroid-resistant aGvHD (SR-aGvHD) were presented in June 2023, at the International Society of Cell and Gene Therapy (ISCT) annual meeting. Distinguished gene and stem cell therapy scientist, Professor John Rasko, AO (Head of Department, Cell & Molecular Therapies, Royal Prince Alfred Hospital, Sydney), presented the findings, including a two-year survival rate of 60% (9/15 patients), with no treatment-related serious adverse events or safety concerns identified. This survival rate compares very favourably to previously reported outcomes in SR-aGvHD. For example, in the Phase 3 study that supported approval of the drug ruxolitinib, the 18-month overall survival rates were only 38% in the ruxolitinib group and 36% in the "best available treatment" control group (survival at two years was not evaluable).[1]

CYP-001 has been granted Orphan Drug Designation by the FDA for the treatment of GvHD, potentially providing several commercially significant incentives and decreased time to commercialisation.

Diabetic Foot Ulcer

Encouraging initial data from the first six patients enrolled in the Phase 1 clinical trial of CYP-006TK in patients with DFU were released in April 2023. This demonstrated a clear difference in the reduction in average ulcer size in patients treated with the MSC product compared to those who received standard of care treatment. The DFU trial aims to enrol 30 patients who are randomised to receive either (i) CYP 006TK

1 Zeiser R, et al. Ruxolitinib for Glucocorticoid-Refractory Acute Graft-versus-Host Disease. N Engl J Med. 2020;382(19):1800-1810.

Review of operations

Key Highlights

Clinical development programs:

- Patient recruitment in Phase 2 trial of CYP-001 in aGvHD open (subsequent to year-end)
- Two-year follow-up data from Phase 1 SR-aGvHD trial selected to be presented at the prestigious International Society for Cell & Gene Therapy (ISCT) Annual Meeting
- Patient recruitment ongoing in Phase 1 trial of CYP-006TK in DFU, with a successful review by an independent Data Safety Monitoring Board (DSMB) and positive initial data, and key initiatives implemented to increase enrolment rates
- ~300 patients enrolled into the Phase 3 trial of CYP-004 in osteoarthritis
- CYP-001 clinical trial for renal transplantation approved

Strategic manufacturing partnership with Fujifilm progressing well, with establishment of Cymerus process at FUJIFILM Cellular Dynamics Inc (FCDI) at an advanced stage

Grant awarded by Medical Research Future Fund (MRFF) for ~$1m to investigate Cynata's MSCs in ischaemic heart disease (IHD) in major preclinical project

Intellectual property portfolio continues to strengthen

Successfully completed a A$7.0m capital raising consisting of a A$5.0m placement and A$2.0m SPP which closed oversubscribed

Appointment of Dr Kilian Kelly as CEO & Managing Director from 1 July 2023

Cash balance of A$16.2m as at 30 June 2023

treatment for four weeks, followed by standard of care treatment; or (ii) standard of care treatment throughout the study. This trial is being managed and funded by Cynata.

Recruitment in this trial is estimated to conclude by the end of 2023, with results available mid-2024. Cynata has actively taken steps to improve the enrolment rate including optimising the trial protocol and adding three new clinical sites during the year.

Osteoarthritis

The University of Sydney (USYD) continues to progress recruitment of patients in the Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) trial of CYP-004, targeting patients suffering from OA of the knee. The trial aims to reduce pain and disease progression in up to 440 patients.

This trial is a collaboration between Cynata and USYD. USYD is managing the trial, which is funded by an Australian Government National Health and Medical Research Committee (NHMRC) project grant. Cynata is providing Cymerus MSCs for use in the study, and retains full commercial rights over the data.

The recruitment rate accelerated dramatically during the year, with close to 300 patients enrolled in the trial by year end. Recruitment is currently estimated to conclude in late 2023 to early 2024, with primary evaluation results available in the first half of 2026 following final patient follow-ups and trial data analysis.

Renal Transplantation

In partnership with Leiden University Medical Center (LUMC), Cynata continues to progress start-up activities for a Phase 1 clinical trial of CYP-001 in patients who have undergone renal transplantation, with the aim of reducing or withdrawing immunosuppressant (i.e., anti-rejection) drugs. Subsequent to the year end, the trial received regulatory approval.

LUMC will manage the trial and provide funding, while Cynata will provide Cymerus MSCs. As with the OA trial, Cynata will retain full commercial rights over the data.

FUJIFILM Strategic Manufacturing Partnership

During FY22, Cynata and FUJIFILM entered into a new strategic partnership for FUJIFILM to provide clinical and commercial manufacturing services for, and supply of, Cynata's Cymerus MSC products. This partnership is progressing well, with the project to establish the Cymerus manufacturing process at FUJIFILM Cellular Dynamics Inc (FCDI) at an advanced stage.

Pre-clinical Development

In September 2022, the NHMRC awarded a grant of approximately $1 million under the NHMRC 2021 MRFF Cardiovascular Health Mission to St Vincent's Institute of Medical Research (SVIMR), to fund a major preclinical research project investigating Cynata's Cymerus™ MSCs as treatment for ischaemic heart disease (IHD). Together with SVIMR, Cynata will partner with multiple leading research institutions to undertake this important project.

The project involves encapsulating Cymerus MSCs in a clinical grade device implanted below the skin to deliver a minimally invasive method of harnessing MSCs and providing long-term cardiac reparative effects. If successful, it is anticipated that these studies would support progression to human trials and address a significant unmet need as IHD is the leading cause of heart failure worldwide.

Strengthened intellectual property portfolio

Cynata continued to advance its robust intellectual property portfolio during the year. Notable progress on patents owned directly by Cynata include the following:

- Notices of Acceptance/Allowance from IP Australia and the Canadian Intellectual Property Office (CIPO) regarding a patent application entitled "Colony Forming Medium and Use Thereof", which relates to the optimisation of the Cymerus process by Cynata.

- Notices of Allowance from the US Patent Office and the CIPO for a patent application entitled "Pluripotent Stem Cell Assay", which relates to a novel method for ensuring the quality and purity of Cynata's therapeutic MSC products
- A Notice of Acceptance from IP Australia for a patent application titled "Method for Treating Allergic Airways Disease (AAD/Asthma)", describes a method of use of Cymerus MSC products in treating diseases of the lungs and airways

Successfully completed capital raising & receipt of tax incentive rebate

In April/May 2023, Cynata raised A$7.0m via a A$5.0m Placement and A$2.0m Share Purchase Plan (SPP) which closed oversubscribed. The Placement was conducted at an offer price of $0.215 and the SPP was conducted at an offer price of $0.155. Both included free attaching listed options on a 1:2 basis, exercisable at $0.30 and expiring on 1 April 2025. The Placement was supported by existing healthcare investor Bioscience Managers, new and existing institutional shareholders, and Cynata's senior management and board members. Proceeds raised will be used to fund Cynata's Phase 2 aGvHD clinical trial and for general working capital.

Also, during the year, Cynata received an ~A$1.6m Research and Development Tax Incentive rebate. The Research and Development Tax Incentive is an Australian Government initiative intend to help companies innovate and grow by offsetting some of the costs of eligible research and development to support companies engaging in research and development in Australia.

Outlook

The primary focus of the Company's activities in the current financial year is on successful execution of its ongoing clinical development programs, in particular the programs managed and funded directly by the Company (aGvHD and DFU). In the coming year, the Company anticipates concluding enrolment of the Phase 1 DFU trial, and recruiting a substantial proportion of patients in the Phase 2 aGvHD trial. Key milestones are also anticipated in the partnered programs, including completion of recruitment in the Phase OA trial and commencement of the renal transplantation trial.

The Company also continues to pursue its business development outreach activities, with a view to more fully exploiting the value of the Cymerus platform, as well as securing optimal partners for the late-stage clinical development and commercialisation of its existing clinical candidates.

Financial position

The net assets of the Group have decreased by $7,226,604 to $16,733,481 in 2023 (2022: $23,960,085).

Material risks

There is a small number of material risks that, either individually or in combination, may materially and adversely affect the future operating and financial performance and prospects of Cynata and the value of its shares. Some of these risks may be mitigated by Cynata's internal controls and processes but some are outside the control of Cynata, its directors and management. The material risks identified by management are described below:

(a) Clinical development risk

The nature of clinical drug development is inherently risky, with many drug candidates failing to be successfully developed into marketable products. The Company is currently undertaking clinical trials with certain of its products and plans to undertake trials with additional products in its pipeline. Clinical trials have many associated risks which may impact the Company's commercial potential and therefore its future prospects and profitability. Clinical trials may fail to recruit patients, be terminated for safety reasons, or fail to be completed within acceptable timeframes as a result of delay. Clinical trials may reveal drug candidates to be unsafe, poorly tolerated or non-effective. Any of these outcomes will likely

have a significant adverse effect on the Company, the value of its securities and the future commercial development of its drug candidates. Clinical trials might also potentially expose the Company to product liability claims in the event its products in development have unexpected effects on clinical subjects.

Mitigation measures employed by the Company include: ensuring that clinical trials are strongly supported by preclinical safety and efficacy data; careful clinical trial design to minimise the changes of potentially spurious outcomes; use of independent data and safety monitoring boards; engagement of leading contract research organisations to manage the trials and drive recruitment; engagement of well-qualified clinical sites experienced in clinical trial execution and in the relevant therapeutic areas.

(b) Regulatory risk

The research, development, manufacture, marketing and sale of products developed by the Company are subject to extensive regulation by multiple government authorities and institutional bodies in Australia and overseas. Pharmaceutical products must undergo a comprehensive and highly regulated development, trial and review process before receiving approval for marketing. The process includes a requirement for approval to conduct clinical trials, and the provision of data relating to the quality, safety and efficacy of the products for their proposed use. There is no guarantee that regulatory approvals to conduct clinical trials and/or to manufacture and market the Company's products will be granted.

If a product is approved, it may also be submitted for cost reimbursement approval to relevant agencies. The availability and timing of that reimbursement approval may have an impact upon the uptake and profitability of products in some jurisdictions. If the Company is unable to secure necessary approvals from regulatory agencies and institutional bodies to undertake its planned trials, market its products and obtain cost reimbursements for its products its future prospects and profitability is likely to be materially and adversely affected.

Mitigation measures employed by the Company include: engagement of suitably qualified and experienced persons with expertise in the regulation of biological/cellular therapies; regular review of evolving regulatory requirements and analysis of the Company's activities and plans against regulatory expectations in key jurisdictions; and ensuring that the expectations and uncertainties related to regulatory approvals, and the timing of such approvals, are included in business plans.

(c) Risks associated with partnership model

The Company is pursuing a license partnership model, which typically involves entering into commercial arrangements with other companies by which Cynata licenses its Cymerus technology to the partner in one or more indications and/or geographies and the partner assumes responsibility for progressing, and paying for, the clinical trials and eventual commercialisation in that indication. This strategy involves the risk that the Company will lose control of the development timetable of its products to its commercial partner, which may give rise to an unanticipated delay in any commercial returns. Further, the Company may be unable to enter into arrangements with suitable commercial partners in respect of relevant indications. If either of these outcomes occurred, the Company's business and operations may be adversely affected.

Mitigation measures employed by the Company include: performing rigorous due diligence on potential partners; ensuring that the commercial terms negotiated are fair and utilising expert legal advice to ensure that appropriate warranties and commitments are included in contracts, and that the contracts reflect the agreed commercial position.

(d) Reliance on in-licensed assets

The Company relies on patents and intellectual property that is in-licensed from Wisconsin Alumni Research Foundation (WARF) and Cellular Dynamics International, Inc (now an affiliate of Fujifilm Corporation). These assets are not owned outright by Cynata. The license arrangements contain terms

and conditions, including obligations to make certain milestone and royalty payments.

In the event that the Company breaches any of the licence terms and conditions and cannot rectify the breach within an appropriate time, there is a risk that the licence may be terminated and the Company could lose control of its assets. This would have a significant adverse impact on the Company.

Mitigation measures employed by the Company include: utilising expert professional advice in respect of all of the Company's commercial arrangements; actively monitoring licence terms and obligations; implementing product development strategies to achieve milestones; financial management to ensure that the Company can meet all financial obligations to licensors.

(e) Manufacturing risk

The Company's products are manufactured using a unique, novel and highly specialised manufacturing process. The Company relies on supply and manufacturing relationships with third party contract manufacturing organisations to manufacture its products. An inability of these third-party contract manufacturing organisations to continue to manufacture the Company's products in a timely, economical and/or consistent manner, including any scale up of manufacturing processes, or to maintain legally compliant manufacturing to maintain product supply, could adversely impact on the progress of the Company's development programs and potentially on the financial performance of the Company.

Mitigation measures employed by the Company include: performing rigorous due diligence on contract manufacturers; engaging contract manufacturers with strong track records and sufficient capability to meet the Company's foreseeable needs; and employing a senior manager responsible for managing and monitoring the performance of third parties including contract manufacturers.

Remuneration Report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cynata Therapeutics Limited's key management personnel for the financial year ended 30 June 2023.

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

Contents

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

1. Key management personnel

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

Non-executive directors	Position
Dr Geoff Brooke	Independent Non-Executive Chair
Dr Darryl Maher	Independent Non-Executive Director
Dr Paul Wotton	Independent Non-Executive Director
Ms Janine Rolfe[1]	Independent Non-Executive Director
Dr David Atkins[6]	Non-Independent Non-Executive Director
Dr Stewart Washer[2]	Independent Non-Executive Director

Executive directors	Position
Dr Ross Macdonald[3]	Managing Director & Chief Executive Officer
Dr Kilian Kelly[4]	Managing Director & Chief Executive Officer

Other key management personnel	Position
Dr Jolanta Airey	Chief Medical Officer
Dr Suzanne Lipe[5]	Vice President, Partner Engagement

1 Appointed 1 September 2022.

2 Resigned 1 July 2023.

3 Retired on 30 June 2023.

4 Appointed Managing Director & Chief Executive Officer on 1 July 2023. Was previously Chief Operating Officer.

5 Resigned 3 January 2023.

6 Appointed 1 July 2023.

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration Report (cont'd)

2. Remuneration policy

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

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

Remuneration consists of:

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

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

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

As at the date of this report, the Company has one executive – the Chief Executive Office, five non-executive directors and one Chief Medical Officer. As set out below, total remuneration costs for the 2023 financial year were $1,904,001 down from $2,581,604 for the previous financial year.

(a) Non-executive Director Remuneration

Non-executive directors are remunerated by way of fees, in the form of cash, superannuation contributions, the award of options on appointment or salary sacrifice into equity (both of which are subject to shareholder approval). Fees for non-executive directors are not linked to the performance of the Company. To align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and do not participate in schemes designed for the remuneration of executives.

Non-executive directors receive a superannuation guarantee contribution required by the government, which was 10.5% in the 2022/2023 financial year and do not receive any other retirement benefits. Individuals may choose to sacrifice part of their fees to increase payments towards superannuation.

The Board's policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines, subject to a fee pool as approved by shareholders, payments to non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability.

(b) Executive Director Remuneration

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

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

Total Remuneration		
Fixed Remuneration	**Short-Term Incentives**	**Long-Term Incentives**
Set based on relevant market relativities, performance, qualifications, experience, and location.	Set by reference to Company and individual stretch performance targets relevant to the specific executive position.	Realisation dependent upon total shareholder return.
Delivery		
Base salary including superannuation.	Payable in cash following review of performance against Key Result Areas (KRAs) and subject to Board discretion.	Eligible executives may participate in the Company's equity-based incentive scheme subject to Board discretion. Equity options are issued under the Company's EOAP at a premium to the underlying market value of shares and typically vest over a 3-year period.
Strategic Intent		
Generally guided by the median compared to relevant market-based data taking into consideration expertise and performance in roles.	Directed at achieving short-term KRAs. Fixed Remuneration plus STI to be positioned competitively when compared to groups of similar companies.	LTI is intended to align executive performance with the Company's long-term strategy and shareholders' interests.

Overall remuneration policies are subject to the discretion of the Board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so.

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

The Board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the specific remuneration received by directors or other key management personnel during the financial year ended 30 June 2023.

Remuneration Report (cont'd)

Performance Measurement

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

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

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

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

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

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

(c) Equity Settled Compensation

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

3. Relationship between the Remuneration Policy and Company Performance

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

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five (5) years to 30 June 2023:

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
	$	$	$	$	$
Other income	2,007,179	7,835,174	1,688,351	7,153,903	1,569,103
Net loss before tax	14,277,495	5,445,172	7,689,683	3,639,100	8,472,146
Net loss after tax	14,277,495	5,445,172	7,689,683	3,639,100	8,472,146
Share price at start of year	0.360	0.505	0.610	1.245	1.365
Share price at end of year	0.125	0.360	0.505	0.610	1.245
Basic/diluted loss per share (cents)	9.84	3.80	5.90	3.48	8.48

Remuneration Report (cont'd)

4. Remuneration of key management personnel

	Short-term employee benefits			Post-employment benefits	Share-based payment		
2023	Salary & fees $	Cash bonus $	Other $	Super-annuation $	Options $	Total $	Value of options as proportion of remuneration %
Directors							
G. Brooke	113,208	-	-	-	127,473	240,681	52.96%
R. Macdonald[1]	372,178	13,721	(27,001)	27,355	95,606	481,859	19.84%
S. Washer[2]	51,226	-	-	5,379	19,122	75,727	25.25%
P. Wotton	56,605	-	-	-	19,122	75,727	25.25%
D. Maher	51,226	-	-	5,379	19,122	75,727	25.25%
J. Rolfe[3]	47,438	-	-	-	7,869	55,307	14.23%
Other KMP							
K. Kelly[4]	333,860	18,180	(3,802)	27,500	37,757	413,495	9.13%
S. Lipe[5]	90,827	-	(9,274)	11,581	3,776	96,910	3.90%
J. Airey[6]	280,395	14,637	10,275	27,500	55,761	388,568	14.35%
Total	**1,396,963**	**46,538**	**(29,802)**	**104,694**	**385,608**	**1,904,001**	**20.25%**

1 Dr Macdonald retired from the Board on 30 June 2023. Amounts in 'Other' represent annual leave and long service leave accrued in accordance with AASB 119 Employee Benefits. The amount of $13,721 under 'Cash bonus' represent bonus accrued for the financial year 2023 and paid subsequent to the financial year 2023. Following the retirement of Dr Macdonald, an amount of $151,842 representing the net of six months' payment of the annual salary and net leave payments was paid subsequent to the financial year 2023.

2 Resigned 1 July 2023.

3 Appointed 1 September 2022.

4 Appointed Managing Director & Chief Executive Officer on 1 July 2023 following the retirement of Dr Macdonald. Dr Kelly was the Chief Operating Officer for the financial year 2023. Amounts in 'Other' represent annual leave and long service leave accrued in accordance with AASB 119 Employee Benefits. The amount of $18,180 under 'Cash bonus' represent potential bonus accrued for the financial year 2023.

5 Resigned 3 January 2023. Amounts in 'Other' represent annual leave accrued and paid out on resignation in accordance with AASB 119 Employee Benefits.

6 Amounts in 'Other' represent annual leave accrued in accordance with AASB 119 Employee Benefits.

	Short-term employee benefits			Post-employment benefits	Share-based payment		
2022	Salary & fees $	Cash bonus $	Other $	Super-annuation $	Options $	Total $	Value of options as proportion of remuneration
Directors							
G. Brooke	110,000	-	-	-	351,379	461,379	76.16%
R. Macdonald[1]	358,750	55,620	10,212	27,500	263,534	715,616	36.83%
S. Washer	50,000	-	-	5,000	52,707	107,707	48.94%
P. Wotton	55,000	-	-	-	52,707	107,707	48.94%
D. Maher	50,000	-	-	5,000	52,707	107,707	48.94%
Other KMP							
K. Kelly[1]	312,500	40,800	1,086	27,500	117,495	499,381	23.53%
S. Lipe[1]	168,899	34,452	(2,041)	20,335	11,750	233,395	5.03%
J. Airey[1,2]	203,000	33,600	12,281	20,300	79,531	348,712	22.81%
Total	**1,308,149**	**164,472**	**21,538**	**105,635**	**981,810**	**2,581,604**	**38.03%**

1 Amounts in 'Other' represent annual leave and long service leave (Dr Macdonald and Dr Kelly only) accrued in accordance with AASB 119 Employee Benefits. The amounts of $55,620 for Dr Macdonald, $40,800 for Dr Kelly, $34,452 for Dr Lipe and $33,600 for Dr Airey under 'Cash bonus' represent potential bonus accrued for the financial year 2022.

2 Appointed 11 October 2021.

Remuneration Report (cont'd)

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

(i) Bonuses

An STI payable as cash of $55,620 to Dr Macdonald, $40,800 to Dr Kelly, $33,600 to Dr Airey and $34,452 to Dr Lipe was accrued in the 2022 accounts.

An STI payable as cash of $13,721 was paid to Dr Macdonald subsequent to 30 June 2023. This amount was accrued in the 2023 accounts. A potential STI of $18,180 for Dr Kelly and $14,637 for Dr Airey was accrued in the 2023 accounts. These amounts are payable subsequent to 30 June 2023.

Allocation of STIs is determined by attainment of short and medium term KRAs which are considered to be important drivers of value and typical within the biotechnology industry for a company at Cynata's stage of development. For example, achievement of specified development, clinical, regulatory and commercial milestones.

No other cash bonuses were granted to key management personnel during 2023.

(ii) Employee share option plan

Cynata Therapeutics Limited operates an ownership-based scheme for executives and senior employees of the Group. In accordance with the provisions of the plan, as approved by shareholders at a previous annual general meeting, executives and senior employees may be granted options to purchase parcels of ordinary shares.

Each employee share option converts to one ordinary share of Cynata Therapeutics Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

Terms and conditions of share-based payment arrangements affecting remuneration of key management personnel in the current financial year or future financial years:

Option series	Number	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date
CYPOPT12 (i)	300,000	17 May 2019	16 May 2024	$2.110	$0.3838	Vested
CYPOPT14 (ii)	1,100,000	19 Aug 2020	18 Aug 2024	$0.970	$0.4152	Various
CYPOPT16 (iii)	4,400,000	24 Nov 2020	29 Nov 2025	$0.970	$0.4927	Various
CYPOPT17 (iv)	1,000,000	11 Oct 2021	11 Oct 2025	$0.890	$0.156	Various
CYPOPT18 (v)	300,000	22 Nov 2022	23 Nov 2027	$0.51	$0.135	Various
CYPOPT19 (vi)	2,000,000	30 Jun 2023	30 Jun 2028	$0.176	n/a	Various

(i) Unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director.

(ii) Unlisted options issued to employees of the Company pursuant to an Employee Option Acquisition Plan.

(iii) Unlisted options issued to Directors pursuant to an Employee Option Acquisition Plan.

(iv) Unlisted options issued to Dr Airey pursuant to an Employee Option Acquisition Plan.

(v) Unlisted options issued to Ms Rolfe pursuant to the terms of her appointment as non-executive director.

(vi) Unlisted options issued to Dr Kelly pursuant to the terms of his appointment as Managing Director & CEO following the retirement of Dr Macdonald.

There are no further services or performance criteria that need to be met in relation to options granted under series CYPOPT12 above, and as a consequence the beneficial interest has vested to the recipients. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

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

				During the financial year	
Name	Option series	No. granted	No. vested	% of grant vested	% of grant forfeited
				$	$
J. Rolfe	CYPOPT18	300,000	58,331	19.4%	n/a
K. Kelly	CYPOPT19	2,000,000	-	-	-

No share options were exercised by key management personnel during the year (2022: nil).

5. Key terms of employment contracts

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Geoff Brooke	Effective 1 September 2022, a fee of $113,850 per annum excluding GST. From 1 July to 31 August 2022, a fee of $110,000 per annum excluding GST.	n/a	The appointment may be terminated if Dr Brooke gives notice of resignation and the appointment may be terminated immediately if Dr Brooke becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Ross Macdonald (retired from the Board on 30 June 2023)	A salary of $399,768 per annum including superannuation.	Eligible to receive an annual STI assessed against Company and Individual KRAs and at the discretion of the Board.	Term of renewed agreement – ongoing until terminated by agreement with both parties (by giving 6 months' written notice) or terminated by the Company with reasons.

Remuneration Report (cont'd)

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Stewart Washer (resigned 1 July 2023)	Effective 1 September 2022, a fee of $56,925 per annum inclusive of statutory superannuation. From 1 July to 31 August 2022, a fee of $55,000 per annum inclusive of statutory superannuation.	n/a	The appointment may be terminated if Dr Washer gives notice of resignation and the appointment may be terminated immediately if Dr Washer becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Dr Paul Wotton	Effective 1 September 2022, a fee of $56,925 per annum. From 1 July to 31 August 2022, a fee of $55,000 per annum.	n/a	The appointment may be terminated immediately by the Company if Dr Wotton becomes disqualified or is prohibited by law from being or acting as director or from being involved in the management of a company.
Dr Darryl Maher	Effective 1 September 2022, a fee of $56,925 per annum inclusive of statutory superannuation. From 1 July to 31 August 2022, a fee of $55,000 per annum inclusive of statutory superannuation.	n/a	The appointment may be terminated if Dr Maher gives notice of resignation and the appointment may be terminated immediately if Dr Maher becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.
Ms Janine Rolfe	Ms Rolfe was appointed as non-executive director on 1 September 2022. A fee of $56,925 per annum excluding GST.	n/a	The appointment may be terminated if Ms Rolfe gives notice of resignation and the appointment may be terminated immediately if Ms Rolfe becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.

Director/Employee	Remuneration / Fees	Performance-based remuneration criteria	Notice period
Dr Kilian Kelly (appointed MD/CEO on 1 July 2023)	Effective 1 July 2023, a salary of $400,000 per annum including superannuation. For the financial year 2023, a salary of $360,000 per annum including superannuation.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 30% of the annual salary and based on attainment of agreed performance indicators.	The contract may be terminated by either party providing 3 months' notice.
Dr Jolanta Airey	A salary of $317,135 per annum inclusive of statutory superannuation. Dr Airey is employed on a part-time (0.8 FTE) basis.	Eligible to participate in the Company's equity-based incentive scheme and an incentive payment of up to 20% of the annual salary and based on attainment of agreed performance indicators.	The contract may be terminated by either party providing 3 months' notice.
Dr David Atkins (appointed 1 July 2023)	Effective 1 July 2023, a fee of $56,925 per annum excluding GST.	n/a	The appointment may be terminated if Dr Atkins gives notice of resignation and the appointment may be terminated immediately if Dr Atkins becomes disqualified or prohibited by law from being or acting as a director or from being involved in the management of a company.

Remuneration Report (cont'd)

6. Key management personnel equity holdings

Fully paid ordinary shares of Cynata Therapeutics Limited

2023	Balance at 1 July 2022 No.	Received on exercise of options No.	Shares acquired No.	Shares disposed No.	Balance at resignation No.	Balance at 30 June 2023 No.
G. Brooke	117,809	-	139,534	-	n/a	257,343
R. Macdonald (i)	2,070,050	-	55,813	-	-	2,125,863
S. Washer (ii)	2,284,856		139,534	-	-	2,364,390
P. Wotton	175,775	-	139,534	-	-	315,309
D. Maher	-	-	50,000	-	-	50,000
J. Rolfe (iii)	-	-	116,279	-	-	116,279
K. Kelly (iv)	494,013	-	31,95	-	-	525,508
S. Lipe (v)	-	-	-	-	-	-
J. Airey	-	-	-	-	-	-

(i) Retired on 30 June 2023.

(ii) Resigned 1 July 2023.

(iii) Appointed 1 September 2022.

(iv) Appointed Managing Director & CEO on 1 July 2023 following the retirement of Dr Macdonald.

(v) Resigned 3 January 2023.

2022	Balance at 1 July 2021 No.	Received on exercise of options No.	Shares acquired No.	Shares disposed No.	Balance at resignation No.	Balance at 30 June 2022
G. Brooke	77,000	-	40,809	-	-	117,809
R. Macdonald	2,070,050	-	-	-	-	2,070,050
S. Washer	2,224,856	-	60,000	-	-	2,284,856
P. Wotton	175,775	-	-	-	-	175,775
D. Maher	-	-	-	-	-	-
K. Kelly	494,013	-	-	-	-	494,013
S. Lipe	-	-	-	-	-	-
J. Airey (i)	-	-	-	-	-	-

(i) Appointed 11 October 2021.

Share options of Cynata Therapeutics Limited

2023	Balance at 1 July 2022 No.	Granted as compensation No.	Lapsed (ii) No.	Exercised No.	Balance at 30 June 2023 No.	Balance vested at 30 June 2023 No.	Vested and exercisable No.	Options vested during year No.
G. Brooke	2,300,000	69,767	-	-	2,369,767	2,091,972	2,091,972	736,427
R. Macdonald (i)	1,500,000	27,907	-	-	1,527,907	1,319,553	1,319,553	527,899
S. Washer (ii)	300,000	69,767	-	-	369,767	328,090	328,090	169,763
P. Wotton	300,000	69,767	-	-	369,767	328,090	328,090	169,763
D. Maher	300,000	25,000	-	-	325,000	283,323	283,323	124,996
J. Rolfe (iii)	-	358,140	-	-	358,140	116,471	116,471	116,471
K. Kelly (iv)	1,000,000	2,015,748	-	-	3,015,748	987,970	987,970	349,081
S. Lipe (v)	100,000	-	(100,000)	-	-	-	-	-
J. Airey	1,000,000	-	-	-	1,000,000	500,006	500,006	300,006

(i) Retired on 30 June 2023.

(ii) Resigned 1 July 2023.

(iii) Appointed 1 September 2023.

(iv) Appointed Managing Director & CEO on 1 July 2023 following the retirement of Dr Macdonald.

(v) Resigned 3 January 2023.

2022	Balance at 1 July 2021 No.	Granted as compensation No.	Lapsed No.	Exercised No.	Balance at 30 June 2022 No.	Balance vested at 30 June 2022 No.	Vested and exercisable No.	Options vested during year No.
G. Brooke	2,300,000	-	-	-	2,300,000	1,355,545	1,355,545	666,660
R. Macdonald	1,500,000	-	-	-	1,500,000	791,654	791,654	499,992
S. Washer	300,000	-	-	-	300,000	158,327	158,327	99,996
P. Wotton	300,000	-	-	-	300,000	158,327	158,327	99,996
D. Maher	300,000	-	-	-	300,000	158,327	158,327	99,996
K. Kelly	1,750,000	-	(750,000)	-	1,000,000	638,889	638,889	333,333
S. Lipe	475,000	-	(375,000)	-	100,000	63,889	63,889	33,333
J. Airey (i)	-	1,000,000	-	-	1,000,000	200,000	200,000	200,000

(i) Appointed 11 October 2021

(ii) 1,125,000 options granted to KMP in the 2019 financial year lapsed unexercised during the 2022 financial year.

Remuneration Report (cont'd)

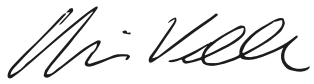
All share options issued to key management personnel were made in accordance with the provisions of the Employee Option Acquisition Plan.

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

This is the end of the audited remuneration report

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

On behalf of the directors.



Dr Kilian Kelly

Managing Director & Chief Executive Officer

Melbourne,

28 August 2023

Auditor's Independence Declaration

Stantons

PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

28 August 2023

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 audit of the financial statements of Cynata Therapeutics Limited for the year ended 30 June 2023, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)

Samir Tirodkar
Director

Liability limited by a scheme approved under Professional Standards Legislation

Russell Bedford

Stantons Is a member of the Russell Bedford International network of firms

Independent Auditor's Report

Stantons

PO Box 1908
West Perth WA 6872
Australia

Level 2, 40 Kings Park Road
West Perth WA 6005
Australia

Tel: +61 8 9481 3188
Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Cynata Therapeutics Limited (the Company) and its subsidiaries (collectively, the "Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Stantons

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the matter was addressed in the audit
Carrying value of intangible assets, amortisation and impairment At 30 June 2023, the carrying amount of the Group's intangible assets (patents) amounted to $2,132,600 (2022: $2,412,565) as disclosed in Note 11 to the consolidated financial statements. The intangible assets are considered a key audit matter as they represent 13% of the net assets of the Group and also due to the level of judgement required from the management in assessing their recoverable amounts.	Our audit procedures included, inter alia, the following: i. Reviewed ASX announcements and minutes of the Board of Directors meetings to obtain an understanding of the significant activities undertaken by the Group during the year; ii. Checked the patent register to obtain reasonable assurance any patents that have expired are written off; iii. Reviewed management's assessment of the carrying value of the patents and assessed the appropriateness and relevance of the information provided to justify the carrying value of the patents; iv. Checked the amortisation charge to ensure that the patents are being amortised over the 20-year patents' life; and v. Evaluated the adequacy of the disclosures in the consolidated financial assets.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Independent Auditor's Report (cont'd)

Stantons

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

We conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

We obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in Internal control that we identify during our audit.

Stantons

The Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements. We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on the Remuneration Report

Opinion on the Remuneration Report

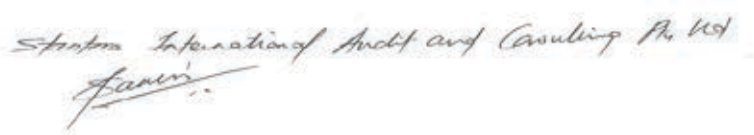
We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Cynata Therapeutics Limited for the year ended 30 June 2023 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(An Authorised Audit Company)



Samir Tirodkar
Director
West Perth, Western Australia
28 August 2023

Directors' Declaration

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the directors,

Dr Kilian Kelly

Managing Director & Chief Executive Officer

Melbourne,
28 August 2023

Financial Statements

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2023

	Note	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Interest income	6	352,869	64,749
Other income	6	1,654,310	7,770,425
Total revenue and other income		**2,007,179**	**7,835,174**
Product development costs		(12,394,235)	(8,824,894)
Employee benefits expenses	7	(1,653,145)	(1,920,709)
Amortisation expenses	11	(279,965)	(279,965)
Share based payment expenses	7,18	(326,546)	(1,032,104)
Other expenses	7	(1,630,783)	(1,222,674)
(Loss) before income tax		**(14,277,495)**	**(5,445,172)**
Income tax expense	8	-	-
(Loss) for the year	7	**(14,277,495)**	**(5,445,172)**
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 for the year, net of income tax		**-**	**-**
Total comprehensive loss for the year		**(14,277,495)**	**(5,445,172)**
(Loss) for the year attributable to:			
Owners of Cynata Therapeutics Limited		(14,277,495)	(5,445,172)
Total comprehensive loss for the year attributable:			
Owners of Cynata Therapeutics Limited		(14,277,495)	(5,445,172)
(Loss) per share:			
Basic and diluted (cents per share)	9	(9.84)	(3.80)

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

Consolidated statement of financial position as at 30 June 2023

	Note	30 June 2023 $	30 June 2022 $
Current assets			
Cash and cash equivalents	21	16,167,356	23,798,046
Trade and other receivables	10	367,082	100,389
Prepayments		326,728	237,029
Total current assets		**16,861,166**	**24,135,464**
Non-current assets			
Intangibles	11	2,132,600	2,412,565
Total non-current assets		2,132,600	2,412,565
Total assets		**18,993,766**	**26,548,029**
Current liabilities			
Trade and other payables	12	2,067,391	2,327,368
Provisions	13	192,894	260,576
Total current liabilities		2,260,285	2,587,944
Total liabilities		**2,260,285**	**2,587,944**
Net assets		**16,733,481**	**23,960,085**
Equity			
Issued capital	15	81,624,596	74,900,251
Option reserves	16.1	7,677,967	7,351,421
Foreign currency translation reserve	16.2	4,724	4,724
Accumulated losses		(72,573,806)	(58,296,311)
Total equity		**16,733,481**	**23,960,085**

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

Consolidated statement of changes in equity for the year ended 30 June 2023

	Issued Capital	Option Reserve	Foreign currency translation reserve	Accum-ulated losses	Total
	$	$	$	$	$
Balance at 1 July 2021	**74,900,251**	**6,319,317**	**4,724**	**(52,851,139)**	**28,373,153**
Loss for the year	-	-	-	(5,445,172)	(5,445,172)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(5,445,172)**	**(5,445,172)**
Share based payments (refer to note 16.1)	-	1,032,104	-	-	1,032,104
Balance at 30 June 2022	**74,900,251**	**7,351,421**	**4,724**	**(58,296,311)**	**23,960,085**

	$	$	$	$	$
Balance at 1 July 2022	**74,900,251**	**7,351,421**	**4,724**	**(58,296,311)**	**23,960,085**
Loss for the year	-	-	-	(14,277,495)	(14,277,495)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the year	**-**	**-**	**-**	**(14,277,495)**	**(14,277,495)**
Issue of ordinary shares (refer to note 15)	7,042,169	-	-	-	7,042,169
Share issue costs	(317,824)	-	-	-	(317,824)
Share based payments (refer to note 16.1)	-	326,546	-	-	326,546
Balance at 30 June 2023	**81,624,596**	**7,677,967**	**4,724**	**(72,573,806)**	**16,733,481**

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

Consolidated statement of cash flows for the year ended 30 June 2023

	Note	Year ended 30 June 2023 $	Year ended 30 June 2022 $
Cash flows from operating activities			
Payments to suppliers and employees		(3,458,273)	(3,185,386)
Interest received		286,828	50,343
Research and development tax refund received		1,654,310	832,677
Fujifilm Option License Fee received		-	6,731,903
Development costs paid		(12,765,594)	(7,727,868)
Net cash (used in) operating activities	21.1	(14,282,729)	(3,298,331)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company	15	7,042,169	-
Payment for share issue costs		(317,824)	-
Repayment by related parties	14	-	210,124
Net cash provided by financing activities		6,724,345	210,124
Net (decrease) in cash and cash equivalents		**(7,558,384)**	**(3,088,207)**
Cash and cash equivalents at the beginning of the year		23,798,046	26,716,670
Effects of exchange rate changes on the balance of cash held in foreign currencies		(72,306)	169,583
Cash and cash equivalents at the end of the year	21	**16,167,356**	**23,798,046**

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

Notes

Notes to the consolidated financial statements
for the year ended 30 June 2023

1. General information

Statement of compliance

Cynata Therapeutics Limited ("the Company") is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory to the annual report.

The principal activities of the Company and its controlled subsidiaries ("the Group") are described in the directors' report.

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 28 August 2023.

2. Application of new and revised Accounting Standards

2.1 Amendments to Accounting Standards and new Interpretations that are mandatorily effective for the current year

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2022.

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

- **AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments**
  This Standard makes some small amendments to a number of Standards including AASB 1, AASB 3, AASB 9, AASB 116, AASB 137 and AASB 141.

The adoption of this Amendment did not have a significant impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

3. Significant accounting policies

3.1 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars ("$"), unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2 *Share-based Payment*, leasing transactions that are within the scope of AASB 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 *Inventories* or value in use in AASB 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.3 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 *Income Taxes* and AASB 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 9 *Financial Instruments*, or AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is

recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.4 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.3 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Groups' cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods. On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.5 Revenue recognition

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

3.5.1 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.5.2 Other income

Other income is generally income earned from transactions outside the course of the Group's ordinary activities. Other income is recognised in profit or loss when received.

3.6 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ("$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when

the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.7 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.8 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long-term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.9 Share-based payment arrangements

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

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

Equity-settled share-based payment transactions with parties other than employees are measured at the fair

value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

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

3.10 Taxation

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

3.10.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

R&D rebates are accounted for on a cash basis and included under other income.

3.10.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.10.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.11 Intangible assets

3.11.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangibles have been identified as all granted patents and patent applications. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

- Patents — 20 years

3.11.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.12 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.14 Financial instruments

Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument. Financial instruments (except for trade receivables) are measured initially at fair value adjusted by transaction costs, except for those carried at 'fair value through profit or loss', in which case transaction costs are expensed to profit or loss. Where available, quoted prices in an active market are used to determine the fair value. In other circumstances, valuation techniques are adopted. Subsequent measurement of financial assets and financial liabilities are described below.

Trade receivables are initially measured at the transaction price if the receivables do not contain a significant financing component in accordance with AASB 15.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expired.

Classification and measurement

FINANCIAL ASSETS

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

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

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

Classifications are determined by both:

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

Financial assets at amortised cost

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

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

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents,

trade and most other receivables fall into this category of financial instruments.

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

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

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

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

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

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

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

FINANCIAL LIABILITIES

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

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

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

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

IMPAIRMENT

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

3.15 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows

arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.16 Leases

The Group as a lessee

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

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

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

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

The right-of-use assets comprise the initial measurement of the corresponding lease liability, any lease payments made at or before the commencement date and initial direct costs. The subsequent measurement of the right-of-use asset is at cost less accumulated depreciation and impairment losses.

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

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

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

3.17 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits at call with financial institutions with maturities of four months or less that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities in the consolidated statement of financial position.

3.18 Comparative amounts

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

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

4.1 Key sources of estimation uncertainty

4.1.1 Recoverability of intangible assets acquired in a business combination

During the year, the directors reconsidered the recoverability of the Group's intangible assets arising from the acquisition of Cynata Incorporated, which is included in the consolidated statement of financial position at 30 June 2023 with a carrying value of $2,132,600 (2022: $2,412,565) after accounting for amortisation.

The directors have allocated the carrying value of the patents (before amortisation) to the different categories of the research based on their estimates. The resulting allocation has given rise to an amortisation expense of $279,965 for the year ended 30 June 2023 (2022: $279,965).

The directors performed an assessment of impairment indicators and concluded that no impairment of the intangible assets is required for the year (2022: nil).

4.1.2 Share-based payment transactions

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

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

5. Segment information

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

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

6. Interest income and other income

Interest income	2023 $	2022 $
Interest income	352,869	62,603
Accrued interest on directors' loans (refer to note 14)	-	2,146
	352,869	64,749

Other income	2023 $	2022 $
R&D rebate	1,654,310	832,677
Other income (i)	-	6,937,748
	1,654,310	7,770,425

(i) This represented an amount of US$5 million from Fujifilm Corporation under a Strategic Partnership Agreement.

7. Loss for the year

	2023 $	2022 $
Loss for the year has been arrived at after charging the following items of expenses:		
Employee benefits expenses		
Wages and salaries	1,534,609	1,737,569
Superannuation expenses	142,278	148,630
Leave entitlements	(23,742)	34,510
Total employee benefits expenses (i)	1,653,145	1,920,709
Share-based payment expenses	326,546	1,032,104
Other expenses		
Share register fees	50,585	33,631
Director fees	330,458	275,000
Legal costs	405,489	437,858
Investor/public relations	56,368	65,966
Corporate advisors	180,000	201,500
Other administrative expenses	865,726	766,417
Effect of foreign exchange	(257,843)	(557,698)
Total other expenses	1,630,783	1,222,674

(i) Excludes amounts charged to product development costs.

8. Income taxes relating to continuing operations

8.1 Income tax recognised in profit or loss

	2023	2022
	$	$
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2023	2022
	$	$
Loss before tax from continuing operations	(14,277,495)	(5,445,172)
Income tax expense calculated at 25% (2022: 25%)	(3,569,374)	(1,361,293)
Tax effect of R&D rebate received	(413,578)	(208,169)
Effect of expenses that are not deductible in determining taxable income	3,062,437	2,462,108
Effect of unused tax losses not recognised as deferred tax assets	920,515	(892,646)
	-	-

The tax rate used for the 2023 reconciliations above is the corporate tax rate of 25% (2022: 25%) payable by Australian corporate entities on taxable profits under Australian tax law.

8.2 Income tax recognised directly in equity

	2023	2022
	$	$
Current tax		
Share issue costs	-	-
Deferred tax		
Arising on transactions with owners:		
Share issue costs deductible over 5 years	-	-
	-	-

8.3 Unrecognised deferred tax assets in relation to:

	2023	2022
	$	$
Unused tax losses (revenue) for which no deferred tax assets have been recognised (i)	8,791,271	6,470,884
Other	195,494	251,866
	8,986,765	6,722,750

8.4 Unrecognised deferred tax (liabilities) in relation to:

	2023	2022
	$	$
Intangibles	(533,150)	(603,141)
Other	(102,195)	(63,260)
	(635,345)	(666,401)
Net deferred tax assets	**8,351,420**	**6,056,349**

(i) All unused tax losses were incurred by Australian entities. The figure also includes unused carried forward tax losses of Cynata Australia Pty Ltd ("Cynata Australia"). Cynata Australia is the wholly owned subsidiary of Cynata Inc and Cynata Inc is the wholly owned subsidiary of Cynata Therapeutics Limited.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

9. Loss per share

	2023	2022
	¢ / share	¢ / share
Basic and diluted loss per share (cents per share)	(9.84)	(3.80)

9.1 Basic and diluted loss per share

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

	2023	2022
	$	$
Loss for the year attributable to owners of the Company	(14,277,495)	(5,445,172)

	2023	2022
	$	$
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	145,092,417	143,276,594

10. Trade and other receivables

	2023	2022
	$	$
Deposits made	25,528	25,528
Other receivables	341,554	74,861
	367,082	100,389

At the reporting date, none of the receivables were past due/impaired. There are no expected credit losses.

11. Intangibles

	2023	2022
	$	$
Carrying value at beginning of year (i)	2,412,565	2,692,530
Amortisation (ii)	(279,965)	(279,965)
Net book value of research and development at end of year	2,132,600	2,412,565

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

(ii) An amortisation expense of $279,965 has been recognised in profit or loss (2022: $279,965). Refer to note 3.12 for more information on the Group's accounting policy on intangibles and amortisation.

Cost	2023	2022
	$	$
Balance at 1 July	4,821,799	4,821,799
Additions	-	-
Disposals	-	-
Balance at 30 June	4,821,799	4,821,799

Accumulated amortisation	2023	2022
	$	$
Balance at 1 July	2,409,234	2,129,269
Amortisation expense	279,965	279,965
Balance at 30 June	2,689,199	2,409,234

12. Trade and other payables

	2023	2022
	$	$
Trade payables	1,308,643	1,580,478
Accrued expenses	758,748	746,890
	2,067,391	2,327,368

13. Provisions

	2023	2022
	$	$
Provisions for employee entitlements	192,894	260,576

14. Loans receivable

	2023	2022
	$	$
Balance at beginning of year (i)	-	207,978
Interest accrued (ii)	-	2,146
Repayments by related parties (iii)	-	(210,124)
Balance at end of year	-	-

(i) At the General Meeting of shareholders held on 12 September 2018, shareholders of Cynata approved the financial assistance and financial benefit provided to Dr Ross Macdonald and Dr Stewart Washer or their nominees as constituted by the making of a director loan of $900,000 each to Dr Ross Macdonald and Dr Stewart Washer solely for the purpose of funding the exercise of 2,500,000 unlisted options each at $0.40 having an expiry date of 27 September 2018. Each director paid $100,000 in cash on exercise of the options. The loans provided were full recourse loans and unsecured.

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

(iii) During the financial year ended 30 June 2022, Dr Macdonald made final repayment of $210,124 (2021: $126,413) of his loan which included $10,124 accrued interest. All director loans were repaid.

15. Issued capital

	2023	2022
	$	$
179,631,786 fully paid ordinary shares (2022: 143,276,594)	81,624,596	74,900,251

	30 June 2023		30 June 2022	
Fully paid ordinary shares	**No.**	**$**	**No.**	**$**
Balance at beginning of year	**143,276,594**	**74,900,251**	**143,276,594**	**74,900,251**
Share placement (i)	13,508,877	2,904,409	-	-
Share placement (ii)	9,302,325	2,000,000	-	-
Share purchase plan (iii)	12,903,296	2,000,011	-	-
Issue of shares (iv)	640,694	137,749	-	-
Share issue costs	-	(317,824)	-	-
Balance at end of the year	**179,631,786**	**81,624,596**	**143,276,594**	**74,900,251**

(i) Issue of shares pursuant to a Placement at $0.215 per share on 17 April 2023.

(ii) Issue of shares pursuant to a Placement at $0.215 per share on 24 April 2023.

(iii) Issue of shares pursuant to a Share Purchase Plan at $0.155 per share on 11 May 2023.

(iv) Issue of Director shares pursuant to a participation of Directors in a share placement at $0.215 per share on 31 May 2023.

16. Reserves

16.1 Share-based payments

	2023	2022
	$	$
Balance at beginning of year	7,351,421	6,319,317
Recognition of share-based payments (i)	326,546	1,032,104
Balance at end of year	7,677,967	7,351,421

(i) Total expenses arising from share-based payment transactions as a result of vesting and cancellation of unlisted options to executives and employees recognised during the year ended 30 June 2023 was $326,546 (2022: $1,032,104).

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

16.2 Foreign currency translation reserve

	2023	2022
	$	$
Balance at beginning of year	4,724	4,724
Exchange differences arising on translating the foreign operations	-	-
Balance at end of year	4,724	4,724

Exchange differences relating to the translation of results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e., Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

17. Financial instruments

17.1 Capital management

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Group's approach to capital management during the year.

Financial instruments (cont'd)

17.2 Categories of financial instruments	2023	2022
	$	$
Financial assets	$	$
Cash and cash equivalents	16,167,356	23,798,046
Trade and other receivables	367,082	100,389
	16,534,438	23,898,435
Financial liabilities		
Trade and other payables	2,067,391	2,327,368
	2,067,391	2,327,368
Net financial assets	**14,467,047**	**21,571,067**

The fair value of the above financial instruments approximates their carrying values.

17.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

17.4 Market risk

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

17.5 Interest rate risk management

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

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both

derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/ lower and all other variables were held constant, the Group's loss for the year ended 30 June 2023 would (decrease)/increase by $161,674 (2022: $237,980)

17.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2023, the Company had cash denominated in US dollars (US$2,054,236 (2022: US$6,305,303)). The A$ equivalent at 30 June 2023 is $3,086,797 (2022: $9,166,204). A 5% movement in foreign exchange rates would increase or (decrease) the Group's loss before tax by approximately $154,340 (2022: $458,310). Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. As at 30 June 2023, the Group has not entered in any forward foreign exchange contracts.

17.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

17.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Contractual cash flows	Carrying Amount	Less than 1 month	1-3 months	3-12 months	1 year to 5 years	Total contractual cash flows
	$	$	$	$	$	$
2023						
Trade and other payables	2,067,391	2,067,391	-	-	-	2,067,391
2022						
Trade and other payables	2,327,368	2,327,368	-	-	-	2,327,368

18. Share-based payments

18.1 Employee Option Acquisition Plan

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

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

The following share-based payment arrangements were in existence at balance date (30 June 2023):

Option series	Number	Grant date	Grant date fair value	Exercise price	Expiry date	Vesting date
CYPOPT12	300,000[i]	17 May 2019	$0.384	$2.110	16 May 2024	Vested
CYPOPT14	1,100,000[ii]	19 Aug 2020	$0.415	$0.970	18 Aug 2024	Various
CYPOPT15	100,000[iii]	14 Sept 2020	$0.388	$1.280	13 Sept 2024	Various
CYPOPT16	4,500,000[iv]	24 Nov 2020	$0.493	$0.970	29 Nov 2025	Various
CYPOPT17	1,000,000[v]	11 Oct 2021	$0.156	$0.89	11 Oct 2025	Various
CYPOPT18	300,000[vi]	22 Nov 2022	$0.135	$0.51	23 Nov 2027	Various
CYPOA	18,177,637[vii]	1 Jun 2023	n/a	$0.30	1 Apr 2025	Vested
CYPOPT19	2,300,000[viii]	30 Jun 2023	n/a	$0.176	30 Jun 2028	Various

i This represents unlisted options issued to Dr Brooke pursuant to the terms of his appointment as non-executive director.

ii This represents unlisted options issued to Dr Kelly (1,000,000), Dr Lipe (100,000), Dr Atley (50,000) and Mr Thraves (100,000) pursuant to an Employee Option Acquisition Plan. Dr Lipe resigned on 3 Jan 2023 and Dr Atley resigned on 4 Nov 2022 and as a result, 150,000 options were cancelled during the year ended 30 June 2023.

iii This represents unlisted options issued to Mrs Gupta pursuant to an Employee Option Acquisition Plan. Mrs Gupta is an employee of Cynata Therapeutics Ltd.

iv This represents unlisted options issued 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) pursuant to an Employee Option Acquisition Plan.

v This represents unlisted options issued to Dr Airey pursuant to an Employee Option Acquisition Plan. Dr Airey was appointed as Chief Medical Officer of the Company on 11 October 2021.

vi This represents unlisted options issued to Ms Rolfe pursuant to the terms of her appointment as non-executive director. Ms Rolfe was appointed on 1 September 2022.

vii This represents free attaching listed options issued pursuant to a Placement and a Share Purchase Plan during the year ended 30 June 2023.

viii This represents unlisted options issued to Dr Kelly (2,000,000) pursuant to the terms of his appointment as Managing Director & CEO following the retirement of Dr Macdonald and to a nominee of Dr Atkins (300,000) pursuant to his appointment as non-executive director. Dr Kelly and Dr Atkins were appointed on 1 July 2023. Dr Kelly was previously the Chief Operating Officer of Cynata.

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

18.2 Fair value of share options

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

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

The weighted average exercise price of options granted during the year is $0.289 (2022: $0.89).

The inputs to the Black-Scholes pricing model were as follows:

Inputs	CYPOPT18
Number of options	300,000
Grant date	22 Nov 2022
Grant date fair value	$0.135
Exercise price	$0.51
Expected volatility	54%
Implied option life (years)	5.0
Expected dividend yield	n/a
Risk-free rate	3.42%

18.3 Movements in share options during the year

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

	2023		2022	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
	No.	$	No.	$
Balance at beginning of the year	7,150,000	1.011	7,575,000	1.167
Granted during the year	20,777,637	0.289	1,000,000	0.890
Forfeited during the year	(150,000)	0.97	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	(1,425,000)	1.750
Balance at end of year	**27,777,637**	**0.471**	**7,150,000**	**1.011**
Exercisable at end of year	24,283,094	0.481	3,676,332	1.064

18.4 Share options exercised during the year

No share options were exercised during the year (2022: nil).

18.5 Share options outstanding at the end of the year

Share options outstanding at the end of the year had a weighted average exercise price of $0.471 (2022: $1.011) and a weighted average remaining contractual life of 783 days (2022: 1,130 days).

19. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2023 $	2022 $
Short-term employee benefits	1,413,699	1,494,159
Post-employment benefits	104,694	105,635
Share-based payments	385,608	981,810
	1,904,001	**2,581,604**

Short-term employee benefits

These amounts include fees paid to non-executive directors, accrued bonuses, salary and paid leave benefits awarded to executive directors and key management personnel and fees paid to entities controlled by the directors.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

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

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

20. Related party transactions

20.1 Entities under the control of the Group

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

Balances and transactions between the parent entity and its subsidiaries, which are related parties of the entity, have been eliminated on consolidation and are not disclosed in this note.

20.2 Key management personnel

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

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

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

21. Cash and cash equivalents

Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2023 $	2022 $
Cash and bank balances	**16,167,356**	**23,798,046**

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

	2023 $	2022 $
Cash flow from operating activities		
Loss for the year	(14,277,495)	(5,445,172)
Adjustments for:		
Share-based payments	326,546	1,032,104
Amortisation expenses	279,965	279,965
Accrued income	-	(2,146)
Effects of exchange rate changes	72,306	(169,583)
Movements in working capital		
Decrease/(increase) in trade and other receivables and prepayments	(356,392)	20,307
Increase in trade and other payables	(259,977)	951,683
Increase in annual leave provisions	(67,682)	34,511
Net cash outflows from operating activities	**(14,282,729)**	**(3,298,331)**

22. Contingent liabilities and contingent assets

The directors are not aware of any significant contingencies at balance date other than a requirement for the payment of royalties pursuant to certain license agreements should future revenues exceed predetermined thresholds.

23. Commitments for expenditure

The Group has entered into a number of agreements related to research and development activities. As at 30 June 2023, under these agreements, the Company is committed to making payments over future periods, as follows:

	$
During the period 1 July 2023 – 30 June 2024	**4,744,918**
During the period 1 July 2024 – 30 June 2025	**2,111,230**
During the period 1 July 2025 – 30 June 2026	**1,096,268**

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2023.

24. Remuneration of auditors

Auditor of the Group	**2023**	**2022**
	$	**$**
Audit and review of the financial statements	**51,162**	**48,814**

The auditor of the Group is Stantons.

25. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements.

Refer to note 3 for a summary of significant accounting policies relating to the Group.

Financial position	2023	2022
	$	$
Assets		
Current assets	16,861,165	24,135,462
Non-current assets	4,890,653	4,890,653
Total assets	21,751,818	29,026,115
Liabilities		
Current liabilities	2,067,391	2,327,368
Provisions	192,894	260,576
Total liabilities	2,260,285	2,587,944
Net assets	**19,491,533**	**26,438,171**
Equity		
Issued capital	81,624,596	74,900,251
Reserves	7,677,967	7,351,421
Accumulated losses	(69,811,030)	(55,813,501)
Total equity	**19,491,533**	**26,438,171**
Financial performance		
Loss for the year	(13,997,529)	(5,165,209)

Commitments and contingencies

There were no material commitments or contingencies at the reporting date for the parent company except for those mentioned in note 22 and note 23 above.

26. Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2023	2022
Cynata Incorporated	Holds licenses with WARF for core IPs	USA	100%	100%
Cynata Therapeutics Ireland Limited	Legal representative of Cynata in the European Economic Area	Ireland	100%	100%
Cynata Australia Pty Ltd (i)	Non-operating subsidiary from date of reconstruction	Australia	100%	100%

(i) Cynata Australia Pty Ltd is a wholly owned subsidiary of Cynata Incorporated.

27. Events after the reporting period

As announced on 30 June 2023, Dr Kilian Kelly was appointed to the position of Chief Executive Officer and Managing Director, effective 1 July 2023, following the retirement of Dr Ross Macdonald. Dr Kelly had been Cynata's Chief Operating Officer since May 2019 and has been instrumental in advancing the Company's clinical pipeline since joining Cynata as Vice President, Product Development in 2014.

Also on 30 June 2023, the Company announced the appointment of Dr David Atkins to the Board of Directors, effective 1 July 2023. Dr Atkins is the Managing Partner of BioScience Managers, an international healthcare investment firm and a major Cynata shareholder. Dr Stewart Washer stepped down from his position as a non-executive director on the same date.

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

28. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 28 August 2023.

ASX Additional Information

As at 4 August 2023

Substantial Shareholders

The names of the substantial shareholders disclosed to the Company in substantial shareholder notices are:

Name	Shares Held	Issued Capital
	No.	%
Phillip Asset Management Ltd atf BioScience Managers Translation Fund I	23,58,040	13.13
FIL Investment Management (Hong Kong) Limited	9,506,625	10.00

Distribution of Ordinary Shares

Category	Holders	Ordinary Shares	Issued Capital
	No.	No.	%
1 – 1,000	675	383,047	0.21
1,001 – 5,000	1,048	2,886,932	1.61
5,001 – 10,000	446	3,524,473	1.96
10,001 – 100,000	930	32,765,311	18.24
100,001 and over	218	140,072,023	77.98
	3,317	**179,631,786**	**100.00**

Distribution of Listed Options

Category	Holders	Listed Options	Issued Capital
	No.	No.	%
1 – 1,000	2	3	0.00
1,001 – 5,000	24	75,600	0.42
5,001 – 10,000	33	259,842	1.43
10,001 – 100,000	114	6,157,567	33.87
100,001 and over	11	11,684,625	64.28
	184	**18,177,637**	**100.00**

Voting Rights

(a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;

(b) on a show of hands each person present who is a member has one vote, and on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held; and

(c) no voting rights attached to listed and unlisted options.

Number of Holders of Unlisted Options

300,000 unlisted Options exercisable at $2.11 and expiring 16/05/2024 held by 1 holder, Dr Geoffrey Brooke.

1,100,000 unlisted employee share option acquisition plan Options exercisable at $0.97 and expiring on 18/08/2024 held by 2 holders.

100,000 unlisted employee share option acquisition plan Options exercisable at $1.28 and expiring on 13/09/2024 held by 1 holder.

4,500,000 unlisted Options exercisable at $0.97 and expiring 29/11/2025 held by 6 holders. Holders holding more than 20% being 2,000,000 held in the name of Dr Geoffrey Brooke (44.4%) and 1,500,000 held in the name of Dr Ross Macdonald (33.33%).

1,000,000 unlisted employee share option acquisition plan Options exercisable at $0.89 Options and expiring 11/10/2025 held by 1 holder.

300,000 unlisted Options exercisable at $0.51 and expiring 23/11/2027 held by 1 holder, Ms Janine Rolfe.

2,300,000 unlisted Options exercisable at $0.176 and expiring on 30/06/2028, 2,000,000 held in the name of Dr Kilian Kelly (87%) and one other holder.

Restricted Securities

There are no ASX restricted securities on issue.

On-Market Buy-Back

There is no current on-market buy back.

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 1,395.

ASX Additional Information (cont'd)

20 Largest Shareholders

Name	Shares Held	Issued Capital
	No.	%
Phillip Asset Management Limited <Bioscience MTF1 A/C>	23,588,040	13.13
HSBC Custody Nominees (Australia) Limited	17,172,745	9.56
Citicorp Nominees Pty Limited	8,692,216	4.84
Fujifilm Corporation	8,088,403	4.50
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	4,248,421	2.37
BNP Paribas Nominees Pty Ltd ACF Clearstream	2,730,212	1.52
National Nominees Limited	2,500,000	1.39
HSBC Custody Nominees (Australia) Limited-GSCO ECA	2,012,007	1.12
Dr Ross Alexander Macdonald	2,000,000	1.11
BNP Paribas Noms Pty Ltd <DRP>	1,702,710	0.95
Mal Washer Nominees Pty Ltd <Mal Washer Family A/C>	1,559,534	0.87
Mr Pawel Rej & Mrs Miroslawa Rej	1,543,036	0.86
Crosswind Trustee Company Limited <Crosswind A/C>	1,500,000	0.84
Mr David Charles Prodrick	1,500,000	0.84
Mr Patrick Anthony Walsh	1,341,790	0.75
Mr Jon Nicolai Bjarnason & Mrs Rina Eghoje Bjarnason <Jarck Super Fund A/C>	1,200,000	0.67
Dr Maksym Vodyanyk	1,191,658	0.66
Helium Management Pty Ltd <Helium S/F A/C>	1,135,366	0.63
Mr Craig Lawrence Darby	1,110,066	0.62
LFT Co 2018 Pty Ltd <Lenz Family A/>	1,080,000	0.60
	85,896,204	**47.83**

20 Largest Listed Option Holders

Name	Options Held	Issued Capital
	No.	%
Phillip Asset Management Limited <Bioscience MTF1 A/C>	4,651,163	25.59
Merrill Lynch (Australia) Nominees Pty Limited	3,488,372	19.19
Citicorp Nominees Pty Limited	1,028,366	5.66
HSBC Custody Nominees (Australia) Limited	710,549	3.91
BNP Paribas Nominees Pty Ltd ACF Clearstream	456,102	2.51
HSBC Custody Nominees (Australia) Limited A/C 2	418,604	2.30
Scintilla Strategic Investments Limited	250,000	1.38
Mr Andrew Tate	250,000	1.38
BNP Paribas Nominees Pty Ltd <IB AU Noms Retailclient DRP>	163,769	0.90
LRF 2018 Pty Ltd <Lenz Retirement Fund A/C>	133,980	0.74
HSBC Custody Nominees (Australia) Limited-GSCO ECA	133,720	0.74
Mr Jeffrey John Hunt	94,483	0.52
Mr Pawel Rej & Mrs Miroslawa Rej	94,483	0.52
Mr Thanh Hiep Nguyen	94,483	0.52
Dr Michael Peter Moore & Mrs Hawwa Moore	94,483	0.52
Mr Simon Hannes & Mrs Mignon Catherine Booth <SGH Super Fund A/C>	94,483	0.52
Waring Super Pty Ltd <Waring Superannuation A/C>	94,483	0.52
Superhero Securities Limited <Client A/C>	94,483	0.52
Mr Chin Teck Siow	94,483	0.52
Mrs Kristin Eileen Franco	94,483	0.52
	12,534,972	**68.98**

cynata therapeutics

Registered and Principal Office

Level 3, 100 Cubitt Street
Cremorne, Victoria 3121
AUSTRALIA

Tel: +61 3 7067 6940
Email: info@cynata.com

Website

www.cynata.com