ASX ANNOUNCEMENT 28 January 2022

December 2021 Quarterly Activity Report

Melbourne, Australia; 28 January 2022: Cynata Therapeutics Limited (ASX: "**CYP", "Cynata",** or the **"Company"**), a clinical-stage biotechnology company specialising in cell therapeutics, has today released its Quarterly Activity Report for the three-month period ended 31 December 2021.

Key highlights

- **Commencement of clinical trial in diabetic foot ulcers (DFU)**
- **Actively recruiting and treating patients in the Phase 3 SCUlpTOR osteoarthritis clinical trial and the MEND respiratory distress trial**
- **Successful completion of planned DSMB review of Cynata's MEND clinical trial**
- **Entered into a new strategic partnership with FUJIFILM through the execution of a Manufacturing Services Agreement (MSA) with FUJIFILM Cellular Dynamics, Inc**
- **Strong financial position with A$26.8m in cash as at 31 December 2021, including US$5m payment from FUJIFILM under the Strategic Partnership Agreement (SPA)**

Dr. Ross Macdonald, Cynata's CEO and MD, said:

"I am pleased to share our latest activity report which outlines the great progress Cynata has made this quarter. Cynata has cemented its global leadership in the iPSC-derived cell therapy space with the commencement of its first human trial in patients with diabetic foot ulcers. We are proud of this achievement as it represents a key milestone for the Company and broadens our robust clinical development pipeline. I'd like to thank our team for their exceptional work in overseeing the DFU program as this result was achieved prior to the end of 2021 in line with our expectations. Two other active clinical trials are underway; the Phase 3 SCUlpTOR osteoarthritis trial and the MEND trial in respiratory distress. We are on track to execute our US regulatory strategy for graft-versus-host disease (GvHD) and to commence a Phase 2 clinical trial in this disease later this year. Moreover, we received the US$5m from FUJIFILM as part of the new strategic partnership agreement with FUJIFILM which has strengthened our cash position, enabling us to fund major catalysts, execute our objectives and to continue to build shareholder value."

Clinical update

Diabetic Foot Ulcers clinical trial commenced

During the quarter, Cynata commenced a clinical trial in DFU, following the successful completion of start-up activities including a Site Initiation Visit and human research ethics committee and research governance approvals from the Central Adelaide Local Health Network (CALHN). The trial aims to recruit 30 adult patients with DFU who will be randomly assigned to receive CYP-006TK or standard care of treatment. CYP-006TK is a novel polymer-coated silicon wound dressing seeded with Cymerus™ mesenchymal stem cells (MSCs) to facilitate topical application to the wound. This unique dressing technology has been exclusively licensed from leading manufacturer of innovative biomedical coatings, TekCyte Limited. The treatment period will be 4 weeks, and each patient will be evaluated for a total of 24 weeks with trials taking place at Royal Adelaide Hospital and The Queen Elizabeth Hospital, Adelaide. The primary outcome measure in the trial will be safety, with secondary efficacy outcome measures including wound healing, pain and quality of life at 12 and 24 weeks after treatment. The trial is expected to complete in CY22.

Other clinical trials underway

Osteoarthritis: The University of Sydney informed us during the quarter that recruitment and treatment has advanced in the Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) osteoarthritis trial. The trial aims to enrol a total of 440 patients with osteoarthritis of the knee and is designed to assess the effect of CYP-004, Cynata's Cymerus mesenchymal stem cell (MSC) product for osteoarthritis, compared to placebo on clinical outcomes and knee joint structure over a two-year period. The trial is sponsored by the University of Sydney and substantially funded by an Australian Government National Health and Medical Research Council project grant, with full intellectual property and commercialisation rights to Cynata. Currently, there is no cure for osteoarthritis and available treatment options only focus on managing symptoms. Preclinical research suggests that MSCs have the potential to improve the underlying disease, as opposed to just masking the symptoms, and any product that might result in a tissue regenerative response will be a breakthrough in the global US$11.6bn osteoarthritis market.[1]

Respiratory Failure: Recruitment and patient treatment in the MEND clinical trial is currently underway. The randomised controlled clinical trial aims to investigate the safety and early efficacy of Cymerus MSCs in 24 adult patients with respiratory failure who meet the established criteria for Acute Respiratory Distress Syndrome (ARDS). ARDS, sepsis and cytokine release syndrome (CRS) have been identified as targets for this trial, as they present significant unmet medical needs and are manifestations of the excessive inflammatory responses typically seen in patients experiencing respiratory distress.

A scheduled review of the MEND trial by the independent Data Safety Monitoring Board (DSMB) was conducted during the quarter; we were delighted with the DSMB's recommendation that the trial continue as planned. Review by the DSMB is consistent with best practice for clinical trials and this outcome supports the safety, efficacy, and rigor of the trial. Shareholders will be aware that considerable time and effort is required of healthcare providers to manage and oversee clinical trials. During the COVID-19 pandemic we have seen healthcare resources stretched beyond limits to support the huge numbers of patients affected by this disease, especially following the outbreaks caused by the Omicron variant. Somewhat paradoxically, this has caused an unexpected slowing of recruitment as critical ICU doctors and nurses instead focus on and prioritise managing routine patient care. Unfortunately, this is symptomatic of the unpredictable and highly dynamic nature of the COVID-19 pandemic. With the trial at around the half-way mark we are actively investigating multiple strategies to complete patient recruitment in a timely fashion. The combined market opportunity of ARDS, sepsis and CRS is estimated to be over US$8bn.[2] Cynata's pre-clinical studies have shown that these conditions can potentially be improved with Cymerus MSCs through modulation of the inflammatory reaction associated with these diseases. The trial is in collaboration with the Cerebral Palsy Alliance Research Institute and the COVID-19 Stem Cell Treatment Group.

Commercial update

Executed strategic Manufacturing Services Agreement with FUJIFILM Cellular Dynamics, Inc (FCDI)

Cynata has entered into a new strategic partnership with FUJIFILM through the execution of a Manufacturing Services Agreement (MSA) with FCDI. The parties will now begin working towards establishing the Cymerus

[1]Reflects OA market by 2025; Persistence Market Research 2018 research report: "Osteoarthritis Treatment Market: Global Industry Analysis (2012-2016) and Forecast (2017-2025).

[2]Vasomune Therapeutics company announcement, 2018 (Reflects ARDS global market opportunity of US$2.5bn); GlobeNewswire, 2020 (Represents Cytokine Release Syndrome (CRS) global market opportunity of US$0.16m in 2017); GlobalData 2017 (Reflects Sepsis global market opportunity of US$5.9bn in 2026).

manufacturing process at FCDI, as foreshadowed in the Strategic Partnership Agreement (SPA) with FUJIFILM Corporation (FCDI's parent company) announced on 30 September 2021. Under the MSA, FUJIFILM will undertake technology transfer, process validation and manufacturing under stage-by-stage commercial, arms-lengths arrangements while Cynata's existing contract manufacturer, Waisman Biomanufacturing, will continue to manufacture product for Cynata's current clinical trials. As part of the MSA, FUJIFILM has agreed to extend the voluntary escrow of their ~8.1 million shares in Cynata for a further 12 months, solidifying their commitment to the Company.

Corporate update

Strong financial position

Cynata closed the quarter with A$26.8m in cash, as at 31 December 2021. This includes US$5m fee received during the quarter from FUJIFILM under the SPA, as announced on 18 October 2021.

Net operating cash outflows for the quarter totalled A$4.01m (excluding the receipt of US$5m from FUJIFILM), primarily relating to increased clinical trial activity and product manufacture. In item 6 of the Appendix 4C cash flow report for the quarter, payments to related parties of approximately A$165k compromised of salary paid to the Managing Director and fees paid to Non-Executive Directors.

Outlook

Current clinical trials and results

Cynata continues to make significant progress in the Phase 3 trial in osteoarthritis with patient enrolment steadily advancing. Following enrolment, each participant will receive injections of Cymerus MSCs (or placebo in the case of the control group) on three occasions over a one-year period and will continue follow ups for an additional year, with results expected in 2024.

The MEND respiratory distress clinical trial is underway. The trial will involve 12 critically infected patients randomised to receive Cymerus MSC infusions, in addition to standard of care, while 12 patients will be randomised to the control group and will receive current standard of care only. Having received a recommendation by the independent DSMB to continue advancing the MEND clinical trial, it is expected full enrolment will be completed during 2022, noting the issues raised above created by the unpredictable but far-reaching effects of the COVID-19 pandemic on our hospital systems.

The Phase I DFU trial opened for recruitment during the quarter, as planned. A total of 30 patients will be randomly assigned to receive CYP-006TK (a polymer-coated silicon dressing seeded with MSCs) or standard care of treatment. The treatment period will be 4 weeks, and each patient will be evaluated for a total of 24 weeks. The trial is expected to complete during CY22.

Cynata's lead product candidate, CYP-001, met all clinical endpoints and demonstrated positive safety and efficacy data for the treatment of steroid-resistant acute graft-versus-host disease (GvHD) in a Phase 1 trial. Planning for a Phase 2 clinical trial in GvHD is currently underway. Cynata plans to execute its US development strategy by conducting a Phase 2 GvHD trial in the US (subject to FDA approval).

Cynata plans to divert resources away from the proposed critical limb ischemia (CLI), idiopathic pulmonary fibrosis (IPF) and renal transplantation programs, each of which are supported by promising results from studies in relevant preclinical disease models, towards partnering opportunities and advancing the Cynata-sponsored clinical programs in GvHD, respiratory distress and DFU.

Strategic pathway and commercialisation

Cynata's new manufacturing services agreement with FCDI (subsidiary of FUJIFILM) strengthens our commercialisation capability and is a testament to Cynata's longstanding, productive relationship with FUJIFILM. FCDI developed the original iPSC line used in Cynata's Cymerus manufacturing process and is a leading cell therapy manufacturer. Cynata continues to focus on optimising and expanding its manufacturing capabilities to prepare for further partnering activities and eventual product commercialisation.

-ENDS-

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

CONTACTS: Dr Ross Macdonald, CEO, Cynata Therapeutics, +61 (0)412 119343, ross.macdonald@cynata.com
Lauren Nowak, Media Contact, +61 (0)400 434 299, laurenmaree@live.com.au

About Cynata Therapeutics (ASX: CYP)

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

Cynata's lead product candidate CYP-001 met all clinical endpoints and demonstrated positive safety and efficacy data for the treatment of steroid-resistant acute graft-versus-host disease (GvHD) in a Phase 1 trial. Planning for a Phase 2 clinical trial in GvHD is presently underway. Clinical trials of Cymerus products in osteoarthritis (Phase 3), respiratory failure and diabetic foot ulcers (DFU) are currently ongoing. In addition, Cynata has demonstrated utility of its Cymerus technology in preclinical models of numerous diseases, including the clinical targets mentioned above, as well as critical limb ischaemia, idiopathic pulmonary fibrosis, asthma, heart attack, sepsis, acute respiratory distress syndrome (ARDS) and cytokine release syndrome.

Cynata Therapeutics encourages all current investors to go paperless by registering their details with the designated registry service provider, Automic Group.

Appendix 4C

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

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

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (6 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(3,396)	(5,927)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(64)	(158)
	(d) leased assets	-	-
	(e) staff costs	(347)	(750)
	(f) administration and corporate costs	(216)	(444)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	11	31
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	
1.8	Other (FUJIFILM Option Licence Fee*)	6,732	6,732
1.9	**Net cash from / (used in) operating activities**	**2,720**	**(516)**

** US$5 million paid by FUJIFILM Corporation in October 2021 under the Strategic Partnership Agreement (as announced to ASX on 30 September 2021).*

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

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	**Net cash from / (used in) investing activities**	**-**	**-**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	200
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Interest on Director's Loan received	-	10
3.10	**Net cash from / (used in) financing activities**	**-**	**210**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	23,912	26,717
4.2	Net cash from / (used in) operating activities (item 1.9 above)	2,720	(516)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (6 months) $A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	210
4.5	Effect of movement in exchange rates on cash held	155	376
4.6	**Cash and cash equivalents at end of period**	**26,787**	**26,787**

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter $A'000	Previous quarter $A'000
5.1	Bank balances	16,787	13,912
5.2	Call deposits	10,000	10,000
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	**Cash and cash equivalents at end of quarter (should equal item 4.6 above)**	**26,787**	**23,912**

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

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

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

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

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

N/A

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	2,720
8.2	Cash and cash equivalents at quarter end (item 4.6)	26,787
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	26,787
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	N/A

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

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

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

N/A

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

N/A

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

N/A

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

Compliance statement

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

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

Date: 28 January 2022

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

Notes

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

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

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

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

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