ASX ANNOUNCEMENT 27 July 2022

June 2022 Quarterly Activity Report

Melbourne, Australia; 27 July 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 30 June 2022.

Key highlights:

- **US Food and Drug Administration (FDA) clears Cynata's Investigational New Drug (IND) application for a Phase 2 trial in acute graft-versus-host disease (aGvHD)**
  - **trial expected to commence in the US by the end of 2022**
  - **confirms quality of the product data package: critical validation step for the Company's ongoing commercial partnering activities**
- **Actively recruiting and treating patients in three clinical trials:**
  - **the Phase 3 SCUlpTOR osteoarthritis clinical trial,**
  - **the MEND respiratory distress clinical trial and,**
  - **the Diabetic Foot Ulcers (DFU) clinical trial**
- **Added a new site for the MEND clinical trial, expanding the potential pool of patients and accelerating trial progress**
- **Reported compelling data from a preclinical study in idiopathic pulmonary fibrosis (IPF), which supports the potency and molecular mechanisms of action of Cynata's proprietary Cymerus™ MSC technology**
- **Strong financial position with A$23.8m in cash as at 30 June 2022**

Commercial update

FDA approves Cynata's IND application for Phase 2 trial in aGvHD

In a major milestone achieved this quarter, the US FDA cleared Cynata's IND application for a Phase 2 clinical trial of CYP-001, Cynata's lead product, in patients with aGvHD. This is a major value catalyst for the Company as it provides a development and commercialisation gateway into the USA, not only for aGvHD but potentially for further clinical targets. It is a critical validation step for Cynata's ongoing commercial partnering activities. The proposed Phase 2 clinical trial is expected to commence later this year, subsequent to the completion of negotiations with study centres and receipt of relevant ethical and administrative approvals. The results of the primary evaluation are expected in early 2024. The trial aims to recruit 60 patients with high risk aGvHD across a number of countries including the USA and Australia with patient Overall Response Rate (ORR) evaluated at Day 28. Participants will be randomised and will receive either CYP-001 or a placebo, in addition to corticosteroids, the current standard-of-care.

Clinical update

Phase 3 osteoarthritis clinical trial underway

Recruitment is continuing in the Phase 3 SCUlpTOR (structure-modifying treatment for medial tibiofemoral osteoarthritis) osteoarthritis trial. The trial aims to recruit 440 patients with osteoarthritis of the knee and is designed to assess the efficacy 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 co-

primary endpoints are pain alleviation and improvement in the underlying disease measured by cartilage loss, the latter providing a more objective performance assessment of efficacy. The trial is sponsored by the University of Sydney and funded by an Australian Government National Health and Medical Research Council project grant, with full intellectual property and commercialisation rights held by 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 evoke a regenerative response in the underlying disease, which is currently a significant unmet need with a market size of approximately US$11.6bn.[1]

MEND respiratory distress clinical trial underway

Patient recruitment and treatment in the MEND trial is presently expected to complete later this year. Recognising the slower than anticipated recruitment, arising primarily from challenges in the hospital system, St George Hospital in the South Eastern Sydney Local Health District has been added as a new site for the MEND clinical trial. The hospital is the largest within the district with 550 beds and is amongst the leading centres for trauma and emergency management in the state. St George Hospital is seeking to recruit additional patients in the trial, thereby accelerating the recruitment process, which forms part of Cynata's mitigation strategies to ensure that the trial is completed by the end of the year. If successful, the findings from this trial could form the foundation for further indications such as Acute Respiratory Distress Syndrome (ARDS), sepsis and cytokine release syndrome (CRS), which are associated with the excessive inflammatory responses typically seen in patients experiencing respiratory distress. 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, with a combined market opportunity (ARDS, sepsis and CRS) of over US$8bn.[2]

Diabetic Foot Ulcers clinical trial underway

Cynata continues recruitment into the clinical trial in DFU after enrolling initial patients into the trial in April 2022. Subjects are being followed as planned for a treatment period of 4 weeks, and each patient will be evaluated for a total of 24 weeks. The trial aims to recruit 30 patients with DFU by the end of the calendar year, who will be randomly assigned to receive CYP-006TK or a standard 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.

Pre-clinical Update

A pre-clinical study in an animal model of IPF, a serious lung disease, provided further evidence to support the efficacy and molecular mechanisms of action of Cynata's Cymerus MSCs. Key findings of the study include a marked reduction in bleomycin-induced pulmonary fibrosis in mice, which mimics IPF in humans, and a high potency anti-inflammatory effect of Cynata's Cymerus MSCs on the airways/lungs. Importantly, the results support the implementation of future clinical trials that assess the use of Cymerus MSCs in treating fibrotic diseases of the lungs and other organs, providing a prospective pathway for Cynata to engage with potential commercial partners.

[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 Update

The manufacturing relationship with Fujifilm Cellular Dynamics, Inc (FCDI) pursuant to the strategic partnership with Fujifilm announced last year, is advancing well with activities underway toward establishing the Cymerus manufacturing process at FCDI.

Corporate update

Strong financial position

Cynata closed the quarter with A$23.8m in cash, as at 30 June.

Net operating cash outflows for the quarter totalled A$2.27m, primarily relating to a small reduction in research and development expenses (as a consequence of the cyclic nature of R&D expenditure and a reduction in administration and corporate costs (due to the annualised nature of some payments made in the June quarter). 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

Progress continues to be made in the Phase 3 trial in osteoarthritis with patient enrolment steadily advancing. The Phase 3 trial is the largest randomised controlled trial of MSCs conducted in patients with osteoarthritis worldwide, with results having the potential to disrupt clinical management of OA patients, globally. The sponsor of the study, the University of Sydney, had expected the trial to conclude in late 2024, but that forecast is presently under review based on the current recruitment ratee.

The MEND respiratory distress clinical trial is ongoing with completion expected later this year. The addition of St George Hospital as a new site for MEND clinical trials will help to streamline and accelerate the recruitment process. Cynata's clinical trial in DFU comprising 30 adult patients is expected to report in the first half of calendar 2023. Cynata is actively seeking to address the slow rate of recruitment, caused largely by the well-publicised crisis in the hospital system in Australia, through multiple mitigation strategies.

Cynata's core focus is to complete recruitment in its active clinical trials, navigate the beginning of its Phase 2 clinical trial in aGvHD with study centres and other stakeholders, and to continue engagement in commercial discussions with multiple potential partners. Cynata's pipeline is robust and diverse, with positive preclinical data demonstrated in a host of disease models including in IPF, renal transplantation and myocardial infarction (heart attacks). The versatility of MSCs and Cynata's proprietary platform make a powerful clinical asset and Cynata's history of positive preclinical and clinical results are a promising indication that MSCs can be leveraged across a range of target indications.

-ENDS-

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

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

Cynata's lead product candidate CYP-001 met all clinical endpoints and demonstrated positive safety and efficacy data for the treatment of steroid-resistant acute graft-versus-host disease (GvHD) in a Phase 1 trial. Planning for a Phase 2 clinical trial in GvHD under a cleared US FDA IND 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.

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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	30 JUNE 2022

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (12 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) research and development	(1,441)	(8,930)
	(b) product manufacturing and operating costs	-	-
	(c) advertising and marketing	(72)	(292)
	(d) leased assets	-	-
	(e) staff costs	(301)	(1,368)
	(f) administration and corporate costs	(471)	(1,046)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	50
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives (2021 R&D Tax Incentive)	-	833
1.8	Other (FUJIFILM Option Licence Fee*)	-	6,732
1.9	**Net cash from / (used in) operating activities**	**(2,275)**	**(4,021)**

** 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	-	-

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 months) $A'000
	(d) investments	-	-
	(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	25,277	26,717
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(2,275)	(4,021)

Consolidated statement of cash flows		Current quarter $A'000	Year to date (12 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	796	892
4.6	**Cash and cash equivalents at end of period**	**23,798**	**23,798**

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	13,798	15,277
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)**	**23,798**	**25,277**

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)	(2,275)
8.2	Cash and cash equivalents at quarter end (item 4.6)	23,798
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	23,798
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	10.5

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

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

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

N/A

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

N/A

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

N/A

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

Compliance statement

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

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

Date: 27 July 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.