ASX Appendix 4D

Half-Year Financial Report to 31 December 2018

1. Details of reporting period

Name of Entity	Cynata Therapeutics Limited ("the Company")
ABN	98 104 037 372
Reporting Period	**31 December 2018**
Previous Corresponding Period	31 December 2017

2. Results for announcement to the market

	31 Dec 2018 ($)	31 Dec 2017 ($)	Movement (%)	Movement ($)	Up/Down
Revenue and other income	129,252	77,140	67.56%	52,112	Up
Loss from ordinary activities after tax attributable to members	2,980,573	1,815,701	64.16%	(1,164,872)	Up
Comprehensive loss for the period attributable to members	2,980,573	1,815,701	64.16%	(1,164,872)	Up

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

For further information, refer to the review of operations contained in the directors' report, which forms part of the attached condensed consolidated financial statements.

3. Net tangible asset backing

	31 December 2018	31 December 2017
Net tangible backing per ordinary security	11.82 cents	9.52 cents

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

N/A

5. Details of Dividends

No dividend has been paid or recommended to be paid for the half-year ended 31 December 2018.

6. Details of dividend reinvestment plans

N/A

7 Details of associate and joint venture entities

N/A

8. Foreign entities

N/A

9. Audit

This report has been based on accounts that have been subject to an audit review. There are no items of dispute with the auditor and the audit review is not subject to qualification.

Dr Ross Macdonald
Managing Director

27 February 2019

Cynata Therapeutics Limited

ABN 98 104 037 372

and its controlled entities

Half year report for the half-year ended

31 December 2018

Corporate directory

Board of Directors

Dr Paul Wotton	Non-Executive Chairman
Dr Ross Macdonald	Managing Director/Chief Executive Officer
Dr Stewart Washer	Non-Executive Director
Dr John Chiplin	Non-Executive Director
Mr Peter Webse	Non-Executive Director

Company Secretary

Mr Peter Webse

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Auditors

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Share Registry

Automic Registry Services
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Perth, Western Australia 6000

ASX Code

CYP

Half year report for the half-year ended 31 December 2018

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Directors' report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") submit herewith the financial report of Cynata Therapeutics Limited and its subsidiaries ("the Group") for the half-year ended 31 December 2018. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

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

Name
Dr Paul Wotton
Dr Ross Macdonald
Dr Stewart Washer
Dr John Chiplin
Mr Peter Webse

Review of operations

The loss of the Group for the half-year ended 31 December 2018, after accounting for an R&D refund of $1,308,552 and providing for income tax, amounted to $2,980,573 compared to a loss of $1,815,701 for the half-year ended 31 December 2017.

Key Highlights

- Successful completion of the Company's first clinical trial with all end points met and clear demonstration of efficacy of Cymerus™ MSC product CYP-001 in graft-versus-host disease (GvHD).
- Completion of the Clinical Study Report (CSR) for Phase 1 Trial of CYP-001 in GvHD and submission of the CSR to Fujifilm, thereby triggering a 90-day deadline for Fujifilm to exercise its licence option.
- Commencement of activities toward a Phase 2 clinical trial in GvHD with Fujifilm including engagement with the Japan Pharmaceuticals and Medical Devices Agency to discuss the regulatory approval path for Cymerus™ mesenchymal stem cell (MSC) products in Japan; trial expected to start in 2019.
- Planning underway to initiate a Phase 2 clinical program in critical limb ischemia, a US$1.4b commercial opportunity.
- The National Health and Medical Research Council (NHMRC) approved a grant to fund a major Phase 2 trial of Cynata's Cymerus™ mesenchymal stem cells (MSCs) in patients with osteoarthritis.
- Notice of Allowance issued by the European Patent Office for Cymerus™ Patent Application.
- Further positive results in pre-clinical studies demonstrating beneficial effects in models of heart attack, cancer and Cytokine Release Syndrome (CRS), which may occur in cancer patients receiving immunotherapy.
- Well-funded to support ongoing product development activities, including initiating three Phase 2 clinical trial programs in 2019 for the treatment of graft-versus-host-disease (GvHD), critical limb ischemia (CLI) and osteoarthritis.

Operational update

Phase I Clinical Trial of CYP-001 in GvHD complete

The Company was delighted to complete its first clinical trial of its Cymerus™ MSCs with very successful results. The Phase 1 clinical trial of CYP-001 was conducted in patients with steroid-resistant acute graft-versus-host disease (GvHD) with the following key highlights from the primary evaluation period:

- Overall Response rate by Day 100 was 87%: 13 out of 15 patients showed an improvement in GvHD severity by at least one grade compared to baseline
- Complete Response rate by Day 100 was 53%: GvHD signs and symptoms completely resolved in 8 out of 15 patients
- Overall survival at Day 100 was at least 87%
- No treatment-related serious adverse events or safety concerns were identified

Following completion of the primary evaluation period of the GvHD clinical trial, the Company completed a CSR describing full details of the results from the Phase 1 clinical trial of CYP-001. As required under the licence option between Cynata and Fujifilm, a copy of the CSR was provided to Fujifilm, triggering a 90 day period for Fujifilm to exercise the licence option. A decision to do so would see Fujifilm pay an initial US$3m upfront licence fee to Cynata for the exclusive worldwide licence for the product for GvHD and a potential further ~A$60m in milestone payments, plus double-digit royalties on product sales. Fujifilm would also take on all development and commercialisation costs associated with progressing CYP-001 to market for GvHD.

It remains our view that the actions of Fujifilm indicate an intention to exercise the licence option for GvHD. Cynata has commenced planning for a Phase 2 trial in GvHD with Fujifilm, including conducting a joint meeting with Japanese regulator (PMDA) and joint media briefings.

Planning for Phase 2 Clinical Trial in Critical Limb Ischemia underway

To assist in identifying and prioritising our next target indication we engaged Boston-based consultancy, Clearview Healthcare Partners. This led to the selection of critical limb ischemia (CLI) as our next indication and planning commenced with the aim to begin a Phase 2 trial for CLI in 2019. CLI is seen as a US$1.4b commercial opportunity.

Phase 2 Clinical Trial in Osteoarthritis announced

In December, the Company announced that the Australian National Health and Medical Research Council (NHMRC) approved a grant to fund a Phase 2 clinical trial to evaluate Cynata's Cymerus™ MSCs as a treatment for osteoarthritis. This was a major achievement as osteoarthritis is a very prevalent disease with a market opportunity that, based on published market research, will be approximately US$11.6 billion globally by 2025. The 448-patient Phase 2 clinical trial will be one of the largest MSC trials ever run, providing a breakthrough opportunity for Cynata to showcase its ability to produce MSCs at scale. The Company retains full commercial rights to the use of Cymerus™ MSCs in osteoarthritis.

Strengthened IP through new Patent Application

The Company made further progress in strengthening and protecting its proprietary Cymerus™ MSC technology with the European Patent Office (EPO) with the receipt of a Notice of Allowance from the EPO for a key Cymerus™ patent application. The Notice of Allowance is sent to the applicant when the EPO intends to issue a patent. Cynata anticipates that the patent will be granted by late February 2019, with an expiration date of 12 March 2034, further protecting Cynata's intellectual property portfolio in overseas jurisdictions.

Preclinical Progress and Development

Cynata continues to expand its portfolio of target indications and potential commercial opportunities through further preclinical studies. Data from these studies builds a solid biological basis for the activity of our Cymerus™ MSCs and can be used to support potential further clinical trials. Consistent with its business model, the Company is actively seeking partners to assist in accelerating its pre-clinical programs into clinical trials. In addition to previously announced pre-clinical studies in CLI, GvHD and other disease models, we reported excellent results during the half year as follows:

- positive effects on cardiac function after a heart attack
- amelioration of the symptoms of Cytokine Release Syndrome (CRS) in cancer patients receiving immunotherapy
- genetically engineered Cymerus™ MSCs demonstrating anti-cancer effects

Corporate Update

The Company received a $1,308,551.78 R&D Tax Incentive Refund for the 2017/2018 financial year from the Australian Government as part of the program that refunds up to 43.5% of eligible expenditure on research and development.

Outlook

The clinically and commercially significant outcomes generated by our Phase 1 trial in GvHD provide clear validation of Cynata's MSCs and the Cymerus™ platform. We believe this will support the continued development of CYP-001 in further clinical trials in GvHD toward eventual marketing of this product, in partnership with Fujifilm (assuming exercise of the licence option). The robust safety data also provides a sound basis for conducting further clinical trials in other indications. To that end, activities toward a Phase 2 trial for CLI will ramp up in 2019 as the Company completes the protocol for the trial and moves toward engaging study centers to undertake it.

The other Phase 2 clinical trial which has been announced for 2019 is in osteoarthritis. This trial will be largely funded by the NHMRC and will be one of the largest MSC trials ever conducted, which provides Cynata with the opportunity to showcase a capacity to produce MSCs at scale.

These three Phase 2 clinical trials: GvHD, CLI and osteoarthritis represent significant growth achievements for Cynata. It is notable to reflect on the fact that calendar 2018 commenced with a single Phase 1 trial in progress and now the Company is anticipating being involved in three Phase 2 trials in the coming year. Moreover, through our completed and ongoing pre-clinical programs we continue to substantially expand the commercial opportunities for the Company's proprietary Cymerus™ technology. We continue our vigorous business development activities and have a number of promising business engagements underway.

The Company closed the December half year with $10.64 million in cash to continue to support its product development activities. Significantly, two of the three Phase 2 trials expected to commence in 2019 are being substantially funded by external collaboration/strategic partners.

The Board and Management of Cynata look forward to further demonstrating the broad applicability of our Cymerus™ platform and its proprietary MSC-based therapeutic products in 2019. The company will continue to progress commercial interactions with potential strategic partners in multiple indications and geographies.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001.*

On behalf of the directors

Dr Ross Macdonald
Managing Director
Melbourne, 27 February 2019

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27 February 2019

Board of Directors
Cynata Therapeutics Limited
Level 3, 62 Lygon Street
CARLTON, VICTORIA, 3053

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 the Audit Director for the review of the financial statements of Cynata Therapeutics Limited for the half-year ended 31 December 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(Authorised Audit Company)

Samir Tirodkar
Director

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cynata Therapeutics Limited, which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Cynata Therapeutics Limited ("the consolidated entity"). The consolidated entity comprises both Cynata Therapeutics Limited ("the Company") and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cynata Therapeutics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Cynata Therapeutics Limited on 27 February 2019.

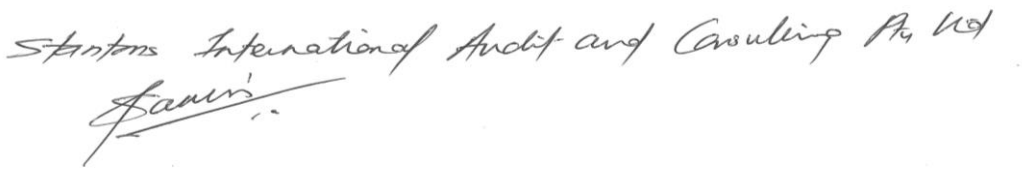
Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cynata Therapeutics Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2018 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)



Samir Tirodkar
Director

West Perth, Western Australia
27 February 2019

Directors' declaration

The directors declare that:

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

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *'Interim Financial Reporting'* and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors

Dr Ross Macdonald
Managing Director
Melbourne, 27 February 2019

Condensed consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2018

	Note	Consolidated Half-year ended 31 Dec 2018 $	Consolidated Half-year ended 31 Dec 2017 $
Revenue from continuing operations	4	129,252	77,140
Other income	4	1,308,802	1,375,135
Total revenue and other income		**1,438,054**	**1,452,275**
Product development and marketing costs		(2,227,282)	(1,854,124)
Employee benefits expenses		(368,365)	(348,330)
Share based payments expenses	10	(698,651)	(201,553)
Depreciation and amortisation expenses	7	(139,983)	(139,983)
Other operational expenses	5	(984,346)	(723,986)
Loss before income tax		**(2,980,573)**	**(1,815,701)**
Income tax expense		-	-
Loss for the period		**(2,980,573)**	**(1,815,701)**
Other comprehensive income, net of income tax			
Items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translating foreign operations		-	-
Other comprehensive income/(loss) for the period, net of income tax		**-**	**-**
Total comprehensive loss for the period		**(2,980,573)**	**(1,815,701)**
Loss attributable to:			
Owners of Cynata Therapeutics Limited		**(2,980,573)**	**(1,815,701)**
Total comprehensive loss attributable to:			
Owners of Cynata Therapeutics Limited		**(2,980,573)**	**(1,815,701)**
Loss per share:			
Basic and diluted (cents per share)		(3.03)	(2.02)

Condensed notes to the consolidated financial statements are included on pages 13 to 19.

Condensed consolidated statement of financial position as at 31 December 2018

	Note	Consolidated 31 Dec 2018 $	Consolidated 30 Jun 2018 $
Current assets			
Cash and cash equivalents		10,639,848	12,206,040
Trade and other receivables	6	25,145	56,256
Prepayments	6	197,068	337,520
Loans receivable	8	1,624,761	-
Total current assets		**12,486,822**	**12,599,816**
Non-current assets			
Intangibles	7	3,393,209	3,533,192
Total non-current assets		**3,393,209**	**3,533,192**
Total assets		**15,880,031**	**16,133,008**
Current liabilities			
Trade and other payables		549,252	725,395
Provisions		25,882	20,751
Total current liabilities		**575,134**	746,146
Total liabilities		**575,134**	**746,146**
Net assets		**15,304,897**	**15,386,862**
Equity			
Issued capital	9	47,035,202	44,191,746
Option reserves	10	4,295,754	4,240,602
Foreign currency translation reserves		4,724	4,724
Accumulated losses		(36,030,783)	(33,050,210)
Total equity		**15,304,897**	**15,386,862**

Condensed notes to the consolidated financial statements are included on pages 13 to 19.

Condensed consolidated statement of changes in equity for the half-year ended 31 December 2018

Consolidated	Issued Capital $	Option Reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2017	**38,377,761**	**3,966,187**	**4,724**	**(28,484,076)**	**13,864,596**
Loss for the period	-	-	-	(1,815,701)	(1,815,701)
Other comprehensive income/(loss), net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(1,815,701)**	**(1,815,701)**
Issue of ordinary shares	-	-	-	-	-
Share issue costs	-	-	-	-	-
Share based payments	-	201,553	-	-	201,553
Balance at 31 December 2017	**38,377,761**	**4,167,740**	**4,724**	**(30,299,777)**	**12,250,448**
Balance at 1 July 2018	**44,191,746**	**4,240,602**	**4,724**	**(33,050,210)**	**15,386,862**
Loss for the period	-	-	-	(2,980,573)	(2,980,573)
Other comprehensive income, net of tax	-	-	-	-	-
Total comprehensive income/(loss) for the period	**-**	**-**	**-**	**(2,980,573)**	**(2,980,573)**
Issue of ordinary shares (*refer to note 9*)	2,860,699	-	-	-	2,860,699
Share issue costs	(17,243)	-	-	-	(17,243)
Share based payments (*refer to note 10*)	-	55,152	-	-	55,152
Balance at 31 December 2018	**47,035,202**	**4,295,754**	**4,724**	**(36,030,783)**	**15,304,897**

Condensed notes to the consolidated financial statements are included on pages 13 to 19.

Condensed consolidated statement of cash flows for the half-year ended 31 December 2018

	Note	Consolidated Half-year ended 31 Dec 2018 $	Consolidated Half-year ended 31 Dec 2017 $
Cash flows from operating activities			
Grants and other income		250	46,450
Payments to suppliers and employees		(1,399,146)	(1,150,633)
Interest received		100,970	84,540
Research and development tax refund received		1,308,552	1,328,685
Product development costs paid		(2,176,775)	(1,819,793)
Net cash (used) in operating activities		(2,166,149)	(1,510,751)
Cash flows from financing activities			
Proceeds from equity instruments of the Company	9	417,200	-
Received from related parties on repayment of loans	8	200,000	-
Payment for share issue costs		(17,243)	-
Net cash provided by financing activities		599,957	-
Net (decrease) in cash and cash equivalents		**(1,566,192)**	**(1,510,751)**
Cash and cash equivalents at the beginning of the period		12,206,040	10,349,764
Cash and cash equivalents at the end of the period		**10,639,848**	**8,839,013**

Condensed notes to the consolidated financial statements are included on pages 13 to 19.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2018

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting'*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting'*. The half-year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with annual financial statements of the Company for the year ended 30 June 2018 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by the directors on 27 February 2019.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2018 annual financial report for the financial year ended 30 June 2018, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Principles of consolidation

The consolidated financial statements incorporate all assets, liabilities and results of the parent and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the Group.

Significant accounting judgements and key estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2018.

Amendments to AASBs and new Interpretations that are mandatorily effective for the current reporting period

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 their operations and effective for the current half-year.

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

- AASB 9 *Financial Instruments* and related amending Standards.
  The Standard includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

- AASB 15 *Revenue from Contracts with Customers* and related amending Standards.
  The Standard replaces the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 applies to all contracts with customers as well as non-monetary exchanges for goods and services. AASB 15 provides the following five-step process:
  - identify the contract(s) with a customer;
  - identify the performance obligations in the contract(s);
  - determine the transaction price;
  - allocate the transaction price to the performance obligations in the contract(s); and
  - recognise revenue when (or as) the performance obligations are satisfied.

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions.*
  The amendments to AASB 2 *Share-based Payment* addresses three main areas:
  - the effect of vesting conditions on the measurement of a cash-settled share-based payment transaction;
  - the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and
  - accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled.

- Interpretation 22 *Foreign Currency Transactions and Advance Consideration*.
  This Interpretation addresses how to determine the 'date of transaction' for the purpose of determining the exchange rate to use on initial recognition of an asset, expense or income, when consideration for that item has been paid or received in advance in a foreign currency which resulted in the recognition of a non-monetary asset or non-monetary liability.

The adoption of these Amendments/Interpretation has had no significant impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

2. 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 Company 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 condensed 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 condensed consolidated statement of financial position.

3. Dividends

No dividends were paid or declared for the half-year ended 31 December 2018 and the directors have not recommended the payment of a dividend.

4. Revenue and other income

	31 Dec 2018 $	31 Dec 2017 $
Revenue from continuing operations		
Interest income	104,491	77,140
Accrued interest on directors' loans	24,761	-
	129,252	77,140
Other income		
Other income/grants received	250	46,450
R&D rebate received	1,308,552	1,328,685
	1,308,802	1,375,135

5. Other operational expenses

	31 Dec 2018 $	31 Dec 2017 $
Accounting and audit fees	46,976	45,347
Consultants and advisory fees	180,820	146,868
Company secretarial fees	24,000	24,000
Directors fees	125,000	125,000
Investor/public relations	267,637	189,594
Legal fees	214,698	58,802
Other general expenses	125,215	134,375
	984,346	723,986

6. Trade and other receivables

	31 Dec 2018 $	30 Jun 2018 $
Deposits made	3,568	3,568
Other receivables	21,577	52,688
	25,145	56,256

None of the trade and other receivables are past due at the reporting date.

Prepayments

	31 Dec 2018 $	30 Jun 2018 $
Prepaid expenses	197,068	337,520

7. Intangibles

	31 Dec 2018 $	30 Jun 2018 $
Balance at the beginning of the period (i)	3,533,192	3,813,157
Amortisation (ii)	(139,983)	(279,965)
Balance at the end of the period	3,393,209	3,533,192

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

(ii) An amortisation expense of $139,983 has been recognised in profit or loss for the half-year ended 31 December 2018 (31 December 2017: $139,983). For more information on the Group's accounting policy on intangibles and amortisation, refer to the 2018 annual financial report.

8. Loans receivable

	31 Dec 2018 $	30 Jun 2018 $
Loans advanced to related parties (i)	1,800,000	-
Interest accrued (ii)	24,761	-
Repayments by related parties (iii)	(200,000)	-
Balance at reporting period	1,624,761	-

(i) At a General Meeting of shareholders held on 12 September 2018, shareholders of Cynata approved the financial assistance and financial benefit provided to Dr 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 has paid $100,000 in cash. The loans provided are full recourse loans and unsecured. At 31 December 2018, neither of the loans were impaired. Refer to the ASX announcement of 10 August 2018 for more information.

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

(iii) On 19 December 2018, Dr Ross Macdonald repaid $200,000 of his loan.

9. Issued capital

	31 Dec 2018 $	30 Jun 2018 $
100,758,624 fully paid ordinary shares (30 June 2018: 95,066,251)	47,035,202	44,191,746

Fully paid ordinary shares	31 Dec 2018		30 Jun 2018	
	No.	$	No.	$
Balance at beginning of period	95,066,251	44,191,746	90,057,248	38,377,761
Exercise of share options (i)	60,000	60,000	-	-
Exercise of share options (ii)	477,373	643,499	-	-
Exercise of share options (iii)	55,000	55,000	-	-
Exercise of share options (iv)	5,000,000	2,000,000	-	-
Exercise of share options (v)	100,000	102,200	-	-
Exercise of share options (vi)	-	-	300,000	159,000
Exercise of share options (vii)	-	-	159,683	159,683
Exercise of share options (viii)	-	-	150,000	150,000
Exercise of share options (ix)	-	-	150,000	150,000
Exercise of share options (x)	-	-	75,000	75,000
Exercise of share options (xi)	-	-	50,000	50,000
Exercise of share options (xii)	-	-	50,000	50,000
Issue of shares (xiii)	-	-	4,074,320	5,194,758
Share issue costs	-	(17,243)	-	(174,456)
	100,758,624	47,035,202	95,066,251	44,191,746

(i) Exercise of unlisted 17 July 2020 options at $1.00 each on 6 July 2018.
(ii) Cashless exercise of 750,000 unlisted 16 December 2018 options on 11 July 2018 resulting in the issue of 477,373 fully paid ordinary shares at a calculated value of $643,499.
(iii) Exercise of unlisted 17 July 2020 options at $1.00 each on 16 July 2018.
(iv) Exercise of unlisted 27 September 2018 options at $0.40 each on 25 September 2018 (refer to note 8).
(v) Exercise of unlisted 17 November 2019 options at $1.022 each on 25 September 2018.
(vi) Exercise of unlisted options at $0.53 each on 28 February 2018.
(vii) Exercise of unlisted options at $1.00 each on 13 March 2018.
(viii) Exercise of unlisted options at $1.00 each on 28 March 2018.
(ix) Exercise of unlisted options at $1.00 each on 4 April 2018.
(x) Exercise of unlisted options at $1.00 each on 24 April 2018.
(xi) Exercise of unlisted options at $1.00 each on 15 May 2018.
(xii) Exercise of unlisted options at $1.00 each on 22 May 2018.
(xiii) Issue of fully paid ordinary shares at $1.275 each on 4 June 2018 to Fidelity International.

10. Option reserves

Share-based payments	**31 Dec 2018** $	**30 Jun 2018** $
Balance at beginning of period	4,240,602	3,966,187
Recognition of share-based payments (i)	55,152	274,415
Balance at end of period	4,295,754	4,240,602

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors.

(i) Total amount arising from share-based payment transactions as a result of vesting of unlisted options recognised during the half-year ended 31 December 2018 was $55,152 (30 June 2018: $274,415).

(ii) Total amount of share-based payments recognised in the statement of profit or loss and other comprehensive income ($698,651) include an amount of $643,499 representing the value assigned to the cashless exercise of 750,000 options by Dr Kilian in accordance with the terms and conditions using the cashless exercise mechanism.

11. Contingent liabilities and contingent assets

There has been no significant change in contingent liabilities and/or contingent assets since the last annual report. Please refer to the 30 June 2018 annual financial report.

12. Commitments

Research commitments

The Group has entered into a number of agreements related to research and development activities. As at 31 December 2018, under these agreements, the Company is committed to making payments over the future period, as follows:

	A$
- During the period 1 Jan 2019 – 30 June 2019	1,200,912
- During the period 1 July 2019 – 30 June 2020	623,733
- During the period 1 July 2020 – 30 June 2021	249,147

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 31 December 2018.

13. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2018 annual financial report.

Key management personnel continue to receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

14. Subsequent events

On 4 February 2019, the Company issued 12,500 fully paid ordinary shares following the exercise of unlisted 17 July 2020 options.

On 11 February 2019, the Company issued 55,000 and 100,000 fully paid ordinary shares following the exercise of unlisted 17 July 2020 and 17 November 2019 options respectively.

On 18 February 2019, the Company issued 218,929 fully paid ordinary shares following the exercise of unlisted 17 July 2020 options

On 22 February 2019, the Company issued 50,000 and 300,000 fully paid ordinary shares following the exercise of unlisted 17 July 2020 and 22 February 2019 options respectively.