ASX ANNOUNCEMENT **29 July 2016**

ACTIVITY REPORT & APPENDIX 4C

Melbourne, Australia; 29 July 2016: Regenerative medicine company Cynata Therapeutics Limited's Quarterly Cash Flow Report for the quarter ended 30 June 2016 is attached.

Operational Highlights:

- Execution of a worldwide license option agreement with apceth GmbH & Co. KG
- Receipt of an initial investment offer of $400,000 under the preliminary agreement with Regience (Japan)
- Decision by the Japanese Patent and Trademark Office to grant a patent on the proprietary Cymerus™ mesenchymal stem cell (MSC) manufacturing technology
- Commencement of manufacture of supplies of CYP-001 product for use in the upcoming clinical trial in graft-versus-host disease (GvHD)
- Filing of a further patent application describing certain novel aspects of the Cymerus technology
- Appointment of highly regarded and experienced biopharmaceutical industry executive, Dr Paul K Wotton to the Cynata Board of Directors
- Completion of preparations to file an application to commence a Phase 1 clinical trial of CYP-001

In the field of stem cells and regenerative medicine, mesenchymal stem cells (MSCs) have emerged as one of the most promising candidates for mainstream medical use in a wide variety of economically important diseases and as such have very exciting commercial potential. Cynata's business focus is the development and commercialisation of a novel, proprietary technology that addresses a critical shortcoming in existing methods of production of MSCs for therapeutic use, which is the ability to achieve economic manufacture at commercial scale. With its Cymerus™ process, which involves the use of induced pluripotent stem cells (iPSC's) as starting material, Cynata is the only company in the world with technology for the manufacture of therapeutic allogeneic MSCs without reliance upon multiple stem cell donors.

The Company has made important progress in both its product development and commercial activities. The successful outcomes from the pre-clinical product development program over the past two-and-a-half years have now culminated in the preparation of an application to commence a clinical trial. When fully complete this application will be submitted to the UK Medicines and Healthcare product Regulatory Agency (MHRA). It incorporates a product dossier containing an extensive body of data attesting to the manufacturability, safety and proposed efficacy of Cynata's lead MSC product, CYP-001, in graft-versus-host disease (GvHD). GvHD is a potentially fatal disease that often follows a bone marrow transplant procedure and occurs when the immune cells in the donor material (the graft) attack the recipient's tissues (the host) as "foreign". Bone marrow transplants are used in the treatment of certain cancers including leukaemia. The submission of the Clinical Trial Authorisation application will mark the first step in Cynata's progression to a clinical stage company.

The execution of a worldwide license option agreement with apceth GmbH & Co. KG was a major commercial milestone for Cynata. The agreement provides for certain immediate and near term cash payments to Cynata, followed by a series of success-based milestones, which could potentially total more than A$40m. Royalties on product sales will be also payable to Cynata. apceth was founded in Munich in 2007 as a start-up company and its rapid progress since then has been actively supported by private investors, particularly Santo Holding GmbH and FCP Biotech Holding GmbH. apceth's modular platform technology is based on genetically modified MSCs, and the lead program Agenmestencel is a first-in-man, genetically modified MSC product in clinical trial for the treatment of cancer. Recognising the very attractive advantages of Cynata's Cymerus technology, apceth has seen the merit of accessing a truly scalable manufacturing technology for therapeutic MSCs for the commercialisation of future off-the-shelf therapeutic products. apceth is presently evaluating Cynata's technology in its in-house cell culture and genetic modification systems as part of an initial collaboration,

expected to conclude toward the end of 2016. At that point apceth will decide whether to exercise the option and enter into a license agreement with Cynata.

Further progress in Cynata's commercial activities resulted from the offer by Regience to make the initial investment of AUD$400,000 in new ordinary shares in Cynata pursuant to the agreement for the Strategic Alliance. Cynata is actively considering the investment offer having regard to the opportunities which are currently available to the Company in Japan and ultimately what the Board considers to be in the overall best interests of the Company's shareholders. Meanwhile, Cynata's commercial activities in Japan benefited from the decision by the Japanese Patent and Trademark Office to grant a patent covering certain aspects of the proprietary Cymerus MSC manufacturing technology

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About Cynata Therapeutics (ASX: CYP)

Cynata Therapeutics Limited (ASX: CYP) is an Australian stem cell and regenerative medicine company that is developing a therapeutic stem cell platform technology, Cymerus™, originating from the University of Wisconsin-Madison, a world leader in stem cell research. The proprietary Cymerus™ technology addresses a critical shortcoming in existing methods of production of mesenchymal stem cells (MSCs) for therapeutic use, which is the ability to achieve economic manufacture at commercial scale. Cymerus™ does so through the production of a particular type of MSC precursor, called a mesenchymoangioblast (MCA). The Cymerus™ MCA platform provides a source of MSCs that is independent of donor limitations and provides a potential "off-the-shelf" stem cell platform for therapeutic product use, with a pharmaceutical business model and economies of scale. This has the potential to create a new standard in the emergent arena of stem cell therapeutics and provides both a unique differentiator and an important competitive position.

Rule 4.7B

Appendix 4C

Quarterly report for entities admitted on the basis of commitments

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10

Name of entity

Cynata Therapeutics Limited

ABN	Quarter ended ("current quarter")
98 104 037 372	**30 June 2016**

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (12 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for:		
	(a) staff costs	(107)	(476)
	(b) advertising and marketing	(76)	(362)
	(c) research and development	(1,091)	(4,139)
	(d) leased assets	-	-
	(e) other working capital	(137)	(754)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	34	137
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other		
	- TRIP rebate received	-	2
	- R&D rebate received	-	933
	- Export Market Development Grant	39	39
	- Option fee	125	125
	- Fees pursuant to licence agreement	(38)	(38)
	Net operating cash flows	(1,251)	(4,533)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (12 months) $A'000
1.8	Net operating cash flows (carried forward)	(1,251)	(4,533)
	Cash flows related to investing activities		
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.10	Proceeds from disposal of:		
	(a) businesses (item 5)	-	-
	(b) equity investments	-	-
	(c) intellectual property	-	-
	(d) physical non-current assets	-	-
	(e) other non-current assets	-	-
1.11	Loans to other entities	-	-
1.12	Loans repaid by other entities	-	-
1.13	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.14	**Total operating and investing cash flows**	(1,251)	(4,533)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	-	5,000
1.16	Proceeds from sale of forfeited shares	-	-
1.17	Proceeds from borrowings	-	-
1.18	Repayment of borrowings	-	-
1.19	Dividends paid	-	-
1.20	Other (share issue costs)	-	(465)
	Net financing cash flows	-	4,535
	Net increase (decrease) in cash held	(1,251)	2
1.21	Cash at beginning of quarter/year to date	6,031	4,671
1.22	Exchange rate adjustments to item 1.21	86	193
1.23	**Cash at end of quarter**	4,866	4,866

+ See chapter 19 for defined terms.

Payments to directors of the entity and associates of the directors

Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.24	Aggregate amount of payments to the parties included in item 1.2	232
1.25	Aggregate amount of loans to the parties included in item 1.11	-

1.26 Explanation necessary for an understanding of the transactions

Directors' fees, salaries including superannuation benefits and professional consultancy fees. All payments are on normal commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

N/A

2.2 Details of outlays made by other entities to establish or increase their share in businesses in which the reporting entity has an interest

N/A

Financing facilities available
Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	N/A	N/A
3.2	Credit standby arrangements	N/A	N/A

+ See chapter 19 for defined terms.

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
4.1	Cash on hand and at bank	900	678
4.2	Deposits at call	3,966	5,353
4.3	Bank overdraft	-	-
4.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.23)	4,866	6,031

Acquisitions and disposals of business entities

		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

+ See chapter 19 for defined terms.

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX.

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

Sign here:  Date: 29 July 2016

Print name: Dr Ross Macdonald
(Managing Director)

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.

2. The definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report except for any additional disclosure requirements requested by AASB 107 that are not already itemised in this report.

3. **Accounting Standards.** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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