

ACTIVITY REPORT & APPENDIX 4C

Melbourne, Australia; 29 January 2016: Regenerative medicine company Cynata Therapeutics Limited's Quarterly Cash Flow Report for the quarter ended 31 December 2015 is attached.

Operational Highlights:

- Executed Letters of Intent in respect of two corporate partnerships
- Initiation of research coverage by leading US investment bank with a price target of \$1 per share
- Collaboration agreement with Massachusetts General Hospital/Harvard Medical School
- Solid progress toward commencing a Phase 1 clinical trial
- Expanded investor communications through social media sites

Cynata completed the quarter and the calendar year on a very positive note, having signed letters of intent (LOI) in relation to two corporate deals, with a stronger cash position than at the same time in 2014, leading clinical research centres worldwide using Cymerus™ cells, solid advancement in the development program and research coverage from a leading US investment bank (Rodman & Renshaw) with a near term price target of \$1.

Our partnering program began to produce results with our announced relationships with Japanese regenerative medicine company Regience K.K. and with apceth GmbH & Co. KG, a German company developing a range of stem cell technologies to treat cancer and other devastating diseases. Discussions are ongoing with both companies as we mature the LOIs to commercial transactions. We intend to continue our business development activities in 2016 with the aim to expand the range and number of partnering deals.

The collaboration with Dr Khalid Shah of Massachusetts General Hospital/Harvard Medical School is further demonstration of the high level of interest in Cynata's Cymerus™ technology and the company's unique mesenchymal stem cells. The program with Dr Shah's team will use Cynata's Cymerus mesenchymal stem cells (MSCs) to develop a modified form of these cells to treat cancer, specifically by facilitating delivery of purified cancer-killing toxins directly to the site of a tumour to more effectively destroy it while minimising side effects. Given the growing interest in the potential use of MSCs in cancer therapy this new collaboration with one of the most prestigious and important medical centres in the world is a logical extension of our product development plans.

The engagement of The Clinical Trial Company Ltd (TCTC) as CRO for the upcoming Phase 1 clinical study was an important milestone in our product development plans. With oversight by Cynata, TCTC will manage the proposed study to investigate Cynata's lead MSC product, CYP-001, as a treatment for steroid-refractory graft versus host disease (GvHD). Subsequent to the end of the quarter, we announced a favourable outcome from our meeting with the regulatory authority in the United Kingdom, providing a clear path to commencing the Phase 1 clinical study in that country. Additional jurisdictions will be considered following upcoming formal meetings with national regulatory bodies in several further countries in Europe.

With the continued success of our development and commercial strategies it is vital that we embrace the new forms of media such as Facebook and Twitter that are being used to shape communication in the biotechnology industry. Social media now forms an important part of the communication mix in conveying company and sector information to investors and to this end we have already built a substantial following through Linked-In, Twitter and Facebook. Beyond making a significant impact online, we also intend to refresh our traditional roadshow-based investor relations activities to ensure that the strong underlying fundamentals of Cynata, our unique and valuable technology and our business strategy are understood and appreciated by the broader investor audience. The recent initiation of research coverage by Rodman & Renshaw, with a price

target of \$1, provides a very important investor reference point in this activity. Taken holistically, our communication strategy brings Cynata into direct contact with a huge international network of people and the Company will continue to investigate the merits (and risks) of facilitating market access to the Company's securities through such possible measures as a listing on an offshore securities exchange.

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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.

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

98 104 037 372

Quarter ended ("current quarter")

31 December 2015

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) staff costs	(104)	(260)
(b) advertising and marketing	(129)	(220)
(c) research and development	(1,404)	(2,152)
(d) leased assets	-	-
(e) other working capital	(180)	(406)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	25	61
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (TRIP rebate received)	0	2
Net operating cash flows	(1,792)	(2,975)

+ See chapter 19 for defined terms.

Appendix 4C
Quarterly report for entities
admitted on the basis of commitments

	Current quarter \$A'000	Year to date (6 months) \$A'000
1.8 Net operating cash flows (carried forward)	(1,792)	(2,975)
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	(1,792)	(2,975)
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	(1,792)	1,560
1.21 Cash at beginning of quarter/year to date	8,083	4,671
1.22 Exchange rate adjustments to item 1.21	76	136
1.23 Cash at end of quarter	6,367	6,367

+ 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	228
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 bonuses, superannuation benefits and professional consultancy fees. All payments are on normal commercial terms.
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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

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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	35	10
4.2 Deposits at call	6,332	8,073
4.3 Bank overdraft	-	-
4.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.23)	6,367	8,083


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 January 2015

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.