

ACTIVITY REPORT & APPENDIX 4C

Highlights

- *Intense world-wide attention on stem cell-based therapeutics with around 280 active clinical trials¹ now underway around the world using mesenchymal stem cells (MSCs)*
- *Cynata owns Cymerus™, the only technology believed to be capable of producing MSCs at large scale from a single, one-time donor*

During the quarter, Cynata has:

- Commenced engagement with potential commercial partners
- Completed a thorough review of the global regulatory environment for marketing approval of stem cell-based therapeutics
- Recruited Dr Killian Kelly as VP Product Development
- Commenced a preclinical study in a model of graft-versus-host disease
- Commenced manufacturing of GMP Cymerus™ stem cells

The first quarter of 2014 was highly productive for Cynata as we transferred our Cymerus™ stem cell manufacturing technology from the lab into a commercial manufacturing environment at Waisman Biomanufacturing and initiated a preclinical trial with University of Massachusetts in a model of graft-versus-host disease (GvHD). This often fatal disease occurs when the immune cells in the donor material (the graft) in a bone marrow transplant attack the recipient's tissues (the host) as "foreign". This GvHD study follows an earlier proof-of-concept study in which the efficacy of Cynata's proprietary Cymerus™ off-the-shelf stem cell product was clearly demonstrated in a rodent model of critical limb ischaemia, a severe blockage in the arteries of the lower extremities which markedly reduces blood-flow; it is seen particularly in patients with advanced diabetes.

As a measure of the commercial interest in MSC-based therapeutics, during the quarter the Company has engaged in dialogue with a range of potential partners. We expect these discussions to result in a number of partnership deals in the near future.

Regenerative Medicine in 2014

We are now entering the era of regenerative medicine with MSC type stem cells being studied in multiple diseases in over 280 active clinical trials and two stem cell products approved by regulatory agencies. As more MSC treatments are approved we expect there will be a great demand for scalable MSC manufacturing. In Cymerus™ Cynata has a scalable MSC manufacturing technology that can be used to consistently and reproducibly manufacture almost unlimited MSCs from a single donor. This unique, patented technology was developed at the University of Wisconsin - Madison in the USA, international leaders in research and development of stem cell technologies.

Cynata in 2014

Our Cymerus™ technology represents a breakthrough in regenerative medicine through scalable MSC manufacturing. This will be extremely valuable as the large pharmaceutical companies move into the regenerative medicine space and seek to produce a range of 'off the shelf' MSC products. Cymerus™ also enables manufacture of pharmaceutical grade product for many of the small- to mid-cap biotechnology companies developing MSC products, thereby obviating one of the major manufacturing challenges they will inevitably face. We expect a great deal of activity in this space in 2014.

¹ www.clinicaltrials.gov

We have positive data from our Cymerus™ cells in a disease model for critical limb ischemia and are now moving towards a clinical trial in GvHD, commencing with the initiation of a preclinical study with the University of Massachusetts. These activities will validate Cymerus™ and increase the partnering value of our technology.

Cynata is becoming recognised internationally for our scalable MSC manufacturing technology and, as noted above, we are now in discussions with a number of interested parties that have approached us and expect announcements in the near future as we progress to agreements.

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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 seeks to address 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 March 2014

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter	Year to date (9 months)
	\$A'000	\$A'000
1.1 Receipts from customers	-	-
1.2 Payments for:		
(a) staff costs	(105)	(219)
(b) advertising and marketing	-	-
(c) research and development	(256)	(314)
(d) leased assets	-	-
(e) other working capital	(170)	(937)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	33	58
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (R&D rebate received)	-	184
Net operating cash flows	(498)	(1,228)

+ See chapter 19 for defined terms.

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

		Current quarter	Year to date (9 months)
		\$A'000	\$A'000
1.8	Net operating cash flows (carried forward)	(498)	(1,228)
Cash flows related to investing activities			
1.9	Payment for acquisition of:		
	(a) businesses (item 5)	-	159
	(b) equity investments	-	(271)
	(c) intellectual property	-	-
	(d) physical non-current assets	-	(1)
	(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	-	(113)
1.14	Total operating and investing cash flows	(498)	(1,341)
Cash flows related to financing activities			
1.15	Proceeds from issues of shares, options, etc.	10	6,440
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)	-	(496)
	Net financing cash flows	10	5,944
	Net increase (decrease) in cash held	(488)	4,603
1.21	Cash at beginning of quarter/year to date	6,200	1,117
1.22	Exchange rate adjustments to item 1.21	12	4
1.23	Cash at end of quarter	5,724	5,724

+ 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	216
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	2	18
4.2 Deposits at call	5,722	6,059
4.3 Bank overdraft	-	-
4.4 Other (cash brought in from acquiree)	-	123
Total: cash at end of quarter (item 1.23)	5,724	6,200

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 April 2014

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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