ASX ANNOUNCEMENT **31 October 2014**

ACTIVITY REPORT & APPENDIX 4C

Highlights

During the quarter, Cynata has:

- Entered into a license with Cellular Dynamics International (NASDAQ:ICEL) to access a clinical-grade cell line and related intellectual property for manufacture of Cymerus™ MSC clinical product
- Initiated Cymerus™ product regulatory process with the European Medicines Agency
- Commenced a program investigating enhanced Cymerus™ MSC product shelf life at the University of Wisconsin - Madison
- Engaged WuXi AppTec to conduct preclinical safety studies with Cymerus™ MSC product

Cymerus™ Product Development Gaining Momentum

Activities during the quarter resulted in considerable progress toward the development of a Cymerus™ therapeutic MSC product. The company has migrated the Cymerus™ stem cell technology from the University of Wisconsin into a pilot scale commercial manufacturing environment and secured a high quality clinical grade cell line for the production of essentially unlimited quantities of Cymerus™ stem cell product doses.

The transaction with Cellular Dynamics International (CDI; NASDAQ: ICEL), which was completed in September, was a landmark deal. It provides Cynata with access to a clinical grade human induced pluripotent stem cell (iPSC) line, along with a broad portfolio of associated intellectual property. Cynata will use this high quality iPSC line in the manufacture of its Cymerus™ mesenchymal stem cell (MSC) therapeutic products. We understand this arrangement is the first of its kind where a commercial enterprise has secured a clinical grade iPSC line for use in human allogeneic MSC therapy. As such, it places Cynata in a unique and highly competitive position. Product development activities to date have used a research grade cell line and the Company will now use the clinical grade cell line to advance its clinical program and partnership activities.

The conduct of formally regulated clinical trials is dependent upon approvals by appropriate regulatory bodies. This requires interaction at various levels with those bodies, a process that the Company continued during the quarter with the initiation of the Scientific Advice procedure with the European Medicines Agency (EMA). The European regulatory framework, and importantly the EMA regulatory process timelines, offers some attractive features for the clinical development of the Cymerus™ MSC product. Cynata expects to initiate similar formal regulatory interaction with other agencies in the near future. Central to our clinical trial approval process is the conduct of a series of pre-clinical safety studies and to this end the engagement during the quarter of WuXi Apptec (NYSE:WX) to undertake this work was a very important step.

With an eye to ensuring the development of a convenient and user-friendly product the Company initiated a program investigating enhanced Cymerus™ MSC product shelf life in Professor Slukvin's laboratory at the University of Wisconsin – Madison. This program will seek to optimise the process of storage of Cymerus™ MSC product to provide such enhanced product characteristics as improved cryopreservation, more convenient preparation steps for clinical use and greater stability. Professor Slukvin is one of the founders of Cynata Therapeutics Ltd and inventors of our Cymerus™ technology; he has an outstanding reputation in the field of stem cell biology and stem cell processing.

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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.

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 September 2014

Consolidated statement of cash flows

	Cash flows related to operating activities	Current quarter $A'000	Year to date (3 months) $A'000
1.1	Receipts from customers	-	-
1.2	Payments for:		
	(a) staff costs	(96)	(96)
	(b) advertising and marketing	-	-
	(c) research and development	(254)	(254)
	(d) leased assets	-	-
	(e) other working capital	(87)	(87)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	23	23
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (Trip rebate received)	3	3
	Net operating cash flows	(411)	(411)

+ See chapter 19 for defined terms.

		Current quarter $A'000	Year to date (3 months) $A'000
1.8	Net operating cash flows (carried forward)	(411)	(411)
	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**	(411)	(411)
	Cash flows related to financing activities		
1.15	Proceeds from issues of shares, options, etc.	3	3
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)	-	-
	Net financing cash flows	3	3
	Net increase (decrease) in cash held	(408)	(408)
1.21	Cash at beginning of quarter/year to date	5,095	5,095
1.22	Exchange rate adjustments to item 1.21	(1)	(1)
1.23	**Cash at end of quarter**	4,686	4,686

+ 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	224
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	5	7
4.2	Deposits at call	4,681	5,088
4.3	Bank overdraft	-	-
4.4	Other (cash brought in from acquiree)	-	-
	Total: cash at end of quarter (item 1.23)	4,686	5,095

Acquisitions and disposals of business entities

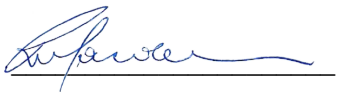
		Acquisitions *(Item 1.9(a))*	Disposals *(Item 1.10(a))*
5.1	Name of entity	N/A	N/A
5.2	Place of incorporation or registration	N/A	N/A
5.3	Consideration for acquisition or disposal	N/A	N/A
5.4	Total net assets	N/A	N/A
5.5	Nature of business	N/A	N/A

+ 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: 31 October 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.

+ See chapter 19 for defined terms.