Cynata Therapeutics Limited

ACN 104 037 372

and its controlled entities

Annual report for the financial year ended

30 June 2015

Corporate directory

Board of Directors

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

Company Secretary
Mr Peter Webse

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Annual report for the financial year ended 30 June 2015

Contents

Directors' report

The directors of Cynata Therapeutics Limited ("Cynata" or "the Company") and its controlled entities ("the Group") submit herewith the annual report of the Group for the financial year ended 30 June 2015. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors

The names and particulars of the directors of the Group during or since the end of the financial year are:

Name	**Particulars**
Dr Stewart Washer *BSc (Hons), PhD*	Executive Chairman, joined the Board in August 2013. Dr Washer has 22 years of CEO and Board experience in medical technology, biotech and agrifood companies. He is currently the Chairman of Orthocell Ltd (ASX: OCC) and Minomic International Ltd. Dr Washer was previously the CEO of Calzada Ltd (ASX: CZD), the founding CEO of Phylogica Ltd (ASX: PYC) and before this, he was CEO of Celentis and managed the commercialisation of intellectual property from AgResearch in New Zealand with 650 scientists and $130m revenues. He was also a founder of a NZ$120m New Zealand based life science fund and Venture Partner with the Swiss based Inventages Nestlé Fund. He is currently the Investment Director with Bioscience Managers. Dr Washer has held a number of Board positions in the past as the Chairman of iSonea Ltd (ASX: ISN), Resonance Health Ltd (ASX: RHT) and Hatchtech Pty Ltd, and as a Director of iCeutica Pty Ltd, Immuron Ltd (ASX: IMC) and AusBiotech Ltd. He was also a Senator with Murdoch University and is currently the Chairman of Firefly Health.
Dr Ross Macdonald *PhD (Biochemistry), Grad Dip in Bus Admin*	Chief Executive Officer, joined the Board in August 2013. Dr Macdonald has over 21 years' experience and a track record of success in pharmaceutical and biotechnology businesses. His career history includes positions as Vice President of Business Development for Sinclair Pharmaceuticals Ltd (now Sinclair IS Pharma), a UK-based specialty pharmaceuticals company and Vice President, Corporate Development for Stiefel Laboratories Inc, the largest independent dermatology company in the world and acquired by GlaxoSmithKline in 2009 for £2.25b. Dr Macdonald has also served as CEO of Living Cell Technologies Ltd, Vice President of Business Development of Connetics Corporation and Vice President of Research and Development of F H Faulding & Co Ltd. His other positions have included non-executive director roles at Telesso Technologies Ltd, iSonea Ltd, Hatchtech Pty Ltd and Relevare Pharmaceuticals Ltd. Dr Macdonald currently serves as a member of the Investment Committee of UniSeed Management Pty Ltd.
Dr John Chiplin *BPharm, PhD, MRPharmS*	Non Executive Director, joined the Board in November 2014. Dr Chiplin has significant international experience in the life science and technology industries. Recent transactions that Dr Chiplin has been involved in include US stem cell company Medistem (acquired by Intrexon), Arana (acquired by Cephalon) and Domantis (acquired by GlaxoSmithKline). Prior to his role at Arana, Dr Chiplin was head of the $300M ITI Life Sciences investment fund in the UK and his own investment vehicle, Newstar Ventures Ltd, has funded more than a dozen early stage companies in the past ten years.

Dr Chiplin is a director of Benitec Biopharma Ltd (ASX: BLT) and also serves on the boards of Adalta Pty Ltd and ScienceMedia Inc., Prophecy Inc., Batu Biologics Inc. and the Coma Research Institute (CRI). Dr Chiplin's Pharmacy and Doctoral degrees are from the University of Nottingham, UK.

Mr Peter Webse
B.Bus, FGIA, FCIS, FCPA, MAICD

Non Executive Director, joined the Board in May 2012. Mr Webse has over 24 years' company secretarial experience and is the managing director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Mr Webse is currently a non-executive director of Fitzroy Resources Limited (ASX: FRY).

Mr Howard Digby
B.Eng (Hons)

Appointed to the Board in May 2012 and resigned during the year.

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Dr John Chiplin – appointed 18 November 2014
- Mr Howard Digby – resigned 18 November 2014

Directorships of other listed companies

Directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are as follows:

Name	Company	Period of directorship
Stewart Washer	iSonea Limited	2012-2014
	Immuron Limited	2012-2013
Ross Macdonald	iSonea Limited	2012-2014
	Telesso Technologies Limited	2003-2013
John Chiplin	PolyNovo Limited (*formerly Calzada Limited*)	2010-2012
	Benitec Biopharma Limited	Since 2010
Peter Webse	Sun Biomedical Limited	2012-2015
	Fitzroy Resources Limited	Since May 2015
	Blina Minerals NL	2012-2014
Howard Digby	Sun Biomedical Limited	Since 2012

Directors' shareholdings

The following table sets out each director's relevant interest in shares, debentures and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report:

	Fully paid ordinary shares	Share options
Directors	Number	Number
Stewart Washer	174,856	2,500,000
Ross Macdonald	8,500	2,500,000
John Chiplin[1]	10,000	-
Peter Webse	210,000	-

[1] Appointed 18 November 2014.

Remuneration of key management personnel

Information about the remuneration of key management personnel is set out in the remuneration report section of this directors' report. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Share options granted to directors and senior management

During and since the end of the financial year, no share options were granted to directors and other key management personnel.

Company Secretary

Peter Webse *B.Bus, FGIA, FCIS, FCPA, MAICD*

Mr Webse held the position of company secretary of Cynata Therapeutics Limited at the end of the financial year. He joined Cynata in April 2012. Mr Webse is the Managing Director of Platinum Corporate Secretariat Pty Ltd, a company specialising in providing company secretarial, corporate governance and corporate advisory services. Peter acts as Company Secretary for a number of ASX listed resource and biotech companies.

Dividends

No dividends have been paid or declared since the start of the financial year and the directors have not recommended the payment of a dividend in respect of the financial year.

Shares under option or issued on exercise of options

Details of unissued shares or interests under option as at the date of this report are:

Issuing entity	Grant date	Number of shares under option	Class of shares	Exercise price of option	Expiry date of options
Cynata Therapeutics Limited[1]	27 Nov 2012	500,000	Ordinary	$0.40	09 Sept 2016
Cynata Therapeutics Limited[2]	27 Sept 2013	5,000,000	Ordinary	$0.40	27 Sept 2018
Cynata Therapeutics Limited[3]	29 May 2014	200,000	Ordinary	$0.40	30 Nov 2015
Cynata Therapeutics Limited[4]	29 May 2014	600,000	Ordinary	$0.40	30 Nov 2015
Cynata Therapeutics Limited[5]	11 Sept 2014	400,000	Ordinary	$0.40	30 Nov 2015
Cynata Therapeutics Limited[6]	17 July 2015	3,333,336	Ordinary	$0.80	17 Aug 2016
Cynata Therapeutics Limited[7]	17 July 2015	3,333,336	Ordinary	$1.00	17 Jul 2020
Cynata Therapeutics Limited[8]	17 July 2015	333,333	Ordinary	$1.00	17 Jul 2020

[1] Unlisted options issued to Mr Digby. The options are shown on a post-consolidation basis (1 for 20). Mr Digby resigned on 18 November 2014.

[2] 100,000,000 unlisted options (on a pre-consolidation basis) issued to Dr Macdonald and Dr Washer following shareholders' approval on 27 September 2013 and were subsequently consolidated on a 1 for 20 basis.

[3] Unlisted options issued to Dr Kelly on 29 May 2014 as part of his remuneration.

[4] Unlisted options issued to external advisers for the provision of corporate advisory services.

[5] Unlisted options issued to external advisers for the provision of corporate advisory services.

[6] Unlisted options issued to institutional investors pursuant to a private placement on 17 July 2015.

[7] Unlisted options issued to institutional investors pursuant to a private placement on 17 July 2015.

[8] Unlisted options issued to placement agent pursuant to the mandate for the private placement on 17 July 2015.

The holders of these options do not have the right, by virtue of the option, to participate in any share issue or interest issue of the Company or of any other body corporate or registered scheme.

There have been no options granted over unissued shares or interests of any controlled entity within the Group during or since the end of the reporting period.

Details of shares or interests issued during or since the end of the financial year as a result of exercise of an option are:

Issuing entity	Number of shares issued	Class of shares	Amount paid for shares	Amount unpaid on shares
Cynata Therapeutics Limited	3,750	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	10,000	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	21,250	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	435,000	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	20,157	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	412,300	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	578,431	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	892,813	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	1,872,631	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	2,417,812	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	4,054,119	Ordinary	$0.20	$nil
Cynata Therapeutics Limited	393,987[1]	Ordinary	$0.20	$nil

[1] Issued pursuant to underwriting shortfall on expiry of Listed 31/12/2014 Options (refer to ASX Announcement dated 14 January 2015).

Indemnification of officers and auditors

During the financial year, the Company paid a premium in respect of a contract insuring the directors of the Company (as named above), the company secretary, and all executive officers of the Company and of any related body corporate against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Directors’ meetings

The following table sets out the number of directors’ meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 11 board meetings were held.

	Board of Directors	
Directors	Held	Attended
Stewart Washer	11	10
Ross Macdonald	11	10
John Chiplin	7	7
Peter Webse	11	11
Howard Digby	4	4

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

Non-audit services

The auditors did not perform any non-audit services during the financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 17 of this annual report.

Operating and financial review

Principal activities

The Group's principal activities in the course of the financial year were the development and commercialisation of a proprietary mesenchymal stem cell (MSC) technology for potential human therapeutic use, which the Company has branded Cymerus™. Cynata's Cymerus™ technology represents an important breakthrough in stem cell product research that facilitates large-scale manufacture of MSCs from a single donor and a single donation, comparing favourably to most other MSC technologies that require multiple donors and multiple donations. This has the potential to revolutionise commercial manufacture of MSC based therapeutic products.

Operating results

The consolidated loss of the Group for the financial year, after providing for income tax expense, amounted to $3,712,077 (2014: $3,039,663). Further discussion on the Group's operations is provided below:

Review of operations

<u>Overview</u>

During the year, the Company continued to develop its proprietary, scalable mesenchymal stem cell (MSC) manufacturing technology, Cymerus™. This technology enables essentially limitless production of therapeutic MSCs and thus will provide a vital key to the commercialisation of MSC-based medicines. The field of MSC-based medicines is developing at a fast pace with clinical trials underway around the world in a range of medically challenging diseases and Cynata is positioned at the forefront of MSC manufacturing with its unique Cymerus™ technology.

The Company achieved a key milestone during the year with the successful transfer of the proprietary Cymerus™ MSC manufacturing technology from the laboratory to a Good Manufacturing Practice (GMP) production environment. The work was undertaken at our US manufacturing and process validation contractor, Waisman Biomanufacturing and involved extensive process engineering, product validation and manufacturing process documentation. This achievement was an important breakthrough, distinguishing Cymerus™ from all existing methods of MSC production, which require a continuous supply of new tissue donations (such as bone marrow or adipose tissue). It facilitated the successful completion of manufacture, testing and release of a clinical-grade induced pluripotent stem cell (iPSC) Master Cell Bank (MCB) which provides Cynata with an effectively limitless starting material for production of the Company's first therapeutic, off-the-shelf MSC product, CYP-001. Ongoing testing has shown that Cymerus™ MSCs produced at Waisman Biomanufacturing consistently meet expectations and attain standards appropriate for their intended clinical use. This provides a high level of confidence that Cynata's proprietary manufacturing process is robust and reproducible: absolute requirements for the manufacture of a therapeutic product.

In addition to providing GMP-grade Cymerus™ MSC product for Cynata's partners and for the Company's own clinical trial programs, the manufacturing transfer and scale-up enables the production of material for the pre-clinical safety program, a pre-condition to commencing clinical trials, and this progressed well during the year through engagements with several service providers including WuXi Apptec (NYSE:WX).

The iPS cell line described above was sourced, along with a broad portfolio of associated intellectual property, from the US company, Cellular Dynamics International (CDI) through a transaction completed in September 2014. This arrangement was 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. More recently, CDI was acquired by Fujifilm Holdings Corporation of Japan in a US$307m takeover. Cynata continues to have good relations with CDI under that company's new ownership

Cynata also continues to enjoy good relations with the University of Wisconsin – Madison where the Cymerus™ technology was discovered. A program is presently underway at this eminent institution to seek to optimise the process of storage of Cymerus™ MSC product to provide such enhanced characteristics as improved cryopreservation, more convenient preparation steps for clinical use and greater stability. This program is being led by Professor Igor Slukvin, one of the founders of Cynata Therapeutics Ltd and inventors of its technology.

In a further academic relationship, the Company partnered with one of the world's leading centers for studies of fibrotic lung disease and regenerative medicine, The University of Western Australia's Centre for Cell Therapy and Regenerative Medicine (CCTRM). This program, under the direction of Professor Geoff Laurent, a world authority in extracellular matrix regulation and lung fibrosis, is testing the potential therapeutic efficacy of Cynata's Cymerus™ MSCs in an animal model of this disease. To date, no treatment has been shown to be effective for the idiopathic form of lung fibrosis, and on average, patients survive for only 3-5 years after diagnosis with this extremely debilitating condition.

During the year there were exciting developments among researchers in the stem cell field that pointed to the potential utility of MSCs in treating cancer. In many cases these developments involved "engineering" the MSCs to enhance their properties to make them more effective in this particular therapeutic application. The Cymerus™ technology offers some very important advantages in the manufacture of such engineered MSCs and as such the Company is actively investigating how best to participate in this important new potential clinical use of MSCs.

The Company's plan to undertake a Phase 1 clinical trial in graft-versus-host disease (GvHD) remains a focus of product development activity and to this end discussions with regulatory authorities progressed during the year, including a formal Scientific Advice meeting with the European Medicines Agency (EMA). The information obtained from this meeting has facilitated further scheduled meetings with individual national regulatory bodies as the Company seeks to clarify the path for a Phase 1 clinical trial in the EU. In parallel, dialogue has commenced with the US FDA with a similar goal. Due to the unique nature of the manufacturing process and the novelty of MSC-based therapeutics, this interaction is a lengthy and continuing process. Satisfactory completion of these discussions will facilitate a decision on the location and finalising a schedule for commencement and completion of the trial. Meanwhile, Cynata has progressed arrangements with several leading hospitals of international standing to conduct the planned Phase 1 clinical study to ensure readiness upon approval to commence the trial.

Following the publication of favourable equity research reports published by BBY and by Baillieu Holst and the important advances made with the Cymerus™ technology during the year, the Company undertook vigorous and ongoing engagement with global life science investors and potential partners. This included appointing the US-based PCG Advisory Group to drive the Company's IR activities and to increase exposure to the vast U.S. life sciences investment community. It also involved the Company presenting at several international conferences including the World Stem Cell Summit in December 2014. These activities are all with a view to ensuring that the value of Cynata's unique and valuable stem cell technologies are shared with investors and potential partners.

The Company's strategy for commercializing potential specific Cymerus™ therapeutic products is through the formation of development and strategic partnerships. In parallel with the product development and regulatory activities described above, the Company continually assesses the optimal approach to commercialisation with the goal to maximise value and potential return to all stakeholders. This involves ongoing evaluation and assessment of strategic issues, such as the costs and risks associated with development of Cymerus™ products, at what development stage partnering might occur, the resources and market access capabilities provided by potential partners and in which markets partnering could be appropriate. Discussions are presently underway with potential partners to fulfil the Company's goal of completing at least one strategic partnership during calendar year 2015.

The addition to the Board of Dr John Chiplin as a non-executive director brought new experience and skills to the Company's Board of Directors. Dr Chiplin has a successful international reputation in the life science and technology sectors and has been directly involved in several major M&A transactions in recent years. Mr Howard Digby stepped down from his role as a non-executive Director and the Company extends its gratitude to him for his significant contributions to Cynata.

The exercise of the Company's December 2014 options provided the Company with additional funds to continue its planned operations.

The field of stem cell-based medicine continues to grow apace and we look forward to a productive and exciting year for Cynata Therapeutics in 2015-16.

Financial position

The net assets of the Group have decreased by $1,104,673 from 30 June 2014 to $8,749,959 in 2015 (2014: $9,854,632). This decrease is mainly due to the following factors:

- amortisation of intangibles as a result of an allocation of the carrying value of the patents to the different categories of research based on their estimates (*refer note 11 for further information*);
- substantial increase in costs incurred in product research and development;
- increase in trade and other payables and provisions for annual leave; and
- reduction in cash and cash equivalents resulting from funding operations.

Notwithstanding this, the Company received total proceeds of $2,222,450 from the exercise of listed options during the financial year. The directors believe the Group is in a strong and stable financial position to expand and grow its current operations.

Significant changes in state of affairs

The following significant changes in the state of affairs of the Group occurred during the financial year:

- During the months of September 2014 and January 2015, a total of 11,112,250 ordinary shares were issued at $0.20 as a result of the exercise of the remaining 11,112,250 listed 31 December 2014 options.
- On 3 February 2015, the Company announced it has commenced a study to test the potential therapeutic efficacy of its Cymerus mesenchymal stem cells (MSCs) in an animal model of lung fibrosis. This study is being performed within the University of Western Australia's Centre for Cell Therapy and Regenerative Medicine (CCTRM).
- On 19 February 2015, the Company announced that it has achieved a world first breakthrough in the manufacture of stem cells and is now set to scale up manufacturing of its mesenchymal stem cells (MSCs) for therapeutic use.

Subsequent events

On 17 July 2015, the Company issued 6,666,672 fully paid ordinary shares plus one attaching 13-month option for every 2 ordinary shares issued and one attaching 5-year option for every 2 ordinary shares issued, to institutional investors in the United States of America in a private placement for gross proceeds of A$5,000,004 (before costs). The Company also issued 333,333 5-year options to the placement agent.

Other than the above, there has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years.

Future developments, prospects and business strategies

The focus of the Group's activities during the 2015-16 year and beyond is to continue development of the Cymerus™ technology with a particular emphasis in the near term on completing the pre-clinical safety program, completing manufacturing process scale-up and validation and commencing the clinical (Phase 1) program. In parallel with this, the Group intends to continue its vigorous program of engagement and dialogue with potential commercial partners with a view to executing further value-accretive transactions.

Environmental regulations

The Group's operations are not subject to significant environmental regulation under the Australian Commonwealth or State law.

Remuneration report (audited)

This remuneration report, which forms part of the directors' report, sets out information about the remuneration of Cynata Therapeutics Limited's key management personnel for the financial year ended 30 June 2015. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group. The prescribed details for each person covered by this report are detailed below under the following headings:

- key management personnel
- remuneration policy
- relationship between the remuneration policy and Company performance
- remuneration of key management personnel
- key terms of employment contracts.

Key management personnel

The directors and other key management personnel of the Group during or since the end of the financial year were:

Non-executive directors	Position
Dr John Chiplin (appointed 18 November 2014)	Non-executive director
Mr Peter Webse	Non-executive director
Mr Howard Digby (resigned 18 November 2014)	Non-executive director

Executive directors	Position
Dr Stewart Washer	Executive Chairman
Dr Ross Macdonald	Managing Director, Chief Executive Officer

Other key management personnel	Position
Dr Kilian Kelly	Vice President, Product Development

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration policy

Cynata's remuneration policy, which is set out below, is designed to promote superior performance and long term commitment to the Company.

As at the date of this report, the Company has two executives – the Chairman and the Chief Executive Officer, two non-executive directors and one Vice President, Product Development. As set out below, total remuneration costs for the 2015 financial year were $1,193,552, down from $1,896,481 for the previous financial year.

Non-executive director remuneration

Non-executive directors are remunerated by way of fees, in the form of cash, non-cash benefits, superannuation contributions or salary sacrifice into equity and do not normally participate in schemes designed for the remuneration of executives.

Shareholder approval must be obtained in relation to the overall limit set for the non-executive directors' fees. The maximum aggregate remuneration approved by shareholders for non-executive directors is $300,000 per annum. The directors set the individual non-executive director fees within the limit approved by shareholders.

Executive director remuneration

Executive directors receive a base remuneration which is market related, and may be entitled to performance based remuneration, which is determined on an annual basis.

Overall remuneration policies are subject to the discretion of the board and can be changed to reflect competitive and business conditions where it is in the interests of the Company and shareholders to do so. Executive remuneration and other terms of employment are reviewed annually by the board having regard to the performance, relevant comparative information and expert advice.

The board's remuneration policy reflects its obligation to align executive remuneration with shareholder interests and to retain appropriately qualified executive talent for the benefit of the Company. The main principles are:

(a) remuneration reflects the competitive market in which the Company operates;
(b) individual remuneration should be linked to performance criteria if appropriate; and
(c) executives should be rewarded for both financial and non-financial performance.

The total remuneration of executives consists of the following:

(a) salary – executives receive a fixed sum payable monthly in cash;
(b) cash at risk component – executives may participate in share and option schemes generally made in accordance with thresholds set in plans approved by shareholders if deemed appropriate. However, the board considers it appropriate to issue shares and options to executives outside of approved schemes in exceptional circumstances; and
(c) other benefits – executives may, if deemed appropriate by the board, be provided with a fully expensed mobile phone and other forms of remuneration.

The board has not formally engaged the services of a remuneration consultant to provide recommendations when setting the remuneration received by directors or other key management personnel during the financial year.

Equity-settled compensation

The fair value of the equity which executives and employees are granted is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value of shares is ascertained as the market bid price. The fair value of options is ascertained using a Black–Scholes pricing model which incorporates all market vesting conditions. The number of shares and options expected to vest is reviewed and adjusted at each reporting date such that the amount recognised for services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Relationship between the remuneration policy and company performance

The board considers that at this time, evaluation of the Group's financial performance using generally accepted measures such as profitability, total shareholder return or per company comparison are not relevant as the Group is at an early stage in the implementation of a corporate strategy that includes the development of a novel life sciences (i.e. therapeutic stem cell) manufacturing technology and the identification and execution of business opportunities as outlined in the directors' report.

The table below sets out summary information about the Group's earnings and movements in shareholder wealth for the five years to 30 June 2015:

	30 June 2015 $	30 June 2014 $	30 June 2013 $	30 June 2012 $	30 June 2011 $
Revenue	374,889	107,755	71,021	323,867	140,006
Net loss before tax	3,712,077	3,039,663	915,701	1,582,567	2,572,297
Net loss after tax	3,712,077	3,039,663	915,701	1,542,307	2,564,979
Share price at start of year	0.40	0.20	0.20	0.60	1.80
Share price at end of year	0.93	0.40	0.20	0.20	0.60
Basic/diluted loss per share	6.12	6.76	3.80	16.2	50.4

Remuneration of key management personnel

2015	Short-term employee benefits		Post-employment benefits	Share-based payment		Value of options as proportion of remunerat-ion
	Salary & fees $	Other $	Superannua-tion $	Options $	Total $	
Directors						
Stewart Washer[1]	136,986	30,000	15,864	114,994	297,844	38.61%
Ross Macdonald[1]	273,973	60,000	31,727	114,994	480,694	23.92%
John Chiplin[2]	24,778	-	-	-	24,778	-
Peter Webse[3]	40,000	48,000	-	-	88,000	-
Howard Digby[4]	14,003	-	1,330	-	15,333	-
Other KMP						
Kilian Kelly	216,134	15,000	21,958	33,811	286,903	11.78%
Total	**705,874**	**153,000**	**70,879**	**263,799**	**1,193,552**	**22.10%**

[1] Amounts in 'Other' represents accrued bonus entitlements which were paid subsequent to year end.

[2] Appointed 18 November 2014.

[3] The amount of $48,000 in 'Other' represents company secretarial fees of $4,000 per month.

[4] Resigned 18 November 2014.

2014	Short-term employee benefits		Post-employment benefits	Share-based payment		Value of options as proportion of remunerat-ion
	Salary & fees $	Other $	Superannua-tion $	Options $	Total $	
Directors						
Stewart Washer[1]	106,311	-	9,834	611,284	727,429	84.03%
Ross Macdonald[1]	192,958	-	17,849	611,284	822,091	74.36%
Howard Digby	85,431	-	7,902	58,555	151,888	38.56%
Peter Webse[2]	37,333	73,000	-	-	110,333	-
Darren Olney-Fraser[3]	5,000	-	-	-	5,000	-
Other KMP						
Kilian Kelly[4]	70,175	-	6,491	3,074	79,740	3.86%
Total	**497,208**	**73,000**	**42,076**	**1,284,197**	**1,896,481**	**67.77%**

[1] Appointed 1 August 2013.

[2] The amount of $73,000 in 'Other' represents company secretarial fees of $4,000 per month and an amount of $25,000 for additional company secretary work outside the scope of the consultancy agreement with Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Webse is the sole director of Platinum.

[3] Resigned 1 August 2013.

[4] Appointed 1 March 2014 as Vice President, Product Development.

Bonuses and share-based payments granted as compensation for the current financial year

Bonuses

Dr Kilian Kelly was granted a cash bonus of $15,000 on 25 September 2014. The cash bonus was given in recognition of Dr Kelly's dedication and focus in driving Cynata's product development program.

As at 30 June 2015, a performance bonus entitlement of 20% of total remuneration to Dr Ross Macdonald and Dr Stewart Washer was accrued in the accounts. This represents an amount of $60,000 and $30,000 respectively. The bonus entitlements were paid subsequent to year end.

No other cash bonuses were granted during 2015 (2014: $nil).

Incentive share-based payments arrangements

During the financial year, the following share-based payment arrangements were in existence:

Option series	Grant date	Expiry date	Exercise price	Grant date fair value	Vesting date
1	27 Nov 2012	9 Sept 2016	$0.040[i]	$0.2560[i]	Vested on 17 May 2014
2*	27 Sept 2013	27 Sept 2018	$0.400[i]	$0.2900[i]	Vested
3**	29 May 2014	30 Nov 2015	$0.400[i]	$0.1844[i]	Vested on 29 May 2015
4***	29 May 2014	30 Nov 2015	$0.400[i]	$0.1844[i]	Vested on 1 Dec 2014
5***	11 Sept 2014	30 Nov 2015	$0.400[i]	$0.1836[i]	Vested on 1 Dec 2014

* Unlisted options issued to Drs Stewart Washer and Ross Macdonald. In accordance with the terms of the share-based arrangement, 100% of the options have vested following achievements of vesting conditions.

** Unlisted options issued to Dr Kilian Kelly.

*** Unlisted options issued to external advisers.

[i] Post consolidated option prices (a 1 for 20 consolidation was effected on 14 November 2013).

There are no further services or performance criteria that need to be met in relation to options granted under series (1) to (5) above, and as a consequence the beneficial interest has vested to the recipients. There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

No share options were issued to key management personnel during the year (2014: 5,200,000) and no share options were exercised by key management personnel during the year (2014: nil) apart from director Mr Peter Webse, who exercised 102,500 share options.

Each option converts into one ordinary share of Cynata Therapeutics Limited.

Key terms of employment contracts

On 15 March 2015, the executive service agreement of Dr Stewart Washer was renewed on the same terms and conditions as the previous agreement. The key terms and conditions are as follows:

- Term of agreement – the earlier of 23 months expiring 30 June 2017 or until termination by the Company.
- The current salary is $150,000 p.a inclusive of statutory superannuation. Effective 1 July 2015, the salary is $180,000 p.a inclusive of statutory superannuation.
- The agreement may be terminated by either party by providing 6 months' notice.

On 15 March 2015, the executive service agreement of Dr Ross Macdonald was renewed on the same terms and conditions as the previous agreement. The key terms and conditions are as follows:

- Term of agreement – the earlier of 23 months expiring 30 June 2017 or until termination by the Company.
- The current salary is $300,000 p.a inclusive of statutory superannuation. Effective 1 July 2015, the salary is $350,000 p.a inclusive of statutory superannuation.
- The agreement may be terminated by either party by providing 6 months' notice.

The key terms of appointment of Dr Kilian Kelly are formalised in an employment agreement and are as follows:

- A salary of $230,000 p.a inclusive of statutory superannuation. Effective 1 March 2015, the salary increased to $250,000 p.a inclusive of statutory superannuation.
- The right to participate in the Company's equity-based incentive scheme up to 10% of the annual salary and based on attainment of agreed performance indicators.
- The contract may be terminated by either party providing 3 months' notice.

On 18 November 2014, Dr John Chiplin was appointed as non-executive director and his remuneration and other terms of appointment were formalised in an appointment letter, the key terms and conditions of which are:

- Term of letter – subject to re-election at the 2015 Annual General Meeting.
- A fee of $40,000 p.a (not subject to GST).
- The appointment letter may be terminated immediately by the Company if Dr Chiplin becomes disqualified or is prohibited by law from being or acting as a director or from being involved in the management of a company.

Mr Peter Webse's services as non-executive director and Company Secretary are provided through Platinum Corporate Secretariat Pty Ltd ("Platinum"). Platinum is paid a fee of $40,000 (exc. GST) p.a for the provision of Mr Webse's services as a Non-Executive Director (commenced 18 May 2012). A consultancy agreement was entered into with Platinum, commencing 3 April 2012, for the provision of company secretarial services at a fee of $4,000 (exc. GST) per month plus additional services charged at a rate of $250 per hour as agreed from time to time. The agreement is subject to 2 months' notice of termination.

Effective 1 July 2015, non-executive director fees were increased to $50,000 per annum.

Key management personnel equity holdings

Fully paid ordinary shares of Cynata Therapeutics Limited

2015	Balance at 1 July No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
S Washer	154,856	-	-	20,000	174,856
R Macdonald	8,500	-	-	-	8,500
J Chiplin[1]	-	-	-	10,000	10,000
P Webse	107,500	-	102,500	-	210,000
K Kelly	16,640	-	-	-	16,640
H Digby[2]	237,500	-	-	(237,500)[3]	-

[1] Appointed 18 November 2014

[2] Resigned 18 November 2014

[3] Balance on date of resignation

2014	Balance at 1 July No.	Balance after 1:20 consolidation (a) No.	Granted as compensation No.	Received on exercise of options No.	Net other change No.	Balance at 30 June No.
S Washer[1]	-	-	-	-	154,856	154,856
R Macdonald[1]	-	-	-	-	8,500	8,500
H Digby	3,750,000	187,500	-	-	50,000	237,500
P Webse	2,150,000	107,500	-	-	-	107,500
K Kelly[2]	-	-	-	-	16,640	16,640
D Olney-Fraser[3]	-	-	-	-	-	N/A

[1] Appointed 1 August 2013

[2] Appointed 1 March 2014 as Vice President, Product Development

[3] Resigned 1 August 2013

[(a)] A 1 for 20 consolidation was effected on 14 November 2013

Share options of Cynata Therapeutics Limited

2015	Balance at 1 July 2014 No.	Granted as compens-ation No.	Exerci-sed No.	Net other change No.	Balance at 30 June 2015 No.	Balance vested at 30 June 2015 No.	Vested and exercisable No.	Options vested during year No.
S Washer	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	1,250,000
R Macdonald	2,500,000	-	-	-	2,500,000	2,500,000	2,500,000	1,250,000
J Chiplin[1]	-	-	-	-	-	-	-	-
P Webse	102,500	-	(102,500)	-	-	-	-	-
K Kelly	200,000	-	-	-	200,000	200,000	200,000	200,000
H Digby[2]	687,500	-	-	(687,500)	-	-	-	-

[1] Appointed 18 November 2014

[2] Resigned 18 November 2014. Amount in 'Net other change' represents options held on resignation

Share options of Cynata Therapeutics Limited (cont'd)

2014	**Balance at 1 July 2013**	**Balance after 1:20 consolid-ation No.**	**Granted as compens-ation**	**Exe rci-sed**	**Net other change**	**Balance at 30 June 2014**	**Balance vested at 30 June 2014**	**Vested and exercisable**	**Options vested during year**
	No.		**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**
S Washer[1]	-	n/a	2,500,000	-	-	2,500,000	1,250,000	1,250,000	1,250,000
R Macdonald[1]	-	n/a	2,500,000	-	-	2,500,000	1,250,000	1,250,000	1,250,000
H Digby	13,750,000	687,500	-	-	-	687,500	687,500	687,500	375,000
P Webse[2]	2,550,000	127,500	-	-	(25,000)	102,500	102,500	102,500	-
K Kelly[3]	-	-	200,000	-	-	200,000	-	-	-

[1] Dr Washer and Dr Macdonald were granted 50,000,000 unlisted options pre-consolidation (1:20) basis

[2] Amount in 'Net other change' represents options lapsed on 30 November 2014

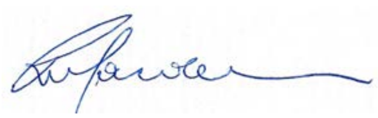
[3] Appointed 1 March 2014

All share options issued to key management personnel were made in accordance with the provisions of the employee share option plan.

No share options were exercised by key management personnel during the financial year (2014: nil) apart from Mr Peter Webse who exercised 102,500 options. Further details of the employee share option plan and of share options granted during the 2015 and 2014 financial years are contained in note 17 to the financial statements.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the directors



Dr Ross Macdonald

Managing Director

Melbourne, 21 August 2015

Stantons International Audit and Consulting Pty Ltd
trading as
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21 August 2015

Board of Directors
Cynata Therapeutics Limited
PO Box 7165
Hawthorn North,
Victoria 3122

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 audit of the financial statements of Cynata Therapeutics Limited for the year ended 30 June 2015, 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 audit; and

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

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

Samir Tirodkar
Director

Stantons International Audit and Consulting Pty Ltd
trading as
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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
CYNATA THERAPEUTICS LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Cynata Therapeutics Limited, which comprises the consolidated statement of financial position as at 30 June 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the 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 controls as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In note 3.1, the directors also state, in accordance with Australian Accounting Standard AASB 101: *Presentation of Financial Statements that* the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Cynata Therapeutics Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001;* and

(b) the financial report of the Company also complies with International Financial Reporting Standards as disclosed in note 3.1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 10 to 16 of the directors' report for the year ended 30 June 2015. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion the remuneration report of Cynata Therapeutics Limited for the year ended 30 June 2015 complies with section 300 A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD

(Trading as Stantons International)

(An Authorised Audit Company)

Stantons International Audit and Consulting Pty Ltd

Samir Tirodkar

Director

West Perth, Western Australia

21 August 2015

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;

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 3 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the directors

Dr Ross Macdonald
Managing Director
Melbourne, 21 August 2015

Consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2015

	Note	Consolidated Year ended 30 June 2015 $	Consolidated Year ended 30 June 2014 $
Continuing operations			
Other income	6	374,889	107,755
Product development costs		(1,919,778)	(502,821)
Employee benefits expenses	7	(830,544)	(602,166)
Depreciation expenses		-	(208)
Amortisation expenses	11	(447,945)	-
Share based payment expenses	7	(429,457)	(1,302,639)
Other expenses	7	(459,242)	(739,584)
Loss before income tax		**(3,712,077)**	**(3,039,663)**
Income tax expense	8	-	-
Loss for the year		**(3,712,077)**	**(3,039,663)**
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		(815)	5,291
Other comprehensive (loss)/income for the year, net of income tax		**(815)**	**5,291**
Total comprehensive loss for the year		**(3,712,892)**	**(3,034,372)**
Loss for the year attributable to:			
Owners of Cynata Therapeutics Limited		**(3,712,077)**	**(3,039,663)**
Total comprehensive loss for the year attributable:			
Owners of Cynata Therapeutics Limited		**(3,712,892)**	**(3,034,372)**
Loss per share:			
Basic and diluted (cents per share)	9	(6.12)	(6.76)

Notes to the consolidated financial statements are included on pages 25 to 52.

Consolidated statement of financial position as at 30 June 2015

		Consolidated	
		30 June 2015	30 June 2014
	Note	$	$
Current assets			
Cash and cash equivalents	20	4,703,689	5,094,582
Trade and other receivables	10	47,809	9,547
Total current assets		**4,751,498**	**5,104,129**
Non-current assets			
Intangibles	11	4,373,854	4,821,799
Total non-current assets		4,373,854	4,821,799
Total assets		**9,125,352**	**9,925,928**
Current liabilities			
Trade and other payables	12	313,691	53,907
Borrowings	12	32,691	-
Provisions	13	29,011	17,389
Total current liabilities		375,393	71,296
Total liabilities		**375,393**	**71,296**
Net assets		**8,749,959**	**9,854,632**
Equity			
Issued capital	14	24,460,404	22,281,642
Option reserves	15	3,276,148	2,846,691
Foreign currency translation reserve	15	4,476	5,291
Accumulated losses		(18,991,069)	(15,278,992)
Total equity		**8,749,959**	**9,854,632**

Notes to the consolidated financial statements are included on pages 25 to 52.

Consolidated statement of changes in equity for the year ended 30 June 2015

	Issued Capital $	Option Reserve $	Foreign currency translation reserve $	Accumulated losses $	Total $
Balance at 1 July 2013	**12,338,120**	**1,544,052**	**-**	**(12,239,329)**	**1,642,843**
Loss for the year	-	-		(3,039,663)	(3,039,663)
Other comprehensive income for the year, net of tax	-	-	5,291	-	5,291
Total comprehensive income/(loss) for the year	**-**	**-**	**5,291**	**(3,039,663)**	**(3,034,372)**
Issue of ordinary shares	6,439,572	-	-	-	6,439,572
Issue of ordinary shares related to business combination	4,000,000	-	-	-	4,000,000
Share issue costs	(496,050)	-	-	-	(496,050)
Share based payments	-	1,302,639	-	-	1,302,639
Balance at 30 June 2014	**22,281,642**	**2,846,691**	**5,291**	**(15,278,992)**	**9,854,632**
Balance at 1 July 2014	**22,281,642**	**2,846,691**	**5,291**	**(15,278,992)**	**9,854,632**
Loss for the year	-	-	-	(3,712,077)	(3,712,077)
Other comprehensive income for the year, net of tax	-	-	(815)	-	(815)
Total comprehensive loss for the year	**-**	**-**	**(815)**	**(3,712,077)**	**(3,712,892)**
Issue of ordinary shares (*refer to note 14*)	2,222,450	-	-	-	2,222,450
Share issue costs	(43,688)	-	-	-	(43,688)
Share based payments	-	429,457	-	-	429,457
Balance at 30 June 2015	**24,460,404**	**3,276,148**	**4,476**	**(18,991,069)**	**8,749,959**

Notes to the consolidated financial statements are included on pages 25 to 52.

Consolidated statement of cash flows for the year ended 30 June 2015

	Note	Consolidated Year ended 30 June 2015 $	Consolidated Year ended 30 June 2014 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,053,446)	(1,458,627)
Interest received		89,305	82,697
Research and development tax refund received		281,573	25,058
Development costs paid		(1,919,778)	(502,821)
Net cash used in operating activities	20.1	(2,602,346)	(1,853,693)
Cash flows from investing activities			
Cash acquired from acquisition of subsidiary		-	159,469
Payments for investments		-	(271,303)
Net cash used in investing activities		-	(111,834)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Company		2,222,450	6,439,572
Payment for share issue costs		(43,688)	(496,050)
Net cash provided by financing activities		2,178,762	5,943,522
Net (decrease)/increase in cash and cash equivalents		**(423,584)**	**3,977,995**
Cash and cash equivalents at the beginning of the year		5,094,582	1,116,587
Cash and cash equivalents at the end of the year	20	**4,670,998**	**5,094,582**

Notes to the consolidated financial statements are included on pages 25 to 52.

Notes to the consolidated financial statements for the year ended 30 June 2015

1. General information

Cynata Therapeutics Limited ("the Company") is a listed public company incorporated in Australia. The addresses of its registered office and principal place of business are disclosed in the corporate directory to the annual report.

The principal activities of the Company and its controlled subsidiaries ("the Group") are described in the directors' report.

2. Application of new and revised Accounting Standards

2.1 Amendments to AASBs and the new Interpretation that are mandatorily effective for the current year

In the current year, the Group has applied a number of amendments to AASBs and a new Interpretation issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 July 2014, and therefore are relevant for the current year end.

AASB 2014-1 'Amendments to Australian Accounting Standards' (Part B: Defined Benefit Plans: Employee Contributions Amendments to AASB 119)	The amendments to AASB 119 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee. For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' period of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' period of service. The application of these amendments to AASB 119 does not have any material impact on the disclosures or on the amount recognised in the Company's financial statements.
AASB 1031 'Materiality', AASB 2013-9 'Amendments to Australian Accounting Standards' – Conceptual Framework, Materiality and Financial Instruments' (Part B: Materiality), AASB 2014-1 'Amendments to Australian Accounting Standards' (Part C: Materiality)	The revised AASB 1031 is an interim standard that cross-references to other Standards and the 'Framework for the Preparation and Presentation of Financial Statements' (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations. Once all of these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031, AASB 2013-9 (Part B) and AASB 2014-1 (Part C) does not have any material impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

2.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations that were issued but not yet effective are listed below.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards[1]	1 January 2018	30 June 2019
AASB 15 'Revenue from Contracts with Customers' and AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15'	1 January 2017	30 June 2018
AASB 2014-4 'Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation'	1 January 2016	30 June 2017
AASB 2014-9 'Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements'	1 January 2016	30 June 2017
AASB 2015-2 'Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101'	1 January 2016	30 June 2017
AASB 2015-3 'Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality'	1 July 2015	30 June 2016
AASB 2015-5 'Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception'	1 January 2016	30 June 2017

[1] The AASB has issued the following versions of AASB 9:

- AASB 9 'Financial Instruments' (December 2009) and the relevant amending standard;
- AASB 9 'Financial Instruments' (December 2010) and the relevant amending standard;
- AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments;
- AASB 9 'Financial Instruments' (December 2014) and the relevant amending standards.

All the standards have an effective date of annual reporting periods beginning on or after 1 January 2018. Either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if the initial application date is before 1 February 2015. After this date, only AASB 9 (December 2014) can be early adopted.

3. Significant accounting policies

3.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 21 August 2015.

3.2 Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the Group takes into account the characteristics of the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 'Inventories' or value in use in AASB 136 'Impairment of Assets'.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included in Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holdings of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

3.4 Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139, or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets' as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to its acquisition date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

3.5 Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business (see 3.4 above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Groups' cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3.6 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

3.6.1 Interest income

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts though the expected life of the financial asset to that asset's net carrying amount on initial recognition.

3.7 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

3.7.1 The Group as a lessor

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

3.7.2 The Group as a lessee

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as liability. The aggregate benefit of incentives is recognised as a reduction of rental expenses on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.8 Foreign currencies

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

For the purpose of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using the exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

3.9 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

3.10 Employee benefits

Short-term and long-term employee benefits

A liability is recognised for benefits accrued to employees in respect of wages and salaries and annual leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of short-term employee benefits are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

3.11 Share-based payments arrangements

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 17.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group’s estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

3.12 Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

3.12.1 Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

3.12.2 Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same authority and the Group intends to settle its current tax assets and liabilities on a net basis.

3.12.3 Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3.13 Intangible assets

3.13.1 Intangible assets acquired in a business combination

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Intangibles have been identified as all granted patents and patent applications. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the assets, as follows:

- Patents 20 years

3.13.2 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset are recognised in profit or loss when the asset is derecognised.

3.14 Impairment of tangible and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair values less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3.16 Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

3.16.1 Financial assets

Financial assets are classified into the following specified categories: financial assets ‘at fair value through profit or loss’ (FVTPL), ‘held-to maturity’ investments, ‘available-for-sale’ (AFS) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

3.16.1.1 <u>Financial assets at FVTPL</u>

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3.16.1.2 Loans and receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

3.16.1.3 Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For financial assets that are carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial asset that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an AFS financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

3.16.1.4 Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Group retains an option to repurchase part of a transferred asset), the Group allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

3.16.2 Financial liabilities and equity instruments

3.16.2.1 Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

3.16.2.2 Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group of entity are recognised at the proceeds received, net of direct issue costs.

3.16.2.3 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

3.16.2.4 Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and AASB 139 'Financial Instruments: Recognition and Measurement' permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

3.16.2.5 Other financial liabilities

Other financial liabilities, including borrowings and trade and other payables, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

3.16.2.6 Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

3.17 Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

3.18 Comparative amounts

When current period balances have been classified differently within current period disclosures when compared to prior periods, comparative disclosures have been restated to ensure consistency of presentation between periods.

4. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period on which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

4.1 Key sources of estimation uncertainty

4.1.1 Recoverability of intangible assets acquired in a business combination

During the year, the directors reconsidered the recoverability of the Group's intangible assets arising from the acquisition of Cynata Incorporated, which is included in the consolidated statement of financial position at 30 June 2015 with a carrying value of $4,373,854 (30 June 2014: $4,821,799) after accounting for amortisation.

The directors have allocated the carrying value of the patents (before amortisation) to the different categories of the research based on their estimates. The resulting allocation has given rise to an amortisation expense of $447,945 for the year ended 30 June 2015 (30 June 2014: nil).

The directors performed an impairment testing and concluded that no further impairment of the intangible assets is required for the year (2014: nil).

5. Segment information

The Company operates in one business segment and one geographical segment, namely the development and commercialisation of therapeutic products in Australia only. 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 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 consolidated statement of financial position.

6. Other income

	2015	2014
Continuing operations	$	$
Interest revenue	89,305	82,697
Other income	4,011	25,058
Research and development rebate	281,573	-
	374,889	107,755

7. Loss for the year

Loss for the year has been arrived at after charging the following items of expenses:	2015	2014
	$	$
Employee benefits expenses		
Consultancy fees	-	45,256
Wages and salaries	746,096	500,880
Superannuation expenses	71,048	43,756
Leave entitlements	13,400	12,274
Total employee benefits expenses	830,544	602,166
Share-based payment expenses	429,457	1,302,639
Other expenses		
Rent	-	6,326
Share register fees	17,369	26,010
Director fees	82,778	49,753
Legal costs	39,445	82,441
Other administrative expenses	493,633	575,054
Effect of foreign exchange	(173,983)	-
Total other expenses	459,242	739,584

8. Income taxes relating to continuing operations

8.1 Income tax recognised in profit or loss	2015	2014
	$	$
Current tax	-	-
Deferred tax	-	-
	-	-

The income tax expense for the year can be reconciled to the accounting loss as follows:

	2015	2014
	$	$
Loss before tax from continuing operations	(3,712,077)	(3,039,663)
Income tax expense calculated at 30% (2014: 30%)	(1,113,623)	(911,899)
Effect of expenses that are not deductible in determining taxable loss	252,650	313,273
Effect of unused tax losses not recognised as deferred tax assets	860,973	598,626
	-	-

The tax rate used for the 2015 and 2014 reconciliations above is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

8.2 Income tax recognised directly in equity	2015	2014
	$	$
Current tax		
Share issue costs	-	-
Deferred tax		
Arising on transactions with owners:		
Share issue costs deductible over 5 years	-	-
	-	-

8. Income taxes relating to continuing operations (cont'd)

8.3 Unrecognised deferred tax assets

	2015 $	2014 $
Unused tax losses (revenue) for which no deferred tax assets have been recognised	4,233,008	3,655,242

All unused tax losses were incurred by Australian entities.

This benefit for tax losses will only be obtained if the specific entity carrying forward the tax losses derives future assessable income of a nature and of an amount sufficient to enable the benefit from the deductions for the losses to be realised, and the Company complies with the conditions for deductibility imposed by tax legislation.

9. Loss per share

	2015 cents per share	2014 cents per share
Basic and diluted loss per share (cents per share)	(6.12)	(6.76)

9.1 Basic and diluted loss per share

The loss and weighted average number of ordinary shares used in the calculation of basic earnings per share are as follows:

	2015 $	2014 $
Loss for the year attributable to owners of the Company	(3,712,077)	(3,039,663)

	2015 No.	2014 No.
Weighted average number of ordinary shares for the purposes of basic and diluted loss per share	60,615,937	44,942,360

10. Trade and other receivables

	2015 $	2014 $
Deposits made	3,568	3,568
Other receivables	44,241	5,979
	47,809	9,547

At the reporting date, none of the receivables were past due.

11. Intangibles

	2015 $	2014 $
Fair value of research and development (i)	4,821,799	4,821,799
Amortisation (ii)	(447,945)	-
Net book value of research and development	4,373,854	4,821,799

(i) The fair value of 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.

(ii) An amortisation expense of $447,945 has been recognised in profit or loss (2014: nil). Refer to note 3.13 for more information on the Group's accounting policy on intangibles and amortisation.

12(a) Trade and other payables

	2015 $	2014 $
Trade payables	152,635	34,882
Accrued expenses	161,056	19,025
	313,691	53,907

(b) Borrowings

	2015 $	2014 $
Bank overdraft	32,691	-

13. Provisions

	2015 $	2014 $
Provisions for employee entitlements	29,011	17,389

14. Issued capital

	2015 $	2014 $
66,071,403 fully paid ordinary shares (30 June 2014: 54,959,153)	24,460,404	22,861,642

14. Issued capital (cont'd)

Fully paid ordinary shares	**30 June 2015**		**30 Jun 2014**	
	No.	**$**	**No.**	**$**
Balance at beginning of period	54,959,153	22,281,642	505,223,461	12,338,120
Exercise of share options (i)	13,750	2,750	-	-
Exercise of share options (ii)	456,250	91,250	-	-
Exercise of share options (iii)	20,157	4,032	-	-
Exercise of share options (iv)	6,173,987	1,234,797	-	-
Exercise of share options (v)	4,448,106	889,621	-	-
Share Placement (vi)	-	-	30,000,000	300,000
Exercise of share options (vii)	-	-	55,000,000	550,000
Share purchase plan (viii)	-	-	45,749,030	457,490
Exercise of share options (ix)	-	-	11,780,832	117,809
Share purchase plan (x)	-	-	378,310	3,783
Reduced after 1 for 20 share consolidation (xi)	-	-	(615,724,932)	-
Issued in business combination (xii)	-	-	10,000,001	4,000,000
Shares issued (xiii)	-	-	12,500,000	5,000,000
Exercise of share options (xiv)	-	-	2,451	490
Exercise of share options (xv)	-	-	50,000	10,000
Share issue costs	-	(43,688)	-	(496,050)
	66,071,403	24,460,404	54,959,153	22,281,642

(i) Exercise of listed options at $0.20 each during the month of September 2014.
(ii) Exercise of listed options at $0.20 each during the month of October 2014.
(iii) Exercise of listed options at $0.20 each during the month of November 2014.
(iv) Exercise of listed options at $0.20 each during the month of December 2014.
(v) Exercise of listed options at $0.20 each during the month of January 2015.
(vi) Share placement at $0.01 per share on 7 August 2013.
(vii) Exercise of listed options at $0.01 each during the month of August 2013.
(viii) Share purchase plan at $0.01 per share on 2 September 2013.
(ix) Exercise of listed options at $0.01 each on 2 October 2013.
(x) Issue of 378,310 fully paid ordinary shares at $0.01 per share on 2 October 2013. These shares were rejected in error pursuant to the share purchase plan completed on 2 September 2013.
(xi) A 1 for 20 share consolidation was effected on 14 November 2013.
(xii) Shares issued for non-cash as consideration for the acquisition by the Company from the vendors of Cynata Inc. for the shares that the Company did not already own pursuant to the option agreement released to the ASX on 12 July 2013.
(xiii) Issue of fully paid ordinary shares at $0.40 per share in accordance with the Prospectus dated 14 October 2013.
(xiv) Exercise of listed options at $0.20 each on 17 December 2013.
(xv) Exercise of listed options at $0.20 on 21 January 2014.

15. Reserves

15.1 Share-based payments	2015 $	2014 $
Balance at beginning of year	2,846,691	1,544,052
Recognition of share-based payments (i)	429,457	1,302,639
Balance at end of year	3,276,148	2,846,691

(i) Total expenses arising from share-based payment transactions recognised during the year ended 30 June 2015 was $429,457 (2014: $1,302,639).

Further information about share-based payments is set out in note 17.

15.2 Foreign currency translation reserve	2015 $	2014 $
Balance at beginning of year	5,291	-
Exchange differences arising on translating the foreign operations	(815)	5,291
Balance at end of year	4,476	5,291

Exchange differences relating to the translation of results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

16. Financial instruments

16.1 Capital management

The Group' objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid, return capital to shareholders, issue new shares or sell assets to reduce debt.

Given the nature of the business, the Group monitors capital on the basis of current business operations and cash flow requirements. There were no changes in the Company's approach to capital management during the year.

16.2 Categories of financial instruments

Financial assets	2015 $	2014 $
Cash and cash equivalents	4,703,689	5,094,582
Trade and other receivables	47,809	9,547
	4,751,498	5,104,129
Financial liabilities		
Trade and other payables	346,382	53,907
	346,382	53,907
Net financial assets	**4,405,116**	**5,050,222**

The fair value of the above financial instruments approximates their carrying values.

16. Financial instruments (cont'd)

16.3 Financial risk management objectives

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of those risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

The board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Group's risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the Group where such impacts may be material. The board receives monthly financial reports through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The overall objective of the board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility.

16.4 Market risk

Market risk for the Group arises from the use of interest bearing financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rate (see 16.5 below).

16.5 Interest rate risk management

Interest rate risk arises on cash and cash equivalents and receivables from related parties. The Group does not enter into any derivative instruments to mitigate this risk. As this is not considered a significant risk for the Group, no policies are in place to formally mitigate this risk.

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the end on the reporting period.

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Group's loss for the year ended 30 June 2015 would increase/decrease by $47,037 (2014: $50,946)

16.6 Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. At 30 June 2015, the Company has cash denominated in US dollars (US$23,132 (2014: US$1,000,000)). The AUD equivalent at 30 June 2015 is $30,208 (2014: $1,059,504). A 5% movement in foreign exchange rates would increase or decrease the Group's loss before tax by approximately $1,510 (2014: $52,975).

16. Financial instruments (cont'd)

16.7 Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group only transacts with entities that are rated the equivalent of investment grade and above. This information is supplied by independent rating agencies where available and, if not available, the Group uses other publicly available financial information and its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

16.8 Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has established an appropriate liquidity risk management framework for the management of the Group's short-, medium- and long-term funding and liquidity management requirements. The Group manages liquidity by maintaining adequate banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

		Contractual cash flows				
	Carrying Amount	**Less than 1 month**	**1-3 months**	**3-12 months**	**1 year to 5 years**	**Total contractual cash flows**
	$	**$**	**$**	**$**	**$**	**$**
2015						
Trade and other payables	346,382	346,382	-	-	-	346,382
2014						
Trade and other payables	53,907	-	53,907	-	-	53,907

17. Share-based payments

17.1 Employee share option plan

Options may be issued to external consultants or non-related parties without shareholders' approval, where the annual 15% capacity pursuant to ASX Listing Rule 7.1 has not been exceeded. Options cannot be offered to a director or an associate except where approval is given by shareholders at a general meeting.

During the financial year, the Company issued a total of 400,000 unlisted options to external advisers.

Each option converts into one ordinary share of Cynata Therapeutics Limited on exercise. The options carry neither rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry.

17. Share-based payments (cont'd)

The following share-based payment arrangements were in existence at the reporting date:

Option series	Number	Grant date	Grant date fair value $	Exercise price $	Expiry date	Vesting date
1	500,000[i]	27 Nov 2012	0.260	0.400	9 Sept 2016	Vested
2	5,000,000[ii]	27 Sept 2013	0.290	0.400	27 Sept 2018	Vested*
3	200,000	29 May 2014	0.184	0.400	30 Nov 2015	Vested on 29 May 2015
4	600,000	29 May 2014	0.184	0.400	30 Nov 2015	Vested on 1 Dec 2014
5	400,000	11 Sept 2014	0.184	0.400	30 Nov 2015	Vested on 1 Dec 2014

[i] Balance held by Mr Howard Digby at resignation on 18 November 2014.
[ii] This represents 100,000,000 unlisted options after a 1:20 consolidation.
* 50% vested on grant date, 30% vested on 6 March 2015, 20% vested on 16 March 2015.

There has been no alterations to the terms and conditions of the above share-based payment arrangements.

17.2 Fair value of share options granted in the year

Options were priced using the Black-Scholes pricing model. Expected volatility is based on the historical share price volatility over the past 12 months.

The weighted average fair value of options granted during the year is $0.40 (2014: $0.40).

Where relevant, the fair value of the options has been adjusted based on management's best estimate for the effects of non-transferability of the options.

Inputs into the model

Input	Series 5
Grant date share price	$0.450
Exercise price	$0.400
Expected volatility	85%
Option life	1 year 80 days
Dividend yield	n/a
Risk-free interest rate	2.25%

17. Share-based payments (cont'd)

17.3 Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	2015		2014	
	Number of options No.	Weighted average exercise price $	Number of options No.	Weighted average exercise price $
Balance at beginning of the year	17,412,250	0.272	300,574,487	0.011
Balance after 1:20 consolidation	n/a	n/a	15,028,743	0.220
Granted during the year	400,000	0.400	5,800,000	0.400
Forfeited during the year	-	-	-	-
Exercised during the year[i]	(11,112,250)	0.200	(3,391,493)	0.200
Expired during the year[ii]	-	-	(25,000)	3.980
Balance at end of year	**6,700,000**	**0.400**	**17,412,250**	**0.272**
Exercisable at end of year	**6,700,000**	**0.400**	**17,412,250**	**0.272**

[i] Refer to note 17.4 below.
[ii] Amount is shown on a post consolidated (1 for 20) basis.

17.4 Share options exercised during the year

The following share options were exercised during the year (2014: 3,391,493):

2015 Options series	Number exercised	Exercise date	Share price at exercise date
Listed	3,750	9 September 2014	$0.420
Listed	10,000	26 September 2014	$0.390
Listed	21,250	22 October 2014	$0.370
Listed	435,000	12 November 2014	$0.350
Listed	20,157	14 November 2014	$0.350
Listed	412,300	5 December 2014	$0.375
Listed	578,431	11 December 2014	$0.390
Listed	892,813	18 December 2014	$0.340
Listed	1,872,631	24 December 2014	$0.340
Listed	2,417,812	31 December 2014	$0.340
Listed	4,054,119	6 January 2015	$0.380
Listed	393,987[i]	14 January 2015	$0.360

[i] Issued pursuant to underwriting shortfall on expiry of Listed 31/12/2014 Options (refer to ASX Announcement dated 14 January 2015).

17. Share-based payments (cont'd)

17.4 Share options exercised during the year (cont'd)

2014 Options series	Number exercised	Exercise date	Share price at exercise date[i]
Listed	475,000[i]	16 August 2013	$0.360
Listed	825,000[i]	22 August 2013	$0.340
Listed	950,000[i]	28 August 2013	$0.420
Listed	500,000[i]	29 August 2013	$0.380
Listed	589,042[i]	2 October 2013	$0.440
Listed	2,451	17 December 2013	$0.400
Listed	50,000	21 January 2014	$0.455

[i] These figures are shown on a post consolidation basis (1 for 20).

17.5 Share options outstanding at the end of the year

The share options outstanding at the end of the year had a weighted average exercise price of $0.400 (2014: $0.272) and a weighted average remaining contractual life of 944 days (2014: 609 days).

18. Key management personnel

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	2015 $	2014 $
Short-term employee benefits	858,874	570,208
Post-employment benefits	70,879	42,076
Share-based payments	263,799	1,284,197
	1,193,552	1,896,481

Short-term employee benefits

These amounts include fees paid to non-executive directors as well as salary and paid leave benefits awarded to executive directors, fees paid to entities controlled by the directors. It also includes an amount of $90,000 accrued as at 30 June 2015 representing bonus entitlements to Dr Macdonald ($60,000) and Dr Washer ($30,000). The bonus entitlements were paid subsequent to year end.

Post-employment benefits

These amounts are superannuation contributions made during the year.

Share-based payments

These amounts represent the expense related to the participation of key management personnel in equity-settled benefit schemes as measured by the fair value of the options granted on grant date.

Further information in relation to key management personnel remuneration can be found in the directors' report.

19. Related party transactions

19.1 Entities under the control of the Group

The Group consists of the parent entity, Cynata Therapeutics Limited and its wholly-owned US-based subsidiary Cynata Incorporated, which in turn owns 100% of Cynata Australia Pty Ltd, the operating entity of Cynata Incorporated.

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note.

19.2 Key management personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity, are considered key management personnel.

For details of disclosures relating to key management personnel, refer to the remuneration report contained in the directors' report and note 18.

19.3 Other related party transactions

Mr Webse's services are provided by Platinum Corporate Secretariat Pty Ltd (Platinum). Mr Webse is the sole director of Platinum. Company secretarial fee paid to Platinum is disclosed in the remuneration report.

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

20. Cash and cash equivalents

For the purposes of the consolidated statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the consolidated statement of cash flows can be reconciled to the related items in the consolidated statement of financial position as follows:

	2015 $	**2014** $
Cash and bank balances	4,703,689	5,094,582
Bank overdraft	(32,691)	-
	4,670,998	5,094,582

20.1 Reconciliation of loss for the year to net cash flows from operating activities

	2015 $	**2014** $
Cash flow from operating activities		
Loss for the year	(3,712,077)	(3,039,663)
Adjustments for:		
Share of loss of associate	-	23,345
Share-based payments	429,457	1,302,639
Depreciation expenses	-	208
Amortisation expenses	447,945	-
Net liability assumed from acquisition of subsidiary	-	(90,823)
Movements in working capital		
(Increase)/decrease in trade and other receivables	(38,262)	23,714
Increase in payables	259,784	2,829
Increase in provisions – annual leave	11,622	12,274
Decrease in provisions – creditors in dispute	-	(93,507)
Difference arising from foreign exchange	(815)	5,291
Net cash outflows from operating activities	(2,602,346)	(1,853,693)

21. Contingencies

A subsidiary of the Group (Cynata Inc) is in the process of filing an appeal with the US Department of Treasury Internal Revenue Service ("Department of Treasury") in relation to penalties arising from the late lodgement of information returns for US fiscal years 2012 and 2013. Although liability is not admitted, if the appeal is unsuccessful, penalties and interest amounting to US$40,395 would be payable to the Department of Treasury. The directors have been advised by US legal counsel that there is a reasonable likelihood that the appeal would be successful and do not expect the outcome to have a material effect on the Group's financial position.

The directors are not aware of any other contingencies at balance date.

22. Commitments for expenditure

The Group has entered into a number of agreements related to research and development activities. As at 30 June 2015, under these agreements, the Company is committed to making payments over future periods, as follows:

	A$
- During the period 1 July 2015 – 30 June 2016	1,854,160
- During the period 1 July 2016 – 30 June 2017	519,446
- During the period 1 July 2017 – 30 June 2020	584,377

Where commitments are denominated in foreign currencies, the amounts have been converted to Australian dollars based on exchange rates prevailing as at 30 June 2015, for illustrative purposes.

23. Remuneration of auditors

Auditor of the Group

	2015 $	2014 $
Audit or review of the financial statements	37,574	26,144

The auditor of the Group is Stantons International Audit and Consulting Pty Ltd.

24. Events after the reporting period

On 17 July 2015, the Company issued 6,666,672 fully paid ordinary shares plus one attaching 13-month option for every 2 ordinary shares issued and one attaching 5-year option for every 2 ordinary shares issued, to institutional investors in the United States of America in a private placement for gross proceeds of A$5,000,004 (before costs). The Company also issued 333,333 5-year options to the placement agent.

25. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 3 for a summary of significant accounting policies relating to the Group.

Financial position

	2015 $	2014 $
Assets		
Current assets	4,751,498	5,103,630
Non-current assets	4,890,653	4,922,063
Total assets	9,642,151	10,025,693
Liabilities		
Current liabilities	346,382	38,016
Provisions	29,011	17,389
Total liabilities	375,393	55,405
Net assets	9,266,758	9,970,288
Equity		
Issued capital	24,460,404	22,281,642
Reserves	3,276,148	2,846,691
Accumulated losses	(18,469,794)	(15,158,045)
Total equity	9,266,758	9,970,288
Financial performance		
Loss for the year	(3,311,749)	(2,918,716)

Commitments and contingencies

There were no material commitments or contingencies at the reporting date for the parent company except for those mentioned in note 21 and note 22 above.

26. Subsidiaries

Details of the Company's subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation	Proportion of ownership interest and voting power held by the Group	
			2015	2014
Cynata Incorporated	Holds licences with WARF for core IPs	USA	100%	100%
Cynata Australia Pty Ltd (i)	Non-operating subsidiary from date of reconstruction	Australia	100%	100%

(i) Cynata Australia Pty Ltd is a wholly owned subsidiary of Cynata Incorporated.

27. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 21 August 2015.

Corporate Governance Statement

This Corporate Governance Statement ("Statement") outlines the key aspects of Cynata Therapeutics Limited ('Cynata' or 'the Company') governance framework and main governance practices. The Company's charters, policies, and procedures are regularly reviewed and updated to comply with law and best practice. These charters and policies can be viewed on Cynata's website located at www.cynata.com.

This Statement is structured with reference to the Australian Securities Exchange Corporate Governance Council's ("the Council's") "Principles of Good Corporate Governance and Best Practice Recommendations 3rd Edition" ("the Recommendations").

The Board of Directors has adopted the Recommendations to the extent that is deemed appropriate considering current the size and operations of the Company. Therefore, considering the size and financial position of the Company, where the Board considers that the cost of implementing a recommendation outweighs any potential benefits, those recommendations have not been adopted.

This Statement was approved by the Board of Directors and is current as at 28 July 2015.

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The Board is responsible for evaluating and setting the strategic direction for the Company, establishing goals for management and monitoring the achievement of these goals. The Managing Director is responsible to the Board for the day-to-day management of the Company.

The principal functions and responsibilities of the Board include, but are not limited to, the following:

- Appointment, evaluation and, if necessary, removal of the Managing Director, any other executive directors, the Company Secretary and the Chief Financial Officer (if applicable) and approval of their remuneration;
- Determining, in conjunction with management, corporate strategy, objectives, operations, plans and approving and appropriately monitoring plans, new investments, major capital and operating expenditures, capital management, acquisitions, divestitures and major funding activities;
- Establishing appropriate levels of delegation to the Managing Director to allow the business to be managed efficiently;
- Approval of remuneration methodologies and systems;
- Monitoring actual performance against planned performance expectations and reviewing operating information at a requisite level to understand at all times the financial and operating conditions of the Company;
- Monitoring the performance of senior management, including the implementation of strategy and ensuring appropriate resources are available;
- Overseeing the management of business risks, safety, occupational health and environmental issues;
- Satisfying itself that the financial statements of the Company fairly and accurately set out the financial position and financial performance of the Company for the period under review;
- Satisfying itself that there are appropriate reporting systems and controls in place to assure the Board that proper operational, financial, compliance, risk management and internal control processes are in place and functioning appropriately;
- Assuring itself that appropriate audit arrangements are in place in relation to the Company's financial affairs;
- Authorising the issue of any shares, options, equity instruments or other securities within the constraints of the Corporations Act and the ASX Listing Rules; and
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
  − Code of Conduct;
  − Continuous Disclosure Policy;
  − Diversity Policy;
  − Performance Evaluation Policy;
  − Procedures for Selection and Appointment of Directors;
  − Remuneration Policy;
  − Risk Management and Internal Compliance and Control Policy.
  − Securities Trading Policy; and
  − Shareholder Communications Policy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board has delegated to the Managing Director responsibility for the management and operation of Cynata. The Managing Director is responsible for the day-to-day operations, financial performance and administration of Cynata within the powers authorised to him from time-to-time by the Board. The Managing Director may make further delegation within the delegations specified by the Board and is accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter on the Cynata Website.

Board Committees
The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit, risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit, risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if appropriate.

Board Appointments
The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary
The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity
The Company has adopted a formal Diversity Policy and is committed to workplace diversity, with a particular focus on supporting the representation of women at the senior level of the Company and on the Company Board.

The Company is currently in an early stage of its development and given that it currently has a limited number of employees, the application of measurable objectives in relation to gender diversity, at various levels of the Company's business, is not considered to be appropriate nor practical.

The Board will review this position on an annual basis and will implement measurable objectives as and when they deem the Company to require them.

There were no women employees during the reporting period and no women on the Board.

The Company's Diversity Policy is available on its website.

Board & Management Performance Review
On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the type and timing of information provided to the Board by management;
- reviewing management's performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Executive Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:
- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director against agreed key performance indicators.

Board and management performance reviews were conducted during the financial year in accordance with the above processes.

Independent Advice
Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to obtain independent professional advice on any matter connected with the discharge of their responsibilities, with prior notice to the Chairman, at Cynata's expense.

Principle 2: Structure the board to add value

Board Composition
During the financial year and to the date of this report the Board was comprised of the following members:

Dr Stewart Washer	Executive Chairman (appointed 1 August 2013);
Dr Ross Macdonald	Managing Director (appointed 1 August 2013);
Mr Peter Webse	Non-Executive Director (appointed 18 May 2012);
Dr John Chiplin	Non-Executive Director (appointed 18 November 2014);
Mr Howard Digby	Non-Executive Director (appointed 18 May 2012, resigned 18 November 2014).

The Board currently consists of two Executive Directors being the Chairman and Managing Director, and two Non-Executive Directors, one of whom is also the Company Secretary.

Cynata has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Company's Chairman, Dr Stewart Washer, is not an independent director. The Board believes it is important to have the Chairman engaged in an executive capacity at this critical stage of the Company's development. The Board values the insight and advice provided by Dr Washer and considers that the materiality of his relationship is such that it does not interfere with his capacity to bring an independent judgement on issues before the Board and to act in the best interests of Cynata and its security holders generally.

The Board does not consist of a majority of independent directors, Dr John Chiplin is the only current director considered to be independent. Given the size of the Board and the nature and scale of the Company's current operations the Board believes the presence of one independent director on the Board is sufficient.

Board Selection Process
The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Cynata. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process. The Board has a skills matrix covering the competencies and experience of each member. When the need for a new director is identified, the required experience and competencies of the new director are defined in the context of this matrix and any gaps that may exist.

Generally a list of potential candidates is identified based on these skills required and other issues such as geographic location and diversity criteria. Candidates are assessed against the required skills and on their qualifications, backgrounds and personal qualities. In addition, candidates are sought who have a proven track record in creating security holder value and the required time to commit to the position.

Induction of New Directors and Ongoing Development
New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly
The Company has implemented a Code of Conduct, which provides guidelines aimed at maintaining high ethical standards, corporate behaviour and accountability within the Company.

All employees and Directors are expected to:
- respect the law and act in accordance with it;
- maintain high levels of professional conduct;
- respect confidentiality and not misuse Company information, assets or facilities;
- avoid real or perceived conflicts of interest;
- act in the best interests of shareholders;
- by their actions contribute to the Company’s reputation as a good corporate citizen which seeks the respect of the community and environment in which it operates;
- perform their duties in ways that minimise environmental impacts and maximise workplace safety;
- exercise fairness, courtesy, respect, consideration and sensitivity in all dealings within their workplace and with customers, suppliers and the public generally; and
- act with honesty, integrity, decency and responsibility at all times.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting
The Board as a whole fulfills to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company’s business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend Cynata's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the audit partner responsible for the audit not perform in that role for more than five years.

CEO and CFO (Equivalent) Certifications
The Board has received certifications from the CEO and CFO (Equivalent) in connection with the financial statements for the Cynata for the Reporting Period. The certifications state that the declaration provided in accordance with Section 295A of the Corporations Act as to the integrity of the financial statements is founded on a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. The Executive Chairman, Managing Director and the Company Secretary are responsible for ensuring that:

a) Company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and
b) Company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognizes the value of providing current and relevant information to its shareholders.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information mailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the “contact us” page of the Company’s website.

Shareholders may elect to, and are encouraged to, receive communications from Cynata and Cynata's securities registry electronically.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company’s website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Cynata's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Cynata has established policies for the oversight and management of material business risks.

Cynata's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Cynata believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Cynata is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Cynata accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Cynata's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring we do not enter into unnecessary risks or enter into risks unknowingly.

Cynata assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Cynata applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Cynata's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks.
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls.
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board review's the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Cynata's management of its material business risks on at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Cynata has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Cynata operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Cynata's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Cynata.

The key principles are to:

- link executive reward with strategic goals and sustainable performance of Cynata
- apply challenging corporate and individual key performance indicators that focus on both short-term and long-term outcomes
- motivate and recognise superior performers with fair, consistent and competitive rewards
- remunerate fairly and competitively in order to attract and retain top talent
- recognise capabilities and promote opportunities for career and professional development
- through employee ownership of Cynata shares, foster a partnership between employees and other security holders

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the CEO, Non-Executive Directors and senior management based on an annual review.

Cynata's executive remuneration policies and structures and details of remuneration paid to directors and senior managers are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options. They do not receive any termination or retirement benefits, other than statutory superannuation.

The maximum aggregate remuneration approved by shareholders for Non-Executive Directors is $300,000 per annum. The Directors set the individual Non-Executive Directors fees within the limit approved by shareholders.

The total fees paid to Non-Executive Directors during the reporting period were $82,058.

Executive directors and other senior executives are remunerated using combinations of fixed and performance based remuneration. Fees and salaries and set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

In accordance with the Company's share trading policy, participants in an equity based incentive scheme are prohibited from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

ASX Additional Information as at 14 August 2015

Substantial Shareholders

The Company does not have any substantial shareholders.

Distribution of Ordinary Shares

Category	Number of Holders	Ordinary Shares	% of Issued Capital
1 – 1,000	406	225,526	0.31
1,001 – 5,000	553	1,631,037	2.24
5,001 – 10,000	271	2,244,997	3.09
10,001 – 100,000	584	19,156,504	26.34
100,001 and over	109	49,480,011	68.02
	1,923	**72,738,075**	**100.00**

Voting Rights

(a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;
(b) on a show of hands each person present who is a member has one vote, and on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held; and
(c) no voting rights attach to unlisted options.

Number of Holders of Unlisted Options

5,000,000 unlisted $0.40 Options expiring 27/09/2018 held by 2 holders (1);

500,000 unlisted $0.40 Options expiring 09/09/2016 held by 1 holder (2);

1,200,000 unlisted $0.40 Options expiring 30/11/2015 held by 2 holders (3);

3,333,336 unlisted $0.80 Options expiring 17/08/2016 held by 2 holders (4); and

3,666,669 unlisted $1.00 Options expiring 17/07/2020 held by 9 holders (5).

Unlisted Option Holders holding 20% or more:

(1) 2,500,000 Options held in the name of Mal Washer Nominees Pty Ltd (50%) and 2,500,000 Options held in the name of Mrs Sharon Anne Macdonald (50%).

(2) 500,000 Options held in the name of Mr Howard Digby (100%).

(3) 1,000,000 Options held in the name of Mrs Sara Gillian Cameron (83.33%).

(4) 2,222,224 Options held in the name of Merrill Lynch (Australia) Nominees Pty Limited (66.67%) and 1,111,112 Options held in the name of Citicorp Nominees Pty Limited (33.33%).

(5) 2,222,224 Options held in the name of Merrill Lynch (Australia) Nominees Pty Limited (60.61%) and 1,111,112 Options held in the name of Citicorp Nominees Pty Limited (30.30%).

Options Escrowed

There are 500,000 unlisted $0.40 Options expiring 09/09/2016 and 5,000,000 unlisted $0.40 Options expiring 27/09/2018 escrowed until 29 November 2015.

ASX Listing Rule 4.10.19

The Group has used its cash and assets in a form readily convertible to cash that it had at the time of reinstatement of the Group's securities to quotation following compliance with Listing Rule 11.1.3 in a way consistent with its business objectives.

On-Market Buy-Back

There is no current on-market buy back.

Unmarketable Parcels

The number of shareholders holding less than a marketable parcel is 295.

20 Largest Shareholders

Name	Number of Shares Held	% of Issued Capital
Intersuisse Nominees Pty Limited <Custodian A/C>	3,313,357	4.56
Celtic Capital Pte Ltd <Trading 1 A/C>	2,390,500	3.29
Professor Igor Slukvin	2,383,317	3.28
Merrill Lynch (Australia) Nominees Pty Limited	2,168,193	2.98
Mr Ian Dixon	2,040,717	2.81
John W King Nominees Pty Ltd	2,018,433	2.77
Dr Allen Bollands	1,787,488	2.46
Citicorp Nominees Pty Limited	1,776,578	2.44
Tisia Nominees Pty Ltd <Henderson Family A/C>	1,645,059	2.26
Webinvest Pty Ltd <OLSB Unit Trust>	1,224,869	1.68
Ardroy Securities Pty Ltd <Cameron Investment Unit A/C>	1,200,000	1.65
Dr Maksym Vodyanyk	1,191,658	1.64
Merrill Lynch (Australia) Nominees Pty Limited <MLPRO A/C>	1,055,622	1.45
Dr Roger Aston	1,000,000	1.37
J K Nominees Pty Ltd <JK Fund A/C>	1,000,000	1.37
Bannaby Investments Pty Ltd <Bannaby Super Fund A/C>	918,916	1.26
Mr Gregory M & Mrs Lisa M Pinkus <Pinkus Fam S/F A/C>	750,000	1.03
Denlin Nominees Pty Ltd	725,000	1.00
Mr Peter Barrett Capp <Capp Fam A/C>	700,000	0.96
CM Cook Superannuation Pty Ltd <CM Cook Super Fund A/C>	700,000	0.96
	29,989,707	**41.23**