



Cynata Therapeutics Limited

ABN 98 104 037 372

and its controlled entities

**Half year report for the half-year ended
31 December 2014**

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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Website

Website: www.cynata.com

Auditors

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West Perth, Western Australia 6005

Share Registry

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Perth, Western Australia 6000

ASX Code

CYP

Half year report for the half-year ended 31 December 2014

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Directors' report

The directors of Cynata Therapeutics Limited (“Cynata” or “the Company”) submit herewith the financial report of Cynata Therapeutics Limited and its subsidiaries (“the consolidated entity”) for the half-year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Names of Directors

The names of the directors of the Company during or since the end of the half-year are:

Dr Stewart Washer
Dr Ross Macdonald
Dr John Chiplin
Mr Peter Webse

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

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

Review of operations

The loss of the consolidated entity for the half-year ended 31 December 2014, after providing for income tax, amounted to \$1,418,725 compared to a loss of \$1,727,561 for the half-year ended 31 December 2013.

During the second half 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 medical products. 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.

Particular attention was paid to defining the likely regulatory path to bring our first Cymerus™ MSC-based product to a clinical trial. This involved seeking ongoing guidance from our regulatory consultants and also having direct interaction with regulatory agencies such as the European Medicines Agency (EMA) in the European Union. Due to the unique nature of the manufacturing process and the novelty of MSC-based therapeutics, this interaction is a lengthy and continuing process. Nevertheless, it has been both positive and constructive.

The conduct of pre-clinical safety studies is a pre-condition to commencing clinical trials and so the Company commenced this process with the engagement of WuXi Apptec (NYSE:WX), a well-respected research and development services company with considerable experience in undertaking such safety studies. Activities at WuXi Apptec are expected to expand during the first quarter of 2015 as we accelerate our pre-clinical program.

The Cymerus™ technology uses an induced pluripotent cell (iPSC) as the starting material for the process to manufacture MSCs. Accordingly, the transaction with Cellular Dynamics International (CDI; NASDAQ: ICEL), was a very important achievement for Cynata and since it was the first deal in which a commercial enterprise has secured a clinical grade iPSC line for use in human allogeneic MSC therapy, it was a world-first. It provides Cynata with access to a clinical grade human induced pluripotent stem cell (iPSC) line, along with a broad portfolio of associated intellectual property.

In addition to our ongoing manufacturing scale-up program at Waisman Biomanufacturing in Wisconsin, during the half year we also entered into a new arrangement with Professor Slukvin's laboratory at the University of Wisconsin – Madison. Professor Slukvin is one of the founders of Cynata Therapeutics Ltd and inventors of our Cymerus™ technology; he has an outstanding reputation in the field of stem cell biology and stem cell processing. The focus of this new relationship is to optimise the preservation and storage of our Cymerus™ MSC product to provide such enhanced product characteristics as improved cryopreservation, more convenient preparation steps for clinical use and greater stability. This could identify new intellectual property important in growing the value of our Cymerus™ assets.

During the half year, the Company also accelerated its communication and partnering activities. We were very pleased to have been invited to present on Cynata to a broad audience of investors and potential partners at the World Stem Cell Summit in the United States and also conducted several investor roadshows, both in Australia and overseas. This was assisted by favourable equity research reports published by both Baillieu Holst and by BBY. During 2015 we intend to substantially increase our partnering and investor outreach activities.

The addition to the Board of Dr John Chiplin as a non-executive Director brought new experience and skills to the Board. 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 Mr Digby for his significant contributions to Cynata.

The exercise of the Company's December 2014 options ensures the Company enters 2015 with a strong balance sheet and sufficient funds to support its planned operations through to the completion of the Phase 1 clinical trial. 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.

Two important events occurred following the end of the half year: the first was a partnership with the University of Western Australia's Centre for Cell Therapy and Regenerative Medicine (CCTRM) to test the potential therapeutic efficacy of the Company's Cymerus™ MSCs in an animal model of lung fibrosis. The second was the achievement of a world first breakthrough in the manufacture of iPSC-derived MSCs with the Company successfully validating the manufacturing scale up of its Cymerus™ MSCs in a Good Manufacturing Practice (GMP) environment. The Company will now move to manufacture its Cymerus™ MSC product to expedite its clinical trial and collaboration programs.

Auditor's independence declaration

The auditor's independence declaration is included on page 3 of the half-year report.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the *Corporations Act 2001*.

On behalf of the directors



Dr Ross Macdonald
Managing Director

26 February 2015
Perth, Western Australia

26 February 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 review of the financial statements of Cynata Therapeutics Limited for the half-year ended 31 December 2014, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

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



Samir Tirodkar
Director

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF CYNATA THERAPEUTICS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Cynata Therapeutics Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the half-year ended on that date, condensed notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration for Cynata Therapeutics Limited ("the consolidated entity"). The consolidated entity comprises both Cynata Therapeutics Limited ("the Company") and the entities it controlled during the half year.

Directors' Responsibility for the Half-Year Financial Report

The directors of Cynata Therapeutics Limited are responsible for the preparation of the half-year 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 control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Cynata Therapeutics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Whilst we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our review was not designed to provide assurance on internal controls.

Our review did not involve an analysis of the prudence of business decisions made by the directors or management.

Independence

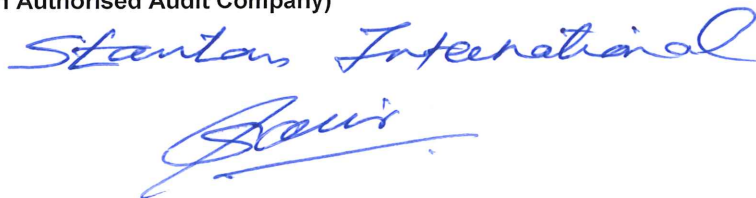
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, has been provided to the directors of Cynata Therapeutics Limited on 26 February 2015.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Cynata Therapeutics Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

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



Samir Tirodkar
Director

West Perth, Western Australia
26 February 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standard AASB 134 *'Interim Financial Reporting'* and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the directors



Dr Ross Macdonald
Managing Director

26 February 2015
Perth, Western Australia

Consolidated statement of profit or loss and other comprehensive income for the half-year ended 31 December 2014

	Note	Consolidated	
		Half-year ended	
		31 Dec 2014	31 Dec 2013
		\$	\$
Continuing operations			
Other income	4	43,354	49,686
Product development and marketing costs		(539,068)	(73,935)
Employee benefits expenses		(376,241)	(208,631)
Share based payments expenses	8	(365,670)	(1,015,805)
Depreciation and amortisation expenses		-	(30)
Other operational expenses		(181,100)	(478,846)
Loss before income tax		(1,418,725)	(1,727,561)
Income tax expense		-	-
Loss for the period		(1,418,725)	(1,727,561)
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		(815)	3,978
Other comprehensive (loss)/income for the period, net of income tax		(815)	3,978
Total comprehensive loss for the period		(1,419,540)	(1,723,583)
Loss attributable to:			
Owners of Cynata Therapeutics Limited		(1,418,725)	(1,727,561)
Total comprehensive loss attributable to:			
Owners of Cynata Therapeutics Limited		(1,419,540)	(1,723,583)
Loss per share:			
Basic and diluted (cents per share)		2.56	4.92

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

Consolidated statement of financial position as at 31 December 2014

	Note	Consolidated	
		31 Dec 2014 \$	30 Jun 2014 \$
Current assets			
Cash and cash equivalents		6,156,486	5,094,582
Trade and other receivables		43,087	9,547
Total current assets		6,199,573	5,104,129
Non-current assets			
Intangibles	5	4,821,799	4,821,799
Total non-current assets		4,821,799	4,821,799
Total assets		11,021,372	9,925,928
Current liabilities			
Trade and other payables		185,093	53,907
Provisions		21,872	17,389
Total current liabilities		206,965	71,296
Total liabilities		206,965	71,296
Net assets		10,814,407	9,854,632
Equity			
Issued capital	6	23,614,471	22,281,642
Shares yet to be issued	7	680,816	-
Option reserves	8	3,212,361	2,846,691
Foreign currency translation reserves		4,476	5,291
Accumulated losses		(16,697,717)	(15,278,992)
Total equity		10,814,407	9,854,632

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

Consolidated statement of changes in equity for the half-year ended 31 December 2014

<u>Consolidated</u>	Issued Capital \$	Shares yet to be issued \$	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 period	-	-	-	-	(1,727,561)	(1,727,561)
Other comprehensive income, net of tax	-	-	-	3,978	-	3,978
Total comprehensive income/(loss) for the period	-	-	-	3,978	(1,727,561)	(1,723,583)
Issue of ordinary shares	6,429,572	-	-	-	-	6,429,572
Issue of ordinary shares related to business combination	4,000,000	-	-	-	-	4,000,000
Share issue costs	(496,050)	-	-	-	-	(496,050)
Share based payments	-	-	1,015,805	-	-	1,015,805
Balance at 31 December 2013	22,271,642	-	2,559,857	3,978	(13,966,890)	(10,868,587)
Balance at 1 July 2014	22,281,642	-	2,846,691	5,291	(15,278,992)	9,854,632
Loss for the period	-	-	-	-	(1,418,725)	(1,418,725)
Other comprehensive income, net of tax	-	-	-	(815)	-	(815)
Total comprehensive income/(loss) for the period	-	-	-	4,476	(1,418,725)	(1,419,540)
Issue of ordinary shares (refer note 6)	1,332,829	-	-	-	-	1,332,829
Ordinary shares yet to be issued (refer note 7)	-	680,816	-	-	-	680,816
Share based payments (refer note 8)	-	-	365,670	-	-	365,670
Balance at 31 December 2014	23,614,471	680,816	3,212,361	4,476	(16,697,717)	10,814,407

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

Consolidated statement of cash flows for the half-year ended 31 December 2014

	Note	Consolidated	
		Half-year ended	
		31 Dec 2014	31 Dec 2013
		\$	\$
Cash flows from operating activities			
Payments to suppliers and employees		(531,769)	(713,798)
Interest received		43,354	24,628
Research and development tax refund received		-	25,058
Development costs paid		(507,015)	(73,935)
Net cash used in operating activities		(995,430)	(738,047)
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 equity instruments of the Company	6	1,332,829	6,429,572
Proceeds from equity instruments not yet issued	7	724,505	-
Payment for share issue costs		-	(496,050)
Net cash provided by financing activities		2,057,334	5,933,522
Net increase in cash and cash equivalents		1,061,904	5,083,641
Cash and cash equivalents at the beginning of the period		5,094,582	1,116,587
Cash and cash equivalents at the end of the period		6,156,486	6,200,228

Condensed notes to the consolidated financial statements are included on pages 11 to 16.

Condensed notes to the consolidated financial statements for the half-year ended 31 December 2014

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 '*Interim Financial Reporting*'. The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with annual financial statements of the Company for the year ended 30 June 2014 together with any public announcements made during the following half-year.

The half-year financial report was authorised for issue by the directors on 26 February 2015.

Basis of preparation

The consolidated financial statements have been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2014 annual financial report for the financial year ended 30 June 2014, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

Principles of consolidation

The consolidated financial statements incorporate all assets, liabilities and results of the parent and all of its subsidiaries. Subsidiaries are entities the parent controls. The parent controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

The assets, liabilities and results of all subsidiaries are fully consolidated into the financial statements of the consolidated entity from the date on which control is obtained by the Company. The consolidation of a subsidiary is discontinued from the date that control ceases. Intercompany transactions, balances and unrealised gains or losses on transactions between entities are fully eliminated on consolidation. Accounting policies of subsidiaries have been changed and adjustments made where necessary to ensure uniformity of the accounting policies adopted by the consolidated entity.

Significant accounting judgements and key estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

In preparing these half-yearly statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial report for the year ended 30 June 2014.

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The consolidated entity has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the consolidated entity include:

- AASB 1031 'Materiality' (2013)
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

Impact of the application of AASB 1031 'Materiality' (2013)

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, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's consolidated financial statements.

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The consolidated entity has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

As the consolidated entity does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the consolidated entity's consolidated financial statements. The consolidated entity has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the consolidated entity's consolidated financial statements.

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the consolidated entity's consolidated financial statements.

2. Segment information

The consolidated entity operates in one business segment namely the development and commercialisation of therapeutics products.

3. Dividends

No dividends were paid or declared for the half-year ended 31 December 2014 and the directors have not recommended the payment of a dividend.

4. Other income

	31 Dec 2014	31 Dec 2013
	\$	\$
Interest income	43,354	24,628
Research and development refund received	-	25,058
	43,354	49,686

5. Intangibles

	31 Dec 2014	30 Jun 2014
	\$	\$
Fair value attributable to interests in research and development of stem cells	4,821,799	4,821,799

The fair value attributable to interests in research and development of stem cells is due to, and in recognition of, the successful development of 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. For more information about the acquisition of Cynata Incorporated, please refer to the 2014 annual financial report.

As a result of an impairment review performed by the directors, no impairment was to be recognised in respect of the fair value of R&D for the half-year ended 31 December 2014 (30 June 2014: nil).

6. Issued capital

61,623,297 fully paid ordinary shares
(30 June 2014: 54,959,153)

31 Dec 2014	30 Jun 2014
\$	\$
23,614,471	22,281,642

Fully paid ordinary shares

	31 Dec 2014		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)	21,250	4,250	-	-
Exercise of share options (iii)	455,157	91,031	-	-
Exercise of share options (iv)	6,173,987	1,234,798	-	-
Share placement (v)	-	-	30,000,000	300,000
Exercise of share options (vi)	-	-	55,000,000	550,000
Share purchase plan (vii)	-	-	45,749,030	457,490
Exercise of share options (viii)	-	-	11,780,832	117,809
Share purchase plan (ix)	-	-	378,310	3,783
Reduced after 1 for 20 share consolidation (x)	-	-	(615,724,932)	-
Issue in business combination (xi)	-	-	10,000,001	4,000,000
Shares issued (xii)	-	-	12,500,000	5,000,000
Exercise of share options (xiii)	-	-	2,451	490
Exercise of share options (xiv)	-	-	50,000	10,000
Share issue costs	-	-	-	(496,050)
	61,623,297	23,614,471	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 on 22 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) Share placement at \$0.01 per share on 7 August 2013.

(vi) Exercise of listed options at \$0.01 each during the month of August 2013.

(vii) Share Purchase Plan at \$0.01 per share on 2 September 2013.

(viii) Exercise of listed options at \$0.01 each on 2 October 2013.

(ix) 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 placement completed on 2 September 2013.

(x) A 1 for 20 share consolidation was effected on 8 November 2013.

(xi) 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.

(xii) Issue of fully paid ordinary shares at \$0.40 per share in accordance with the Prospectus dated 14 October 2013.

(xiii) Exercise of listed options at \$0.20 each on 17 December 2013.

(xiv) Exercise of listed options at \$0.20 each on 21 January 2014.

Share options on issue

As at 31 December 2014, the Company had 6,700,000 share options on issue (30 June 2014: 17,412,250). These options are exercisable on a 1:1 basis for 6,700,000 shares (30 June 2014: 17,412,250) at various exercise prices.

Listed 31 December 2014 options amounting to 393,987 expired on that date. As these were fully underwritten, shares were subsequently issued to the underwriter.

7. Shares yet to be issued

As at 31 December 2014, the Company received \$724,505 as a result of the exercise of 3,622,524 listed options at \$0.20 each. An amount of \$43,689 has been accrued in the accounts as costs associated with the underwriting of listed options which were due to expire on 31 December 2014. The expense was paid after balance date. Fully paid ordinary shares pertaining to the exercise of these options were yet to be issued as at 31 December 2014.

8. Option reserves

	31 Dec 2014	30 Jun 2014
	\$	\$
Share-based payments		
Balance at beginning of period	2,846,691	1,544,052
Recognition of share-based payments (i)	365,670	1,302,639
Balance at end of period	3,212,361	2,846,691

The equity-settled employee benefits reserve arises on the grant of share options to executives, employees, consultants and advisors. Amounts are transferred out of the reserve and into issued capital when the options are exercised.

(i) Total expenses arising from share-based payment transactions recognised during the half-year ended 31 December 2014 was \$365,670 (30 June 2014: \$1,302,639).

9. Contingent liabilities and contingent assets

There has been no significant change in contingent liabilities and/or contingent assets since the last annual report. Please refer to the 30 June 2014 annual financial report.

10. Commitments**Research commitments**

During the half-year ended 31 December 2014, the Company entered into a number of agreements related to research and development activities. Under these agreements, the Company is committed to making payments (*amounts represented in US dollars*) over future periods, as follows:

	US\$
- During the period 1 July 2014 – 30 June 2015	371,383
- During the period 1 July 2015 – 30 June 2016	479,250
- During the period 1 July 2016 – 30 June 2019	550,000

11. Key management personnel

Remuneration arrangements of key management personnel are disclosed in the annual financial report. Arrangements with related parties continue to be in place. For details of these arrangements, please refer to the 30 June 2014 annual financial report.

Key management personnel continue to receive compensation in the form of short-term employee benefits, post-employment benefits and share-based payments.

12. Subsequent events

There has not been any matter or circumstance, other than that referred to below, that has arisen since the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company, the results of those operations, or the state of affairs of the Company in future financial years.

(i) On 6 January 2015, the Company announced the completion of the exercise of underwritten listed 31 December 2014 options. On the same day, 4,054,119 shares were issued to complete the exercise of listed 31 December 2014 options. The amount of 4,054,119 shares was made up of 3,622,524 shares for which cash of \$724,505 had been received by the Company at the reporting date. An amount of \$86,319 for the remaining 431,595 shares were received by the share registry by the reporting date but were not transferred to the Company until 2 January 2015. Pursuant to the option underwriting agreement announced in November 2014, the underwriters took up a shortfall amount of 393,987 options. The shares were issued on 14 January 2015.