UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 2022

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number **001-12830**

Lineage Cell Therapeutics, Inc.
(Exact name of registrant as specified in its charter)

California	**94-3127919**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

2173 Salk Avenue, Suite 200
Carlsbad, California 92008
(Address of principal executive offices) (Zip code)

(Registrant's telephone number, including area code) (442) 287-8990

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol	Name of exchange on which registered
Common shares no par value	**LCTX**	**NYSE American**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. ☒ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). ☒ Yes ☐ No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☐	Accelerated filer ☐
Non-accelerated filer ☒	Smaller reporting company ☒
Emerging growth company ☐	

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). ☐ Yes ☒ No

The number of common shares outstanding as of August 5, 2022 was 169,755,487.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "Report") contains "forward-looking statements" (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) that involve risks and uncertainties. We make such forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 and other federal securities laws. All statements other than statements of historical facts contained in this Report are forward-looking statements. In some cases, you can identify forward-looking statements by words such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "intend," "may," "plan," "potential," "predict," "project," "seek," "should," "target," "will," "would," or the negative of these words or other comparable terminology. These forward-looking statements include, but are not limited to, statements relating to:

- the Collaboration and License Agreement we entered into with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group, activities expected to occur thereunder, and the potential to receive the developmental, regulatory, and commercialization milestone and royalty payments thereunder;
- our plans to research, develop and commercialize our product candidates;
- the initiation, progress, success, cost and timing of our clinical trials and product development activities;
- the therapeutic potential of our product candidates, and the disease indications for which we intend to develop our product candidates;
- our ability to manufacture our product candidates for clinical development and, if approved, for commercialization, and the timing and costs of such manufacture;
- the performance of third parties in connection with the development and manufacture of our product candidates, including third parties conducting our clinical trials as well as third-party suppliers and manufacturers;
- the potential of our cell therapy platform, and our plans to apply our platform to research, develop and commercialize our product candidates;
- our ability to obtain funding for our operations, including funding necessary to initiate and complete clinical trials of our product candidates;
- the size and growth of the potential markets for our product candidates and our ability to serve those markets;
- the potential scope and value of our intellectual property rights;
- our ability, and the ability of our licensors, to obtain, maintain, defend and enforce intellectual property rights protecting our product candidates, and our ability to develop and commercialize our product candidates without infringing the proprietary rights of third parties;
- our ability to recruit and retain key personnel;
- the effects on our operations of pandemics, including the COVID-19 pandemic, the war in Ukraine, rising inflation and interest rates; and
- other risks and uncertainties, including those described and referenced under Part II, Item 1A, "Risk Factors" of this Report.

Forward-looking statements reflect our current views with respect to future events or to our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed and referenced under Part II, Item 1A, "Risk Factors" of this Report. Given these uncertainties, you should not place undue reliance on these forward-looking statements. Except as required by law, we assume no obligation to update or revise these forward-looking statements for any reason, even if new information becomes available in the future.

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	June 30, 2022 (Unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 70,857	$ 55,742
Marketable equity securities	1,173	2,616
Accounts and grants receivable, net (Note 3)	707	50,840
Prepaid expenses and other current assets	1,289	2,351
Total current assets	74,026	111,549
NONCURRENT ASSETS		
Property and equipment, net (Notes 6 and 14)	3,869	4,872
Deposits and other long-term assets	598	630
Goodwill	10,672	10,672
Intangible assets, net	46,757	46,822
TOTAL ASSETS	$ 135,922	$ 174,545
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 8,684	$ 27,969
Lease liabilities, current portion (Note 14)	593	801
Financing lease, current portion (Note 14)	29	30
Deferred revenues (Note 3)	15,785	18,119
Liability classified warrants, current portion	-	197
Total current liabilities	25,091	47,116
LONG-TERM LIABILITIES		
Deferred tax liability	2,076	2,076
Deferred revenues, net of current portion (Note 3)	25,774	32,454
Lease liability, net of current portion (Note 14)	1,459	1,941
Financing lease, net of current portion (Note 14)	19	30
Liability classified warrants and other long-term liabilities	4	30
TOTAL LIABILITIES	54,423	83,647
Commitments and contingencies (Note 14)		
SHAREHOLDERS' EQUITY		
Preferred shares, no par value, authorized 2,000 shares; none issued and outstanding as of June 30, 2022 and December 31, 2021	-	-
Common shares, no par value, 250,000 shares authorized; 169,748 and 169,477 shares issued and outstanding as of June 30, 2022 and December 31, 2021, respectively	437,151	434,529
Accumulated other comprehensive loss	(3,357)	(5,211)
Accumulated deficit	(350,947)	(337,097)
Lineage Cell Therapeutics, Inc. shareholders' equity	82,847	92,221
Noncontrolling (deficit)	(1,348)	(1,323)
Total shareholders' equity	81,499	90,898
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 135,922	$ 174,545

See accompanying notes to the condensed consolidated interim financial statements.

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(IN THOUSANDS, EXCEPT PER SHARE DATA)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
REVENUES:				
Collaboration revenues	$ 4,148	$ 213	$ 9,013	$ 213
Royalties	405	228	777	521
Grant revenues	-	71	-	169
Total revenues	4,553	512	9,790	903
Cost of sales	(215)	(125)	(391)	(237)
Gross profit	4,338	387	9,399	666
OPERATING EXPENSES:				
Research and development	3,302	2,931	6,290	6,325
General and administrative	5,270	4,536	13,739	8,471
Total operating expenses	8,572	7,467	20,029	14,796
Loss from operations	(4,234)	(7,080)	(10,630)	(14,130)
OTHER INCOME/(EXPENSES):				
Interest income (expense), net	51	(3)	51	(1)
Gain on sale of marketable securities	-	-	-	6,024
Unrealized (loss) gain on marketable equity securities	(709)	590	(1,444)	1,830
Gain on extinguishment of debt	-	523	-	523
Gain on revaluation of warrant liability	2	35	223	52
Other income (expense), net	(1,892)	970	(2,075)	(711)
Total other income/(expense), net	(2,548)	2,115	(3,245)	7,717
LOSS BEFORE INCOME TAXES	(6,782)	(4,965)	(13,875)	(6,413)
Deferred income tax benefit	-	169	-	169
NET LOSS	(6,782)	(4,796)	(13,875)	(6,244)
Net loss attributable to noncontrolling interest	19	8	25	40
NET LOSS ATTRIBUTABLE TO LINEAGE CELL THERAPEUTICS, INC.	$ (6,763)	$ (4,788)	$ (13,850)	$ (6,204)
NET LOSS PER COMMON SHARE:				
BASIC	$ (0.04)	$ (0.03)	$ (0.08)	$ (0.04)
DILUTED	$ (0.04)	$ (0.03)	$ (0.08)	$ (0.04)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING:				
BASIC	169,731	162,914	169,689	160,831
DILUTED	169,731	162,914	169,689	160,831

See accompanying notes to the condensed consolidated interim financial statements.

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(IN THOUSANDS)
(UNAUDITED)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
NET LOSS	$ (6,782)	$ (4,796)	$ (13,875)	$ (6,244)
Other comprehensive loss, net of tax:				
Foreign currency translation adjustment, net of tax	1,730	(960)	1,854	616
COMPREHENSIVE LOSS	(5,052)	(5,756)	(12,021)	(5,628)
Less: Comprehensive loss attributable to noncontrolling interest	19	8	25	40
COMPREHENSIVE LOSS ATTRIBUTABLE TO LINEAGE CELL THERAPEUTICS, INC. COMMON SHAREHOLDERS	$ (5,033)	$ (5,748)	$ (11,996)	$ (5,588)

LINEAGE CELL THERAPEUTICS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	Six Months Ended June 30,	
	2022	**2021**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss attributable to Lineage Cell Therapeutics, Inc.	$ (13,850)	$ (6,204)
Net loss allocable to noncontrolling interest	(25)	(40)
Adjustments to reconcile net loss attributable to Lineage Cell Therapeutics, Inc. to net cash provided by (used in) operating activities:		
Gain on sale of marketable securities	-	(6,024)
Unrealized loss (gain) on marketable equity securities	1,444	(1,830)
Gain on extinguishment of debt	-	(523)
Depreciation expense, including amortization of leasehold improvements	296	338
Amortization of right-of-use asset	(7)	20
Amortization of intangible assets	65	145
Stock-based compensation	2,341	1,458
Common stock issued for services	-	202
Gain on revaluation of warrant liability	(223)	(53)
Deferred tax benefit	-	(169)
Foreign currency remeasurement and other gain	2,331	692
Changes in operating assets and liabilities:		
Accounts and grants receivable (Note 3)	50,111	(353)
Prepaid expenses and other current assets	594	34
Accounts payable and accrued liabilities (Note 7)	(19,230)	(955)
Deferred revenue and other liabilities (Note 3)	(9,005)	422
Net cash provided by (used in) operating activities	14,842	(12,840)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from the sale of OncoCyte common shares	-	10,064
Proceeds from the sale of HBL common shares	-	21
Purchase of equipment and other assets, net	(143)	(126)
Net cash (used in) provided by investing activities	(143)	9,959
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from employee options exercised	388	5,348
Common shares received and retired for employee taxes paid	(17)	(27)
Proceeds from exercise of subsidiary warrants, net	99	-
Proceeds from sale of common shares	148	27,813
Payments for offering costs	(57)	(877)
Repayment of lease liability	(15)	-
Net cash provided by financing activities	546	32,257
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(161)	(43)
NET INCREASE IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	15,084	29,333
CASH, CASH EQUIVALENTS AND RESTRICTED CASH:		
At beginning of the period	56,277	33,183
At end of the period	$ 71,361	$ 62,516

See accompanying notes to the condensed consolidated interim financial statements.

1. Organization and Business Overview

Lineage Cell Therapeutics, Inc. ("Lineage," "we," "us," or "our") is a clinical-stage biotechnology company developing novel cell therapies to address unmet medical needs. Our programs are based on our proprietary cell-based technology and associated development and manufacturing capabilities. From this platform, we design, develop, and manufacture specialized human cells with anatomical and physiological functions similar or identical to cells found naturally in the human body. These cells which we manufacture are created by developmental differentiation protocols that we apply to established, well-characterized, and self-renewing pluripotent cell lines. These functional cells are transplanted into patients and are designed to (a) replace or support cells that are dysfunctional or absent due to degenerative disease or traumatic injury, or (b) help the body mount a more robust and effective immune response to cancer or infectious diseases.

Our strategy is to efficiently leverage our technology platform and development and manufacturing capabilities to develop and advance our cell therapy programs internally or in conjunction with strategic partners to further enhance their value. As one example, in December 2021, we entered into a Collaboration and License Agreement (the "Roche Agreement") with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group (collectively, "Roche"), wherein we granted to Roche exclusive worldwide rights to develop and commercialize retinal pigment epithelium ("RPE") cell therapies, including our proprietary cell therapy program known as OpRegen®, for the treatment of ocular disorders, including geographic atrophy (GA) secondary to age-related macular degeneration (AMD). Under the terms of the Roche Agreement, Lineage received a $50.0 million upfront payment and Lineage is eligible to receive up to $620.0 million in certain developmental, regulatory, and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S and other major markets.

As of June 30, 2022, we have five allogeneic, or "off-the-shelf," cell therapy programs in development, of which three have reached clinical testing:

- *OpRegen®*, a retinal pigment epithelium ("RPE") cell replacement therapy currently in a Phase 1/2a multicenter clinical trial for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD), also known as atrophic AMD. There currently are no U.S. Food and Drug Administration ("FDA") or European Medicines Agency ("EMA") approved treatment options available for patients with GA. The Phase 1/2a trial enrolled 24 individuals with dry AMD and GA. In December 2021, this program was partnered with Roche for further clinical development and commercialization.

- *OPC1*, an oligodendrocyte progenitor cell therapy currently in long-term follow-up for a Phase 1/2a multicenter clinical trial for cervical spinal cord injuries ("SCI"). To date, five (5) patients with thoracic spinal cord injuries and twenty-five (25) patients with cervical spinal cord injuries have been enrolled in clinical trials of OPC1. The clinical development of OPC1 has been partially funded by $14.3 million received under a grant by the California Institute for Regenerative Medicine ("CIRM").

- *VAC*, an allogeneic cancer immunotherapy of antigen-presenting dendritic cells. One of the VAC product candidates, VAC2, is currently in a Phase 1 clinical trial in non-small cell lung cancer ("NSCLC"). This clinical trial is being funded and conducted by Cancer Research UK, one of the world's largest independent cancer research charities. We also have another VAC-based product candidate in preclinical development with our partner, Immunomic Therapeutics, Inc. ("ITI"), for the treatment of glioblastoma multiforme ("GBM").

- *ANP1*, an auditory neuron progenitor cell therapy currently in preclinical development for the treatment of debilitating hearing loss ("DHL").

- *PNC1*, a photoreceptor neural cell transplant therapy currently in preclinical development for the treatment of vision loss due to photoreceptor dysfunction or damage.

We have additional, undisclosed product candidates being considered for development, which cover a range of therapeutic areas and unmet medical needs. Generally, these product candidates are based on the same pluripotent platform technology and employ a similar guided cell differentiation and transplant approach as the five product candidates detailed above, but in some cases may also include edited genes.

In addition to seeking to create value for shareholders by developing product candidates and other technologies through our clinical development programs, we also may seek to create value from our large patent estate and related technologies through partnering and/or strategic transactions. We founded two companies based on Lineage's intellectual property that later became publicly traded companies: OncoCyte Corporation ("OncoCyte") and AgeX Therapeutics, Inc. ("AgeX"). We continue to hold common stock in OncoCyte as of June 30, 2022.

2. Basis of Presentation, Liquidity and Summary of Significant Accounting Policies

The unaudited condensed consolidated interim financial statements presented herein, and discussed below, have been prepared in accordance with generally accepted accounting principles in the United States ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8 of Regulation S-X. In accordance with those rules and regulations certain information and footnotes normally included in comprehensive consolidated financial statements have been condensed or omitted. The condensed consolidated balance sheet as of December 31, 2021 was derived from the audited consolidated financial statements at that date, but does not include all the information and footnotes required by GAAP. These condensed consolidated interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in Lineage's Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 10-K"), as filed with the Securities and Exchange Commission (the "SEC") on March 10, 2022.

The accompanying condensed consolidated interim financial statements, in the opinion of management, include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of Lineage's financial condition and results of operations. The condensed consolidated results of operations are not necessarily indicative of the results to be expected for any other interim period or for the entire year.

Principles of consolidation

Lineage's condensed consolidated interim financial statements include the accounts of its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation. The following table reflects Lineage's ownership, directly or through one or more subsidiaries of the outstanding shares of its subsidiaries as of June 30, 2022.

Subsidiary	Field of Business	Lineage Ownership	Country
Asterias BioTherapeutics, Inc.	Cell based therapeutics to treat neurological conditions and cancer	100%	USA
Cell Cure Neurosciences Ltd.	Manufacturing of Lineage's product candidates	99%[1][2]	Israel
ES Cell International Pte. Ltd.	Research and clinical grade cell lines	100%	Singapore
OrthoCyte Corporation	Research in orthopedic diseases and injuries	99.8%	USA

(1) Includes shares owned by Lineage and ES Cell International Pte. Ltd.

(2) On July 6, 2022, Hadasit Bio-Holdings Ltd. exercised warrants to purchase 21,999 ordinary shares of Cell Cure. Following such transaction, Lineage's ownership percentage decreased from approximately 99% to 94%. See Note 15 (Subsequent Events) for additional information.

As of June 30, 2022, Lineage consolidated its direct and indirect wholly owned or majority-owned subsidiaries because Lineage has the ability to control their operating and financial decisions and policies through its ownership, and the noncontrolling interest is reflected as a separate element of shareholders' equity on Lineage's consolidated balance sheets.

Liquidity

On June 30, 2022, we had $72.0 million of cash, cash equivalents and marketable equity securities. Based on our current operating plan, we believe that our cash, cash equivalents and marketable securities, together with our projected cash flows, will be sufficient to enable us to carry out our planned operations through at least twelve months from the issuance date of our consolidated financial statements included elsewhere in this Report.

Capital Resources

Since inception, we have incurred significant operating losses and have funded our operations primarily through the issuance of equity securities, the sale of common stock of our former subsidiaries, OncoCyte and AgeX, receipt of proceeds from research grants, revenues from collaborations, royalties from product sales, and sales of research products and services.

Our projected cash flows are subject to various risks and uncertainties, including those described and referenced under Part II, Item 1A, "Risk Factors" of this Report. See the discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations under "Cash Flows" for additional information regarding our sources of cash during the reporting period.

As of June 30, 2022, $63.8 million remained available for sale under our at the market offering program. See Note 10 (Shareholders' Equity) to the condensed consolidated interim financial statements included in this Report for additional information.

We may use our marketable equity securities for liquidity as necessary and as market conditions allow. The market value of our marketable equity securities may not represent the amount that could be realized in a sale of such securities due to various market and regulatory factors, including trading volume, prevailing market conditions and prices at the time of any sale and subsequent sales of securities by the entities. In addition, the value of our marketable equity securities may be significantly and adversely impacted by deteriorating global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

Additional Capital Requirements

Our financial obligations primarily consist of vendor contracts to provide research services and other purchase commitments with suppliers. In the normal course of business, we enter into services agreements with contract research organizations, contract manufacturing organizations and other third parties. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of the services to be provided.

Our commitments also include obligations to our licensors under our in-license agreements, which may include sublicense fees, milestones fees, royalties, and reimbursement of patent maintenance costs. Sublicense fees are payable to licensors when we sublicense underlying intellectual property to third parties; the fees are based on a percentage of the license fees we receive from sublicensees. Milestone payments are due to licensors upon our future achievement of certain development and regulatory milestones. Royalties are payable to licensors based on a percentage of net sales of licensed products. Patent maintenance costs are payable to licensors as reimbursement for the cost of maintaining of license patents. Due to the contingent nature of the payments, the amounts and timing of payments to licensors under our in-license agreements are uncertain and may fluctuate significantly from period to period.

Significant Accounting Policies

Marketable Equity Securities

Lineage accounts for the shares it holds in OncoCyte and Hadasit Bio-Holdings Ltd ("HBL") as marketable equity securities in accordance with Accounting Standards Codification ("ASC") 320-10-25, *Investments – Debt and Equity Securities*, as amended by Accounting Standards Update ("ASU") 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, further discussed below.

The OncoCyte shares have a readily determinable fair values quoted on the NYSE American under trading symbol "OCX". The HBL shares have a readily determinable fair value quoted on the Tel Aviv Stock Exchange ("TASE") under the trading symbol "HDST" where share prices are denominated in New Israeli Shekels (NIS).

Revenue Recognition

Lineage recognizes revenue in accordance with Financial Accounting Standards Board ("FASB") ASU 2014-09, *Revenues from Contracts with Customers (Topic 606)*, and in a manner that depicts the transfer of control of a product or a service to a customer and reflects the amount of the consideration it is entitled to receive in exchange for such product or service. In doing so, Lineage follows a five-step approach: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations; and (v) recognize revenue when (or as) the customer obtains control of the product or service. Lineage considers the terms of a contract and all relevant facts and circumstances when applying the revenue recognition standard. Lineage applies the revenue recognition standard, including the use of any practical expedients, consistently to contracts with similar characteristics and in similar circumstances.

In applying the provisions of ASU 2014-09, Lineage has determined that government grants are out of the scope of ASU 2014-09 because the government entities do not meet the definition of a "customer," as defined by ASU 2014-09, as there is not considered to be a transfer of control of goods or services to the government entities funding the grant. In the absence of applicable guidance under GAAP, the Company's policy is to recognize grant revenue when the related costs are incurred and the right to payment is realized. Costs incurred are recorded in research and development and general and administrative expenses on the accompanying statements of operations.

Deferred grant revenues represent grant funds received from the governmental funding agencies for which the allowable expenses have not yet been incurred as of the latest balance sheet date reported.

Royalties from Product Sales and License Fees

For agreements that include sales-based royalties, including commercial milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, Lineage recognizes revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied). Lineage estimates and recognizes royalty revenues based on all available information, including estimates provided by the customer or licensee from which Lineage obtains such estimates directly for each reporting period. Actual revenues ultimately received may differ from those estimates recorded and are adjusted in the period when information to actuals is available to Lineage.

Collaborative Agreements

In December 2021, Lineage entered into the Roche Agreement for the development and commercialization of OpRegen. Under the terms of the Roche Agreement, Roche agreed to pay Lineage a $50.0 million upfront payment and Lineage is eligible to receive up to an additional $620.0 million in certain developmental, regulatory and commercialization milestone payments. Lineage is also eligible to receive tiered double-digit percentage royalties on net sales of OpRegen. See Note 14 (Commitments and Contingencies) for additional information regarding this agreement.

In April 2021, Lineage entered a worldwide license and collaboration agreement with Immunomic Therapeutics, Inc. for the development and commercialization of an oncology asset utilizing the VAC platform. Under the terms of this agreement, Lineage is entitled to upfront licensing fees totaling up to $2.0 million, and up to $67.0 million in development and commercial milestones across multiple indications. Lineage also will be eligible to receive royalties up to 10% on net sales of future products.

As of June 30, 2022, we recorded $40.7 million and $0.8 million of deferred revenue on the condensed consolidated balance sheet, related to the collaboration agreements with each of Roche and Immunomic Therapeutics, Inc., respectively. For the three and six months ended June 30, 2022, we recognized $4.1 million and $9.0 million of revenue, respectively, on the condensed statement of operations, related to the Roche Agreement.

We review collaborative agreements to determine if the accounting treatment falls under Accounting Standards Codification, *Topic 606, Revenue from Contracts with Customers* ("ASC 606"), or Accounting Standards Codification *Topic 808, Collaborative Arrangements* ("ASC 808"). While these agreements may be within the scope of ASC 808, we may analogize to ASC 606 for some aspects of the agreements.

The terms of our collaborative agreements typically include one or more of the following: (i) upfront fees; (ii) milestone payments related to achievement of development or commercial milestones; (iii) royalties on net sales of licensed products; and (iv) reimbursement of cost-sharing of research and development ("R&D") expenses. Each of these payments eventually result in collaboration revenues. When a portion of non-refundable upfront fees or other payments received are allocated to continuing performance obligations under the terms of a collaborative agreement, they are recorded as deferred revenue and recognized as collaboration revenue when (or as) the underlying performance obligation is satisfied.

To identify the performance obligations within the collaboration agreements, we first identify all the promises in the contract (i.e. explicit and implicit), which may include a customer option to acquire additional goods or services for free or at a discount. We exclude any immaterial promises from the assessment of identifying performance obligations. When an option is identified as providing a customer with a material right, the option is identified as a performance obligation. A portion of the transaction price is then allocated to the option and recognized when (or as) the future goods or services related to the option are provided, or when the option expires.

As part of the accounting treatment for these agreements, we must develop estimates and assumptions that require judgement to determine the underlying stand-alone selling price for each performance obligation which determines how the transaction price is allocated among the performance obligations. The following items are estimated in the calculation of the stand-alone selling price: forecasted revenues and development costs, development timelines, discount rates and probabilities of technical and regulatory success. We evaluate each performance obligation to determine if they can be satisfied at a point in time or over time, and we measure the services delivered to our collaboration partners each reporting period, which is based on the progress of the related program. If necessary, we adjust the measure of performance and related revenue recognition. Any such adjustments are recorded on a cumulative catch-up basis which would affect revenue and net income (loss) in the period of adjustment. In addition, variable consideration (e.g., milestone payments) must be evaluated to determine if it is constrained and, therefore, excluded from the transaction price.

Upfront Fees: If a license to our intellectual property is determined to be distinct from the other performance obligations identified in the arrangement, we recognize collaboration revenues from the transaction price allocated to the license when the license is transferred to the licensee, and the licensee is able to use and benefit from the license. When the license is determined to be non-distinct, we utilize judgment to assess the nature of the combined performance obligation to determine whether the combined performance obligation is satisfied over time or at a point in time, and, if over time, the appropriate method of measuring progress for purposes of recognizing collaboration revenue from the allocated transaction price. For example, when we receive upfront fees for the performance of research and development services, or when research and development services are not considered to be distinct from a license, we recognize collaboration revenue for those units of account over time using a measure of progress. We evaluate the measure of progress at each reporting period and, if necessary, adjust the measure of performance and related revenue as a change in estimate.

Milestone Payments: At the inception of each collaboration agreement that includes milestone payments (variable consideration), we evaluate whether the milestones are considered probable of being reached and estimate the amount to be included in the transaction price using the most likely amount method. If it is probable that a significant revenue reversal would not occur, the associated milestone value is included in the transaction price. Milestone payments that are not within our or the collaboration partner's control, such as non-operational developmental and regulatory approvals, are generally not considered probable of being achieved until those approvals are received. At the end of each reporting period, we re-evaluate the probability of achievement of milestones that are within our or the collaboration partner's control, such as operational developmental milestones and any related constraint, and if necessary, adjust our estimate of the overall transaction price. Any such adjustments are recorded on a cumulative catch-up basis, which would affect collaboration revenues and net income (loss) in the period of adjustment. Revisions to our estimate of the transaction price may also result in negative collaboration revenues and net income (loss) in the period of adjustment.

Royalties: For collaboration agreements that include sales-based royalties, including commercial milestone payments based on the level of sales, and the license is deemed to be the predominant item to which the royalties relate, we recognize revenue at the later of (i) when the related sales occur, or (ii) when the performance obligation to which some or all of the royalty has been allocated has been satisfied (or partially satisfied).

Reimbursement, cost-sharing payments: Under certain collaborative agreements, we will receive reimbursement for a portion of our R&D expenses. Such reimbursements are reviewed for gross versus net reporting considerations and reflected either as a reduction of R&D expense or as reimbursement revenue in our consolidated statements of operations.

Accounts and Grants Receivable, net

Net accounts receivable amounted to $0.5 million and $50.6 million, and grants receivable amounted to $0.2 million and $0.2 million as of June 30, 2022 and December 31, 2021, respectively. Net accounts receivable include an allowance for doubtful accounts of approximately $0.1 million as of June 30, 2022 and December 31, 2021, for those amounts deemed uncollectible. Lineage establishes an allowance for doubtful accounts based on the evaluation of the collectability of its receivables on a variety of factors, including the length of time receivables are past due, significant events that may impair the customer's ability to pay, such as a bankruptcy filing or deterioration in the customers operating results or financial position, and historical experience. If circumstances related to customers change, estimates of the recoverability of receivables would be further adjusted.

Basic and diluted net income (loss) per share attributable to common shareholders

Basic earnings per share is calculated by dividing net income or loss attributable to Lineage common shareholders by the weighted average number of common shares outstanding, net of unvested restricted stock or restricted stock units, subject to repurchase by Lineage, if any, during the period. Diluted earnings per share is calculated by dividing the net income or loss attributable to Lineage common shareholders by the weighted average number of common shares outstanding, adjusted for the effects of potentially dilutive common shares issuable under outstanding stock options and warrants, using the treasury-stock method, convertible preferred stock, if any, using the if-converted method, and treasury stock held by subsidiaries, if any.

For the three and six months ended June 30, 2022 and 2021, respectively, Lineage reported a net loss attributable to common shareholders, and therefore, all potentially dilutive common shares were considered antidilutive for those periods.

The following common share equivalents were excluded from the computation of diluted net loss per common share for the periods presented because including them would have been antidilutive (in thousands):

	Six Months Ended June 30, (unaudited)	
	2022	2021
Stock options	18,832	17,176
Restricted stock units	967	62

Restricted Cash

In accordance with ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, Lineage explains the change during the period in the total of cash, cash equivalents and restricted cash, and includes restricted cash in cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the condensed consolidated statements of cash flows.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the condensed consolidated balance sheet dates that comprise the total of the same such amounts shown in the condensed consolidated statements of cash flows for all periods presented herein (in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Cash and cash equivalents	$ 70,857	$ 55,742
Restricted cash included in deposits and other long-term assets (see Note 14 (Commitments and Contingencies))	504	535
Total cash, cash equivalents, and restricted cash as shown in the condensed consolidated statements of cash flows	$ 71,361	$ 56,277

Stock-Based Compensation

Lineage follows accounting standards governing share-based payments in accordance with ASC 718, *Compensation – Stock Compensation*, which require the measurement and recognition of compensation expense for all share-based payment awards made to directors and employees based on estimated fair values.

For employee and director stock options, we utilize the Black-Scholes option pricing model for valuing share-based payment awards. Lineage's determination of fair value of share-based payment awards on the date of grant using that option-pricing model is affected by the price of Lineage's common shares as well as by assumptions regarding a number of complex and subjective variables. These variables include, but are not limited to, expected stock price volatility over the term of the awards, and the expected term of options granted, which is derived using the simplified method, which is an average of the contractual term of the option and its vesting period, as we do not have sufficient historical exercise data upon which to estimate expected term. The risk-free rate is based on the U.S. Treasury yield in effect at the time of grant for zero coupon U.S. Treasury notes with maturities similar to the expected term of the awards. Stock option forfeitures are accounted for as they occur.

For restricted stock unit awards ("RSUs") subject to service and/or performance vesting conditions, the grant-date fair value is established based on the closing price of Lineage's common shares on such date. Stock-based compensation expense for RSUs subject to only service conditions is recognized on a straight-line basis over the service period. Stock-based compensation expense for RSUs with both service and performance conditions is recognized on a graded basis only if it is probable that the performance condition will be achieved. Lineage accounts for forfeitures of RSUs as they occur in determining stock-based compensation expense. For RSUs subject to a market condition, the grant-date fair value is estimated using a Monte Carlo valuation model. The model is based on random projections of stock price paths and must be repeated numerous times to achieve a probabilistic assessment. Lineage recognizes stock-based compensation expense for RSUs subject to market-based vesting conditions regardless of whether it becomes probable that the vesting conditions will be achieved, and stock-based compensation expense for such RSUs is not reversed if vesting does not actually occur.

Although the fair value of employee stock options and RSUs are determined in accordance with FASB guidance, changes in the assumptions can materially affect the estimated value and therefore the amount of compensation expense recognized in the condensed consolidated interim financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

The following recently issued accounting pronouncement that is not yet effective should be read in conjunction with the recently issued accounting pronouncements discussed in the 2021 10-K.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. ASU 2016-13 is intended to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. ASU 2016-13 is effective for Lineage beginning January 1, 2023. Lineage has not yet completed its assessment of the impact of the new standard on its condensed consolidated interim financial statements.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional guidance for a limited period of time to ease the burden in accounting for (or recognizing the effects of) reference rate reform on financial reporting. This would apply to companies meeting certain criteria that have contracts, hedging relationships and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. This standard is effective for us immediately and may be applied prospectively to contract modifications made and hedging relationships entered into or evaluated on or before December 31, 2022. In April 2022, the FASB proposed extending the sunset date of this guidance to December 31, 2024. We are currently assessing the impact the new guidance will have on our consolidated financial statements and disclosures.

3. Revenue

Our disaggregated revenues were as follows for the periods presented (in thousands):

	Three Months Ended June,		Six Months Ended June 30,	
	2022	**2021**	**2022**	**2021**
Royalties	$ 405	$ 228	$ 777	$ 521
Grant revenues				
Israel Innovation Authority (“IIA”)	-	71	-	169
Total grant revenues	-	71	-	169
Revenues from collaborative agreements				
Upfront license fees	4,148	36	9,013	36
Reimbursements, cost-sharing payments	-	177	-	177
Total revenues from collaborative agreements	4,148	213	9,013	213
Total revenue	$ 4,553	$ 512	$ 9,790	$ 903

During the three months ended June 30, 2022, we recognized $4.6 million in total revenue, of which $4.1 million was recognized in collaboration revenues related to the $50.0 million upfront licensing payment from Roche, which was included in deferred revenues at December 31, 2021.

During the six months ended June 30, 2022, we recognized $9.8 million in total revenue, of which $9.0 million was recognized in collaboration revenues related to the upfront payment from Roche, which was included in deferred revenues at December 31, 2021.

Under the Roche Agreement, we are recognizing the upfront payment utilizing an input method of costs incurred over total estimated costs to be incurred.

Accounts receivable and other receivable, net, and deferred revenues (contract liabilities) from contracts with customers, including collaboration partners, consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Accounts receivable and other receivable, net [1][2]	$ 532	$ 50,640
Deferred revenues [2]	41,500	50,500

(1) Accounts receivable and other receivable, net, decreased primarily due to the receipt of the $50.0 million upfront payment under the Roche Agreement, received in January 2022. See Note 14 (Commitments and Contingencies).

(2) Excludes government grants as Lineage has determined government grants are outside the scope of ASU 2014-09 – Revenue from Contracts with Customers (Topic 606).

As of June 30, 2022, the amounts in the transaction price of our contracts with customers, including collaboration partners, and allocated goods and services not yet provided were $43.1 million, of which $41.5 million has been collected and is reported as deferred revenues, and $1.6 million relates to unfulfilled commitments related to the ITI collaboration (see Note 14 (Commitments and Contingencies) for additional information), the latter is currently estimated to be delivered by the end of the second quarter of 2023. Of the total deferred revenues of $41.5 million, approximately $15.7 million is expected to be recognized within the next 12 months.

4. Marketable Equity Securities

As of June 30, 2022, Lineage owned 1.1 million shares of OncoCyte common stock, which had a fair value of $1.0 million as of that date, based on the closing price of OncoCyte common stock of $0.90 per share on that date.

As of December 31, 2021, Lineage owned 1.1 million shares of OncoCyte common stock, which had a fair value of $2.4 million as of that date, based on the closing price of OncoCyte common stock of $2.17 per share on that date.

For the three months ended June 30, 2022, Lineage recorded a net unrealized loss on marketable equity securities of $0.7 million related to changes in fair market value of OncoCyte common stock price during the quarter.

For the three months ended June 30, 2021, Lineage recorded a net unrealized gain on marketable equity securities of $0.6 million related to changes in fair market value of OncoCyte’s common stock price during the quarter.

For the six months ended June 30, 2022, Lineage recorded a net unrealized loss on marketable equity securities of $1.4 million related to changes in fair market value of OncoCyte common stock price during the period.

For the six months ended June 30, 2021, Lineage recorded a realized gain of $6.0 million due to sales of OncoCyte shares in the period. Lineage also recorded a net unrealized gain on marketable equity securities of $1.8 million related to changes in fair market value of OncoCyte’s common stock price during the period.

All share prices are determined based on the closing price of OncoCyte common stock on the NYSE American on the last day of the applicable quarter, or the last day of trading of the applicable quarter, if the last day of a quarter fell on a weekend.

5. Property and Equipment, Net

At June 30, 2022 and December 31, 2021, property and equipment, net was comprised of the following (in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Equipment, furniture and fixtures	$ 3,254	$ 3,472
Leasehold improvements	2,341	2,539
Right-of-use assets	3,819	4,163
Accumulated depreciation and amortization	(5,545)	(5,302)
Property and equipment, net	$ 3,869	$ 4,872

Property and equipment, net at June 30, 2022 and December 31, 2021, includes $79,000 in financing leases, which were fully amortized.

Depreciation and amortization expense amounted to $146,000 and $165,000 for the three months ended June 30, 2022 and 2021, respectively, and $296,000 and $338,000 for the six months ended June 30, 2022 and 2021, respectively.

6. Goodwill and Intangible Assets, Net

At June 30, 2022 and December 31, 2021, goodwill and intangible assets, net consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Goodwill [1]	$ 10,672	$ 10,672
Intangible assets:		
Acquired IPR&D – OPC1 (from the Asterias Merger) [2]	$ 31,700	$ 31,700
Acquired IPR&D – VAC (from the Asterias Merger) [2]	14,840	14,840
Intangible assets subject to amortization:		
Acquired patents	18,953	18,953
Acquired royalty contracts [3]	650	650
Total intangible assets	66,143	66,143
Accumulated amortization [4]	(19,386)	(19,321)
Intangible assets, net	$ 46,757	$ 46,822

(1) Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired and liabilities assumed in the Asterias Merger (see Note 14 (Commitments and Contingencies) for additional information on the Asterias Merger).

(2) Asterias had two in-process research and development ("IPR&D") intangible assets that were valued at $46.5 million as part of the purchase price allocation that was performed in connection with the Asterias Merger. The fair value of these assets consisted of $31.7 million pertaining to the OPC1 program and $14.8 million pertaining to the VAC platform.

(3) Asterias had royalty cash flows under certain specific patent families it acquired from Geron Corporation. Such patents are expected to continue to generate revenue, are not used in the OPC1 or the VAC platform and are considered to be separate long-lived intangible assets under ASC 805.

(4) As of June 30, 2022 acquired patents were fully amortized and the acquired royalty contracts had a remaining unamortized balance of approximately $217,000.

Lineage amortizes its intangible assets over an estimated period of 5 to 10 years on a straight-line basis. Lineage recognized approximately $32,000 and $33,000 in amortization expense of intangible assets during the three months ended June 30, 2022 and 2021, respectively, and $65,000 and $145,000 during the six months ended June 30, 2022 and June 30, 2021, respectively.

Amortization of intangible assets for periods subsequent to June 30, 2022 is as follows (in thousands):

Year Ended December 31,	Amortization Expense
2022	$ 65
2023	130
2024	22
Total	$ 217

7. Accounts Payable and Accrued Liabilities

At June 30, 2022 and December 31, 2021, accounts payable and accrued liabilities consisted of the following (in thousands):

	June 30, 2022	December 31, 2021
	(unaudited)	
Accounts payable	$ 2,589	$ 3,543
Accrued compensation	1,590	2,162
Accrued liabilities [(1)]	4,495	22,086
Other current liabilities	10	178
Total	$ 8,684	$ 27,969

(1) The decrease in accrued liabilities was primarily due to a $21.0 million payment by Lineage in accordance with its obligations related to the Roche Agreement (see Note 14 (Commitments and Contingencies)), offset with accrual of litigation settlement amount of $3.5 million (see Note 14 (Commitments and Contingencies)).

8. Fair Value Measurements

Fair value is defined as 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. To increase the comparability of fair value measures, the following hierarchy prioritizes the inputs to valuation methodologies used to measure fair value (ASC 820-10-50), *Fair Value Measurements and Disclosures*:

- Level 1 – Inputs to the valuation methodology are quoted prices for identical assets or liabilities in active markets.
- Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 – Inputs to the valuation methodology are unobservable; that reflect management's own assumptions about the assumptions market participants would make and significant to the fair value.

We have not transferred any instruments between the three levels of the fair value hierarchy.

We measure our money market fund, marketable equity securities and our liability classified warrants at fair value on a recurring basis. The fair values of such assets were as follows at June 30, 2022 and December 31, 2021 (in thousands):

		Fair Value Measurements Using		
	Balance at June 30, 2022	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund [1]	$ 67,684	$ 67,684	$ -	$ -
Marketable equity securities	1,173	1,173	-	-
Liabilities:				
Warrants to purchase Cell Cure ordinary shares	4	-	-	4

		Fair Value Measurements Using		
	Balance at December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market fund [1]	$ 52,324	$ 52,324	$ -	$ -
Marketable equity securities	2,616	2,616	-	-
Liabilities:				
Warrants to purchase Cell Cure ordinary shares	227	-	-	227

(1) Included in cash and cash equivalents in the accompanying condensed consolidated balance sheet.

In determining the fair value of the warrants to purchase ordinary shares of Cell Cure, Lineage utilizes a Black-Scholes pricing model that maximizes the use of observable inputs and minimizes the use of unobservable inputs to the extent possible, and also considers counterparty credit risk in its assessment of fair value. The significant unobservable inputs used in the fair value measurement of such warrants are volatility and share value. A significant increase or decrease in these inputs could result in a significantly higher or lower fair value measurements.

The following table sets forth the establishment of the fair value of these warrants, as well as a summary of the changes in the fair value and other adjustments (in thousands):

	Cell Cure Warrants
Balance as of December 31, 2021	$ 227
Change in fair value and other adjustments	(223)
Expiration of warrants	-
Balance as of June 30, 2022	$ 4

Lineage's marketable equity securities includes the shares of stock of OncoCyte and HBL. Both of these securities have readily determinable fair values quoted on the NYSE American or TASE. These securities are measured at fair value and reported as current assets on the accompanying condensed consolidated balance sheets based on the closing trading price of the security as of the date being presented.

The fair value of Lineage's assets and liabilities, which qualify as financial instruments under FASB guidance regarding disclosures about fair value of financial instruments, approximate the carrying amounts presented in the accompanying consolidated balance sheets.

9. Related Party Transactions

In connection with the putative shareholder class action lawsuits filed in February 2019 and October 2019 challenging the Asterias Merger (see Note 14 (Commitments and Contingencies)), Lineage agreed to pay the expenses for the legal defense of Neal Bradsher, a member of the Lineage board of directors, Broadwood Partners, L.P., a shareholder of Lineage, and Broadwood Capital, Inc., which serves as the general partner of Broadwood Partners, L.P., all of which were named defendants in the lawsuits, prior to being dismissed. Through June 30, 2022, Lineage has incurred a total of approximately $620,000 in legal expenses on behalf of the foregoing parties.

10. Shareholders' Equity

Preferred Shares

Lineage is authorized to issue 2,000,000 preferred shares, no par value. The preferred shares may be issued in one or more series as the Lineage board of directors may determine by resolution. The Lineage board of directors is authorized to fix the number of shares of any series of preferred shares and to determine or alter the rights, preferences, privileges, and restrictions granted to or imposed on the preferred shares as a class, or upon any wholly unissued series of any preferred shares. The Lineage board of directors may, by resolution, increase or decrease (but not below the number of shares of such series then outstanding) the number of shares of any series of preferred shares subsequent to the issue of shares of that series. As of June 30, 2022 and December 31, 2021, there were no preferred shares issued or outstanding.

Common Shares

Lineage is authorized to issue 250,000,000 common shares, no par value. As of June 30, 2022 and December 31, 2021, there were 169,748,493 and 169,477,347 common shares issued and outstanding, respectively.

At The Market Offering Program

In May 2020, Lineage entered into a Controlled Equity Offering[SM] Sales Agreement (the "Sales Agreement") with Cantor Fitzgerald & Co., as sales agent ("Cantor Fitzgerald"), pursuant to which Lineage may sell its common shares from time to time through an "at the market offering" ("ATM") program under the Sales Agreement.

In March 2021, Lineage filed a prospectus supplement with the SEC in connection with the offer and sale of $25.0 million of common shares through the ATM program under the Sales Agreement ("March 2021 Prospectus Supplement").

In December 2021, Lineage filed a prospectus supplement with the SEC in connection with the offer and sale of up to $64.1 million of common shares (which included $14.1 million of its common shares which then remained unsold under the March 2021 Prospectus Supplement) through the ATM program under the Sales Agreement ("December 2021 Prospectus Supplement"). No further sales will be made under the March 2021 Prospectus Supplement.

As of June 30, 2022, Lineage had sold 108,200 common shares under the December 2021 Prospectus Supplement at a weighted average price per share of $2.55 for gross proceeds of $0.3 million. As of June 30, 2022, $63.8 million remained available for sale under the December 2021 Prospectus Supplement.

The shares offered under the December 2021 Prospectus Supplement are registered pursuant to Lineage's effective shelf registration statement on Form S-3 (File No. 333-237975), which was filed with the SEC on May 1, 2020 and declared effective on May 8, 2020, and Lineage's effective shelf registration statement on Form S-3 (File No. 333-254167), which was filed with the SEC on March 5, 2021 and declared effective on March 19, 2021.

Lineage agreed to pay Cantor Fitzgerald a commission of 3.0% of the aggregate gross proceeds from the sale of shares under the Sales Agreement, reimburse its legal fees and disbursements, and provide Cantor Fitzgerald with customary indemnification and contribution rights. The Sales Agreement may be terminated by Cantor Fitzgerald or Lineage at any time upon notice to the other party, or by Cantor Fitzgerald at any time in certain circumstances, including the occurrence of a material and adverse change in Lineage's business or financial condition that makes it impractical or inadvisable to market the shares or to enforce contracts for the sale of the shares.

Reconciliation of Changes in Shareholders' Equity

The following tables document the changes in shareholders' equity for the three and six months ended June 30, 2022 and 2021 (unaudited and in thousands):

	Preferred Shares		Common Shares			Noncontrolling	Accumulated Other	Total
	Number of Shares	Amount	Number of Shares	Amount	Accumulated Deficit	Interest/ (Deficit)	Comprehensive Income/(Loss)	Shareholders' Equity
BALANCE AT DECEMBER 31, 2021	-	$ -	169,477	$ 434,529	$ (337,097)	$ (1,323)	$ (5,211)	$ 90,898
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(8)	-	-	-	(8)
Shares issued upon exercise of stock options	-	-	240	189	-	-	-	189
Subsidiary warrant exercise	-	-	-	2	-	-	-	2
Stock-based compensation	-	-	-	1,106	-	-	-	1,106
Foreign currency translation gain	-	-	-	-	-	-	124	124
NET LOSS	-	-	-	-	(7,087)	(6)	-	(7,093)
BALANCE AT MARCH 31, 2022	-	$ -	169,727	$ 435,818	$ (344,184)	$ (1,329)	$ (5,087)	$ 85,218
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(9)	-	-	-	(9)
Shares issued upon exercise of stock options	-	-	11	10	-	-	-	10
Subsidiary warrant exercise, net	-	-	-	97	-	-	-	97
Stock-based compensation	-	-	-	1,235	-	-	-	1,235
Foreign currency translation gain	-	-	-	-	-	-	1,730	1,730
NET LOSS	-	-	-	-	(6,763)	(19)	-	(6,782)
BALANCE AT JUNE 30, 2022	-	$ -	169,748	$ 437,151	$ (350,947)	$ (1,348)	$ (3,357)	$ 81,499

	Preferred Shares		Common Shares			Noncontrolling	Accumulated Other	Total
	Number of Shares	Amount	Number of Shares	Amount	Accumulated Deficit	Interest/ (Deficit)	Comprehensive Income/(Loss)	Shareholders' Equity
BALANCE AT DECEMBER 31, 2020	-	$ -	153,096	$ 393,944	$ (294,078)	$ (1,072)	$ (3,667)	$ 95,127
Shares issued through ATM	-	-	7,941	19,008	-	-	-	19,008
Shares issued for services	-	-	78	202	-	-	-	202
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(12)	-	-	-	(12)
Shares issued upon exercise of stock options	-	-	942	1,751				1,751
Financing related fees	-	-	-	(173)	-	-	-	(173)
Stock-based compensation	-	-	-	539	-	-	-	539
Foreign currency translation gain	-	-	-	-	-	-	1,576	1,576
NET LOSS	-	-	-	-	(1,416)	(32)	-	(1,448)
BALANCE AT MARCH 31, 2021	**-**	**$ -**	**162,067**	**$ 415,259**	**$ (295,494)**	**$ (1,104)**	**$ (2,091)**	**$ 116,570**
Shares issued through ATM	-	-	2,824	7,874	-	-	-	7,874
Shares issued upon vesting of restricted stock units, net of shares retired to pay employees' taxes	-	-	10	(15)	-	-	-	(15)
Shares issued upon exercise of stock options	-	-	2,116	4,033				4,033
Financing related fees	-	-	-	(26)	-	-	-	(26)
Stock-based compensation	-	-	-	919	-	-	-	919
Shares issued for retirement of stock warrants	-	-	20	2	-	-	-	2
Foreign currency translation gain	-	-	-	-	-	-	(960)	(960)
NET LOSS	-	-	-	-	(4,788)	(8)	-	(4,796)
BALANCE AT JUNE 30, 2021	**-**	**$ -**	**167,037**	**$ 428,046**	**$ (300,282)**	**$ (1,112)**	**$ (3,051)**	**$ 123,601**

Warrants

Cell Cure Warrants – Liability Classified

In July 2017, Cell Cure issued to HBL a warrant to purchase 24,566 ordinary shares at an exercise price of $40.54 per share which expire in July 2022. In March 2022, HBL was issued 50 shares following its cash exercise for those shares, and an additional 50 shares were transacted as a net exercise. In April 2022, HBL was issued 2,467 shares followings its cash exercise for those shares. In July 2022, HBL cash exercised the remaining outstanding warrant to purchase 21,999 shares (see Note 15 (Subsequent Events) for additional information).

An additional warrant to purchase 2,000 ordinary shares issued to Cell Cure consultants is outstanding as of June 30, 2022, the warrant has an exercise price of $40.00 which expire in January 2024.

11. Stock-Based Awards

Equity Incentive Plan Awards

In September 2021, our shareholders approved the Lineage Cell Therapeutics, Inc. 2021 Equity Incentive Plan (the "2021 Plan"), which became effective upon such approval. The 2021 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, RSUs, and other stock awards. All of our employees (including those of our affiliates), non-employee directors and consultants are eligible to participate in the 2021 Plan.

Subject to adjustment for certain changes in our capitalization, the aggregate number of our common shares that may be issued under the 2021 Plan will not exceed the sum of (i) 15,000,000 shares and (ii) the number of shares subject to awards granted under the Lineage Cell Therapeutics Inc. 2012 Equity Incentive Plan (the "2012 Plan") that were outstanding when the 2021 Plan became effective and are not issued because such awards expire or otherwise terminate. As of June 30, 2022, there were 10,492,107 shares available for grant under the 2021 Plan.

As a result of the approval of the 2021 Plan by our shareholders, no additional awards will be granted under the 2012 Plan or the Asterias 2013 Equity Incentive Award (the "Asterias Equity Plan").

A summary of activity under the 2021 Plan is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price
December 31, 2021	-	-	$ -
Options granted	5,731	-	1.39
Options expired/forfeited/cancelled	(496)	-	1.40
RSUs granted [(1)]	-	994	-
RSUs forfeited	-	(27)	-
June 30, 2022	5,235	967	$ 1.39
Options exercisable at June 30, 2022	-		$ -

(1) On February 11, 2022, Lineage granted 694,424 RSUs to certain employees, including the Company's executive officers, to further align management with the achievement of certain development milestones under the Roche Agreement. For each RSU, half of the common shares subject to the RSU will vest in four equal annual installments beginning on the first anniversary of the grant date. The other half of the common shares will vest in connection with the achievement of certain development milestones set forth in the Roche Agreement. Additionally, on March 10, 2022, Lineage granted 300,000 RSUs to Brian Culley, its Chief Executive Officer. 100,000 of these RSUs will vest on or prior to March 9, 2023, and 100,000 will vest on each of the second and third anniversaries of such date, upon the achievement of certain per share performance targets, calculated based on the trailing 20-day volume weighted average price of the Company's common shares as of the date of determination.

A summary of activity of the 2012 Plan and 2018 inducement option (issued outside of all equity plans) is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Number of RSUs Outstanding	Weighted Average Exercise Price
December 31, 2021	14,643	31	$ 1.84
RSUs vested	-	(31)	-
Options exercised	(251)	-	0.79
Options expired/forfeited/cancelled	(795)	-	1.84
June 30, 2022	13,597	-	$ 1.86
Options exercisable at June 30, 2022	8,027		$ 1.75

A summary of activity under the Asterias Equity Plan is as follows (in thousands, except per share amounts):

	Number of Options Outstanding	Weighted Average Exercise Price
December 31, 2021	241	$ 1.57
Options forfeited	(241)	1.57
June 30, 2022	-	$ -
Options exercisable at June 30, 2022	-	$ -

Stock-based compensation expense

The fair value of each stock option is estimated on the date of grant using a Black-Scholes option pricing model applying the weighted-average assumptions noted in the following table:

	Six Months Ended June 30, (unaudited)	
	2022	2021
Expected life (in years)	6.25	6.24
Risk-free interest rates	2.03%	1.06%
Volatility	73.4%	73.1%
Dividend yield	-%	-%

Operating expenses include stock-based compensation expense as follows (in thousands):

	Three Months Ended June 30, (unaudited)		Six Months Ended June 30, (unaudited)	
	2022	2021	2022	2021
Research and development	$ 141	$ 243	$ 356	$ 377
General and administrative	1,094	676	1,985	1,081
Total stock-based compensation expense	$ 1,235	$ 919	$ 2,341	$ 1,458

As of June 30, 2022, total unrecognized compensation costs related to unvested stock options and unvested RSUs under all equity plans (including the 2018 inducement option), were $10.9 million, which is expected to be recognized as expense over a weighted average period of approximately 2.9 years.

12. Income Taxes

The provision for income taxes for interim periods is generally determined using an estimated annual effective tax rate as prescribed by ASC 740-270, *Income Taxes*, *Interim Reporting*. The effective tax rate may be subject to fluctuations during the year as new information is obtained, which may affect the assumptions used to estimate the annual effective tax rate, including factors such as valuation allowances and changes in valuation allowances against deferred tax assets, the recognition or de-recognition of tax benefits related to uncertain tax positions, if any, and changes in or the interpretation of tax laws in jurisdictions where Lineage conducts business. ASC 740-270 also states that if an entity is unable to reliably estimate some or a part of its ordinary income or loss, the income tax provision or benefit applicable to the item that cannot be estimated shall be reported in the interim period in which the item is reported. For items that Lineage cannot reliably estimate on an annual basis (principally unrealized gains or losses generated by changes in the market price of OncoCyte common stock), Lineage uses the actual year to date effective tax rate rather than an estimated annual effective tax rate to determine the tax effect of each item, including the use of all available net operating losses and other credits or deferred tax assets.

The market value of the shares of OncoCyte common stock Lineage holds creates a deferred tax liability ("DTL") to Lineage based on the closing prices of the shares, less Lineage's tax basis in the shares. The DTL generated by the OncoCyte shares that Lineage holds as of June 30, 2022 is a source of future taxable income to Lineage, as prescribed by ASC 740-10-30-17, that will more likely than not result in the realization of its deferred tax assets to the extent of the DTL. This DTL is determined based on the closing price of the OncoCyte common stock on June 30, 2022. Due to the inherent unpredictability of future prices of those shares, Lineage cannot reliably estimate the DTL on an annual basis. Therefore, the DTL pertaining to OncoCyte shares, determined based on the actual closing prices on the last trading day of the applicable accounting period, and the related impacts to the valuation allowance and deferred tax asset changes, are recorded in the accounting period in which they occur.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. Lineage established a full valuation allowance as of December 31, 2018 due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets, including foreign net operating losses generated by its subsidiaries.

In January 2022, Lineage received the $50.0 million upfront payment due under the Roche Agreement (see additional information in Note 14 (Commitments and Contingencies)).

During December 2021, in an intercompany transaction, Lineage acquired the economic rights to Cell Cure's interest in certain intellectual property. This transaction generated a gain to Cell Cure of $31.7 million which was fully offset by net operating loss carryforwards in Israel. For book and California income tax purposes, this transaction is eliminated in consolidation. For federal income tax purposes, the activities of Lineage's foreign subsidiaries are not included in the consolidated tax return. However, under the regulations related to global intangible low-taxed income ("GILTI"), the profits of Lineage's foreign subsidiaries may be included. See further discussion below.

Beginning in 2018, the Tax Cuts and Jobs Act of 2017 (the "2017 Tax Act") subjects a U.S. stockholder to GILTI earned by certain foreign subsidiaries. In general, GILTI is the excess of a U.S. stockholder's total net foreign income over a deemed return on tangible assets. The provision further allows a deduction of 50% of GILTI, however this deduction is limited to the company's pre-GILTI U.S. income. For the year ended December 31, 2021, Lineage's combined foreign entities generated a profit arising from intercompany transactions, resulting in $24.8 million of GILTI. The resulting net income for federal income tax purposes was fully offset by the federal net operating loss carryforwards of the foreign entities.

For years beginning after December 31, 2021, the 2017 Tax Act requires companies to capitalize their research and experimentation expenditures as defined under Section 174 and amortize those expenditures on a straight-line bases over a period of 5 years (15 years for foreign entities). Previously the Company was able to immediately expense such costs. We believe the Company has sufficient federal net operating loss carryforwards to offset the impact of this regulation.

For the three and six months ended June 30, 2022, Lineage did not record a deferred tax benefit.

For the three and six months ended June 30, 2021, Lineage recorded a $169,000 deferred tax benefit that was primarily related to federal net operating losses generated from the three and six months ended June 30, 2021, which was available and indefinite in nature.

13. Supplemental Cash Flow Information

Supplemental disclosure of cash flow information for the six months ended June 30, 2022, and 2021 is as follows (in thousands):

	Six Months Ended June 30, (unaudited)	
	2022	**2021**
Cash paid during period for interest	$ 9	$ 9

14. Commitments and Contingencies

Real Property Leases

Carlsbad Lease

In May 2019, Lineage entered into a lease for approximately 8,841 square feet of rentable space in an office park in Carlsbad, California for a term that commenced on August 1, 2019 and expires on October 31, 2022. As security for the performance of its obligations under the lease, Lineage provided the landlord with a security deposit of $17,850.

Base rent was abated for months two through five of the lease. Base rent through August 1, 2019 was based upon a deemed rentable area of 7,000 square feet. Since August 1, 2021, base rent has been $23,959 per month and increases by 3% on August 1, 2022.

In addition to base rent, Lineage pays a pro rata portion of increases in certain expenses, including real property taxes, utilities (to the extent not separately metered to the leased space) and the landlord's operating expenses, over the amounts of those expenses incurred by the landlord.

Alameda Leases and Alameda Sublease

In December 2015, Lineage entered into leases of office and laboratory space located in two buildings in Alameda, California (the "Alameda Leases") comprised of 22,303 square feet (the "1010 Atlantic Premises") and 8,492 square feet (the "1020 Atlantic Premises"). As security for its obligations under the Alameda Leases, Lineage provided the landlord with a security deposit of approximately $424,000, which was reduced to $78,000 in January 2019 in accordance with the terms of the Alameda Leases, and which was returned in full to Lineage in March 2021.

Base rent under the Alameda Leases beginning on February 1, 2020 was $72,676 per month with annual increases of approximately 3%. In addition to base rent, Lineage pays a pro rata portion of increases in certain expenses, including real property taxes, utilities (to the extent not separately metered to the leased space) and the landlord's operating expenses, over the amounts of those expenses incurred by the landlord.

In April 2020, Lineage subleased 10,000 square feet in the 1010 Atlantic Premises. Base rent under the sublease was $28,000 per month with annual increases of approximately 3%. Base rent for the first month was abated. In addition to base rent and utilities, the sublessee is responsible for a pro-rata portion of increases in operating expenses.

In September 11, 2020, the lease for the 1020 Atlantic Premises was terminated effective as of August 31, 2020, and the lease for the 1010 Atlantic Premises was terminated effective as of September 30, 2020. In connection with the termination of the Alameda Leases, Lineage entered into a sublease for approximately 2,432 square feet of the 1010 Atlantic Premises for a term that commenced on October 1, 2020 and ends on January 31, 2023. Base rent is $14,592 per month with annual increases of 3% each October 1 during the term. Base rent for the first month was abated. Lineage paid a security deposit of $16,000; this amount is included in deposits and other long-term assets as of June 30, 2022.

Cell Cure Leases

Cell Cure leases 728.5 square meters (approximately 7,842 square feet) of office and laboratory space in Jerusalem, Israel under a lease that expires December 31, 2025, with an option to extend the lease for five years (the "Original Cell Cure Lease"). Base monthly rent is NIS 39,776 (approximately $12,200 per month). In addition to base rent, Cell Cure pays a pro-rata share of real property taxes and certain costs related to the operation and maintenance of the building in which the leased premises are located.

In January 2018, Cell Cure entered into another lease for an additional 934 square meters (approximately 10,054 square feet) of office space in the same facility that expires on December 31, 2025, with two five-year extension options (the "January 2018 Lease"). Base rent and construction allowance payments are NIS 93,827 per month (approximately $26,000 per month). Cell Cure provided a $420,000 security deposit to the landlord to be held as restricted cash during the term of the January 2018 Lease, which is included in deposits and other long-term assets on the consolidated balance sheet as of June 30, 2022.

In November 2021, Cell Cure entered into a lease for an additional 133 square meters (approximately 1,432 square feet) of office space in the same facility that commenced on December 1, 2021, and expires on December 31, 2025, with one five year and one approximate three-year extension options. The base monthly rent is NIS 11,880 (approximately US $3,757) and increases to NIS 12,494 (approximately US $3,951) on November 1, 2022.

See Note 15 (Subsequent Events) for additional information regarding a new Cell Cure Lease and modifications to the existing leases.

Supplemental Information – Leases

Supplemental cash flow information related to leases is as follows (in thousands):

	Six Months Ended June 30,	
	2022	**2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	$ 508	$ 438
Operating cash flows from financing leases	9	9
Financing cash flows from financing leases	15	-
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	33	32

Supplemental balance sheet information related to leases was as follows (in thousands, except lease term and discount rate):

	June 30, 2022	**December 31, 2021**
Operating leases		
Right-of-use assets, net	$ 1,759	$ 2,372
Right-of-use lease liabilities, current	$ 593	$ 801
Right-of-use lease liabilities, noncurrent	1,459	1,941
Total operating lease liabilities	$ 2,052	$ 2,742
Financing leases		
Right-of-use assets, net	$ 22	$ 36
Lease liabilities, current	$ 13	$ 13
Lease liabilities, noncurrent	19	23
Total finance lease liabilities	$ 32	$ 36
Other current liabilities	$ 16	$ 17
Long-term liabilities	-	7
Total finance lease liabilities	$ 16	$ 24
Weighted average remaining lease term		
Operating leases	3.3 years	3.5 years
Finance leases	1.8 years	2.2 years
Weighted average discount rate		
Operating leases	7.8%	7.7%
Finance leases	5.3%	5.7%

Future minimum lease commitments are as follows as of June 30, 2022 (in thousands):

	Operating Leases	Finance Leases
Year Ending December 31,		
2022	$ 450	$ 16
2023	531	22
2024	508	12
2025	486	-
2026	407	-
Total lease payments	$ 2,382	$ 50
Less imputed interest	(330)	(2)
Total	$ 2,052	$ 48

Collaboration Agreements

Roche Agreement

In December 2021, Lineage entered into the Roche Agreement, wherein Lineage granted to Roche exclusive worldwide rights to develop and commercialize RPE cell therapies, including Lineage's proprietary cell therapy known as OpRegen, for the treatment of ocular disorders, including GA secondary to AMD.

Under the terms of the Roche Agreement, Roche paid Lineage a $50.0 million upfront payment and Lineage is eligible to receive up to an additional $620.0 million in certain developmental, regulatory and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S and other major markets. All regulatory and commercial milestone payments and royalty payments are subject to the existence of certain intellectual property rights that cover OpRegen at the time such payments would otherwise become due, and the royalty payments on net sales of OpRegen are subject to financial offsets based on the existence of competing products. Roche assumed responsibility for further clinical development and commercialization of OpRegen. Lineage is responsible for completing activities related to the ongoing clinical study, for which enrollment is complete, and performing certain manufacturing and process development activities.

Unless earlier terminated by either party, the Roche Agreement will expire on a product-by-product and country-by-country basis upon the expiration of all of Roche's payment obligations under the agreement. Roche may terminate the agreement in its entirety, or on a product-by-product or country-by-country basis, at any time with advance written notice. Either party may terminate the agreement in its entirety with written notice for the other party's material breach if such party fails to cure the breach or upon certain insolvency events involving the other party.

In January 2022, Lineage received the $50.0 million upfront payment from Roche. Subsequently, Lineage, via Cell Cure, paid $12.1 million to the Israel Innovation Authority ("IIA"), and $8.9 million to Hadasit Medical Research Services and Development Ltd. ("Hadasit"). Such payments were made in accordance with obligations under the Innovation Law (as discussed below) and under the terms of Cell Cure's agreements with Hadasit discussed below. The payment to Hadasit was reduced by $1.9 million in accordance with the provisions of such agreements discussed below that reduce the sublicensing fee payable to Hadasit for costs related to Lineage's performance obligations under the Roche Agreement. To the extent such costs are not incurred within five years after the execution of the Roche Agreement, Cell Cure will be required to pay Hadasit 21.5% of the amount of costs not incurred.

ITI Collaboration Agreement

Under Lineage's collaborative agreement with Immunomic Therapeutics, Inc., Lineage agreed to perform up to approximately $2.2 million worth of certain research, development, manufacturing, and oversight activities related to a VAC-CMV product candidate. ITI will reimburse Lineage for these costs and full-time employee costs for the manufacturing of the VAC-CMV product candidate.

Agreements with Hadasit and IIA

The OpRegen program has been supported in part with licenses to technology obtained from Hadasit, the technology transfer company of Hadassah Medical Center, and through a series of research grants from the IIA, an independent agency created to address the needs of global innovation ecosystems. A subset of the intellectual property underlying OpRegen was originally generated at Hadassah Medical Center and licensed to Cell Cure for further development.

Under the Encouragement of Research, Development and Technological Innovation in the Industry Law 5744, and the regulations, guidelines, rules, procedures and benefit tracks thereunder (collectively, the "Innovation Law"), annual research and development programs that meet specified criteria and were approved by a committee of the IIA were eligible for grants. The grants awarded were typically up to 50% of the project's expenditures, as determined by the IIA committee and subject to the benefit track under which the grant was awarded.

The terms of the grants under the Innovation Law generally require that the products developed as part of the programs under which the grants were given be manufactured in Israel. The know-how developed thereunder may not be transferred outside of Israel unless prior written approval is received from the IIA. Transfer of IIA-funded know-how outside of Israel is subject to approval and payment of a redemption fee to the IIA calculated according to formulas provided under the Innovation Law. In November 2021, the IIA research committee approved an application made by Cell Cure with respect to the grant of an exclusive license and transfer of the technological know-how for OpRegen to Roche. Under the provisions for the redemption fee, Lineage is obligated to pay the IIA approximately 24.3% of the upfront, milestone, and royalty payments which may be received under the Roche Agreement, up to an aggregate cap on all payments, such cap growing over time via interest accrual until paid in full. As of June 30, 2022, the aggregate cap amount was approximately $90.6 million.

Pursuant to the Second Amended and Restated License Agreement, dated June 15, 2017, between Cell Cure and Hadasit, and a certain letter agreement entered into on December 17, 2021, Hadasit was entitled to, and was paid, a sublicensing fee of 21.5% of the $50.0 million upfront payment under the Roche Agreement (subject to certain reductions, including for costs related to Lineage's performance obligations under the Roche Agreement) and of any milestone payments, and up to 50% of all royalty payments (subject to a maximum payment of 5% of net sales of products), Lineage receives under the Roche Agreement. The letter agreement generally terminates upon the termination of the Roche Agreement.

Second Amendment to Clinical Trial and Option Agreement and License Agreement with Cancer Research UK

In May 2020, Lineage and Asterias entered into a Second Amendment to Clinical Trial and Option Agreement (the "CTOA Amendment") with Cancer Research UK ("CRUK") and Cancer Research Technology Limited ("CRT"), which amends the Clinical Trial and Option Agreement entered into between Asterias, CRUK and CRT dated September 8, 2014, as amended September 8, 2014. Pursuant to the CTOA Amendment, Lineage assumed all obligations of Asterias and exercised early its option to acquire data generated in the Phase 1 clinical trial of VAC2 in non-small cell lung cancer being conducted by CRUK. CRUK will continue conducting the VAC2 study.

Lineage and CRT effectuated the option by simultaneously entering into a license agreement (the "CRT License Agreement") pursuant to which Lineage agreed to pay the previously agreed signature fee of £1,250,000 (approximately $1.6 million). For the primary licensed product for the first indication, the CRT License Agreement provides for milestone fees of up to £8,000,000 based upon initiation of a Phase 3 clinical trial and the filing for regulatory approval and up to £22,500,000 in sales-based milestones payments. Additional milestone fees and sales-based milestone payments would be payable for other products or indications, and mid-single-digit royalty payments are payable on sales of commercial products.Not

Either party may terminate the CRT License Agreement for the uncured material breach of the other party. CRT may terminate the CRT License Agreement in the case of Lineage's insolvency or if Lineage ceases all development and commercialization of all products under the CRT License Agreement.

Litigation – General

From time to time, we are subject to legal proceedings and claims in the ordinary course of business. While management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, cash flows, or overall trends in results of operations, legal proceedings are subject to inherent uncertainties, and unfavorable rulings or outcomes could occur that have individually or in aggregate, a material adverse effect on our business, financial condition or operating results. Except as described below, we are not currently subject to any pending material litigation, other than ordinary routine litigation incidental to our business, as described above.

Asterias Merger

In November 2018, Lineage, Asterias Biotherapeutics, Inc. ("Asterias") and Patrick Merger Sub, Inc., a wholly owned subsidiary of Lineage, entered into an Agreement and Plan of Merger (the "Merger Agreement") whereby Lineage agreed to acquire all of the outstanding common stock of Asterias in a stock-for-stock transaction (the "Asterias Merger"). On March 7, 2019, the shareholders of each of Lineage and Asterias approved the Merger Agreement. On March 8, 2019, the Asterias Merger closed with Asterias surviving as a wholly owned subsidiary of Lineage. Lineage issued 24,695,898 common shares, including 58,085 shares issued in respect of RSUs issued by Asterias that immediately vested in connection with the closing of the Asterias Merger. The aggregate dollar value of such shares, based on the closing price of Lineage common shares on March 8, 2019, was $32.4 million. The total purchase price was $52.6 million, inclusive of liabilities assumed by Lineage.

In October 2019, a putative class action lawsuit was filed challenging the Asterias Merger. This action (captioned *Ross v. Lineage Cell Therapeutics, Inc., et al.*, C.A. No. 2019-0822) was filed in Delaware Chancery Court and names Lineage, the Asterias board of directors, one member of Lineage's board of directors, and certain stockholders of both Lineage and Asterias as defendants. The action was brought by a purported stockholder of Asterias, on behalf of a putative class of Asterias stockholders, and asserts breach of fiduciary duty and aiding and abetting claims under Delaware law. The complaint alleges, among other things, that the process leading up to the Asterias Merger was conflicted, that the consideration was inadequate, and that the proxy statement filed by Asterias with the SEC in connection with the Asterias Merger was materially misleading because it omitted certain material information. The complaint seeks, among other things, that a class be certified, the recovery of monetary damages, and attorneys' fees and costs. In December 2019, the defendants moved to dismiss the complaint. In September 2020, the Chancery Court denied the motion to dismiss as to Lineage and certain members of the Asterias board of directors, and it granted the motion to dismiss as to all other defendants. In October 2020, the remaining defendants filed an answer to the complaint.

In April 2022, the parties reached an agreement in principle to settle this litigation, which would result in payment to the putative class of approximately $10.7 million and dismissal of the lawsuit with prejudice and without any admission of liability or fault by defendants. Of such amount, Lineage expects to contribute approximately $3.5 million, with the balance to be paid by insurance. The proposed settlement is subject to the negotiation and execution of a settlement agreement and court approval thereof. Although the parties have reached an agreement in principle to settle, there is no assurance that a final settlement will be achieved and approved by the court. If the litigation is not settled, then Lineage will continue to vigorously defend the lawsuit and trial is currently scheduled to begin in October 2022.

In accordance with ASC 450-20-25-2, *Contingencies*, Lineage has recorded an accrual for a liability associated with the proposed settlement, acknowledging that a liability is probable, and the amount of the loss is estimable.

Employment Contracts

Lineage has entered into employment agreements with certain executive officers. Under the provisions of the agreements, Lineage may be required to incur severance obligations for matters relating to changes in control, as defined in the agreements, and involuntary terminations.

Indemnification

In the normal course of business, Lineage may agree to indemnify and reimburse other parties, typically Lineage's clinical research organizations, investigators, clinical sites, and suppliers, for losses and expenses suffered or incurred by the indemnified parties arising from claims of third parties in connection with the use or testing of Lineage's products and services. Indemnification could also cover third party infringement claims with respect to patent rights, copyrights, or other intellectual property pertaining to Lineage products and services. The term of these indemnification agreements generally continue in effect after the termination or expiration of the particular research, development, services, or license agreement to which they relate. The potential future payments Lineage could be required to make under these indemnification agreements will generally not be subject to any specified maximum amount. Generally, Lineage has not been subject to any material claims or demands for indemnification. Lineage maintains liability insurance policies that limit its financial exposure under the indemnification agreements. Accordingly, Lineage has not recorded any liabilities for these agreements as of June 30, 2022 or December 31, 2021.

Royalty Obligations and License Fees

We have licensing agreements with research institutions, universities and other parties providing us with certain rights to use intellectual property in conducting research and development activities in exchange for the payment of royalties on future product sales, if any. In addition, in order to maintain these licenses and other rights, we must comply with various conditions including the payment of patent related costs and annual minimum maintenance fees.

As part of the Asterias Merger, Lineage acquired certain royalty revenues for cash flows generated under certain patent families that Asterias acquired from Geron Corporation. Lineage continues to make royalty payments to Geron for royalties generated from these patents.

15. Subsequent Events

HBL Warrant Exercise

On July 6, 2022, HBL exercised warrants to purchase 21,999 ordinary shares of Cell Cure resulting in proceeds to Cell Cure of approximately $890,000. As a result of this transaction, Lineage's ownership percent of Cell Cure decreased from approximately 99% to 94%.

Cell Cure Leases

On August 1, 2022, Cell Cure entered into a new lease for 300 square meters (approximately 3,229 square feet) of office and laboratory space in Jerusalem, Israel that expires December 31, 2027, with an option to extend the lease for five years. Base monthly rent is 16,350 NIS (approximately $4,800 per month). Upon execution of the new lease, Cell Cure amended the three existing Cell Cure Leases covering a total of 1,796 square meters (identified in Note 14 (Commitments and Contingencies)), extending their lease termination dates from December 31, 2025 to December 31, 2027, with no additional increase in monthly base rents. As a result of these transactions, our financial obligations for total rent payments for the facilities in which Cell Cure operates increased from $2.2 million to $3.5 million (as discussed below in the section Future Funding Requirements within Management's Discussion and Analysis of Financial Condition and Results of Operations).

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of financial condition and results of operations should be read in conjunction with our unaudited condensed consolidated interim financial statements and notes thereto included in this Report and our audited financial statements and notes thereto for the year ended December 31, 2021 included in our Annual Report on Form 10-K for the year ended December 31, 2021 ("2021 10-K"), filed with the Securities and Exchange Commission (the "SEC") on March 10, 2022. Past operating results are not necessarily indicative of results that may occur in future periods.

The following discussion includes forward-looking statements. See "Special Note Regarding Forward-Looking Statements," above. Forward-looking statements are not guarantees of future performance and our actual results may differ materially from those currently anticipated and from historical results depending upon a variety of factors, including, but not limited to, those discussed in Part I, Item 1A. Risk Factors of our 2021 10-K, and in our subsequent filings with the SEC, including any discussed in Part II, Item 1A of this Report under the heading "Risk Factors."

In this report, "we," "us," "our," "Lineage" or the "Company" refer collectively to Lineage Cell Therapeutics, Inc. and its wholly owned or majority owned subsidiaries, unless otherwise stated or the context otherwise requires. All information presented in this report is based on our fiscal year. Unless otherwise stated, references to particular years, quarters, months or periods refer to our fiscal years ending December 31 and the associated quarters, months and periods of those fiscal years.

Company and Business Overview

We are a clinical-stage biotechnology company developing novel cell therapies to address unmet medical needs. Our programs are based on our proprietary cell-based technology and associated development and manufacturing capabilities. From this platform, we design, develop, and manufacture specialized human cells with anatomical and physiological functions similar or identical to cells found naturally in the human body. These cells which we manufacture are created by developmental differentiation protocols that we apply to established, well-characterized, and self-renewing pluripotent cell lines. These functional cells are transplanted into patients and are designed to (a) replace or support cells that are dysfunctional or absent due to degenerative disease or traumatic injury, or (b) help the body mount a more robust and effective immune response to cancer or infectious diseases.

Our strategy is to efficiently leverage our technology platform and development and manufacturing capabilities to develop and advance our cell therapy programs internally or in conjunction with strategic partners to further enhance their value. As one example, in December 2021, we entered into a Collaboration and License Agreement (the "Roche Agreement") with F. Hoffmann-La Roche Ltd and Genentech, Inc., a member of the Roche Group (collectively, "Roche"), wherein we granted to Roche exclusive worldwide rights to develop and commercialize retinal pigment epithelium ("RPE") cell therapies, including our proprietary cell therapy program known as OpRegen®, for the treatment of ocular disorders, including geographic atrophy (GA) secondary to age-related macular degeneration (AMD). Under the terms of the Roche Agreement, Lineage received a $50.0 million upfront payment and Lineage is eligible to receive up to $620.0 million in certain developmental, regulatory, and commercialization milestone payments. Lineage also is eligible for tiered double-digit percentage royalties on net sales of OpRegen in the U.S and other major markets.

As of the date of this filing, we have five allogeneic, or "off-the-shelf," cell therapy programs in development, of which three have reached clinical testing:

- *OpRegen®*, a retinal pigment epithelium ("RPE") cell replacement therapy currently in a Phase 1/2a multicenter clinical trial for the treatment of geographic atrophy (GA) secondary to age-related macular degeneration (AMD), also known as atrophic AMD. There currently are no U.S. Food and Drug Administration ("FDA") or European Medicines Agency ("EMA") approved treatment options available for patients with GA. The Phase 1/2a trial enrolled 24 individuals with dry AMD and GA. In December 2021, this program was partnered with Roche for further clinical development and commercialization.

- *OPC1*, an oligodendrocyte progenitor cell therapy currently in long-term follow-up for a Phase 1/2a multicenter clinical trial for cervical spinal cord injuries ("SCI"). To date, five (5) patients with thoracic spinal cord injuries and twenty-five (25) patients with cervical spinal cord injuries have been enrolled in clinical trials of OPC1. The clinical development of OPC1 has been partially funded by $14.3 million received under a grant by the California Institute for Regenerative Medicine ("CIRM").

- *VAC*, an allogeneic cancer immunotherapy of antigen-presenting dendritic cells. One of the VAC product candidates, VAC2, is currently in a Phase 1 clinical trial in non-small cell lung cancer ("NSCLC"). This clinical trial is being funded and conducted by Cancer Research UK, one of the world's largest independent cancer research charities. We also have another VAC-based product candidate in preclinical development with our partner, Immunomic Therapeutics, Inc. ("ITI"), for the treatment of glioblastoma multiforme ("GBM").

- *ANP1*, an auditory neuron progenitor cell therapy currently in preclinical development for the treatment of debilitating hearing loss ("DHL").

- *PNC1*, a photoreceptor neural cell transplant therapy currently in preclinical development for the treatment of vision loss due to photoreceptor dysfunction or damage.

We have additional, undisclosed product candidates being considered for development, which cover a range of therapeutic areas and unmet medical needs. Generally, these product candidates are based on the same pluripotent platform technology and employ a similar guided cell differentiation and transplant approach as the five product candidates detailed above, but in some cases may also include edited genes.

In addition to seeking to create value for shareholders by developing product candidates and other technologies through our clinical development programs, we also may seek to create value from our large patent estate and related technologies through partnering and/or strategic transactions. We founded two companies based on Lineage intellectual property that later became publicly traded companies: OncoCyte Corporation ("OncoCyte") and AgeX Therapeutics, Inc. ("AgeX"). We continue to hold common stock in OncoCyte as of June 30, 2022.

Critical Accounting Estimates

An accounting policy is deemed critical if it requires an accounting estimate to be made based on assumptions about matters that are highly uncertain at the time the estimate is made, if different estimates reasonably could have been used, or if changes in the estimate that are reasonably likely to occur could materially impact the financial statements. See Part II, Item 7 – Critical Accounting Estimates and our consolidated financial statements and related notes in Part II, Item 8 of our 2021 10-K for accounting policies and related estimates we believe are the most critical to understanding our condensed consolidated interim financial statements, financial condition and results of operations and which require complex management judgment and assumptions or involve uncertainties. There have not been any changes to our significant accounting policies or their application since we filed our 2021 10-K.

Results of Operations

Comparison of Three and Six Months Ended June 30, 2022 and 2021

Revenues and Cost of Sales

The tables below show our consolidated revenues, by source, and cost of sales for the periods presented (in thousands):

	Three Months Ended June 30, (unaudited)		$ Increase/	% Increase/
	2022	2021	(Decrease)	(Decrease)
Collaboration revenues	$ 4,148	$ 213	$ 3,935	1,847%
Royalties	405	228	177	78%
Grant revenues	-	71	(71)	(100)%
Total revenues	4,553	512	4,041	789%
Cost of sales	(215)	(125)	(90)	72%
Gross profit	$ 4,338	$ 387	$ 3,951	1,021%

	Six Months Ended June 30, (unaudited)		$ Increase/	% Increase/
	2022	2021	(Decrease)	(Decrease)
Collaboration revenues	$ 9,013	$ 213	$ 8,800	4,131%
Royalties	777	521	256	49%
Grant revenues	-	169	(169)	(100)%
Total revenues	9,790	903	8,887	984%
Cost of sales	(391)	(237)	(154)	65%
Gross profit	$ 9,399	$ 666	$ 8,733	1,311%

For the three months ended June 30, 2022, the $4.0 million increase in total revenues was due to a $3.9 million increase in collaboration revenues related to the current quarter recognition of the $50.0 million upfront payment under the Roche Agreement, which was included in deferred revenues at December 31, 2021 (see Note 3 (Revenue) for additional information) and a $0.2 million increase in royalties, offset by a $0.1 million decrease in grant revenues due to no grant-related activities incurred during the current quarter.

For the six months ended June 30, 2022, the $8.9 million increase in total revenues was due to a $8.8 million increase in collaboration revenues related to the current period recognition of the $50.0 million upfront licensing payment under the Roche Agreement, which was included in deferred revenues at December 31, 2021 (see Note 3 (Revenue) for additional information) and a $0.3 million increase in royalties, offset by a $0.2 million decrease in grant revenues due to no grant-related activities incurred during the current year period.

Operating expenses

Our operating expenses consist of research and development expenses and general and administrative expenses.

Research and development expenses. These expenses consist of costs incurred for company-sponsored, collaborative and contracted research and development activities. These costs include direct and research-related overhead expenses including compensation and related benefits, stock-based compensation, consulting fees, research and laboratory fees, rent of research facilities, amortization of intangible assets, and license fees paid to third parties to acquire patents or licenses to use patents and other technology. Research and development expenses that have an alternative future use will be capitalized as tangible assets, and costs with no future benefit or alternative use will be expensed as incurred. Research and development expenses incurred and reimbursed by grants from third parties approximate the grant income recognized in our consolidated statements of operations. Royalties and sublicensing fees are recorded as research and development expenses, unless they are associated with royalties from product sales, which we classify as cost of sales in our consolidated statements of operations.

General and administrative expenses. These expenses include employee and director compensation and related benefits, stock-based compensation, consulting fees other than those paid for science-related consulting, facilities and equipment rent and maintenance related expenses, insurance costs allocated to general and administrative expenses, costs of patent applications, prosecution and maintenance, stock exchange-related costs, depreciation expense, marketing costs, legal and accounting costs, and other miscellaneous expenses allocated to general and administrative expense.

The tables below show our consolidated operating expenses for the periods presented (in thousands).

	Three Months Ended June 30 (unaudited)		$ Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Research and development expenses	$ 3,302	$ 2,931	$ 371	13%
General and administrative expenses	5,270	4,536	734	16%

	Six Months Ended June (unaudited)		$ Increase/ (Decrease)	% Increase/ (Decrease)
	2022	2021		
Research and development expenses	$ 6,290	$ 6,325	$ (35)	(1)%
General and administrative expenses	13,739	8,471	5,268	62%

The tables below shows our total research and development expenses by program for the periods presented (in thousands).

	Three Months Ended June 30, (unaudited)			
	Amount		Percent of Total	
Program	2022	2021	2022	2021
OpRegen® and other ophthalmic applications	$ 1,137	$ 1,030	34%	35%
OPC1	1,139	1,461	35%	50%
VAC platform	703	424	21%	14%
ANP1	173	-	5%	-%
PNC1	130	-	4%	-%
All other programs	20	16	1%	1%
Total research and development expenses	$ 3,302	$ 2,931	100%	100%

	Six Months Ended June 30, (unaudited)			
	Amount		Percent of Total	
Program	2022	2021	2022	2021
OpRegen® and other ophthalmic applications	$ 2,290	$ 2,127	36%	34%
OPC1	2,065	3,127	33%	49%
VAC platform	1,430	1,011	23%	16%
ANP1	235	-	4%	-%
PNC1	245	-	4%	-%
All other programs	25	60	-%	1%
Total research and development expenses	$ 6,290	$ 6,325	100%	100%

Research and development expenses. For the three months ended June 30, 2022, the $0.4 million increase in total research and development expenses is mainly attributable to: (i) a $0.1 million increase in expenses related to our OpRegen program, attributable primarily to development activities related to the Roche Agreement; (ii) a $0.3 million net decrease in expenses related to our OPC1 program, primarily related to a decrease in manufacturing activities for the program; (iii) a $0.3 million increase in expenses related to our VAC program, primarily related to manufacturing improvement activities; (iv) a $0.2 million increase in expenses related to our ANP1 program, primarily related to manufacturing activities for the new auditory neuron cell therapy program; and (v) a $0.1 million increase in expenses related to our PNC1 program, primarily related to research and development activities for the new photoreceptor neural cell transplant therapy program.

For the six months ended June 30, 2022, the total research and development expenses were relatively unchanged, with the following programs having offsetting variances: (i) a $0.2 million increase in expenses related to our OpRegen program, attributable primarily to development activities related to the Roche Agreement; (ii) a $1.0 million net decrease in expenses related to our OPC1 program, primarily related to a decrease in licensing fees, and manufacturing activities for the program; (iii) a $0.4 million increase in expenses related to our VAC program, primarily related to manufacturing improvement activities; (iv) a $0.2 million increase in expenses related to our ANP1 program, primarily related to manufacturing activities for the new auditory neuron cell therapy program; and (v) a $0.2 million increase in expenses related to our PNC1 program, primarily related to research and development activities for the new photoreceptor neural cell transplant therapy program.

General and administrative expenses. For the three months ended June 30, 2022, the $0.7 million increase in general and administrative expenses was primarily attributable to $0.4 million increase in employee salaries and benefits and a $0.5 million increase in stock-based compensation related expenses (see Note 11 (Stock-Based Awards) for additional information on stock-based compensation), partially offset by $0.2 million in lower investor relation expenses.

For the six months ended June 30, 2022, the $5.3 million increase in general and administrative expenses was primarily attributable to an accrual for a non-recurring legal settlement in principle of $3.5 million as described in Note 14 (Commitments and Contingencies), a $0.7 million increase in employee salaries and benefits, a $0.9 million increase in stock-based compensation related expenses (see Note 11 (Stock Based-Awards) for additional information on stock-based compensation), and a $0.4 million increase in expenses for audit and tax services, partially offset by a $0.3 million decrease in patent related costs.

Other income and (expenses), net

The tables below show our other income and (expense), net, for the periods presented (in thousands):

	Three Months Ended June 30, (unaudited)	
	2022	**2021**
Other income (expenses), net		
Interest income (expenses), net	$ 51	$ (3)
Gain on extinguishment of debt	-	523
Unrealized (loss) gain on marketable equity securities	(709)	590
Gain on revaluation of warrant liability	2	35
Other income (expenses), net	(1,892)	970
Total other income (expenses), net	$ (2,548)	$ 2,115

	Six Months Ended June 30, (unaudited)	
	2022	2021
Other income (expenses), net		
Interest income (expenses), net	$ 51	$ (1)
Gain on sale of marketable equity securities	-	6,024
Gain on extinguishment of debt	-	523
Unrealized (loss) gain on marketable equity securities	(1,444)	1,830
Gain on revaluation of warrant liability	223	52
Other expenses, net	(2,075)	(711)
Total other income (expenses), net	$ (3,245)	$ 7,717

Marketable equity securities. See Note 4 (Marketable Equity Securities) to the condensed consolidated interim financial statements included in this Report for information regarding our marketable equity securities.

We expect our total other income (expenses), net, to fluctuate each reporting period based on the changes in the market price of OncoCyte common stock, which could significantly impact our net income or loss reported in our condensed consolidated statements of operations for a particular reporting period.

We also account for the shares we hold in Hadasit Bio-Holdings as marketable equity securities. These shares are carried at fair market value on our consolidated balance sheets. The accounting transactions for these shares were not material for either of the three and six months ended June 30, 2022 and 2021.

Other income and (expenses), net. Other expenses, net, for each of the three and six months ended June 30, 2022 and 2021 consisted primarily of net foreign currency transaction gains and losses recognized by our subsidiaries Cell Cure and ES Cell International Pte. Ltd., changes in the fair value of warrants issued by Cell Cure, and interest income, net. Foreign currency transaction gains and losses for the periods presented are principally related to the remeasurement of the U.S. dollar denominated notes payable (net) by Cell Cure to Lineage.

Income Taxes

The market value of the shares of OncoCyte common stock we hold creates a deferred tax liability based on the closing price of OncoCyte common stock, less our tax basis in the shares. The deferred tax liability (“DTL”) generated by the OncoCyte shares we hold as of June 30, 2022, is a source of future taxable income to us, as prescribed by ASC 740-10-30-17, that will more likely than not result in the realization of our deferred tax assets to the extent of the deferred tax liability. This DTL is determined based on the closing price of the OncoCyte common stock as of June 30, 2022. Due to the inherent unpredictability of future price of OncoCyte common stock, we cannot reliably estimate the DTL on an annual basis. Therefore, the DTL pertaining to the OncoCyte shares we own, determined based on the actual closing price on the last trading day of the applicable accounting period, and the related impacts to the valuation allowance and deferred tax asset changes, are recorded in the accounting period in which they occur.

We concluded that an ownership change of Asterias occurred when we acquired Asterias, and the net operating loss carryforwards we acquired in connection with the acquisition are subject to limitation under Section 382 of the Internal Revenue Service Code. We will be able to utilize only $52.8 million and $41.9 million of Asterias’ federal and California net operating losses, respectively.

A valuation allowance is provided when it is more likely than not that some portion of the deferred tax assets will not be realized. We established a full valuation allowance as of December 31, 2018 due to the uncertainty of realizing future tax benefits from the net operating loss carryforwards and other deferred tax assets, including foreign net operating losses generated by its subsidiaries.

For the three and six months ended June 30, 2022, Lineage did not record a deferred tax benefit.

For the three and six months ended June 30, 2021 Lineage recorded a $169,000 deferred tax benefit that was primarily related to federal net operating losses generated from the three and six months ended June 30, 2021, which was available and indefinite in nature.

We expect that deferred income tax expense or benefit we record each reporting period, if any, will vary depending on the change in the closing price of OncoCyte common stock from period to period and the related changes in the DTLs and our deferred tax assets and other credits, including changes in the valuation allowance, for each period.

Liquidity and Capital Resources

Liquidity

At June 30, 2022, we had $72.0 million of cash, cash equivalents and marketable equity securities.

Capital Resources

Since inception we have incurred significant operating losses and have funded our operations primarily through the issuance of equity securities, the sale of common stock of our former subsidiaries, OncoCyte and AgeX, receipt of proceeds from research grants, revenues from collaborations, royalties from product sales, and sales of research products and services.

Our projected cash flows are subject to various risks and uncertainties, including those described and referenced under Part II, Item 1A, “Risk Factors” of this Report. See the discussion below under the “Cash Flows” for additional information regarding our sources of cash during the reporting period.

As of June 30, 2022, $63.8 million remained available for sale under our at the market offering program. See Note 10 (Shareholders’ Equity) to the condensed consolidated interim financial statements included in this Report for additional information.

We may use our marketable equity securities for liquidity as necessary and as market conditions allow. The market value of our marketable equity securities may not represent the amount that could be realized in a sale of such securities due to various market and regulatory factors, including trading volume, prevailing market conditions and prices at the time of any sale and subsequent sales of securities by the entities. In addition, the value of our marketable equity securities may be significantly and adversely impacted by deteriorating global economic conditions and the recent disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

Additional Capital Requirements

Our financial obligations primarily consist of vendor contracts to provide research services and other purchase commitments with suppliers. In the normal course of business, we enter into services agreements with contract research organizations, contract manufacturing organizations and other third parties. Generally, these agreements provide for termination upon notice, with specified amounts due upon termination based on the timing of termination and the terms of the agreement. The amounts and timing of payments under these agreements are uncertain and contingent upon the initiation and completion of the services to be provided.

Our commitments also include obligations to our licensors under our in-license agreements, which may include sublicense fees, milestones fees, redemption fees, royalties and reimbursement of patent maintenance costs. Sublicense fees are payable to licensors when we sublicense underlying intellectual property to third parties; the fees are based on a percentage of the license fees we receive from sublicensees. Redemption fees due to the Israel Innovation Authority (the “IIA”) under the Innovation Law are due upon receipt of any milestone and royalties received under the Roche Agreement (see Note 14 (Commitments and Contingencies) for additional information). Milestone payments are due to licensors upon our future achievement of certain development and regulatory milestones. Royalties are payable to licensors based on a percentage of net sales of licensed products. Patent maintenance costs are payable to licensors as reimbursement for the cost of maintaining of license patents. Due to the contingent nature of the payments, the amounts and timing of payments to licensors under our in-license agreements are uncertain and may fluctuate significantly from period to period.

Cash Flows

Cash flows provided by (used in) operating activities

Net cash provided by operating activities was $14.8 million for the six months ended June 30, 2022, which primarily reflects the net changes in assets and liabilities of $22.5 million, plus the $2.7 million in non-cash expenses for stock-based compensation and depreciation and amortization, less the loss from operations of $10.6 million. The change in assets and liabilities was impacted by the receipt of the $50.0 million upfront payment under the Roche Agreement, and subsequent related payments to the IIA and Hadasit (see Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report for further explanation), partially offset by the accrual of the litigation settlement also as described in Note 14 (Commitments and Contingencies). The unrealized loss on marketable equity securities and foreign currency remeasurement had no effect on the cash flows.

Net cash used in operating activities of $12.8 million for the six months ended June 30, 2021 primarily reflects the loss from operations of $14.1 million plus the changes in assets and liabilities of $0.9 million. These items were offset primarily by non-cash expenses of $1.5 million for stock-based compensation and $0.5 million of depreciation and amortization. The unrealized gain on marketable equity securities, foreign currency remeasurement, and deferred tax benefit had no effect on cash flows.

Cash flows used (provided) by investing activities

Cash used by investing activities for the six months ended June 30, 2022 was $0.1 million and related to the purchase of equipment.

Cash provided by investing activities of $10.0 million for the six months ended June 30, 2021 was associated primarily of $10.1 million of proceeds from sales of a portion of our OncoCyte holdings, offset by purchases of equipment of $0.1 million.

Cash flows provided by financing activities

Cash provided by financing activities for the six months ended June 30, 2022 was $0.5 million and consisted of $0.4 million of proceeds from the exercise of employee stock options, $0.1 million of proceeds from the sale of common shares under our at the market offering program, and $0.1 million of proceeds from the exercise of warrants to purchase shares of Cell Cure, offset by $0.1 million in financing costs.

Cash provided by financing activities of $32.3 million for the six months ended June 30, 2021 consisted primarily of $26.9 million of net proceeds from the sale of common shares and $5.3 million of proceeds from the exercise of employee stock options.

Future Funding Requirements

At June 30, 2022, we had an accumulated deficit of approximately $350.9 million. We expect to continue to incur losses for at least the next several years. We expect that our operating expenses will continue to increase for the foreseeable future as we continue the development of, and seek regulatory approval for, our product candidates. As a result, we will need significant additional capital to fund our operations. Our determination as to when we will seek additional capital and the amount of additional capital that we will need will be based on our evaluation of the progress we make in our research and development programs, changes to the scope and focus of those programs, changes in grant funding for certain of those programs, and projection of future costs, revenues, and rates of expenditure. If we are unable to raise additional capital when and as needed, we may be required to delay, postpone, or cancel our clinical trials or limit the number of clinical trial sites.

We may seek to obtain the additional capital we may need through one or more equity offerings, debt financings or other third-party funding, including potential strategic alliances and licensing or collaboration agreements. We cannot assure that adequate additional capital will be available on favorable terms, if at all. The issuance of additional securities, whether equity or debt, or the possibility of such issuance, may cause the market price of our common shares to decline, and the issuance of additional equity securities could result in the dilution of the interests of our current shareholders. If we obtain additional capital through strategic alliances and licensing or collaboration agreements, we may be required to relinquish rights to our intellectual property, our product candidates or otherwise agree to terms unfavorable to us. The unavailability or inadequacy of additional capital to meet future capital needs could force us to modify, curtail, delay, or suspend some or all aspects of our current planned operations. Our ability to raise additional capital may be adversely impacted by deteriorating global economic conditions and the disruptions to and volatility in the credit and financial markets in the United States and worldwide resulting from the ongoing pandemics, including the COVID-19 pandemic, the conflict in Ukraine, rising inflation and interest rates, and other macroeconomic factors.

We evaluated our projected cash flows, and we believe that our $72.0 million in cash, cash equivalents and marketable equity securities at June 30, 2022, provide sufficient liquidity to carry out our current planned operations (including our estimated financial obligation under the potential settlement of litigation discussed in Note 14 (Commitments and Contingencies)), through at least twelve months from the issuance date of our consolidated financial statements included elsewhere in this Report. We believe we will meet our longer-term expected future cash requirements and obligations with our current cash and cash equivalents, milestone and other payments we expect to receive under our collaborative agreements, and proceeds we receive from sales under our at the market offering program. Under the terms of the operating leases for the facilities from which Cell Cure operates, a total of $2.2 million of rent payments will become due, of which $0.3 million will become due in 2022. See Note 14 (Commitments and Contingencies) and Note 15 (Subsequent Events) to the condensed consolidated interim financial statements included in this Report for additional information regarding our contractual obligations for rent payments related to the facilities in which Cell Cure operates.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Under SEC rules and regulations, as a smaller reporting company, we are not required to provide the information required by this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

It is management's responsibility to establish and maintain adequate internal control over all financial reporting pursuant to Rule 13a-15 under the Exchange Act. Our management, including our Chief Executive Officer and interim Chief Financial Officer, reviewed and evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Report. Following this review and evaluation, management collectively determined that our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act: (i) is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms; and (ii) is accumulated and communicated to management, including our chief executive officer and our chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the period covered by this Report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

The information required by this Item is incorporated herein by reference to the disclosure under the heading “Litigation” in Note 14 (Commitments and Contingencies) to the condensed consolidated interim financial statements included in this Report in Part I, Item 1 of this Report.

From time-to-time we may be involved in a variety of claims or litigation proceedings. Such proceedings may initially be viewed as immaterial but could later prove to be material. Litigation proceedings are inherently unpredictable and excessive verdicts do occur. Given the inherent uncertainties in litigation, even when we can reasonably estimate the amount of possible loss or range of loss and reasonably estimable loss contingencies, the actual outcome may change in the future due to new developments or changes in approach. In addition, such claims or litigation proceedings could involve significant expense and diversion of management’s attention and resources from other matters.

Item 1A. Risk Factors

An investment in our common shares involves a high degree of risk. You should carefully consider the risks and uncertainties described in Part I, Item 1A. Risk Factors in our 2021 10-K, in addition to other information in this Report, before investing in our common shares. The occurrence of any of these risks could have a material adverse effect on our business, financial condition, results of operations and growth prospects. In these circumstances, the market price of our common shares could decline, and you may lose all or part of your investment. Except as described below, there have been no material changes from the risk factors disclosed in Part I, Item 1A. Risk Factors in our 2021 10-K

Geopolitical risks associated with the ongoing military conflict between Russia and Ukraine could have an adverse impact on our business, financial condition and results of operations, including our clinical trials.

Our results of operations are affected by economic conditions, including macroeconomic conditions and levels of business confidence. The war in Ukraine and the uncertain nature, magnitude, and duration of the conflict and the potential effect of sanctions and other measures being imposed in response thereto have contributed to increased levels of economic and political uncertainty, which could have an adverse impact on macroeconomic factors that affect the financial markets, the global economy and our business and operations. Additionally, the ongoing conflict in Ukraine may disrupt the ability of third parties on which we rely to perform in accordance with our expectations, including on commercial research organizations to conduct clinical trials. Moreover, enrollment and retention of clinical trial participants may be adversely affected. We cannot be certain what the overall impact of this conflict will be on our ability to conduct and complete our clinical trials on schedule. However, interruptions of our clinical trials could significantly delay our clinical development plans and potential authorization or approval of our product candidates, which could increase our costs and jeopardize our ability to successfully commercialize our product candidates.

We may be adversely affected by the effects of inflation and other macroeconomic factors.

Inflation has the potential to adversely affect our liquidity, business, financial condition and results of operations by increasing our overall cost structure. The existence of inflation in the economy has resulted in, and may continue to result in, higher interest rates and capital costs, supply shortages, increased costs of labor, components, manufacturing and shipping, as well as weakening exchange rates and other similar effects. As a result of inflation, we may experience cost increases. Changes in other economic conditions, including rising interest rates, ongoing pandemics, including the COVID-19 pandemic, lower consumer confidence, volatile equity capital markets and ongoing supply chain disruptions and the impacts of the war in Ukraine, may also affect our business. Although we may take measures to mitigate the effects of economic conditions, if these measures are not effective, our business, financial condition, results of operations and liquidity could be materially adversely affected. Even if such measures are effective, there could be a difference between the timing of when the benefits of such measures and the effects of such conditions impact our results of operations. Given these economic considerations, among other potential consequences, cost increases may outpace our expectations, causing us to use our cash and other liquid assets faster than forecasted. If this happens, we may need to raise additional capital to fund our operations sooner than expected, which may not be available in sufficient amounts or on reasonable terms, if at all. See also the risk factor titled “We will need to issue additional equity or debt securities in order to raise additional capital needed to pay our operating expenses” in our 2021 10-K. In addition, if the risks described in this paragraph materialize, the possibility of other risks described in our 2021 10-K materializing and/or the impact thereof may increase.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Default Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

		Incorporation by Reference			
Exhibit Number	**Description**	**Exhibit Number**	**Filing**	**Filing Date**	**File No.**
3.1	Restated Articles of Incorporation, as amended	3.1	10-Q	May 10, 2018	001-12830
3.2	Certificate of Ownership	3.1	8-K	August 12, 2019	001-12830
3.3	Amended and Restated Bylaws	3.2	8-K	August 12, 2019	001-12830
10.1*+	Form of Indemnification Agreement for directors and executive officers of the registrant				
31.1*	Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to Form of Rule 13a-14(a), as Adopted Pursuant to Section 302(a) of the Sarbanes-Oxley Act of 2002				
32.1#	Certification of Chief Executive Officer and Interim Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002				
101*	Interactive Data File				
101.INS*	XBRL Instance Document				
101.SCH*	XBRL Taxonomy Extension Schema				
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase				
101.DEF*	XBRL Taxonomy Extension Definition Document				
101.LAB*	XBRL Taxonomy Extension Label Linkbase				
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase				
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)				

* Filed herewith
+ Management contract or compensatory plan
# Furnished herewith

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

LINEAGE CELL THERAPEUTICS, INC.

Date: August 11, 2022

/s/ Brian M. Culley

Brian M. Culley
Chief Executive Officer

Exhibit 10.1

FORM OF INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("***Agreement***") is made as of _____, by and between **Lineage Cell Therapeutics, Inc.**, a California corporation (the "***Company***"), and _____("***Indemnitee***").

Whereas, the Company desires to attract and retain the services of highly qualified individuals as directors and officers;

Whereas, the Articles of Incorporation authorize the Company to indemnify "agents" as such term is defined in Section 317 of the California General Corporation Law, and the Bylaws require that the Company indemnify its agents in certain circumstances;

Whereas, the Company believes that providing its directors and executive officers with standalone indemnification agreements is consistent with standard practices of publicly-traded corporations, and that doing so will enhance the Company's ability to attract and retain qualified directors and executive officers in a manner that will benefit the Company and its shareholders;

Whereas, the Company desires and has requested Indemnitee to serve or continue to serve as a director or officer of the Company, as the case may be, and has proffered this Agreement to Indemnitee as an additional inducement to serve in such capacity; and

Whereas, Indemnitee is willing to serve, or to continue to serve, as a director or officer of the Company, as the case may be, if Indemnitee is furnished the indemnity provided for herein by the Company.

Now, Therefore, the Company and Indemnitee hereby agree as follows:

Section 1. Service By Indemnitee. Indemnitee will serve, or continue to serve, as the case may be, as an Agent, faithfully and to the best of his or her ability, at the will of such entity designated by the Company and at the request of the Company (or under separate agreement, if such agreement exists), in the capacity Indemnitee currently serves such entity, so long as Indemnitee is duly appointed or elected and qualified in accordance with the applicable provisions of the governance documents of such entity, or until such time as Indemnitee tenders his or her resignation in writing; provided, however, that nothing contained in this Agreement is intended as an employment agreement between Indemnitee and the Company or any of its subsidiaries or to create any right to continued employment of Indemnitee with the Company or any of its subsidiaries in any capacity.

Section 2. Indemnification.

(a) Third Party Proceedings. In connection with any Proceeding other than those instituted by or in the right of the Company, the Company shall indemnify Indemnitee against any and all Expenses and Liabilities, in either case, actually and reasonably incurred by Indemnitee or on Indemnitee's behalf by reason of Indemnitee's Corporate Status unless the Company shall establish, in accordance with the procedures described in Section 3 of this Agreement, that (i) Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the Company, or, (ii) with respect to any criminal Proceeding, had reasonable cause to believe Indemnitee's conduct was unlawful.

(b) Proceedings by or in the Right of the Company. In connection with any Proceeding instituted by or in the right of the Company, the Company shall indemnify Indemnitee against any and all Expenses and, to the fullest extent permitted by law, amounts paid in settlement, in each case to the extent actually and reasonably incurred by Indemnitee or on Indemnitee's behalf by reason of Indemnitee's Corporate Status unless the Company shall establish, in accordance with the procedures described in Section 3 of this Agreement, that Indemnitee did not act in good faith and in a manner Indemnitee reasonably believed to be in the best interests of the Company and its shareholders, except that no indemnification shall be made (i) in respect of any claim, issue or matter as to which Indemnitee shall have been adjudged to be liable to the Company in the performance of Indemnitee's duty to the Company or any Subsidiary of the Company unless and only to the extent that the court in which such Proceeding is or was pending shall determine upon application that, in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnity for Expenses or amounts paid in settlement and then only to the extent that the court shall determine, (ii) of amounts paid in settling or otherwise disposing of a Proceeding without court approval or (iii) of expenses incurred in defending a Proceeding which is settled or otherwise disposed of without court approval.

(c) Witness Expenses. Notwithstanding any other provision of this Agreement, to the extent that Indemnitee is, by reason of his or her Corporate Status, a witness in any Proceeding to which Indemnitee is not a party, he or she shall be indemnified against all Expenses incurred by Indemnitee or on his or her behalf in connection therewith.

Section 3. Advancement of Expenses; Indemnification Procedure.

(a) Advancement of Expenses. The Company shall advance all Expenses incurred by Indemnitee in connection with any Proceeding referenced in Section 2(a) or Section 2(b) of this Agreement (but not amounts actually paid in settlement of any such Proceeding). Indemnitee hereby undertakes to repay such amounts advanced only if, and to the extent that, it shall ultimately be determined that Indemnitee is not entitled to be indemnified by the Company as authorized hereby or by Section 317 of the California General Corporation Law. Indemnitee's undertaking shall be in a form acceptable to the Company in its reasonable judgment. The advances to be made hereunder shall be paid by the Company to Indemnitee within 20 days following delivery of a written request therefor by Indemnitee to the Company. Advances shall be unsecured and interest free. Advances shall be made without regard to Indemnitee's ability to repay such amounts and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Advances shall include any and all Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed.

(b) Notice; Cooperation by Indemnitee. Indemnitee shall give the Company notice in writing as soon as practicable of any Proceeding in respect of which Indemnitee intends to seek indemnification or advancement of Expenses hereunder. Notice to the Company shall be directed to the General Counsel of the Company (or if there is no General Counsel of the Company or if the notice is being given by the General Counsel of the Company, to the Chief Executive Officer of the Company) at the address shown in Section 16(a) of this Agreement (or such other address as the Company shall designate in writing to Indemnitee). The omission by Indemnitee to so notify the Company will not relieve the Company from any liability that it may have to Indemnitee hereunder or otherwise, except to the extent such failure is prejudicial. Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power. Indemnitee shall give the Company such information and cooperation as it may reasonably require and as shall be within Indemnitee's power.

(c) Determination of Entitlement.

(i) Where there has been a written notice by Indemnitee for indemnification pursuant to Section 3(b), then as soon as is reasonably practicable (but in any event not later than 60 days) after final disposition of the relevant Proceeding, the Company shall make a determination, if and in the manner required by applicable law, with respect to Indemnitee's entitlement thereto; provided, however, that, if a Change of Control shall have occurred, the determination shall be made by an Independent Counsel (selected pursuant to Section 3(c)(i)) in a written opinion to the Company's Board of Directors, a copy of which shall be delivered to Indemnitee. If it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall reasonably cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information that is not privileged or otherwise protected from disclosure and that is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or expenses (including attorneys' fees and disbursements) actually and reasonably incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification).

(ii) If entitlement to indemnification is to be determined by an Independent Counsel after a Change of Control pursuant to Section 3(c)(i), such Independent Counsel shall be selected by Indemnitee, and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. Within 10 days after such written notice of selection shall have been received, the Company may deliver to Indemnitee a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 13(a) of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as the Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as the Independent Counsel unless and until such objection is withdrawn or a court of competent jurisdiction has determined that such objection is without merit. If, within 20 days after the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition a court of competent jurisdiction for resolution of any objection which shall have been made by the Company to Indemnitee's selection of the Independent Counsel and/or for the appointment as the Independent Counsel of a person selected by the court or by such other person as the court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as the Independent Counsel under Section 3(c)(i) hereof. Upon the due commencement of any judicial proceeding pursuant to Section 4(a) of this Agreement, the Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

(iii) The Company agrees to pay the reasonable fees and expenses of any Independent Counsel serving under this Agreement.

(d) Presumptions and Burdens of Proof.

(i) In making any determination with respect to entitlement to indemnification hereunder, the person, persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement, and the Company shall have, to the fullest extent not prohibited by law, the burden of proof to overcome that presumption in connection with the making of any determination contrary to that presumption. Neither the failure of the person, persons or entity to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the person, persons or entity that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(ii) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner that he or she reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that Indemnitee's conduct was unlawful.

(iii) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is in good faith reliance on the records or books of account of any Enterprise, including financial statements, or on information supplied to Indemnitee by the officers of such Enterprise in the course of their duties, or on the advice of legal counsel for such Enterprise or on information or records given or reports made to such Enterprise by an independent certified public accountant or by an appraiser or other expert selected by such Enterprise. The provisions of this Section 3(d)(iii) shall not be deemed to be exclusive or to limit in any way the other circumstances in which Indemnitee may be deemed or found to have met the applicable standard of conduct set forth in this Agreement.

(e) Notice to Insurers. If, at the time of the receipt of a notice of a Proceeding pursuant to Section 3(b) of this Agreement, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. Thereafter, the Company shall take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(f) Relationship to Other Sources. Indemnitee shall not be required to exercise any rights against any other parties (for example, under any insurance policy purchased by the Company, Indemnitee or any other person or entity) before Indemnitee enforces this Agreement. However, to the extent the Company actually indemnifies Indemnitee or advances Expenses, the Company shall be entitled to enforce any such rights that Indemnitee may have against third parties. Indemnitee shall assist the Company in enforcing those rights if the Company pays Indemnitee's reasonable costs and expenses of doing so.

(g) Defense of Claims; Selection of Counsel.

(i) The Company shall not settle any action, claim, or Proceeding (in whole or in part) that would impose any Expense, judgment, fine, penalty or limitation on Indemnitee, without Indemnitee's prior written consent; provided, however, that, with respect to settlements requiring solely the payment of money either by the Company or by Indemnitee for which the Company is obligated to reimburse Indemnitee promptly and completely, in either case without recourse to Indemnitee, no such consent of Indemnitee shall be required. Indemnitee shall not settle any action, claim or Proceeding (in whole or in part) that would impose any Expense, judgment, fine, penalty or limitation on the Company without the Company's prior written consent, such consent not to be unreasonably withheld.

(ii) In the event the Company shall be obligated under Section 3(a) of this Agreement to pay the Expenses of any Proceeding against Indemnitee, the Company, if appropriate, shall be entitled to assume the defense of such proceeding, with counsel approved by Indemnitee, which approval shall not be unreasonably withheld, upon the delivery to Indemnitee of written notice of its election so to do. After delivery of such notice, approval of such counsel by Indemnitee and the retention of such counsel by the Company, the Company will not be liable to Indemnitee under this Agreement for any fees of counsel subsequently incurred by Indemnitee with respect to the same Proceeding, provided that (i) Indemnitee shall have the right to employ Indemnitee's own counsel in any such Proceeding at Indemnitee's expense; and (ii) if (A) the employment of counsel by Indemnitee has been previously authorized by the Company, (B) Indemnitee shall have concluded in good faith that there may be a conflict of interest between the Company and Indemnitee or between Indemnitee and any other persons represented by the same counsel, in the conduct of any such defense, or (C) the Company, in fact, shall not have employed counsel to assume the defense of such Proceeding, then the reasonable fees and expenses of Indemnitee's counsel shall be at the expense of the Company.

Section 4. Remedies of Indemnitee.

(a) In the event of any dispute between Indemnitee and the Company hereunder as to entitlement to indemnification, contribution or advancement of Expenses (including where (i) a determination is made pursuant to Section 3(c) of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 3(a) of this Agreement, (iii) payment of Expenses pursuant to Section 3(c)(i) of this Agreement is not made within 10 days after a determination has been made that Indemnitee is entitled to indemnification, (iv) no determination as to entitlement to indemnification is timely made pursuant to Section 3(c) of this Agreement, or (v) a contribution payment is not made in a timely manner pursuant to Section 9 of this Agreement), then Indemnitee shall be entitled to an adjudication by a court of Indemnitee's entitlement to such indemnification, contribution or advancement.

(b) In the event that a determination shall have been made pursuant to Section 3(c) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding commenced pursuant to this Section 4 shall be conducted in all respects as a de novo trial on the merits, and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding commenced pursuant to this Section 4, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be, and the Company may not refer to or introduce into evidence any determination pursuant to Section 3(c) of this Agreement adverse to Indemnitee for any purpose. If Indemnitee commences a judicial proceeding pursuant to this Section 4, Indemnitee shall not be required to reimburse the Company for any advances pursuant to Section 3(a) until a final determination is made with respect to Indemnitee's entitlement to indemnification (as to which all rights of appeal have been exhausted or lapsed).

(c) If a determination shall have been made pursuant to Section 3(c) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding commenced pursuant to this Section 4, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with such determination of Indemnitee's entitlement to indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall be precluded from asserting in any judicial commenced pursuant to this Section 4 that the procedures and presumptions of this Agreement are not valid, binding or enforceable and shall stipulate in any such court that the Company is bound by all the provisions of this Agreement.

(e) The Company shall indemnify Indemnitee to the fullest extent permitted by law against all Expenses incurred by Indemnitee in connection with any judicial proceeding brought by Indemnitee for (i) indemnification or advances of Expenses by the Company (or otherwise for the enforcement, interpretation or defense of his or her rights) under this Agreement or any other agreement, including any other indemnification, contribution or advancement agreement, or any provision of the Articles of Incorporation or Bylaws now or hereafter in effect or (ii) recovery or advances under any directors and officers liability insurance policy maintained by the Company, regardless of whether Indemnitee ultimately is determined to be entitled to such indemnification, contribution, advancement or insurance recovery, as the case may be; provided, however, that this Section 4(e) shall not apply if, as part of such judicial proceeding, the court of competent jurisdiction determines that the material assertions made by Indemnitee as a basis for such judicial proceeding were not made in good faith or were frivolous.

Section 5. Additional Indemnification Rights; Nonexclusivity.

(a) Scope. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Articles of Incorporation or the Bylaws. Subject to the exceptions set forth herein, in the event of any change, after the date of this Agreement, in any applicable law, statute or rule that expands the right of a California corporation to indemnify a member of its or a Subsidiary's Board of Directors or an officer, such changes shall be, ipso facto, within the purview of Indemnitee's rights and the Company's obligations, under this Agreement. In the event of any change in any applicable law, statute or rule that narrows the right of a California corporation to indemnify a member of the Board of Directors or an officer of the Company or a Subsidiary, such changes, to the extent not otherwise required by such law, statute or rule to be applied to this Agreement, shall have no effect on this Agreement or the parties' rights and obligations hereunder.

(b) Nonexclusivity. The rights of indemnification, contribution and advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the Articles of Incorporation, the Bylaws, any agreement, any vote of shareholders or disinterested directors, the California General Corporation Law, or otherwise, both as to action in Indemnitee's official capacity and as to action or inaction in another capacity while holding such office.

(c) Survival. The indemnification provided under this Agreement shall continue as to Indemnitee for any action taken or not taken while serving in an indemnified capacity even though Indemnitee may have ceased to serve in such capacity at the time of any covered Proceeding is commenced.

Section 6. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of the Expenses and Liabilities actually or reasonably incurred by Indemnitee in any Proceeding, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion of such Expenses and Liabilities to which Indemnitee is entitled.

Section 7. Mutual Acknowledgment. Both the Company and Indemnitee acknowledge that, in certain instances, Federal law or applicable public policy may prohibit the Company from indemnifying its directors and officers under this Agreement or otherwise. Indemnitee understands and acknowledges that the Company has undertaken or may be required in the future in certain circumstances to undertake with the Securities and Exchange Commission to submit the question of indemnification to a court for a determination of the Company's right under public policy to indemnify Indemnitee.

Section 8. Directors and Officers Liability Insurance. To the extent that the Company maintains an insurance policy or policies providing liability insurance to individuals serving in a Corporate Status ("***D&O Insurance***"), Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such individuals serving in a Corporate Status under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has D&O Insurance in effect or otherwise potentially available, the Company shall give prompt notice of the commencement of such Proceeding to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

Section 9. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for Liabilities and/or for Expenses, in connection with any Proceeding relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (1) the relative benefits received by the Company and Indemnitee as a result of the event(s) and/or transaction(s) giving rise to such Proceeding; and (2) the relative fault of the Company (and its directors, officers, employees and agents) and Indemnitee in connection with such event(s) and/or transaction(s).

Section 10. Severability. Nothing in this Agreement is intended to require or shall be construed as requiring the Company to do or fail to do any act in violation of applicable law. The Company's inability, pursuant to court order, to perform its obligations under this Agreement shall not constitute a breach of this Agreement. The provisions of this Agreement shall be severable as provided in this Section 10. If this Agreement or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify Indemnitee to the full extent permitted by any applicable portion of this Agreement that shall not have been invalidated, and the balance of this Agreement not so invalidated shall be enforceable in accordance with its terms.

Section 11. Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated pursuant to the terms of this Agreement:

(a) Excluded Acts. To indemnify Indemnitee for (i) any acts or omissions or transactions from which a director, officer, employee or agent may not be relieved of liability under applicable law or (ii) for breach of duty to the Company or its shareholders as to circumstances in which indemnity is expressly prohibited by Section 317 of the California General Corporation Law; or

(b) Claims Initiated by Indemnitee. To indemnify or advance Expenses to Indemnitee with respect to any Proceeding initiated or brought voluntarily by Indemnitee and not by way of defense, except with respect to Proceedings brought to establish or enforce a right to indemnification under this Agreement or any other statute or law or otherwise as required under Section 317 of the California General Corporation Law, but such indemnification or advancement of Expenses may be provided by the Company in specific cases if the Company's Board of Directors has approved the initiation or bringing of such Proceeding; or

(c) Lack of Good Faith. To indemnify Indemnitee for any Expenses incurred by the Indemnitee with respect to any Proceeding instituted by Indemnitee to enforce or interpret this Agreement, if a court of competent jurisdiction determines that the material assertions made by the Indemnitee in such Proceeding were not made in good faith or were frivolous; or

(d) Duplicate Payments. To indemnify Indemnitee for Expenses or Liabilities to the extent Indemnitee has otherwise received payment with respect to such Expenses or Liabilities pursuant to (i) a policy of directors' and officers' liability insurance maintained by the Company, (ii) the Articles of Incorporation or Bylaws, or (iii) Section 317 or any other applicable provisions of the California General Corporation Law; or

(e) Claims under Section 16(b). To indemnify Indemnitee for Expenses and the payment of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 16(b) of the Exchange Act or any similar successor statute; or

(f) Claims under Sarbanes-Oxley Act of 2002. To indemnify Indemnitee for any reimbursement of the Company by Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002, or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act of 2002).

Section 12. Effectiveness of Agreement. This Agreement shall be effective as of the date set forth on the first page and shall apply to acts or omissions of Indemnitee which occurred prior to such date if Indemnitee was serving in any Corporate Status at the time such act or omission occurred.

Section 13. Construction of Certain Phrases.

(a) As used in this Agreement:

"***Articles of Incorporation***" means the Company's Restated Articles of Incorporation, as amended, and as may be further amended from time to time.

"***Bylaws***" means the Company's Amended and Restated Bylaws, and as may be amended from time to time.

"***Change of Control***" means any one of the following circumstances occurring after the date hereof: (i) there shall have occurred an event required to be reported with respect to the Company in response to Item 6(e) of Schedule 14A of Regulation 14A (or in response to any similar item or any similar schedule or form) under the Exchange Act, regardless of whether the Company is then subject to such reporting requirement; (ii) any "person" or "group" (as such terms are used in Sections 13(d) and 14(d) of the Exchange Act) shall have become, without prior approval of the Company's Board of Directors by approval of at least a majority of the Continuing Directors, the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 40% or more of the combined voting power of the Company's then outstanding voting securities (provided that, for purposes of this clause (ii), the term "person" shall exclude (x) the Company, (y) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (z) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company); (iii) there occurs a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) more than 51% of the combined voting power of the voting securities of the surviving entity outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity; (iv) all or substantially all the assets of the Company are sold or disposed of in a transaction or series of related transactions; (v) the approval by the stockholders of the Company of a complete liquidation of the Company; or (vi) the Continuing Directors cease for any reason to constitute at least a majority of the members of the Company's Board of Directors.

"***Continuing Director***" means (i) each director on the Company's Board of Directors on the date hereof or (ii) any new director whose election or nomination for election by the Company's stockholders was approved by a vote of at least a majority of the directors then still in office who were directors on the date hereof or whose election or nomination was so approved.

"***Corporate Status***" means the status of a person who is or was a director, officer, trustee, general partner, managing member, fiduciary, board of directors' committee member, employee or agent of the Company or of any other Enterprise.

"***Enterprise***" means the Company, any Subsidiary and any other corporation, limited liability company, partnership, joint venture, trust, employee benefit plan or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, general partner, managing member, fiduciary, board of directors' committee member, employee or agent.

"***ERISA***" means the Employee Retirement Income Security Act of 1974, as amended.

"***Exchange Act***" means the Securities Exchange Act of 1934, as amended.

"***Expenses***" means all direct and indirect costs (including without limitation attorneys' fees, retainers, court costs, transcripts, fees of experts, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, and all other disbursements or expenses) reasonably and actually incurred in connection with (i) prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, or otherwise participating in, a Proceeding or (ii) establishing or enforcing a right to indemnification under this Agreement, the Articles of Incorporation, Bylaws, applicable law or otherwise. Expenses also shall include Expenses incurred in connection with any appeal resulting from any Proceeding, including the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent. For the avoidance of doubt, however, Expenses shall not include any Liabilities.

"***Independent Counsel***" means a law firm, or a member of a law firm, that is experienced in matters of corporate law and neither currently is, nor in the five years prior to its selection or appointment has been, retained to represent (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning Indemnitee under this Agreement or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement.

"***Liabilities***" means any losses or liabilities, including without limitation any judgments, fines, ERISA excise taxes and penalties, penalties and amounts paid in settlement, arising out of or in connection with any Proceeding (including all interest, assessments and other charges paid or payable in connection with or in respect of any such judgments, fines, ERISA excise taxes and penalties, penalties or amounts paid in settlement).

"***Proceeding***" means any threatened, pending or completed action, derivative action, suit, claim, counterclaim, cross claim, arbitration, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether civil (including intentional and unintentional tort claims), criminal, administrative or investigative, including any appeal therefrom, and whether instituted by or on behalf of the Company or any other party, or any inquiry or investigation that Indemnitee in good faith believes might lead to the institution of any such action, suit or other proceeding hereinabove listed in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of any Corporate Status of Indemnitee, or by reason of any action taken (or failure to act) by him or her or of any action (or failure to act) on his or her part while serving in any Corporate Status.

(b) For purposes of this Agreement:

References to "***Company***" shall include, in addition to the resulting corporation, any constituent corporation (including any constituent of a constituent) absorbed in a consolidation or merger that, if its separate existence had continued, would have had power and authority to indemnify its directors, officers, employees or agents, so that, if Indemnitee is or was a director, officer, employee or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, Indemnitee shall stand in the same position under the provisions of this Agreement with respect to the resulting or surviving corporation as Indemnitee would have with respect to such constituent corporation if its separate existence had continued.

References to "***Subsidiary***" shall include a corporation, company or other entity:

(i) 50% or more of whose outstanding shares or securities (representing the right to vote for the election of directors or other managing authority) are, or

(ii) that does not have outstanding shares or securities (as may be the case in a partnership, joint venture or unincorporated association), but 50% or more of whose ownership interest representing the right to make decisions for such other entity is, now or hereafter, owned or controlled, directly or indirectly, by the Company, or one or more Subsidiaries.

References to "other enterprises" shall include employee benefit plans; references to "fines" shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan; and references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company that imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants, or beneficiaries.

Section 14. **Counterparts**. This Agreement may be executed in one or more counterparts, each of which shall constitute an original.

Section 15. **Successors and Assigns**. This Agreement shall be binding upon the Company and its successors and assigns and shall inure to the benefit of Indemnitee and Indemnitee's estate, heirs, legal representatives and assigns.

Section 16. **Notice**. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) if delivered by hand or recognized courier and receipted for by the party addressee, on the date of such receipt, (ii) if mailed by domestic certified or registered mail with postage prepaid, on the fifth business day after the date postmarked, or (iii) if sent by other means, on the date such notice is actually received by the relevant party; provided that international notices shall be sent by an international recognized courier. Notices shall be addressed as follows:

(a) if to the Company, to the Company's principal executive offices as reflected on the Company's most recently filed periodic or current report filed with the Securities and Exchange Commission, attention General Counsel (or if there is no General Counsel of the Company or if the notice is being given by the General Counsel of the Company, to the Chief Executive Officer of the Company); and

(b) if to Indemnitee, to the address of Indemnitee set forth under Indemnitee's signature below; or to such other address or attention of such other person as any party shall advise the other parties in writing.

Section 17. **Consent to Jurisdiction; Choice of Venue**. The Company and Indemnitee each hereby irrevocably consents to the jurisdiction of the courts of the State of California and the federal courts within the State for all purposes in connection with any action or proceeding that arises out of or relates to this Agreement and agrees that any action instituted under this Agreement shall be brought only in the United States District Court for the Southern District of California and any California State court within that District.

Section 18. **Choice of Law**. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of California as applied to contracts between California residents entered into and to be performed entirely within California.

Section 19. **Subrogation**. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents required and shall do all acts that may be necessary to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

Section 20. **Amendment and Termination**. No amendment, modification, termination or cancellation of this Agreement shall be effective unless in writing signed by both parties hereto.

[Signature Page Follows]

In Witness Whereof, the parties hereto have executed this Indemnification Agreement as of the date first above written.

LINEAGE CELL THERAPEUTICS, INC.

By: _____

Name: _____

Title: _____

AGREED TO AND ACCEPTED:

INDEMNITEE:

_____

Name:

Address: _____

_____

_____

Exhibit 31.1

CERTIFICATIONS

I, Brian M. Culley, certify that:

1.I have reviewed this quarterly report on Form 10-Q of Lineage Cell Therapeutics, Inc.

2.Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4.I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to me by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under my supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5.I have disclosed, based on my most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2022

/s/ Brian M. Culley

Brian M. Culley
Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Lineage Cell Therapeutics, Inc. (the "Company") for the quarter ended June 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Brian M. Culley, Chief Executive Officer and Interim Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2022

/s/ Brian M. Culley
Brian M. Culley
Chief Executive Officer and Interim Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)