



STEMCELL UNITED LIMITED

ACN 009 104 330

Level 5, 126 Phillip Street, Sydney NSW 2000, Australia

29 July 2022

Company Announcements Platform
Australian Securities Exchange

Quarterly activities report

Stemcell United Limited (ASX: SCU) ("SCU" or the "Company" or the "Group"), a plant-based biotechnology company, today released its Appendix 4C and Quarterly Activities Report for the period ended 30 June 2022.

Summary of Financial Information

SCU ended the quarter with cash of approximately \$0.65 million (\$1.9 million at 31 March 2022).

During the quarter the Group collected \$1.7 million from customers (\$2.8 million for the previous quarter), while the Group's net cash used in operating activities was \$1.1 million (\$0.7 million for previous quarter). The decrease in revenues is mainly due to the slowdown of business activities from the intermittent Covid lockdowns in China. However, the Company's aquaculture activities in Singapore are progressing well, with the Company expecting to receive its aquafarm licence from Singapore Food Agency during the September 2022 quarter.

In accordance with Listing Rule 4.7C, payments to related parties and their associates included in item 6.1 of the Appendix 4C amounted to \$200,000 which incorporates directors' remuneration (\$140,000) and payments to director-related companies for corporate services rendered (\$60,000).

Voluntary Suspension

The Company's securities have remained in voluntary suspension throughout the quarter.

As previously announced, the ASX has raised concerns regarding SCU's compliance with Listing Rules 3.1, 12.2 and 12.5, which SCU has replied to. SCU is currently taking the following actions to further satisfy the requirements of ASX:

1. as directed by ASX pursuant to Listing Rule 18.8(l), SCU has engaged an independent expert law firm (Thomson Geer) to conduct a review of the Company's policies and processes with regards to compliance with the Listing Rules and to produce a report with findings that can be released to market;
2. as directed by ASX pursuant to Listing Rule 18.8(m), all of the directors of SCU have now successfully completed an ASX Listing Rules compliance education course with the Governance Institute of Australia; and

3. SCU has made an application to the Federal Court to rectify the inadvertent issuance of a cleansing notice 3 days later than is required under the Corporations Act, in respect of the issuance of consideration shares to the Lantene vendor in October 2020. The Company applied to the Federal Court of Australia under section 1322 of the Corporations Act seeking relevant orders for an extension of time to the deadline in the Corporations Act for the lodgement of the cleansing notice (to rectify the late lodgement) and an order validating any on-sale of such shares and relieving the seller of any liability for breaching the on-sale provisions in the Corporations Act. The application has been allocated to a Judge in the Federal Court of Australia, New South Wales Corporations List, and listed for hearing on 18 August 2022 at which time final orders are expected to be made.

Proposed sale of Lantene shareholding

On 29 April 2022, SCU sought ASX guidance on the proposed sale of the Company's 50.1% shareholding interest in Shenzhen Lantene Dingzhi Biotechnology Co Ltd ('Lantene') to Mr Cao, the other shareholder in Lantene. On 16 June 2022, ASX confirmed that the transaction would constitute the disposal of SCU's main undertaking in terms of Listing Rule 11.2 and Guidance Note 12 and that SCU will be required:

- (a) to obtain shareholder approval of the transaction per Listing Rule 11.2; and
- (b) to comply with any requirements of ASX in relation to the notice of meeting.

ASX also advised that SCU must not enter into an agreement to dispose of its interest in Lantene unless the agreement is conditional on SCU obtaining the abovementioned approvals.

Following receipt of ASX's guidance, SCU resumed discussions with Mr Cao in relation to the proposed sale, and on 20 July 2022, SCU signed the share sale agreement for the sale of its 50.1% shareholding interest in Lantene to Mr Cao subject to relevant SCU shareholder approvals being obtained. SCU is currently preparing the notice of meeting for the purposes of calling an extraordinary general meeting for the purposes of obtaining the abovementioned shareholder approvals, and anticipates being in a position to hold such meeting by mid-September 2022.

Placement and Non-Renounceable Entitlement Offer

To raise further working capital for the Company and its business operations, and to satisfy ASX requirements for compliance with Listing Rule 12.2 (financial condition), the Company has recently announced a capital raising to raise up to \$2.95m via share placement and a non-renounceable entitlement offer.

On 21 July 2022, the Company announced a proposed placement ("Placement") to raise up to \$1.1 million by way of placement of new shares to sophisticated and professional investors at issue price of \$0.009 per share together with one free attaching option for every three new shares subscribed for. On 25 July 2022, the Company announced that it received commitments totalling \$1,062,907 under the Placement.

On 25 July 2022, the Company further announced a Non-Renounceable Entitlement Offer ("Offer") of one new SCU share for every five existing SCU shares held by eligible shareholders on the Record Date, at an issue price of A\$0.009 per New Share, together with one free attaching option for every three new Shares subscribed for. The free attaching options from the Placement and the Offer are exercisable at \$0.018 and expire 3 years from date of issue.

In total, the Placement and Offer is expected to raise up to \$2.95 million.

Seaweed aquaculture farm facility in Singapore - Joint Venture with RongYao Fisheries Pte Ltd

As previously announced on 28 February 2022, a joint venture company, SC- RY Farm Pte Ltd has been formed to manage an on-shore aquafarm and the application for an adjunct aquaculture licence from the Singapore Food Authority. SCU owns 70% of the shares in the joint venture company and Rong Yao holds 30%.

During the quarter, the parties have circulated a draft Joint Venture Agreement and anticipate concluding negotiations on such agreement in the September 2022 quarter.

As noted above, the Company is expecting to receive the aquaculture licence from the Singapore Food Agency during the September 22 quarter.

Broome Project in Western Australia

During the quarter, SCU continued discussions with the Western Australian Department of Primary Industries and Regional Development ('DPIRD') regarding lots in the Broome Tropical Aquaculture Park which SCU could potentially take sub-leasehold interest for. The Company has received a draft sub-lease from DPIRD and is continuing negotiations with DPIRD to finalise the terms of the sub-lease and an adjunct aquaculture licence.

Deakin University

During the quarter, the Company signed a non-binding memorandum of understanding with Deakin University, to discuss and identify collaboration activities and research projects including opportunities to make applications for funding and grants. The parties have established a joint committee to source and consider potential joint venture projects, and potential Commonwealth and Victorian government funding for such projects.

VeganBurg

The parties have held discussions as to how to rescope the commercial arrangements between them. These discussions will be ongoing.

China/Hemp

The operation of the Company's traditional plant based business and hemp/CBD business in China continues to be adversely affected by the ongoing Covid-19 pandemic and associated lockdowns and other restrictive measures maintained by the Chinese Government.

- END -

Authorised for lodgement by the Board of the Company

For further information, please visit the SCU website at www.scu.com.sg or contact:

Mr Philip Gu
Stemcell United Limited
Chief Executive Officer
E: enquiry@scu.com.sg

About Stemcell United Limited

Stemcell United Limited (ASX: SCU) is an Asia-Pacific plant-based biotechnology company that is building a food, nutrition, healthcare, cosmetics and personal care business based on plants found in the region, using its proprietary plant genetics and stem cell technology to refine the propagation and cultivation process. SCU's lead programs involve hemp (which has been cultivated in Asia for millennia), tapping into the medicinal attributes of its cannabidiol (CBD) constituent; and sea grapes (or "green caviar"), a tropical aquatic vegetable native to many parts of the Indo-Pacific coast and a staple delicacy in Japan and regions of south-east Asia; and the processing of these crops to make a wide range of products and additives for the global nutrition, healthcare, cosmetics, beauty, personal care and veterinary markets.

Stemcell United is the first foreign company allowed access to the huge China hemp market, while in sea grapes and seaweed, SCU is building a mass-cultivation aquaculture capability in Singapore, with an integrated manufacturing capacity for high-value products. SCU is also leveraging its environmentally friendly technology to develop medicinal, health, beauty and anti-ageing applications of several other plants that are familiar components of traditional Chinese medicine (TCM). Also, SCU has successfully commercialised the processing and production of pharmaceutical grade Resina Draconis product for Asia.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

STEMCELL UNITED LIMITED

ABN

57 009 104 330

Quarter ended ("current quarter")

30 June 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12..months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	1,695	12,760
1.2 Payments for		
(a) research and development	(62)	(406)
(b) product manufacturing and operating costs	(2,027)	(12,737)
(c) advertising and marketing	-	-
(d) leased assets	(82)	(175)
(e) staff costs	(346)	(1,399)
(f) administration and corporate costs	(239)	(2,125)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	1
1.5 Interest and other costs of finance paid	(43)	(60)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	18
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,104)	(4,123)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12..months) \$A'000
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	(60)	(849)
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(60)	(849)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	1,255
3.6	Repayment of borrowings	(24)	(817)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	(24)	438

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..12..months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,945	5,255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,104)	(4,123)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(60)	(849)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(24)	438
4.5	Effect of movement in exchange rates on cash held	(106)	(70)
4.6	Cash and cash equivalents at end of period	651	651

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	651	1,945
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	651	1,945

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	200
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments.</i>		

7.	Financing facilities <i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1	Loan facilities	1,222	1,222
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,222	1,222
7.5	Unused financing facilities available at quarter end		-
7.6	<p>Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.</p> <p>\$886,000 loans with Bank of China, with interest rate ranging from 3.85% to 4.05%, maturing 11 Jan 2022 and 13 December 2022, and are secured by personal guarantee of a China subsidiary's director.</p> <p>\$168,000 loans with Yillion Bank, with interest rate ranging of 13%, maturing 21 December 2022, and are secured by guarantee provided by a credit guarantee company.</p> <p>\$168,000 loan with Jiangsu Suning Bank, with interest rate of 18%, maturing 5 May 2025, and is unsecured.</p>		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,104)
8.2	Cash and cash equivalents at quarter end (item 4.6)	651
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	651
8.5	Estimated quarters of funding available (item 8.4 divided by item 8.1)	(0.59)
	<i>Note: if the entity has reported positive net operating cash flows in item 1.9, answer item 8.5 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.5.</i>	
8.6	If item 8.5 is less than 2 quarters, please provide answers to the following questions:	
8.6.1	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: No. The disposal of subsidiary Lantene, if approved, will affect the net operating cash flows	
8.6.2	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: Yes. A placement and a rights issue are being conducted to raise cash to fund the operations.	

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The placement and rights issue will raise up to \$2.95 million which will allow the company to meet its business objectives.

Note: where item 8.5 is less than 2 quarters, all of questions 8.6.1, 8.6.2 and 8.6.3 above must be answered.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:29 July 2022.....

Authorised by:the board of directors.....
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.