



STEMCELL UNITED LIMITED
ACN 009 104 330

28 February 2022

Market Update

Stemcell United Limited (ASX: SCU) ("**SCU**" or the "**Company**") provides a market update in relation to the following matters concerning its business operations and activities:

a) Proposed acquisition of an interest in an aquaculture farm facility in Singapore

As announced in the Company's recent Quarterly Activities Report (*refer ASX announcement 31 January 2022*), the Company is seeking to acquire an existing site from, and/or enter a joint venture arrangement with, an existing aquaculture licence holder.

Given there are only limited sites in Singapore for the conduct of marine aquaculture projects, the Company is seeking to acquire an interest in an existing facility. By seeking a well-established reputable joint venture partner, SCU expects to be able to accelerate the approval process with the Singaporean Food Agency ('SFA') for the establishment of its aquaculture project with a view to starting commercial seaweed cultivation and harvesting within the shortest possible period of time.

The Company is currently in negotiations with Rong Yao Fisheries Pte Ltd ('Rong Yao') to settle the terms of a joint venture agreement (shareholders agreement) in the form of an incorporated joint venture to acquire sites that can be utilised for an aquaculture farm facility. Rong Yao is not a related party of SCU.

The current status of SCU and Rong Yao's activities in planning and establishing the incorporated joint venture is as follows:

1. Following various negotiations with potential joint venture partners and consideration of various corporate structures, SCU has now decided to proceed to establish an incorporated joint venture with Rong Yao.
2. A joint venture company has been incorporated named 'SCU-RY Farm Pte Ltd' (**SCU-RY**), with SCU holding 70% of the shares and Rong Yao holding 30%.
3. It is proposed that the joint venture's business operations will be principally focused on cultivating and harvesting sea grapes and other high value seaweeds on a commercial scale based on SCU's successfully completed R&D program and pilot production runs in SCU's seaweed laboratory at the Marine Aquaculture Centre (MAC) on Singapore's St. John's Island.
4. Rong Yao is contributing a 1-hectare aquaculture license (FC108E) and a cultivation platform (see the attachment to this announcement) to the joint venture. Rong Yao has obtained an approval letter from the SFA to use the site for aquaculture purposes. The licence is valid for 1

year from 1 January 2022 until 31 December 2022 and is renewable on an annual basis by providing payment of a licence renewal fee.

5. SCU has acquired a 2-hectare floating aquaculture platform farm facility for S\$150,000. This platform facility will constitute SCU's contribution to the joint venture. SCU is currently adjusting the equipment on this facility to use for seaweed cultivation and harvesting. The parties are seeking approval from SFA to reassemble this 2-hectare floating aquaculture platform and to modify it so as to accommodate both the current 1-hectare open sea areas licence (License No. FC108E under Rong Yao) to cultivate sea grape and other seaweeds and the onsite lab and hatchery centre currently under construction.
6. SCU-RY is in the process of applying for a licence from SFA for the operation of a further 0.5 hectares to be adjoined to the existing site to create a total cultivation area of 1.5 hectares. The licence, once granted, will be for a term of 12 months and is renewable on annual basis by payment of a licence renewal fee. The Company is seeking to obtain this licence approval by June 2022.

In addition, SCU-RY intends to seek the approval of SFA for the acquisition of a further 1.5 hectares to be used for the cultivation and harvest of seaweeds. This additional acquisition would bring the joint venture's licensed open sea aquaculture area to 3 hectares. The Company is seeking to obtain approval and grant of licence for the further 1.5 hectare site by September 2022.

7. In addition to the S\$150,000 investment in the 2.0 hectares platform facilities, SCU also intends to contribute S\$70,000 to the joint venture for working capital purposes.
8. The parties are currently negotiating a joint venture agreement in the form of a shareholders agreement for SCU-RY which will outline the parties' rights and obligations in relation to the joint venture and the operation of its business.

The Company is seeking to finalise the joint venture agreement over the next 60 days (however there is no guarantee that this will occur within that timeframe).

The Company will provide a further update on this matter in due course.

b) the MoU with Terrenus Energy Jurong Pte. Ltd ('Terrenus')

This co-operation agreement has been in hiatus since the beginning of the implementation of the Covid lockdown, with no substantive discussions having been held between the parties since then.

A termination deed has now been signed between the Company and Terrenus to terminate the MoU.

c) Yunnan Hemp including clarification as to any implications of the MoU with Beimei Hemp for Yunnan Hemp's activities

d) HSBIC (Hongyi SCU Biotech and Innovation Centre)

SCU now provides an update on its hemp – related activities in China, which includes Yunnan Hemp, Beimei Hemp and HSBIC.

At the outset, the Company notes that progress of these commercial activities has been slower than would otherwise be the case due principally to the Covid-19 travel restrictions in China which have made it difficult for the Company's key management personnel to travel to China in the past 2 years.

SCU notes that through its subsidiary Yunnan Hemp's collaboration with Beimei Hemp, they have recently delivered a CBD vaping sample to a potential Dutch customer for trial and testing. No revenue was generated by SCU from the provision of the CBD for the sample. If the sample trials and testing are successful and indicate prospects for commercial sale and distribution of the products, then SCU intends to formulate a proposal that would serve as a framework for the negotiation of a formal agreement with Beimei Hemp. In general terms, Yunnan Hemp would sell CBD raw material to Beimei Hemp for use in Beimei Hemp's development, manufacture and sale of CBD-infused vaping products and formulae to overseas customers (ie. customers outside China).

Beimei Hemp is located in China's Heilongjiang province, and the CBD is sourced from hemp grown locally in Heilongjiang, which is one of the 2 main hemp growing provinces in China (the other location being Yunnan province where SCU's subsidiary, Yunnan Hemp, is based).

Hemp seeds for growing in Heilongjiang province are controlled and supplied by Heilongjiang Academy of Agricultural Sciences ('HAAS'). The CBD yield of current Chinese hemp strains is low compared to that of Europe and USA. SCU is considering aggregating the resources of HAAS and SCU's Sensi Seeds to develop and/or supply a new strain of hemp for growing in Heilongjiang province. The parties will need to seek regulatory approvals in China for the proposed activities.

The establishment of the Hongyi SCU Biotech and Innovation Centre is still the subject of discussions between SCU and Hongyi Agriculture Development Co Ltd. The Company understands that the collaboration of the parties will not require regulatory approval in China, however establishing a new company in China to undertake such venture will require approval from China's Administration for Industry and Commerce. Also arising out of those discussions is the possibility of SCU selling its other existing SCU products (including Dendrobium Infused bird nest) through the retail shops of China Tobacco.

SCU plans to bring the MoU with Beimei Hemp, the potential development of hemp seed with HAAS and the potential collaboration with China Tobacco on the Hongyi SCU Biotechnology Innovation Centre all under one corporate umbrella. Discussions have been held with the various concerned parties on this concept. Such planned activities would also be subject to the parties obtaining any necessary regulatory approvals in China. The Company will provide a further update to shareholders if an agreement in relation to such matters is reached between the parties.

e) the patent application PCT/SG2014/000515, including with reference to the international preliminary report on patentability issued by the International Bureau of WIPO on 28 March 2017 which advised that a number of the claims lacked novelty, that none of the claims involved inventive steps, and highlighted issues regarding clarity of claims, drawings and descriptions.

The Company's international patent application PCT/SG2014/000515 filed in Singapore comprised an invention relating to a meristematic cell line derived from the quiescent centre of the root of a plant and a method of isolating the cell line.

On 28 March 2017 WIPO issued an international preliminary report on patentability of the patent application. This report advised that the application was rejected on various grounds:

- claims comprised in the patent application did not meet the threshold levels with regards to novelty and inventive steps for the invention to meet patentability requirements;
- certain claims did not meet requirements for patentability as they were not fully supported by the descriptions. In this regard the report considered that it is not reasonable to predict that all cell lines derived from any plant, as recited by the claims, will possess the properties or uses as suggested. It was noted that therefore a sound prediction cannot be made in respect of the entire scope of the claims.

The Company is giving further consideration to whether it will continue pursuing patent protection in Singapore and other jurisdictions. However, there is no guarantee that any future patent applications filed by the Group will not infringe competitor patents or that any such patent applications will be granted by authorities in key jurisdictions, given that patents on similar subject matter have been granted.

The Company notes separately that it has obtained a China patent (patent number 2015105593775) which is granted. This patent focused on the clonal rapid breeding method of *dendrobium officinale*. The China patent application was based on the Singapore patent application (PCT/SG2014/000515) and tailored for protecting the Company's technology in China. China is the main target market for the commercialisation of this TCM- based product and therefore securing the patent grant in China was the main priority for the Company.

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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

Rudi Michelson
Monsoon Communications
Tel: +61 3 9620 3333
Mob: +61 (0)411 402 737
E: rudim@monsoon.com.au

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.