



STEMCELL UNITED LIMITED

ACN 009 104 330

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

31 October 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 September 2022.

Summary of Financial Information

SCU ended the quarter with cash of approximately \$0.85 million (\$0.62 million at 30 June 2022).

During the quarter the Group collected \$4.6 million from customers, while making payments of \$5.1 million on operating activities, resulting in a net outflow of \$383k in operating activities. The Company’s cash reserves were boosted by \$747k from the placement conducted in July 2022.

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 \$63,000 which relates to director’s remuneration.

Voluntary Suspension

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

The Company has fulfilled the following requirements raised by ASX regarding SCU’s compliance with Listing Rules 3.1, 12.2 and 12.5:

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. The review was completed and as directed by ASX, a summary of the report was released to market on 20 September 2022.
2. as directed by ASX pursuant to Listing Rule 18.8(m), all of the directors of SCU successfully completed an ASX Listing Rules compliance education course with the Governance Institute of Australia;
3. SCU 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 sought orders were granted at the Federal Court hearing on 18 August 2022; and

4. The Company has prepared and submitted to ASX a reviewed pro-forma statement of consolidated position, which takes into account the disposal of Lantene, the placement fund raising, and the entitlement offer and shortfall offer fund raisings.

As at the date of this announcement, no further requests or conditions have been received from ASX for the reinstatement of the Company's securities to Official Quotation on ASX. The Company is in consultation with ASX regarding the proposed reinstatement of the Company's securities to Official Quotation on ASX and will update the market once it has further information on the likely timing of reinstatement and any further conditions required to be met for this to occur.

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 for a total consideration of A\$700,000 payable over a 6 month period and subject to relevant SCU shareholder approvals being obtained.

At the Company's Extraordinary General Meeting held on 19 October 2022, shareholders approved the sale of the Company's shareholding interest in Lantene.

Now that the sale of Lantene has been approved by the Company's shareholders, the following agreements between the Company and Lantene have come into effect:

- Distribution Agreement whereby Lantene has agreed to distribute SCU's products in the China territory; and
- Intellectual Property Licence Agreement granting SCU the right to use the Lantene patent and software registration intellectual property for sea grape cultivation on a worldwide basis (except for China).

Please refer SCU's announcement dated 20 July 2022 which provides further information regarding the Distribution Agreement and Intellectual Property Licence Agreement between the Company and Lantene.

Placement

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. The free attaching options from the Placement are exercisable at \$0.018 and expire 3 years from date of issue.

The Placement was completed on 4 August 2022, the Company having received funds of \$747,000 to issue 83,000,002 new shares and 27,666,664 new options and a further commitment of \$315,906 (held in trust

subject to trading in the Company's shares recommencing), bring the total funds received and committed under the placement to \$1,062,906.

Non-Renounceable Entitlement Offer

On 25 July 2022, the Company further announced a Non-Renounceable Entitlement Offer ("Entitlement 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 are exercisable at \$0.018 and expire 3 years from date of issue. Under the prospectus issued for the Entitlement Offer, the Company also included a separate shortfall offer ("Shortfall Offer") for investors to subscribe for those securities not acquired under the Entitlement Offer.

The Entitlement Offer closed on 25 August 2022, the Company having received acceptances from eligible shareholders totalling \$223,228.60 and application funds for Shortfall Offer shares of \$147,534.50.

On 25 October 2022, the Company issued a refresh supplementary prospectus as the quotation condition for the Entitlement Offer was not met within 3 months, and shall provide a refund to applicants in the Entitlement Offer. The refresh supplementary prospectus also gives the applicants in the Shortfall Offer withdrawal rights, while at the same time extending the Shortfall Offer by another 3 months. The Company is currently working with its advisors to undertake the placement of the Shortfall Offer with sophisticated and professional investors.

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

A joint venture agreement was signed with RongYao Fisheries Pte Ltd on 27 September 2022 in respect of the SCU-RY Pte Ltd joint venture company which manages a 2 hectare open sea floating aquaculture platform off the coast of Singapore. SCU owns 70% of the shares in the joint venture company and Rong Yao holds 30%. The floating aquaculture platform is currently operating under a licence held by Rong Yao. The Company is hopeful that a new licence will be granted to SCU-RY Pte Ltd in respect of its existing and proposed aquaculture activities by end of the year.

The successful conversion of the floating aquaculture platform into a multi-tropic seaweed growing platform has allowed SCU to develop significant know-how and achieve proof of concept regarding the building and commercial operation of the aquaculture platform. This know-how will assist the Company in the construction and operation of the 2nd and subsequent seaweed platforms in Singapore and/or other countries.

Memorandum of Understanding (MoU) with Baker's Oven Patisseries

On 27 September 2022, the Company also announced that it has signed a binding MoU with Baker's Over Food Services Pte Ltd, trading as Baker's Oven Patisseries for the Company to supply a total of S\$2,000,000 worth of seaweed products over 3 years, and to also assist Baker's Oven Food Services Pte Ltd with its proposed expansion into Australia.

Restructuring of the Company's board of directors

On 19 September 2022, Mr Yanhua Huang and Mr Qi Lu resigned as directors of the Company as part of a restructuring exercise to reduce the size of the board.

Other projects

Limited progress was made with the Company's other projects since the last updates provided in the June 2022 quarter activities report.

- 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 products 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 September 2022

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (..03..months) \$A'000 |
|---|------------------------------------|--|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 4,664 | 4,664 |
| 1.2 Payments for | | |
| (a) research and development | (5) | (5) |
| (b) product manufacturing and operating costs | (3,992) | (3,992) |
| (c) advertising and marketing | - | - |
| (d) leased assets | (15) | (15) |
| (e) staff costs | (216) | (216) |
| (f) administration and corporate costs | (805) | (805) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | (14) | (14) |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (383) | (383) |

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (..03..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 | (46) | (46) |
| (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 | (46) | (46) |

| | | |
|---|------------|------------|
| 3. Cash flows from financing activities | | |
| 3.1 Proceeds from issues of equity securities (excluding convertible debt securities) | 747 | 747 |
| 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 | - | - |
| 3.6 Repayment of borrowings | (95) | (95) |
| 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 | 652 | 652 |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (..03..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 | 625 | 625 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (383) | (383) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (46) | (46) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 652 | 652 |
| 4.5 | Effect of movement in exchange rates on cash held | 4 | 4 |
| 4.6 | Cash and cash equivalents at end of period | 852 | 852 |

| 5. Reconciliation of cash and cash equivalents | Current quarter \$A'000 | Previous quarter \$A'000 |
|---|------------------------------------|-------------------------------------|
| at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | | |
| 5.1 Bank balances | 625 | 852 |
| 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) | 625 | 852 |

| 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 | 63 |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | - |

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.

| 7. Financing facilities | Total facility amount at quarter end \$A'000 | Amount drawn at quarter end \$A'000 |
|---|---|--|
| <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> | | |
| 7.1 Loan facilities | 1,037 | 1,037 |
| 7.2 Credit standby arrangements | - | - |
| 7.3 Other (please specify) | - | - |
| 7.4 Total financing facilities | 1,037 | 1,037 |
| 7.5 Unused financing facilities available at quarter end | | - |
| 7.6 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. | | |
| The loan facilities are from Bank of China, Yillion Bank and Jiangsu Suning Bank, with interest rate ranging from 3.85% to 18%, maturing on various dates from 13 December 2022 to 5 December 2023, and are secured by personal guarantee of a China subsidiary's director. | | |

| 8. Estimated cash available for future operating activities | \$A'000 |
|--|----------------|
| 8.1 Net cash from / (used in) operating activities (item 1.9) | (383) |
| 8.2 Cash and cash equivalents at quarter end (item 4.6) | 852 |
| 8.3 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.4 Total available funding (item 8.2 + item 8.3) | 852 |
| 8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1) | (2.22) |
| <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: N/A | |
| 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: N/A | |
| 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: N/A | |
| <i>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.</i> | |

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:31 October 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.