



22 February 2019

Attention: Penelope Reid
Adviser, Listing Compliance
Level 40, Central Park
152-158 St Georges Terrace
Perth WA 6000

(By email – Penelope.reid@asx.com.au)

Response to ASX Appendix 4C

STEMify Limited (ASX: SF1, 'Company') provides this response in reference to the ASX's letter dated 19 February 2019 regarding the Company's January 2019 Appendix 4C quarterly report.

In response to the questions detailed in the ASX's letter the Company provides the following responses:

1. Yes, the Company does expect to continue to have negative operating cash flows but as advised in in the Company's release to ASX on 31 January 2019 "December 2018 Appendix 4C and commentary", a significant Cost Reduction Plan has been implemented delivering annualised cost savings of US\$2.0 million per annum by December 2018.

Operating cash receipts during the December quarter totalled US\$486k/AUD\$694k. Further expected cost savings in the March 2019 quarter should see operating cash expenses in the US based subsidiaries of US\$550k/AUD\$785k, with further reductions to US\$386k/AUD\$551k forecast in the June 2019 quarter. In addition, it is noted that operating cash receipts from sales of US\$266k/AUD\$376k have already been received in the 2019 calendar year to date up to and including 20 February 2019, expected to rise to US\$360k/AUD\$510k by the end of February 2019. Assuming cash receipts for March 2019 and June 2019 quarters remains equal to December 2018 actual cash receipts of US\$486k, the US operating businesses (excluding new printer purchases) are expected to move towards cash flow positive.

2. Yes. Notwithstanding the improving cashflow trend per paragraph 1, the Company expects to complete a further capital raising to fund operations. As noted in the Company's release to ASX on 31 January 2019 "December 2018 Appendix 4C and commentary" the Company has been in discussions with its existing secured lender and that a drawdown facility is available with the ability to drawdown a further \$250,000 (\$750,000 drawn down to date) subject to the terms of that agreement.

In addition, the Company notes that it has been in discussion with a number of parties who have expressed interest in providing equity or debt to the Company. These discussions are progressing and further details will be announced once confirmed. The Company currently has the capacity to issue up to 139.7 million shares, in accordance with its placement capacity under ASX Listing Rules 7.1 and 7.1A. The Company believes its ability to raise additional funds through a capital raising and has a history of successfully completing capital raisings over the past year, with the last capital raising completed in August 2018, where a total of \$3.25 million was raised.

3. Yes, the Company does expect to be able to continue its operations and meet its business objectives on the basis that it expects to be able to raise further capital as described in item 2 above. It is noted that the estimated cash outflows noted in the Company's January 2019 Appendix 4C do not take into consideration cash inflows which will be generated from the Company's operations through its subsidiaries. The estimate of AUD\$882K in cash outflows in the December quarterly, has already been offset by operating cash receipts of AUD\$376k for the quarter up to 20 February 2019.
4. The Company confirms that it is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.
5. These responses to the ASX's questions have been authorised by the Board of the Company.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Justin", written over a horizontal line.

Justin Mouchacca
Company Secretary



19 February 2019

Mr Justin Mouchacca
Company Secretary
STEMify Limited
C/- Leydin Freyer Corp Pty Ltd
Level 4, 96-100 Albert Road
SOUTH MELBOURNE VIC 3205

By email: jmouchacca@leydinfreyer.com.au

Dear Mr Mouchacca

STEMify Limited ('SF1'): Appendix 4C Query

ASX refers to SF1's Appendix 4C quarterly report for the period ended 31 December 2018 lodged with the ASX Market Announcements Platform and released on 31 January 2019 (the 'Appendix 4C').

ASX notes that SF1 has reported:

- negative net operating cash flows for the quarter of \$576,000;
- cash at the end of the quarter of \$378,000; and
- estimated cash outflows for the next quarter of \$882,000.

It is possible to conclude, based on the information in the Appendix 4C, that if SF1 were to continue to expend cash at the rate indicated by the Appendix 4C, SF1 may not have sufficient cash to continue funding its operations.

Request for Information

In view of that, ASX asks SF1 to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market under Listing Rule 18.7A:

1. Does SF1 expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SF1 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?
3. Does SF1 expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that SF1 is complying with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition under that rule that has not already been released to the market.
5. Please confirm that SF1's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of SF1 with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that SF1 considers may be relevant to ASX forming an opinion on whether SF1 is complying with Listing Rule 12.2 that a listed entity's financial condition must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

When and where to send your response

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **4.00 PM AWST Friday, 22 February 2019**.

If we do not have your response by then, ASX will have no choice but to consider suspending trading in SF1's securities under Listing Rule 17.3. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, SF1's obligation is to disclose the information "immediately". This may require the information to be disclosed before the deadline set out in the previous paragraph.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market. Your response should be sent to me by e-mail at ListingsCompliancePerth@asx.com.au. It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

Listing Rule 3.1 and 3.1A

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 3.1A. In responding to this letter, you should have regard to SF1's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure: Listing Rules 3.1 – 3.1B*. It should be noted that SF1's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in SF1's securities under Listing Rule 17.1. If you wish to request a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

Enquiries

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

Penelope Reid
Adviser, Listings Compliance (Perth)