



STEMCELL UNITED LIMITED

ACN 009 104 330

Level 12, 680 George Street, Sydney, NSW 2000, Australia

31 July 2021

Company Announcements Platform
Australian Securities Exchange

Quarterly activities report

Quarter highlights

- Stemcell United signed a non-binding Memorandum of Understanding with the University Malaysia Sabah to undertake collaborative research into the commercialisation of sea grapes (*Caulerpa Lentillifera*) in April 2021 to set out the negotiating parameters for a binding agreement
- Stemcell United entered into stage 2 of a collaboration with Temasek Polytechnic in May 2021 to develop a marine plant-based food and nutrition laboratory
- Stemcell United's CEO, Mr Philip Gu, presented in the E-dialogue on "Seaweed Diversity and Technology: Towards a sustainable technology", and at the 4th Episode of the "Cannabis Investor Series" in April and May 2021 respectively
- In April 2021, the company raised \$3.8 million in a placement of shares and options
- Cash position at 30 June 2021 was \$5.3 million

Stemcell United Limited (ASX: SCU) ("SCU" or the "Company"), a plant-based biotechnology company, today announced its Appendix 4C and Quarterly Activities Report for the period ended 30 June 2021. During the quarter, SCU made significant operational progress, in line with the company's strategic plan.

Summary of Financial Information

In April 2021, the Company raised \$3.8m through the issue of ~200 million new fully paid ordinary shares at A\$0.019 per share and 110,000,000 options. The placements were strongly supported by a range of sophisticated and professional investors. The new funding will enable a number of the company's growth objectives, with particular focus on:

- The creation of new, and expansion of existing, partnerships in the cannabis and hemp industries; and
- The expansion of the Company's vertically integrated marine cultivation business model for its plant-based protein products to further enhance the Company's ability to tackle global food security issues and to mitigate effects of climate change.

SCU ended the quarter with cash of approximately \$5.3 million (\$2.6 million at 31 March 2021).

In the financial year ended 30 June 2021 the company collected \$7.8 million from customers (\$0.8 million for the previous financial year). This is a positive reflection on the implementation of the company's strategies and operational plans.

The company is conservative with its R&D expenditure, and expenditure on overheads remains steady. Cost management remains a key priority for the business .

In accordance with Listing Rule 4.7C, payments to related parties and their associates included in item 6.1 of the Appendix 4C incorporates directors' remuneration (\$120,000) and payments to director-related companies for corporate services rendered (\$24,000).

Operations and Business Activities

SCU is focused on building shareholder value by, amongst other things, advancing product development and business development efforts based on marine and land plants in the Asia-Pacific region. Two collaborations have been entered into in the quarter ended 30 June 2021, one with the University Malaysia Sabah (non-binding) and another with Temasek Polytechnic. Both have the specific aim of increasing commercial product development outcomes. It is expected that additional products arising from these collaborations will be commercialised in the future.

Collaboration with Temasek Polytechnic

SCU entered into stage 2 of its binding collaboration agreement with Temasek Polytechnic in Singapore. This is an extension to the original milestone agreement signed by SCU with the Singapore Government education institute after launching its Sea Grape Project in 2020.

This agreement involves near commercialisation milestones and it extends collaborative research with Temasek Polytechnic for a further 12 months to 30 April 2023. The agreement expands the scope of developing aquaculture solutions for the growth of seaweeds, including sea grapes (*Caulerpa Lentillifera*) to the exploration of new marine plant-based products, research into formulation of foods, formulation and enhancement of recipes, nutritional analysis and sensory evaluation, and shelf life, storage and packaging studies. This is a key business activity of SCU as it builds its product portfolio based on marine seaweed plants, in addition to existing land plants of Resina, Dendrobium and hemp. Temasek Polytechnic is the only Singapore government designated education and research institute with an emphasis on marine aquaculture, and it is part of the global Aquaculture Innovation Centre.

The agreement also allows SCU to set up a staffed laboratory in Temasek Polytechnic's campus. The laboratory will add considerably to SCU's capacity to develop and improve products. The new laboratory, to be named as the "Sustainable Marine Plant-based Food and Nutrition Lab", will work hand in hand with SCU's existing laboratory on St John Island, Singapore. The primary focus of the new SCU laboratory at Temasek Polytechnic is to perform research and development into sustainable future food products, for both humankind and animals, derived from tropical seaweed species.

MoU on collaborative research with University Malaysia Sabah

SCU signed a non-binding Memorandum of Understanding with the University Malaysia Sabah (UMS) on commercialisation of Sea Grapes. The MoU created the negotiating parameters for the conclusion of a legally binding agreement for various cooperative projects with UMS.

The UMS is based in Sabah, the State in Malaysia most closely associated with research and development of seaweed products. Sabah is rich in marine resources, particularly seaweed species.

Post-activity Period Reporting

Ministerial site visit to SCU at the Marine Aquaculture Centre

On 7 July 2021 SCU hosted high-level officials from Singapore Government's Ministry for Sustainability and the Environment at its research facility at the Marine Aquaculture Centre (MAC) in Singapore. The Ministerial guests were the Minister of Sustainability and Environment, Ms Grace Fu, and the Minister of State in the Ministry for Home Affairs and the Ministry for Sustainability and the Environment, Mr Desmond Tan. In addition, the CEO of the Singapore Food Agency (SFA), Mr Lim Kok Thai attended the meeting.

The delegation was shown through SCU's pilot plant facility, which provided an opportunity to showcase SCU's successful pilot production as well as its proprietary Vertically Integrated Smart Seaweed Cultivation and Application System (VISSCAS). SCU's germplasm seed bank, as well as its downstream products consisting of high-end Green Caviar, low-GI Seaweed Noodle and nutritious Seaweed Fish Feed, was also part of the tour of the facilities.

During the tour, discussions with the Ministers also covered the potential contribution of SCU's marine seaweed projects on Singapore's 30 by 30 goal to improve the country's food security and sustainability by 2030. Additional details regarding the Ministerial visit can be found on the company's website, www.scu.com.sg.

Mr Francesco Cannavo appointed to the Board of SCU

On 21 July 2021 Mr Francesco Cannavo was appointed as a non-Executive Director. Mr Cannavo, a leading business executive and capital markets advisor, is an active entrepreneur and investor in the Australian capital markets.

Mr Cannavo is an experienced public company director with significant business and investment experience working with companies operating across various industry sectors. He is formerly a director of Lifespot Health (ASX:LSH) and is currently a Non-Executive Director of Western Mines Group Ltd (ASX:WVG). He is also the founder of Golden Venture Capital, a corporate advisory firm based in Melbourne. He has been instrumental in assisting many listed and unlisted companies achieve their growth potential by providing strategic advice on raising investment capital and completing strategic acquisitions. He is an entrepreneur with a strong network of investors and industry contacts in the public company sector in Australia and throughout the Asia-Pacific region. He has extensive experience in capital raisings, investment activities and IPOs.

The Company looks forward to benefiting from Mr Cannavo's extensive capital markets experience as it continues to focus on the growth of its business. Mr Cannavo will be invaluable in assisting the Company in undertaking any future capital raising, strategic acquisition or other corporate transaction.

In addition, Mr Cannavo has extensive experience and contacts in the processed foods industry sector in Victoria, based in part from his hands-on involvement in his family's processed meats business.

A core component of the Company's ability to commercialise a range of processed foods will be its ability to establish joint production facilities and sales and distribution channels. Mr Cannavo's extensive experience in the Victorian processed food sector, will facilitate the Company's ability to undertake the processing and commercialisation of processed food products in Australia and to access Australian and Asian markets.

Impact of COVID-19

There has not been to date any significant impact of COVID-19 on SCU's operations and business activities.

- 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:

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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 2021

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	1,201	7,772
1.2 Payments for		
(a) research and development	(269)	(271)
(b) product manufacturing and operating costs	(1,228)	(6,830)
(c) advertising and marketing	-	
(d) leased assets	(47)	(118)
(e) staff costs	(366)	(937)
(f) administration and corporate costs	(26)	(1,067)
1.3 Dividends received (see note 3)		
1.4 Interest received		
1.5 Interest and other costs of finance paid		(38)
1.6 Income taxes paid		
1.7 Government grants and tax incentives	118	143
1.8 Other (provide details if material)		
1.9 Net cash from / (used in) operating activities	(617)	(1,346)

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	(358)	(431)
(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)		
- Net cash acquired on acquisition	-	13
2.6 Net cash from / (used in) investing activities	(358)	(418)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	3,800	6,721
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	(230)	(433)
3.5 Proceeds from borrowings	151	151
3.6 Repayment of borrowings	(152)	(193)
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	3,569	6,246

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..12..months) \$A'000
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4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,552	867
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(617)	(1,346)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(358)	(418)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,569	6,246
4.5	Effect of movement in exchange rates on cash held	109	(94)
4.6	Cash and cash equivalents at end of period	5,255	5,255

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	5,255	2,552
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)	5,255	2,552

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	144
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. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	793	793
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	793	793
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.		
Bank of China loans, with an interest rate of 3.85%, maturing on 21 Sep 2021 and 11 Jan 2022, and is 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)	(617)
8.2 Cash and cash equivalents at quarter end (item 4.6)	5,255
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	5,255
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	(8.52)
<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 July 2021.....

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.