



STEMCELL UNITED LIMITED
ACN 009 104 330
Level 12, 680 George Street, Sydney, NSW 2000

07 August 2018

Ms Kimberley Brown
Principal Adviser, Listings Compliance
ASX Limited

Dear Madam,

ASX Appendix 4C Query

We refer to your letter to Stemcell United Limited (“SCU” or the “Company”) on 1 August 2018 regarding the Company’s Appendix 4C for the quarter ended 30 June 2018 and provide the following responses.

1. Does SCU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?

No. Barring unforeseen circumstances, SCU does not expect that it will continue to have negative operating cash flows.

The negative operating cashflow is mainly due to one off payments of \$427,000 to Yunnan Huafang Industrial Hemp Co Ltd (HFIH), as per the cooperation agreement as announced on 6 April 2018, and \$202,000 of back salary payments to CEO, Mr Philip Gu. Without these one-off payments, SCU would record a positive operating cashflow of \$50,000.

2. Has SCU 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?

SCU plans to raise capital to fund its working capital requirements.

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3. Does SCU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes, SCU expects to be able to continue its operations and to meet its business objectives. SCU is endeavouring to achieve positive cashflow as it expands its sales activities, while at the same time to raise funds for working capital.

4. Please confirm that SCU is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

SCU confirms that it is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.

5. Please confirm that SCU'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 SCU with delegated authority from the board to respond to ASX on disclosure matters

SCU confirms that its 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 SCU with delegated authority from the board to respond to ASX on disclosure matters.

Thank you.

Yours faithfully,

Philip Gu
CEO



1 August 2018

Mr Chow Yee Koh
Company Secretary
Stemcell United Limited
Level 2
350 Kent Street
SYDNEY NSW 2000

By Email

Dear Mr Koh

Stemcell United Limited (“SCU”): Appendix 4C Query

I refer to SCU’s Appendix 4C quarterly report for the period ended 30 June 2018 lodged with ASX Market Announcements Platform and released on 31 July 2018 (the “Appendix 4C”).

ASX notes that SCU has reported:

- negative net operating cash flows for the quarter of \$670,000;
- cash at the end of the quarter of \$1,086,000; and
- estimated cash outflows for the next quarter of \$1,070,000.

It is possible to conclude, based on the information in the Appendix 4C, that if SCU were to continue to expend cash at the rate indicated by the Appendix 4C, SCU may not have sufficient cash to continue funding its operations. In view of that, ASX asks SCU to answer separately each of the following questions and provide the following confirmations in a format suitable for release to the market in accordance with Listing Rule 18.7A:

1. Does SCU expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
2. Has SCU 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 SCU expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
4. Please confirm that SCU is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
5. Please confirm that SCU’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 SCU with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that SCU considers may be relevant to ASX forming an opinion on whether SCU is in compliance with Listing Rule 12.2 (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, and in accordance with Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than 9:30am AEST on Tuesday, 7 August 2018. If we do not have your response by then, ASX will have no choice but to consider suspending trading in SCU'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, SCU'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. 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

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 SCU'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 SCU'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 SCU'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 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*.

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

Kind regards

[Sent electronically without signature]

Kimberley Brown

Principal Adviser Listings Compliance (Sydney/Melbourne/Perth)

T 02 9227 0133

E Kimberley.brown@asx.com.au