STEMCELL UNITED LIMITED
ACN 009 104 330
Level 5, 126 Phillip Street, Sydney NSW 2000, Australia

29 April 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 31 March 2022.

Summary of Financial Information

SCU ended the quarter with cash of approximately $1.9 million ($2.8 million at 31 December 2021).

During the quarter the Group collected $2.8 million from customers ($4.0 million for the previous quarter), while the Group's net cash used in operating activities was $0.7 million ($1.4 million for previous quarter). The drop in revenue collection and decrease in cash used in operation are due to the slowdown of business activities in China post lunar new year and intermittent Covid lockdowns, while offset by the increase in activities in Singapore.

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 $289,000 which incorporates directors' remuneration ($196,000) and payments to director-related companies for corporate services rendered ($93,000).

Voluntary Suspension

The Company's securities have remained in voluntary suspension throughout the quarter pending an announcement of a material transaction, which relates to the establishment of a joint venture . SCU sought ASX advice on the joint venture and has received confirmation from ASX that Listing Rules 11.1.2 and 11.1.3 do not apply to the establishment of the joint venture.

The ASX has raised other concerns regarding SCU's compliance with Listing Rules 3.1 and 12.5, which SCU has replied to. SCU is currently taking the following actions to further satisfy the requirements of ASX:

1. As directed by ASX pursuant to ASX Listing Rule 18.8(l), SCU has engaged an independent expert (Thomson Geer) to conduct a review of the Company's policies and processes with regard to compliance with the Listing Rules and to issue a report with findings that can be released to market;

2. As directed by ASX pursuant to ASX Listing Rule 18.8(m), the directors of SCU will undertake an ASX Listing Rules compliance education course with the Governance Institute of Australia; and

3. SCU will make 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 Company shall apply to the Federal Court under section 1322 of the Corporations Act for an extension of time to the deadline in the Corporations Act for the lodgement of the cleansing notice and an order validating any on-sale of such shares and relieving the seller of any liability for breaching the on-sale provisions in the Corporations Act.

<u>Lantene</u>

As part of the ASX's requirement, SCU commissioned a China legal opinion report with respect to China's Special Administrative Measures (Negative List) for Foreign Investment Access (2021 edition) which came into effect on 1 January 2022, and to the China Securities Regulatory Commission's new rules on foreign offerings which came into effect on 24 December 2021.

The China legal opinion concluded that Lantene's business activity of "R&D and application of breeding technology of marine organisms" may conflict with the Negative List.

Lantene's other shareholders have offered to buy back SCU's 50.1% of Lantene for A$700,000, payable over a 6 months period from date of approval of the transaction. In addition to this buyback transaction: (i) Lantene is proposing to licence its patent portfolio comprising 15 Chinese-registered patents exclusively to SCU for 15 years use worldwide (excluding China) in consideration of SCU providing Lantene approximately A$1M by way of the forgiveness of an outstanding intercompany loan of the same amount previously made to Lantene; and (ii) Lantene will also continue to support SCU in the China market, by providing distribution support services to SCU and allowing SCU to use its network in China for the sale and distribution of SCU's products. The buyback transaction agreement is expressed to be conditional on the concurrent execution of the intellectual property licencing agreement and the sales and distribution support services agreement and the Company complying with all regulatory requirements including all ASX Listing Rule approvals.

SCU is currently in consultation with ASX regarding the proposed Lantene transactions. The Company will provide updates to the market regarding further developments.

<u>SCU Broome project in Western Australia</u>

During the quarter, SCU has been conducting discussions with the Western Australian Government Department of Primary Industry and Regional Development (DPIRD) regarding the possibility of establishing a seaweed project located in the Broome Tropical Aquaculture Park (BTAP). The proposed project would seek to emulate the Company's successful pilot program in Singapore by establishing a research and development facility for the development of a seaweed seed bank and the construction of on-shore tanks for the cultivation and harvesting of locally sourced seaweeds. Pursuant to those discussions, DPIRD has now provided SCU a draft lease agreement on behalf of the Minister for Fisheries for two lots in the BTAP. SCU is currently obtaining legal advice regarding the lease. If the lease is executed, SCU will proceed to make an application to DPIRD for an aquaculture licence and lodge a development application with the Broome Shire Council for development of the site. SCU will provide updates to the market regarding further progress.

<u>SCU Collaboration Project with Deakin University</u>

SCU is in discussion with Deakin University regarding potential collaborative arrangements and projects aimed at developing improved and sustainable processes for seaweed cultivation.

The proposed collaboration includes the development of new processes for sustainable production of bio-resources and bio-based products, exploring new approaches for the cultivation and farming of seaweed, finding leverage opportunities for SCU's Singapore operations and Deakin University's marine science centre, and training of higher degree students. There is also the possibility of establishing a seaweed project in Victoria, which would complement the project contemplated by SCU in Broome (mentioned above).

Impact of COVID-19

Aside from the impact on operation as outlined above, there was not any other significant impacts 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	Quarter ended ("current quarter")
57 009 104 330	31 March 2022

Consolidated statement of cash flows			Current quarter $A'000	Year to date (..09..months) $A'000
1.	**Cash flows from operating activities**			
1.1	Receipts from customers		2,827	11,065
1.2	Payments for			
	(a)	research and development	(1)	(344)
	(b)	product manufacturing and operating costs	(2,280)	(10,710)
	(c)	advertising and marketing	-	-
	(d)	leased assets	(11)	(93)
	(e)	staff costs	(416)	(1,053)
	(f)	administration and corporate costs	(782)	(1,886)
1.3	Dividends received (see note 3)		-	-
1.4	Interest received		-	1
1.5	Interest and other costs of finance paid		-	(17)
1.6	Income taxes paid		-	-
1.7	Government grants and tax incentives		9	18
1.8	Other (provide details if material)		-	-
1.9	**Net cash from / (used in) operating activities**		**(654)**	**(3,019)**

Consolidated statement of cash flows		Current quarter $A'000	Year to date (..09..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	(168)	(789)
	(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**	**(168)**	**(789)**

3.	**Cash flows from financing activities**		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
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	-	1,255
3.6	Repayment of borrowings	-	(793)
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**	**-**	**462**

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (..09..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	2,812	5,255
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(654)	(3,019)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(168)	(789)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	462
4.5	Effect of movement in exchange rates on cash held	(45)	36
4.6	**Cash and cash equivalents at end of period**	**1,945**	**1,945**

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	1,945	2,812
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)**	**1,945**	**2,812**

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	289
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** *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.*	**Total facility amount at quarter end $A'000**	**Amount drawn at quarter end $A'000**
7.1	Loan facilities	1,222	1,222
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	**Total financing facilities**	1,222	1,222

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.

$886,000 loans with Bank of China, with interest rate ranging from 3.85% to 4.05%, maturing 11 Jan 2022 and 13 December 2022, and are secured by personal guarantee of a China subsidiary's director.

$168,000 loans with Yillion Bank, with interest rate ranging of 13%, maturing 21 December 2022, and are secured by guarantee provided by a credit guarantee company.

$168,000 loan with Jiangsu Suning Bank, with interest rate of 18%, maturing 5 May 2025, and is unsecured.

8.	**Estimated cash available for future operating activities**	**$A'000**
8.1	Net cash from / (used in) operating activities (item 1.9)	(654)
8.2	Cash and cash equivalents at quarter end (item 4.6)	1,945
8.3	Unused finance facilities available at quarter end (item 7.5)	-
8.4	Total available funding (item 8.2 + item 8.3)	1,945
8.5	**Estimated quarters of funding available (item 8.4 divided by item 8.1)**	(2.97)

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.

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: -

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: -

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: -

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.

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: ....29 April 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.