



STEMCELL UNITED LIMITED

ACN 009 104 330

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

29 January 2021

Quarterly activities report

Stemcell United Limited (ASX: SCU) ("Company") is pleased to provide this activities update for the quarter ended 31 December 2020 ("Q2 FY2021").

Operational overview:

Acquisition of Shenzhen Lantene Dingzhi Biotechnology Co Ltd:

In October, the Company announced that it had entered into an agreement to acquire 50.1% of Shenzhen Lantene Dingzhi Biotechnology Co Ltd. ("Lantene").

Lantene is an aquaculture company based in Shenzhen Dapeng Bio Marine Industrial Park, China and is focused on the commercial cultivation of Sea Grapes. Established in 2005, Lantene has 15 patents in granted application form and was the first aquaculture company in Shenzhen to obtain both ISO22000 Food Safety Management and HACCP Food Safety certifications.

Seagrasses are commonly consumed as food and used in herbal medicines in China for the treatment of high blood pressure, rheumatism, diabetes and bacterial infections. Stemcell United will benefit from Lantene's existing revenue generating business and established customer base and also will work with Lantene to progress its plans to use Sea Grapes to increase its line of herbal product offerings.

The acquisition significantly strengthens the Company's foothold in China and the aquaculture market. Furthermore, the acquisition will provide additional commercial opportunities for SCU, including facilitating management's leverage of the established networks of Lantene's owner and Managing Director Mr Yueming Cao. Mr Cao is considered to be a pioneer of the Chinese Sea Grape industry.

Leading cannabis entrepreneur Paul Rosen appointed as Non-Executive Chairman:

SCU strengthened its Board with the appointment of Mr Paul Rosen. Mr Rosen is a career entrepreneur and one of Canada's most active and diversified cannabis industry investors. Mr Rosen was a co-founder of PharmaCan Capital, now The Cronos Group (NASDAQ: CRON, TSX: CRON, market capitalisation: \$2.67Bn), where he served as President and CEO for four years and was instrumental in leading Cronos' growth story.

Mr Rosen has held Board positions with a number of publicly traded companies and currently serves as Executive Chairman of Global Go, an international advisory firm with offices in six countries focussing on the global regulated cannabis industry and the emerging psychedelic industry.

Stemcell United looks forward to leveraging Mr Rosen's networks and expertise as it continues the commercialisation of its hemp products. Following the appointment of Mr Rosen, Mr Philip Gu transitioned from Executive Chairman to CEO and Managing Director.

Capital raise strengthens balance sheet:

Stemcell United raised A\$1,914,000 via a private placement and the issue of 100,741,255 new fully paid ordinary shares at \$0.019 per share. Funds raised are being used for working capital and to finance hemp and Sea Grape product development initiatives in Singapore and Australia. Funds were raised using the Company's 15% capacity under Listing Rule 7.1.

Corporate overview:

Receipts from customers for the quarter were ~A\$3.7m, a significant increase on the previous quarter. The considerable rise in revenue was primarily driven by Lantane's operations and the commercial sale of Sea Grape products to its established customer base.

As at 31 December 2020, the Company retained A\$2.01m cash at bank, providing the necessary financial flexibility to pursue near term growth and commercialisation initiatives.

During the quarter, the company made payments of A\$111,000 to directors and/or their associates. Of this amount, A\$97,000 was paid as director's remuneration and A\$14,000 was paid for corporate services rendered by a director.

Management commentary:

CEO and Managing Director Mr Philip Gu said: *"Q2 was a significant period for the Company, highlighted by a key board appointment, completion and integration of strategic acquisitions and a strengthened balance sheet which will provide necessary runway for us to pursue our development strategies across the hemp/medical cannabis and plant based, protein rich food sectors.*

"The acquisition of Lantene has resulted in increased customer receipts with sales of its Sea Grape products adding another revenue stream and underpinning growth. We are confident that we can increase sales over the coming months and capitalise on further opportunities that ownership of Lantene will surely deliver.

"I am also delighted to welcome Paul Rosen to the Board. Paul is an accomplished entrepreneur and investor with extensive expertise in the cannabis and hemp sector. We are very confident that his role as Non-Executive Chairman will provide the Company with considerable expertise to help us progress with the numerous growth initiatives open to us."

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")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (..6..months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	3,695	3,749
1.2 Payments for		
(a) research and development	(2)	(2)
(b) product manufacturing and operating costs	(3,189)	(3,220)
(c) advertising and marketing	-	-
(d) leased assets	(56)	(56)
(e) staff costs	(201)	(343)
(f) administration and corporate costs	(515)	(652)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	(26)	(26)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	16	17
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(278)	(533)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..6..months) \$A'000
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	12	12
2.6	Net cash from / (used in) investing activities	12	12

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,914	1,914
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	(133)	(133)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(60)	(60)
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	1,721	1,721

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	589	867
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(278)	(533)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	12	12

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (..6..months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,721	1,721
4.5	Effect of movement in exchange rates on cash held	(32)	(55)
4.6	Cash and cash equivalents at end of period	2,012	2,012

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	2,012	589
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)	2,012	589

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	111
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

7. Financing facilities <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>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
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.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(278)
8.2 Cash and cash equivalents at quarter end (item 4.6)	2,012
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	2,012
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	(7.24)
<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:29 January 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.