

ASX ANNOUNCEMENT

ASX: SF1 | 31 January 2019

Dec-18 Quarterly Report and Commentary

STEMify Limited (“STEMify” or the “Company”), provides the following financial highlights to accompany its quarterly cash flow report for the three months ended 31 December 2018.

KEY HIGHLIGHTS

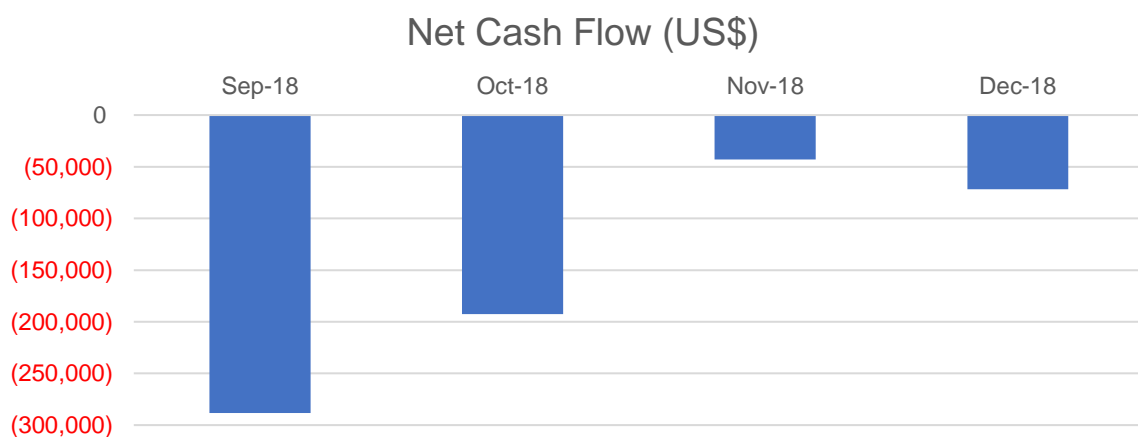
- Sales of MyStemKits expanding in U.S (sold into 25 states vs. 13 prior quarter vs. 2 at completion of acquisition in August) & trials expanded into 12 countries internationally.
- Focus on incentive-based sales culture driving record reseller sales pipeline & enquiry heading into Q1 2019 buying season for schools.
- Strong pre-sales of new E3 educator series 3D printer driving MSK sales with full end-to-end integrated solution offering competitive advantage.
- Completion of ERP implementation has realised further cost reductions and efficiencies.
- Beta testing of new MSK website nearing completion with launch expected early February.
- Cost rationalisation plan has significantly reduced operating cash outflows, US\$2.0m in annualised costs already removed.

DECEMBER QUARTER CASH FLOW COMMENTARY

Quarterly Net Cash Flow

Following significant cost reductions implemented in September and realised through the December quarter (see next section), the December quarter had a strong focus on sell down of printer inventory driven by introduction of incentives for sales team and the strategic pivot to an education software business utilising 3D printing, delivering cash receipts of US\$487k for the December quarter.

On a net cash flow basis, adding in these cash receipts from customers, the trend towards cash flow breakeven is displayed in the monthly graph below.



Note: Financials of USA operating companies only, and excludes all cash flows for MyStemKits prior to completion of acquisition.

With the reduction in the fixed operating costs of the U.S operating businesses, using average gross margins across of 50-60% as a benchmark, the breakeven for the operating businesses has been reduced to c.US\$3.0-3.5m per annum.

The cost reduction plan has been implemented and will be fully completed ahead of the key education selling seasons in the U.S. With the launch of an education-focused product offering over the last three months, combined with supporting sales and marketing efforts, the Company is very well positioned to capitalise on large school district-wide rollouts of its products.

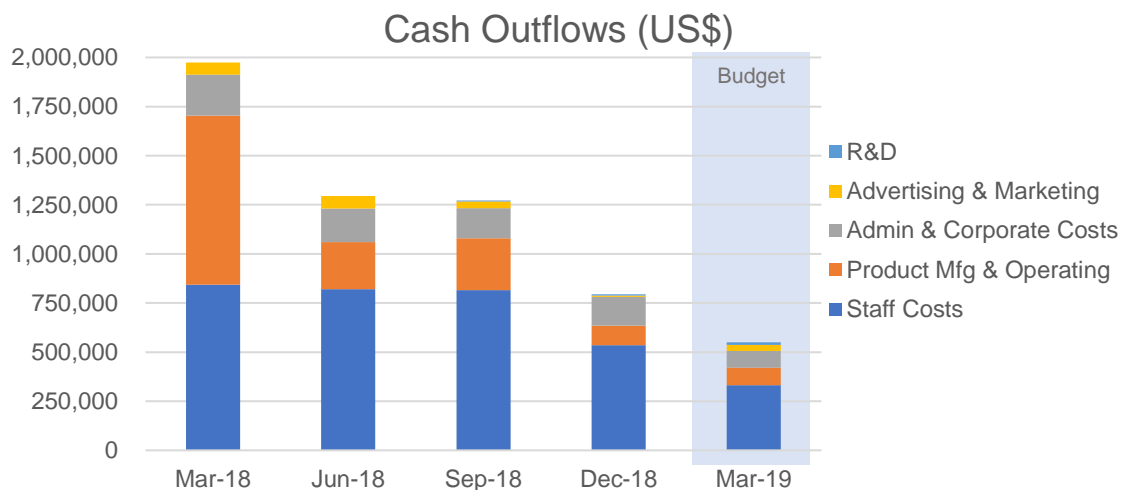
Cost Reduction Plan Delivering Significant Savings, Full Benefit in March 2019 Quarter

The Company previously announced a major Cost Reduction Plan to align the cost base of the business to reflect the strategic pivot towards being an integrated STEM solution company, distributing curriculum and content delivered as software-as-a-service, along with integrated 3D printers.

The Cost Reduction Plan targeted the removal of c.US\$3.3m of annualised operating costs in the U.S operating subsidiaries, from the FY18 total of US\$5.2m down to US\$1.8m (before short-term incentive plan). At the end of December:

- Operating cash outflows reduced by 35% from the September 2018 quarter;
- Further 25% reduction expected during March 2019; and
- Further cost reductions implemented by end of February 2019 will deliver result in the target annualised cost reduction of US\$3.3m being achieved by March 2019.

As a result, operating cash outflows in the June 2019 quarter are expected to be lower again compared to the March 2019 quarter.



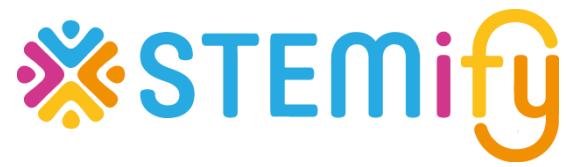
Note: Financials of USA operating companies only, and excludes all cash flows for MyStemKits prior to completion of acquisition.

Strong Sales Momentum for MyStemKits Heading into 2019

The strategic pivot along with a stronger focus on sales & marketing is driving a record pipeline of quotes & deal registration from resellers plus direct enquiry from individual schools & larger school districts.

MSK has now been sold in 25 states, up from 13 states at the end of the September quarter. At completion of the acquisition, MSK had only been sold into 2 states highlighting the operating leverage of Robo's existing reseller distribution platform. In addition, MSK has recorded sales in Asia & is awaiting on final decisions as preferred vendor in several school districts in Canada.

The launch of the E3 printer, specifically developed for schools with its safe and reliable features, and supporting training and content, is an unparalleled turnkey solution for 3D printers. Due for shipment in early February, the E3 is already 25% presold as the school buying cycle accelerates.



Closing Comments:

The re-alignment of the cost structure of the business and complete focus towards education has positioned the Company in a much stronger financial position, drastically reducing the estimated time to breakeven. In addition, this single focus has significantly improved the positioning of the Company with existing resellers, as well as allowing new specialist education resellers to seek distribution rights to the Company's brands in the lead-up to the key marketing and selling cycle for U.S education.

The Company is in discussions with existing lender Albion Capital Partners to expand the current facility to drive further sales and marketing activities on the back of the emerging sales evidence from key reseller accounts, continued national expansion of MyStemKits in the U.S, and the strong pre-sales launch of the E3 printer.

— ENDS —



FORWARD LOOKING STATEMENTS

All statements other than statements of historical fact included on this announcement including, without limitation, statements regarding future plans and objectives of STEMify, are forward-looking statements. Forward-looking statements can be identified by words such as ‘anticipate’, “believe”, “could”, “estimate”, “expect”, “future”, “intend”, “may”, “opportunity”, “plan”, “potential”, “project”, “seek”, “will” and other similar words that involve risks and uncertainties.

These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that are expected to take place.

Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, its directors and management of Robo that could cause actual results to differ from the results expressed or anticipated in these statements.

Further information

INVESTORS:

Tim Grice — Executive Director
STEMify 3D Limited
tim@robo3d.com

About STEMify Limited

STEMify Limited is a company listed in Australia focused on developing and marketing STEM education curriculum in various countries, substantially the USA, utilising interactive tools including 3D printing.

The company operates through two subsidiaries:

MyStemKits

MSK was established in 2013 and has grown into a leading USA “EdTech” business that develops and markets the world’s largest library of Science, Technology, Engineering and Math (“**STEM**”) curriculums incorporating 3D printed project kits for K-12 schools, all aligned to USA national science and mathematics standards. It was recently recognised as a finalist for the best STEM Solution by EdTech Digest at the 2018 EdTech Awards.

MSK’s lesson plans were developed over five years in conjunction with The Florida Center for Research in Science, Technology, Engineering and Mathematics at the Florida State University (“FCR-STEM”). An estimated \$20 million was invested into the development and extensive testing in the classroom.

To learn more about MyStemKits, visit: www.mystemkits.com

Robo 3D

Robo 3D is a company based in California, USA, focused on the design and distribution of 3D printers and associated products for the desktop segment of the 3D printing industry (**Robo**).

The company was founded in 2012 by a group of students from San Diego State University and delivered its first model to customers in 2013. Since then, Robo has grown into a leading global brand in the desktop segment of the 3D printing industry.

To learn more about Robo 3D, visit: www.robo3d.com

Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

STEMIFY LIMITED (Formally Robo 3D Limited)

ABN

20 009 256 535

Quarter ended ("current quarter")

31 December 2018

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 ¹	678	1,507
1.2 Payments for		
(a) research and development	-	(8)
(b) product manufacturing and operating costs	(61)	(415)
(c) advertising and marketing	(14)	(62)
(d) leased assets	-	-
(e) staff costs	(753)	(1,916)
(f) administration and corporate costs	(427)	(843)
1.3 Dividends received	-	-
1.4 Interest received	1	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(576)	(1,735)

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	(1,239)
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received	-	-
2.5 Other (cash acquired in acquisition transaction)	-	-
2.6 Net cash from / (used in) investing activities	-	(1,239)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	3,250
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	(14)	(215)
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other	-	-
3.10 Net cash from / (used in) financing activities	(14)	3,035

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	989	351
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(576)	(1,735)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	-	(1,239)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	(14)	3,035
4.5 Effect of movement in exchange rates on cash held	(21)	(34)
4.6 Cash and cash equivalents at end of quarter	378	378

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	378	989
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)	378	989

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	127
6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Payments to Robo 3D Limited Directors and related entities for the December 2018 quarter.

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1 Aggregate amount of payments to these parties included in item 1.2	-
7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	750	750
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Trade Finance Facility provided by Denlin Nominees Pty Ltd (see ASX announcement 19 June 2017 titled "Sales Growth to Accelerate with Completion of A\$1.8m Funding" and ASX announcement dated 15 June 2018 for full loan details).

9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	(19)
9.2 Product manufacturing and operating costs	(127)
9.3 Advertising and marketing	(43)
9.4 Leased assets	-
9.5 Staff costs	(506)
9.6 Administration and corporate costs	(187)
9.7 Other (provide details if material)	-
9.8 Total estimated cash outflows	(882)*

* The above estimated cash outflows for the next quarter does not take into consideration any cash inflows from the normal course of business.

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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.

Sign here: 
(Company secretary)

Date:31 January 2019.....

Print name:Justin Mouchacca.....

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.