

Stemify Limited

(Formerly known as Robo 3D Limited)

ABN 20 009 256 535

Annual Report - 30 June 2019

Stemify Limited
(Formerly known as Robo 3D Limited)
Corporate directory
30 June 2019

Directors	Timothy Grice (Executive Chairman) Ryan Legudi (Managing Director) Jonathan Pearce (Non-Executive Director)
Company secretary	Maggie Niewidok
Registered office	Level 5, 126 Philip Street Sydney NSW 2000 Telephone: (02) 8072 1400 Facsimile: (02) 8583 3040
Principal place of business	Level 5, 126 Philip Street Sydney NSW 2000 Telephone: (02) 8072 1400 Facsimile: (02) 8583 3040
Share register	Advanced Share Registry Services Ltd 110 Stirling Highway Nedlands, WA, 6009 Telephone: (08) 9389 8033
Auditor	BDO East Coast Partnership Tower 4, Level 18, 727 Collins Street Melbourne, VIC 3008
Stock exchange listing	Stemify Limited shares are listed on the Australian Securities Exchange (ASX code: SF1)
Website	www.stemify.com.au

LETTER TO SHAREHOLDERS FROM EXECUTIVE CHAIRMAN

Dear Shareholders

The 2018/19 has been the most challenging since Stemify Limited (company or Stemify)'s IPO in December 2016. During the fiscal year, Stemify completed the strategic acquisition of curriculum software business MyStemKits, LLC (MSK) enabling the company to pivot from a designer and manufacturer of 3D printer hardware to an education software innovator for the K-12 education market in the USA. In August 2018, Stemify Limited and the entities it controlled (consolidated entity) implemented a major strategic review led by interim chairman Mr Anthony Grist, resulting in a stronger focus on developing a SAAS education software business which sought to capture the accelerating momentum in STEM education solutions via an updated MSK centric national US sales strategy into K-12 schools through:

- national resellers
- alignment of the MSK software and education content with other 3D printer vendors
- training and onboarding of new sales staff and incentive structure

Further, enabled by the release of the E3 printer during the March 2019 quarter, the consolidated entity drove expansion in the US with an increasing presence into 42 USA states, compared to:

- (a) 13 states in the prior September 2018 quarter
- (b) 2 states at completion of acquisition in August 2018

In addition, there was a simultaneous focus on operating efficiencies and costs with annualised operational expenditure dropping from the commencement of the September 2018 quarter to the end of June 2019. During the September to December 2018 period, Robo 3D, Inc. closed or significantly reduced in areas such as:

- US based R&D and engineering teams
- European sales and tech support office
- European 3PL warehouse
- senior sales team members
- marketing expenditure and headcount, with several roles in operations and logistics
- the company's repair centre and warehouse in San Diego
- significant salary reductions across the senior management team

With a much leaner operation and the implementation of an ERP system, management gained much improved visibility over the operations of the business and moved towards cash flow breakeven progressively through each quarter of the fiscal year.

As part of the strategic pivot to software and the ongoing rationalisation of the US operating businesses, the board determined that the former manufacturing subsidiary Robo 3D, Inc. should be discontinued and an Assignee for the Benefit of Creditors was appointed on 3 June 2019.

Despite significantly reducing the operating cash losses progressively across each quarter of the financial year, the company required additional debt funding that was provided via Denlin Nominees Pty Ltd, a long-term supporter of the company. The company had both a secured loan facility totalling c.\$988k and a bridge loan facility totalling c.\$226k. These debt facilities were converted to shares, subsequent to approvals at the shareholder meeting in July 2019 enabling the company to vastly strengthen its balance sheet. Along with the capital raising completed in July 2019, the company is in a much stronger financial position moving into the 2019/20 fiscal year.

The company's cash position as at 30 June 2019 was \$11,691, however this does not include successful capital raising of \$2.25m (before costs) and conversion of previously noted funding arrangements and portion of some trade creditors into equity completed in July 2019. These restructuring activities made it difficult to fund the production of inventory and this is reflected in lower than expected revenue during the past 9-12 months.

Stemify Limited
(Formerly known as Robo 3D Limited)
Letter to shareholders from Executive Chairman
30 June 2019

Following the recent capital raising the company is significantly better positioned to develop its customer base in the US K-12 education market and continues to explore commercial opportunities that can drive shareholder value.

Tim Grice
Executive Chairman

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Stemify Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Stemify Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Timothy Grice
Ryan Legudi
Braydon Moreno (resigned 16 August 2019)
Anthony Grist (appointed 27 August 2018 and resigned 20 December 2018)
Patrick Glovac (resigned 27 August 2018)
Jonathan Pearce (appointed 16 August 2019)

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of:

- Design and distribution of 3D printers and associated products for the desktop segment of the 3D printing industry
- Delivery of integrated STEM solutions combining the use of 3D printers and MyStemsKits curriculum

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$4,552,494 (30 June 2018: \$15,966,041).

Operating expenses for the financial year (including both continuing operations and discontinued operations) were \$7,221,254 (2018: \$17,622,603). The major items included in the operating loss for the current financial year included significant expenses relating to impairment of goodwill (\$2,331,861) and employee benefit expense (\$2,700,898).

Net loss after tax was \$4,552,494 comprising \$2,881,310 from continuing operations and \$1,671,184 from discontinued operations.

Financial position

The consolidated entity is in a net deficit position of \$1,772,421 as at 30 June 2019 (30 June 2018: net deficit of \$1,454,993).

Working capital, being current assets less current liabilities, was in deficit of \$1,813,959 as at 30 June 2019 (30 June 2018: deficit of \$1,971,257). The consolidated entity had negative cash flows from operating activities for the year of \$2,314,710 (30 June 2018: \$6,163,562). The cash and cash equivalents as at 30 June 2019 were \$11,691 (30 June 2018: \$351,083).

Significant changes in the state of affairs

On 24 August 2018, the company announced that it has completed a capital raising of \$3.25 million (before costs) and issued a total of 130 million ordinary shares at an issue price of \$0.025 per share.

On 27 August 2018, the company announced that it completed the acquisition of leading USA education software and content business, MyStemKits (MSK). Under the Acquisition Agreement, the company via its newly-created wholly-owned subsidiary MyStemKits, Inc., acquired the business of MSK on a cash free and debt-free basis for a total consideration of US\$2.0 million (A\$2.75 million). Consideration for the Acquisition was agreed as a cash payment of US\$1.2 million (A\$1.65 million), with the balance (US\$0.8 million) to be paid through the issue of ordinary shares that are subject to a voluntary 12-month escrow period from the date of completion. The company has issued 41.6 million fully paid ordinary shares in accordance with shareholder approval received on 13 August 2018.

On the same day, the company confirmed that appointment of experienced ASX Executive and existing cornerstone shareholder Anthony Grist as Chairman of the company to lead the implementation of the company's growth strategy.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

On 21 December 2018, the company announced that Mr Grist has completed his strategic review and reorganisation of the STEMify education technology group. Mr Grist resigned on 20 December 2018 and became an advisor to the company via Albion Capital Partners, of which he is a principal. In his short tenure, Mr Grist has worked with the STEMify team to:

- Reduce annual opex in the US operating subsidiaries;
- Implement a new ERP and digital fulfilment system as part of the digital transformation program;
- Implement a new sales training and commission structure, as well as an incentive-based remuneration strategy for a transformed leadership team;
- Implement the national reseller strategy for MSK and STEMify's other products;
- Initiate the soft launch of the newly acquired MyStemKits business, as well as re-architect the user interface and back-end for enhanced user experience, and;
- Complete a manufacturing supply deal for STEMify's new education series printer set for launch in February 2019.

On 28 August 2018, the company issued 3,680,000 fully paid ordinary shares to Mr Ryan Legudi in payment of \$92,000 of remuneration owed. The company also issued 1,420,000 fully paid ordinary shares to Mr Tim Grice in payment of \$35,500 of remuneration owed. Both issuance was approved by Shareholders pursuant to Resolution 9 and 10 of the company's Notice of General Meeting dated 6 July 2018.

On 28 August 2018, the company issued 500,000 fully paid ordinary shares to Mr Braydon Moreno as approved by Shareholders pursuant to Resolution 5A of the company's Notice of General Meeting dated 6 July 2018.

On 28 August 2018, the company issued 4,075,000 fully paid ordinary shares to employees of the company on immediate vesting of Performance Rights pursuant to the company's Employee Performance Rights Plan.

On 28 August 2018, the company issued 6,000,000 unquoted options to Aesir Capital Pty Ltd as part fee for advisory services as approved by the Shareholders pursuant to Resolution 3 of the company's Notice of Meeting dated 6 July 2018.

On 30 August 2018, the company issued 16,000,000 performance rights to Directors under the company's Performance Rights Plan as approved by Shareholders pursuant to Resolution 4 and 5B of the company's Notice of General Meeting dated 6 July 2018. On the same day, the company issued 5,250,000 performance rights to employees where 4,175,000 will vest in December 2018 and the remaining 1,075,000 will vest in June 2019.

On 6 December 2018, the company announced that the change of name of the company from Robo 3D Limited to Stemify Limited has been processed with the Australian Securities and Investments Commission. The effective date for the change to the company's ASX ticker code was 7 December 2018 when the ASX Listing Code changed from "RBO" to "SF1".

As part of the strategic pivot to software and the ongoing rationalisation of the US operating businesses, the board determined that the former manufacturing subsidiary Robo 3D Inc, should be discontinued and an Assignee for the Benefit of Creditors was appointed on 3 June 2019.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year

On 15 July 2019, Mr Justin Mouchacca resigned as company secretary, and Ms Maggie Niewidok was appointed.

At the general meeting of shareholders held on 30 July 2019, the shareholders of the company approved various resolutions related to the recapitalisation of the company, including the placement of 87,500,000 new shares at 2 cents per share (post consolidation) to raise a minimum of \$1,750,000 (before costs) with the ability to raise an additional \$500,000 in oversubscriptions.

On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis.

On 16 August 2019, further to the general meeting noted above, the company completed the following:

(A) Placement, including oversubscriptions in the amount of \$500,000, raising total funds \$2,250,000 (before costs) through the issue of 112,500,000 shares. Proceeds from the Placement will be used to fund development and sale of Stemify's education focused products including MyStemKits curriculum and 3D printer hardware, costs of the Placement, settlement of the legacy creditors and general working capital purposes.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

(B) The lead manager to the Placement was Forrest Capital Limited who received a fee of 6% on fund raised and an allotment of unlisted options. The company allotted 30,000,000 unlisted options (post consolidation) exercisable at 2.5 cents per option, with each option expiring on 31 December 2022.

(C) The conversion of up to \$50,000 owed to various creditors of the company into shares at 2 cents per share (post consolidation) in settlement of historical creditor positions. The company allotted 2,000,000 shares (\$40,000 owed to creditors) (post consolidation).

(D) The company converted total debt of \$1,369,719 owing to Denlin Nominees Pty Ltd (Denlin) and its related parties comprising of \$980,265 in principal, interest and fees under the company's Secured Loan facility, an additional \$210,300 in unsecured loans under the Bridge Loan Facility and \$129,203 owed under other unsecured creditor positions into 25,000,000 shares in the company (post consolidation).

(E) In addition, Denlin was allotted the following unlisted options (post consolidation):

- 12,500,000 unlisted vested options with an exercise price of 5 cents and expiry on or before 30 June 2023;
- 12,500,000 unlisted options, vesting upon the Company's share price reaching a 5-day Volume Weighted Price (VWAP) of 7.5 cents with an exercise price of 5 cents and expiry on or before 30 June 2023; and
- 12,500,000 unlisted options, vesting upon the Company's share price reaching a 5-day Volume Weighted Price (VWAP) of 10 cents with an exercise price of 5 cents and expiry on or before 30 June 2023.

(F) All security interests held by Denlin and its related parties over the company were released.

On 16 August 2019, Mr Braydon Moreno resigned as a director, and Mr Jonathan Pearce was appointed a director.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments and expected results of operations

The sales and marketing strategy remains focussed on two key products: the E3 printer and the MyStemKits curriculum content software, targeting US based K-12 schools via specialist education distributors and resellers (B2B) as well as direct sales to schools (B2C). Utilising a hardware assisted software sale strategy, the consolidated entity is experiencing its first full purchasing cycle for US schools and is delivering year on year gross margin improvement from previous calendar year.

Following customer enquiry for a larger 3D printer, the consolidated entity is working with its private label manufacturing partner to expand its existing product range with new products likely in Q4 2019. This is likely to increase sales per customer as well as generating higher gross margins. A partnership with Class VR has also enabled the group to sell virtual reality headsets and curriculum content to also expand the product offering for STEM focussed solutions in K-12 schools.

In term of the overall economic environment, US trade policy has seen an increase in the cost of imported 3D printers, however the consolidated entity is not experiencing any noticeable negative feedback from its channel partners or school customers.

Generally management remain confident that the prospects of the consolidated entity will continue to improve in the foreseeable future.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Information on directors

Name: Tim Grice
Title: Executive Chairman
Experience and expertise: Mr Grice is an experienced business advisor and capital markets professional with over 30 years' experience. He has held a number of senior advisor positions at national and international stockbroking firms and been involved in raising capital for many emerging companies in technology, biotechnology and resources.
Other current directorships: None
Former directorships (last 3 years): 4DS Memory Ltd (ASX: 4DS) (May 2015 - December 2015)
Interests in shares: 235,998 fully paid ordinary shares* (post consolidation***)
Interests in options: None
Interests in rights: 54,446 performance rights (post consolidation***)

Name: Ryan Legudi
Title: Managing Director
Qualifications: Mr Legudi graduated from the University of Melbourne with a Bachelor of Commerce and a Diploma of Information Systems, and is a member of the Institute of Chartered Accountants of Australia.
Experience and expertise: Mr Legudi has over 15 years' experience in corporate finance and early stage investments. He commenced his career in the Restructuring Services division at KPMG in Melbourne, where he was involved in formal insolvency and operational restructuring assignments. Following his time at KPMG, Mr Legudi spent three years working within the London office of the Investment Banking Division of Nomura International Plc, a Japanese investment bank, where he was involved in advising, structuring, and arranging finance for private equity buyouts. Upon returning to Australia in 2010, Mr Legudi joined MAP Capital, a boutique investment group that provides investment advisory and funds management services to clients and investors, where he was involved in buy-side and sell-side mergers and acquisitions, due diligence assignments, IPO's, and has extensive experience in assisting start-ups and early stage companies with strategic advice, operational support, and capital raisings, with a particular focus on software and technology. More recently, Mr Legudi has acted as Investment Director of Atlas Capital Group's technology focused "TMT Fund".
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 372,577 fully paid ordinary shares** (post consolidation***)
Interests in options: None
Interests in rights: 398,891 performance rights** (post consolidation***)

Name: Braydon Moreno (resigned 16 August 2019)
Title: Executive Director
Qualifications: Mr Moreno is a San Diego State University (SDSU) graduate with a Bachelor of Science in Marketing and Entrepreneurship.
Experience and expertise: He co-founded a watch company called SWAE Watches while at SDSU and was mentored by a number of business leaders in the action sports industry. Following SWAE, he started a service-based cell phone repair business in San Diego which he later sold to his business partner in 2013. Mr Moreno co-founded ROBO 3D in 2012, launching the company via a successful crowdfunding campaign on Kickstarter, raising approximately US\$650,000 in pre-orders. He was named in Dealerscope's "40 under 40" for consumer electronics in 2015.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director
Interests in rights: Not applicable as no longer a director

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Name: Anthony Grist (appointed 27 August 2018 and resigned 20 December 2018)
Title: Non-Executive Chairman
Qualifications: B.Com, A.Fin, FAICD
Experience and expertise: Mr Grist was co-founder and former CEO then Chairman of ASX-Listed Amcom Telecommunications. He led Amcom's merger with Vocus Communications to create a A\$5.0bn major Trans-Tasman fibre-optic carrier business. Whilst as Chairman of Amcom, he led the purchase of 19.9% of iiNet at ~A\$85m market cap, which became 23.5% after follow-on financing. Subsequently joined the board of iiNet, which made 21 Acquisitions over 6 years before TPG's acquisition at a ~A\$1.6bn market cap.

Currently he is Principal of Albion Capital Partners, an active VC business which had founding cornerstone positions in US oriented geospatial imagery business, Spookfish, radiotherapy medical device company Oncosil, stem cell regenerative medicine company Cynata Therapeutics, and also led the purchase from Mayne Health and re-listing on the ASX of Mayne Pharma, amongst many other innovative transactions. Mr Grist has had directorships in Canada, United Kingdom and Australia in the healthcare, mining and energy industries.

Other current directorships: None
Former directorships (last 3 years): Deputy Chairman, Director Vocus July 2015 -Oct 2016
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director
Interests in rights: Not applicable as no longer a director

Name: Patrick Glovac (resigned 27 August 2018)
Title: Non-Executive Director
Qualifications: Mr Glovac holds a Bachelor of Commerce majoring in Finance, Banking, Management and also holds a Diploma of Management.
Experience and expertise: In 2013 Mr Glovac co-founded GTT Ventures Pty Ltd, a boutique corporate advisory firm, specialising in the resource and technology sector. GTT has funded numerous listed and private companies since its inception across multiple markets including Australia, USA and the United Kingdom. Previously he worked as an investment advisor for Bell Potter Securities Limited since 2003, focusing on high net worth clients and corporate advisory services.

Other current directorships: Cirrus Networks Limited (ASX: CNW) and Sovereign Gold Limited (SOC)
Former directorships (last 3 years): Search Party Groups Limited (ASX: Sp1) (formerly: Applabs Technologies Limited) (ASX: ALA) (December 2013 - August 2016), GB Energy Limited (ASX: GBX) (October 2014 - April 2016)
Interests in shares: Not applicable as no longer a director
Interests in options: Not applicable as no longer a director
Interests in rights: Not applicable as no longer a director

Name: Jonathan Pearce (appointed 16 August 2019)
Title: Non-Executive Director
Qualifications: Mr Pearce holds a Bachelor of Finance and also holds a Graduate Diploma of Applied Finance.
Experience and expertise: Mr Pearce has worked in the finance industry for more than 15 years, focused primarily on funds management and corporate finance for small and mid-cap companies listed on the ASX. Prior to joining CVC, Mr Pearce held senior roles at Blue Ocean Equities and Canaccord Genuity and is currently a Portfolio Manager of the CVC Emerging Companies Fund.

Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 51,475 fully paid ordinary shares (post consolidation***)
Interests in options: None
Interests in rights: None

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

* Timothy holds his interests in shares indirectly through Tim Grice ATF The Grice Family Trust, of which he is the ultimate controlling party.

** Ryan holds 289,520 shares (post consolidation***) and 398,891 performance rights (post consolidation***) indirectly through RFL Capital Pty Ltd, of which he is the ultimate controlling party.

*** On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis.

Company secretary

Mr Justin Mouchacca, CA (resigned 15 July 2019)

Mr Mouchacca holds a Bachelor of Business majoring in Accounting. Justin became a Chartered Accountant in 2011 and from July 2013 to July 2019, he has been a principal of chartered accounting firm, Leydin Freyer Corp Pty Ltd, specialising in outsourced company secretarial and financial duties. Justin has over 12 years' experience in the accounting profession including 6 years in the Corporate Secretarial professions and is a company secretary and finance officer for a number of entities listed on the Australian Securities Exchange.

Maggie Niewidok (appointed 15 July 2019)

Maggie Niewidok is an admitted lawyer who works at Automic Group across the Automic Legal and Company Secretarial teams. She works closely with a number of boards of both listed and unlisted public companies. Maggie holds a double degree, Bachelor of Laws and Bachelor of Commerce majoring in Finance and is in the final stages of completing her Graduate Diploma of Applied Corporate Governance from the Governance Institute.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full board	
	Attended	Held
Timothy Grice	10	10
Ryan Legudi	10	10
Braydon Moreno	8	10
Anthony Grist	4	5
Patrick Glovac	1	1

Held: represents the number of meetings held during the time the director held office.

Remuneration report (audited)

The remuneration report details the key management personnel remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for the delivery of reward. The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness
- acceptability to shareholders
- performance linkage / alignment of executive compensation
- transparency

The Board is responsible for determining and reviewing remuneration arrangements for its directors and executives. The performance of the consolidated entity depends on the quality of its directors and executives. The remuneration philosophy is to attract, motivate and retain high performance and high quality personnel.

The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executive on key non-financial drivers of value
- attracting and retaining high calibre executives

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience
- reflecting competitive reward for contribution to growth in shareholder wealth
- providing a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive director and executive director remuneration is separate.

Non-executive directors remuneration

Fees and payments to non-executive directors reflect the demands and responsibilities of their role. Non-executive directors' fees and payments are reviewed annually by the Board. The Board may, from time to time, receive advice from independent remuneration consultants to ensure non-executive directors' fees and payments are appropriate and in line with the market.

Executive remuneration

The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has four components:

- base pay and non-monetary benefits
- short-term performance incentives
- share-based payments
- other remuneration such as superannuation and long service leave

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, are reviewed annually by the Board based on individual and business unit performance, the overall performance of the consolidated entity and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the consolidated entity and provides additional value to the executive.

The short-term incentives ('STI') program is designed to align the targets of the business units with the performance hurdles of executives. STI payments are granted to executives based on specific annual targets and key performance indicators ('KPI's') being achieved. KPI's include profit contribution, customer satisfaction, leadership contribution and product management.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

The long-term incentives ('LTI') include long service leave and share-based payments. Shares are awarded to executives over a period of time based on long-term incentive measures. These include increase in shareholders value relative to the entire market and the increase compared to the consolidated entity's direct competitors.

Consolidated entity performance and link to remuneration

Remuneration for certain individuals is directly linked to the performance of the consolidated entity. A portion of cash bonus and incentive payments are dependent on defined earnings per share targets being met. The remaining portion of the cash bonus and incentive payments are at the discretion of the Board.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, 75.31% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Stemify Limited:

- Timothy Grice - Executive Chairman
- Ryan Legudi - Managing Director
- Braydon Moreno - Executive Director (resigned 16 August 2019)
- Anthony Grist - Non-Executive Chairman (appointed 27 August 2018 and resigned 20 December 2018)
- Patrick Glovac - Non-Executive Director (resigned 27 August 2018)

And the following persons:

- Jacob Kabili - Engineering Director (resigned 26 April 2019)
- Randy Waynick - Chief Operating Officer and Chief Executive Office (resigned 1 September 2018)

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

	Short-term benefits				Post-employment benefits	Long-term benefits	Share based payments (write-back)/expense	Total \$
	Cash salary and fees \$	Commission \$	Cash bonus \$	Non-monetary* \$	Super-annuation \$	Annual/long service leave \$	Equity-settled \$	
2019								
<i>Non-Executive Directors:</i>								
Anthony Grist**	-	-	-	-	-	-	-	-
Patrick Glovac	12,329	-	-	-	1,171	-	-	13,500
<i>Executive Directors:</i>								
Timothy Grice	108,333	-	-	-	10,292	8,423	(2,571)	124,477
Ryan Legudi	312,092	24,338	103,024	5,941	-	-	21,894	467,289
Braydon Moreno	143,599	19,395	-	4,963	-	-	(95,876)	72,081
<i>Other Key Management Personnel:</i>								
Jacob Kabili	144,138	-	-	7,400	-	-	(95,876)	55,662
Randy Waynick	109,982	-	54,591	2,179	-	-	-	166,752
	<u>830,473</u>	<u>43,733</u>	<u>157,615</u>	<u>20,483</u>	<u>11,463</u>	<u>8,423</u>	<u>(172,429)</u>	<u>899,761</u>

* Non-monetary amounts paid during the period relate to health insurance payments on behalf of the Robo 3D Inc. employees.

** Mr Grist is not paid for his appointed as Non-Executive Chairman of the company from 27 August 2018 to 20 December 2018 as he is associated with Denlin Nominees Pty Ltd, the largest shareholder of the company.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

	Short-term benefits				Post-employment benefits	Long-term benefits	Share based payments expense	Total
	Cash salary and fees	Commission	Cash bonus	Non-monetary*	Super-annuation	Annual/long service leave	Equity-settled	
2018	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Patrick Glovac	49,315	-	-	-	4,685	-	-	54,000
<i>Executive Directors:</i>								
Timothy Grice	150,000	-	-	-	14,250	12,635	60,783	237,668
Ryan Legudi	217,045	-	-	5,748	10,688	9,552	60,783	303,816
Braydon Moreno	193,834	-	-	5,381	-	-	78,227	277,442
<i>Other Key Management Personnel:</i>								
Jacob Kabili	193,834	-	-	5,195	-	-	78,227	277,256
Randy Waynick	387,699	-	83,968	20,342	-	-	211,480	703,489
David Weinmann**	58,783	-	38,392	1,886	-	-	-	99,061
	<u>1,250,510</u>	<u>-</u>	<u>122,360</u>	<u>38,552</u>	<u>29,623</u>	<u>22,187</u>	<u>489,500</u>	<u>1,952,732</u>

* Non-monetary amounts paid during the period relate to health insurance payments on behalf of the Robo 3D Inc. employees.

** Mr Weinmann resigned from Robo 3D Inc on 17 October 2017.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2019	2018	2019	2018	2019	2018
<i>Non-Executive Directors:</i>						
Anthony Grist	-	-	-	-	-	-
Patrick Glovac	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
Timothy Grice	102%	74%	-	-	(2%)	26%
Ryan Legudi	68%	80%	27%	-	5%	20%
Braydon Moreno	206%	72%	27%	-	(133%)	28%
<i>Other Key Management Personnel:</i>						
Jacob Kabili	272%	72%	-	-	(172%)	28%
Randy Waynick	67%	58%	33%	12%	-	30%
David Weinmann	-	61%	-	39%	-	-

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2019	2018	2019	2018
<i>Executive Directors:</i>				
Ryan Legudi	42%	-	58%	-
<i>Other Key Management Personnel:</i>				
Randy Waynick	100%	100%	-	-

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name: Timothy Grice
Title: Executive Chairman
Agreement commenced: 16 December 2016
Term of agreement: Ongoing contract
Details: Base Salary: annual salary of AUD\$100,000 plus statutory superannuation (currently 9.5%);
Performance-Based Incentives: eligible to partake in the company's Performance Rights Plan; and may be terminated by the Company without cause by giving 6 month's written notice.

Name: Ryan Legudi
Title: Managing Director
Agreement commenced: 16 December 2016
Term of agreement: Ongoing contract
Details: Base salary: annual salary of USD\$100,000 for acting as CEO of MyStemKits Inc., annual salary of AUD\$36,000 for acting as Managing Director of the company.
Performance-Based Incentives: eligible to partake in the company's Performance Rights Plan; may be terminated by the company without cause by giving 6 month's written notice.
Bonus: USD\$100,000 payable in cash and/or shares upon the successful completion of any mergers or acquisitions.
Other short term incentives: up to 50% of Base salary relating to individual and company performance, including profitability of MyStemKits, Inc.

Name: Braydon Moreno (resigned 16 August 2019)
Title: Executive Director
Agreement commenced: 1 September 2016
Term of agreement: Minimum of 2 years, with automatic renewals of 1 year each
Details: Base Salary: annual base salary of USD\$150,000.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Non-executive director arrangements

Non-executive directors may receive a board fee. The total fees for the non-executive director is currently limited to \$200,000 per annum. All non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the board policies and terms, including remuneration, relevant to the office of director.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Share-based compensation

Issue of shares

Details of shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Date	Shares	Issue price
Braydon Moreno	28 August 2018	500,000	\$0.025
Jacob Kabili	28 August 2018	500,000	\$0.025

Options

There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Performance rights

The terms and conditions of each grant of performance rights over ordinary shares affecting remuneration of directors and other key management personnel in this financial year or future reporting years are as follows:

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Name	Number of rights granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per right at grant date
Ryan Legudi	874,983	14/12/2016	Based on vesting condition (A)	22/12/2020	\$0.000	\$0.079
Ryan Legudi	874,983	14/12/2016	Based on vesting condition (B)	22/12/2020	\$0.000	\$0.058
Ryan Legudi	262,494	14/12/2016	Based on vesting condition (C)	22/12/2020	\$0.000	\$0.100
Ryan Legudi	437,491	14/12/2016	Based on vesting condition (D)	22/12/2020	\$0.000	\$0.100
Timothy Grice	874,983	14/12/2016	Based on vesting condition (A)	22/12/2020	\$0.000	\$0.079
Timothy Grice	874,983	14/12/2016	Based on vesting condition (B)	22/12/2020	\$0.000	\$0.058
Timothy Grice	262,494	14/12/2016	Based on vesting condition (C)	22/12/2020	\$0.000	\$0.100
Timothy Grice	437,491	14/12/2016	Based on vesting condition (D)	22/12/2020	\$0.000	\$0.100
Braydon Moreno	1,049,979	14/12/2016	Based on vesting condition (E)	22/12/2020	\$0.000	\$0.100
Braydon Moreno	1,749,965	14/12/2016	Based on vesting condition (F)	22/12/2020	\$0.000	\$0.100
Jacob Kabili	1,049,979	14/12/2016	Based on vesting condition (E)	22/12/2020	\$0.000	\$0.100
Jacob Kabili	1,749,965	14/12/2016	Based on vesting condition (F)	22/12/2020	\$0.000	\$0.100
Jacob Kabili	500,000	30/08/2018	31/12/2018	NA	\$0.000	\$0.025
Braydon Moreno	500,000	30/08/2018	31/12/2018	30/08/2021	\$0.000	\$0.025
Ryan Legudi	500,000	30/08/2018	Based on vesting condition (G)	30/08/2021	\$0.000	\$0.025
Ryan Legudi	1,000,000	30/08/2018	Based on vesting condition (H)	30/08/2021	\$0.000	\$0.025
Ryan Legudi	1,500,000	30/08/2018	Based on vesting condition (I)	30/08/2021	\$0.000	\$0.025
Ryan Legudi	500,000	30/08/2018	Based on vesting condition (J)	30/08/2021	\$0.000	\$0.014
Ryan Legudi	2,500,000	30/08/2018	Based on vesting condition (K)	30/08/2021	\$0.000	\$0.012
Ryan Legudi	2,500,000	30/08/2018	Based on vesting condition (L)	30/08/2021	\$0.000	\$0.010
Ryan Legudi	5,000,000	30/08/2018	Based on vesting condition (M)	30/08/2021	\$0.000	\$0.006
Ryan Legudi	2,000,000	30/08/2018	Based on vesting condition (N)	30/08/2021	\$0.000	\$0.025
Braydon Moreno	500,000	28/08/2018	28/08/2018	NA	\$0.000	\$0.025
Jacob Kabili	500,000	28/08/2018	28/08/2018	NA	\$0.000	\$0.025

Performance rights granted carry no dividend or voting rights.

These performance rights were issued at no cost to the recipients and represent a right to one ordinary share in the company in the future for no consideration, subject to satisfying the performance conditions.

(A) Performance Rights will vest upon the 10 trading day VWAP for the closing price of the company's shares being 150% of the price of the shares issued under the Public Offer under Prospectus. For the avoidance of doubt, the milestone is \$0.15 per share on a post-consolidation basis

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

(B) Performance Rights will vest upon the 10 trading day VWAP for the closing price of the company's shares being 200% of the price of the shares issued under the Public Offer under Prospectus. For the avoidance of doubt, the milestone is \$0.20 per share on a post-consolidation basis.

(C) Performance Rights will vest upon the achievement of 12 months (rolling cumulative) revenue of Stemify Limited of US\$7.5 million.

(D) Performance Rights will vest upon the achievement of 12 months (rolling cumulative) revenue of Stemify Limited of US\$10 million.

(E) Performance Rights will vest upon the achievement of 12 months (rolling cumulative) revenue of Stemify Limited of US\$10 million.

(F) Performance Rights will vest upon the achievement of 12 months (rolling cumulative) revenue of Stemify Limited of US\$15 million.

(G) Performance Rights will vest when revenue of Stemify Limited equal to or greater than USD\$10 million over any consecutive 12 month period.

(H) Performance Rights will vest when revenue of Stemify Limited equal to or greater than USD\$15 million over any consecutive 12 month period.

(I) Performance Rights will vest when revenue of Stemify Limited equal to or greater than USD\$20 million over any consecutive 12 month period.

(J) Performance Rights will vest when share price of Stemify Limited equal to or greater than \$0.10.

(K) Performance Rights will vest when share price of Stemify Limited equal to or greater than \$0.15.

(L) Performance Rights will vest when share price of Stemify Limited equal to or greater than \$0.20.

(M) Performance Rights will vest when share price of Stemify Limited equal to or greater than \$0.40.

(N) Performance Rights will vest when EBITDA of Stemify Limited is greater than \$0 for 3 months.

There were no other performance rights over ordinary shares granted to or vested by directors and other key management personnel as part of compensation during the year ended 30 June 2019.

Additional information

The earnings of the consolidated entity for the three years to 30 June 2019 are summarised below:

	2019*	2018	2017
	\$	\$	\$
Sales revenue	2,211,196	5,927,412	1,907,754
EBITDA	(3,863,445)	(14,943,880)	(8,979,304)
EBIT	(4,404,016)	(15,774,283)	(9,262,414)
Loss after income tax	(4,552,494)	(15,966,041)	(9,418,913)

* This includes both continuing operations and discontinued operations

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019*	2018	2017
Share price at financial year end (\$)	0.02	0.02	0.05
Basic earnings per share (cents per share)	(0.86)	(4.99)	(7.41)
Diluted earnings per share (cents per share)	(0.86)	(4.99)	(7.41)

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

* This includes both continuing operations and discontinued operations

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Exercise of performance rights	In lieu of prior year remuneration owing	Balance at the end of the year
<i>Ordinary shares</i>				
Timothy Grice	9,199,846	-	1,420,000	10,619,846
Ryan Legudi	13,085,891	-	3,680,000	16,765,891
Braydon Moreno	18,030,462	500,000	-	18,530,462
Jacob Kabili	18,030,462	500,000	-	18,530,462
	<u>58,346,661</u>	<u>1,000,000</u>	<u>5,100,000</u>	<u>64,446,661</u>

Performance rights holding

The number of performance rights over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/forfeited/other	Balance at the end of the year
<i>Performance rights over ordinary shares</i>					
Timothy Grice	2,449,951	-	-	-	2,449,951*
Ryan Legudi	2,449,951	15,500,000	-	-	17,949,951*
Braydon Moreno	2,799,944	1,000,000	(500,000)	-	3,299,944**
Jacob Kabili	2,799,944	1,000,000	(500,000)	(2,799,944)	500,000***
	<u>10,499,790</u>	<u>17,500,000</u>	<u>(1,000,000)</u>	<u>(2,799,944)</u>	<u>24,199,846</u>

* All these performance rights are unvested.

** Of the total number of performance rights held by Braydon, 500,000 of them are vested and exercisable as at 30 June 2019 and remaining performance rights are unvested.

*** All the performance rights held by Jacob are vested and exercisable as at 30 June 2019.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2019	2018
	\$	\$
Current payables:		
Director fees payable to Patrick Glovac	-	2,871
Director fees payable to Timothy Grice	8,333	-
Expense reimbursement payable to Timothy Grice	6,986	-
Consulting fees payable to Timothy Grice as individual contractor of Robo 3D Inc	-	35,500
Director fees and bonus payable to Ryan Legudi	278,149	-
Expense reimbursement payable to Ryan Legudi	57,877	75,676
Commission payable to Ryan Legudi	4,095	-
Consulting fees payable to RFL Capital Pty Ltd* as individual contractor of Robo 3D Inc	-	92,000
Expense reimbursement payable to Braydon Moreno	-	6,033
Commission payable to Braydon Moreno	8,171	-
	<u>363,611</u>	<u>212,080</u>

* RFL Capital Pty Ltd, a related party of Ryan Legudi

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Transactions with key management personnel

During the financial year, Denlin Nominees Pty Ltd (Denlin), an entity associated with the ex-Chairman, Mr Anthony Grist, has provided trade finance loan and bridging loan to the consolidated entity. The trade finance loan is subject to a fixed annual interest rate of 10%. Bridging loan is interest free.

On 24 August 2018, the company issued 7,222,223 shares at \$0.025 per share to Denlin for repayment of \$250,000 trade finance loan and extension fees of \$75,000. As a result of this, the company recognised a gain on modification of liability to Denlin of \$144,445, of which, \$111,112 is related to trade finance loan, \$33,333 is related to the extension fees.

On 6 June 2019, the company signed a settlement agreement with Denlin in relation to outstanding loan amount owed by the company to Denlin. As a result of this agreement, the company recognised a gain on modification of Denlin loan of \$509,276 and the amount liable to Denlin has reduced to \$705,347 as at 30 June 2019.

The Denlin loan is subsequently settled on 16 August 2019, refer to "Matters subsequent to the end of the financial year" section of the Directors' report for future details of the settlement.

This concludes the remuneration report, which has been audited.

Shares under option

Unissued ordinary shares of Stemify Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price*	Number under option*
14/12/2016	22/12/2019	\$6.750	311,109
27/06/2017	27/06/2021	\$4.500	11,112
08/08/2017	08/08/2021	\$4.500	11,112
24/08/2017	23/08/2021	\$4.500	11,112
27/10/2017	27/10/2019	\$2.700	44,445
20/11/2017	20/11/2019	\$2.700	148,150
20/11/2017	20/11/2020	\$4.050	35,556
30/11/2017	30/06/2021	\$3.375	111,112
13/08/2018	13/08/2021	\$2.700	133,334
16/08/2019	31/12/2022	\$0.025	30,000,000
16/08/2019	30/06/2023	\$0.050	37,500,000
			68,317,042

* On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis. The above exercise price and number of unissued ordinary shares of Stemify Limited under option at the date of this report are presented on post consolidation basis.

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares under performance rights

Unissued ordinary shares of Stemify Limited under performance rights at the date of this report are as follows:

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Grant date	Expiry date	Exercise price	Number under rights*
14/12/2016	22/12/2020	\$0.000	38,890
14/12/2016	22/12/2020	\$0.000	38,890
14/12/2016	22/12/2020	\$0.000	11,668
14/12/2016	22/12/2020	\$0.000	42,779
14/12/2016	22/12/2020	\$0.000	38,889
30/08/2018	30/08/2021	\$0.000	11,112
30/08/2018	30/08/2021	\$0.000	344,445
30/08/2018	NA	\$0.000	41,116
30/08/2018	NA	\$0.000	6,112
			573,901

* On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis. The above number of unissued ordinary shares of Stemify Limited under performance rights at the date of this report are presented on post consolidation basis. Each Performance Right which has vested and not lapsed or expired entitles the participating employee to one fully paid ordinary share in the company on exercise.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options

There were no ordinary shares of Stemify Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Shares issued on the exercise of performance rights

The following ordinary shares of Stemify Limited were issued during the year ended 30 June 2019 and up to the date of this report on the vesting of performance rights granted:

Date performance rights granted	Exercise price	Number of rights issued
28/08/2018	\$0.000	500,000
28/08/2018	\$0.000	4,075,000

Indemnity and insurance of officers

The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' report
30 June 2019

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of BDO East Coast Partnership

There are no officers of the company who are former partners of BDO East Coast Partnership.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors



Timothy Grice
Executive Chairman

14 October 2019

DECLARATION OF INDEPENDENCE BY WAI AW TO THE DIRECTORS OF STEMIFY LIMITED (FORMERLY KNOWN AS ROBO 3D LIMITED)

As lead auditor of Stemify Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Stemify Limited and the entities it controlled during the period.



Wai Aw
Partner

BDO East Coast Partnership

Melbourne, 14 October 2019

Stemify Limited
(Formerly known as Robo 3D Limited)
Contents
30 June 2019

Statement of profit or loss and other comprehensive income	24
Statement of financial position	26
Statement of changes in equity	27
Statement of cash flows	29
Notes to the financial statements	30
Directors' declaration	65
Independent auditor's report to the members of Stemify Limited	66
Shareholder information	70

General information

The financial statements cover Stemify Limited as a consolidated entity consisting of Stemify Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Stemify Limited's functional and presentation currency.

Stemify Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 5, 126 Philip Street
Sydney NSW 2000

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 14 October 2019. The directors have the power to amend and reissue the financial statements.

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Revenue from continuing operations	4	50,553	-
Cost of sales		<u>(27,377)</u>	<u>-</u>
Gross profit		23,176	-
Other income	5	689,394	78,840
Expenses			
Marketing and advertising		(8,031)	-
Research and development		(17,262)	-
Finance costs		(112,736)	(178,250)
General and administrative		(659,545)	(963,763)
Foreign exchange expense		(426)	-
Impairment of goodwill	13	(2,331,861)	(8,164,961)
Employee benefit expense		(577,385)	(355,779)
Depreciation and amortisation expense		(14,594)	(1,874)
Share based payments write-back/(expense)	35	133,678	(586,734)
Fair value of contingent consideration		<u>(5,718)</u>	<u>-</u>
Loss before income tax expense from continuing operations		(2,881,310)	(10,172,521)
Income tax expense	6	<u>-</u>	<u>-</u>
Loss after income tax expense from continuing operations		(2,881,310)	(10,172,521)
Loss after income tax expense from discontinued operations	7	<u>(1,671,184)</u>	<u>(5,793,520)</u>
Loss after income tax expense for the year attributable to the owners of Stemify Limited	22	(4,552,494)	(15,966,041)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(32,331)	20,429
Revaluation of other financial assets at fair value through other comprehensive income, net of tax		<u>-</u>	<u>15,000</u>
Other comprehensive income for the year, net of tax		<u>(32,331)</u>	<u>35,429</u>
Total comprehensive income for the year attributable to the owners of Stemify Limited		<u><u>(4,584,825)</u></u>	<u><u>(15,930,612)</u></u>
Total comprehensive income for the year is attributable to:			
Continuing operations		(1,288,794)	(10,157,521)
Discontinued operations		<u>(3,296,031)</u>	<u>(5,773,091)</u>
		<u><u>(4,584,825)</u></u>	<u><u>(15,930,612)</u></u>

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
		Cents	Cents
Earnings per share for loss from continuing operations attributable to the owners of Stemify Limited			
Basic earnings per share	34	(0.54)	(3.18)
Diluted earnings per share	34	(0.54)	(3.18)
Earnings per share for loss from discontinued operations attributable to the owners of Stemify Limited			
Basic earnings per share	34	(0.31)	(1.81)
Diluted earnings per share	34	(0.31)	(1.81)
Earnings per share for loss attributable to the owners of Stemify Limited			
Basic earnings per share	34	(0.86)	(4.99)
Diluted earnings per share	34	(0.86)	(4.99)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of financial position
As at 30 June 2019

	Note	Consolidated 2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	8	11,691	351,083
Trade and other receivables	9	127,678	298,425
Inventories	10	216,378	1,179,346
Other current assets	11	69,304	78,290
Total current assets		<u>425,051</u>	<u>1,907,144</u>
Non-current assets			
Property, plant and equipment	12	38,374	158,002
Intangibles	13	3,164	363,284
Total non-current assets		<u>41,538</u>	<u>521,286</u>
Total assets		<u>466,589</u>	<u>2,428,430</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,251,794	2,381,061
Contract liabilities	15	119,297	55,840
Borrowings	16	727,257	1,169,409
Employee benefits	17	68,706	39,148
Provisions	18	16,677	232,943
Contingent consideration	30	55,279	-
Total current liabilities		<u>2,239,010</u>	<u>3,878,401</u>
Non-current liabilities			
Borrowings	19	-	5,022
Total non-current liabilities		<u>-</u>	<u>5,022</u>
Total liabilities		<u>2,239,010</u>	<u>3,883,423</u>
Net liabilities		<u>(1,772,421)</u>	<u>(1,454,993)</u>
Equity			
Issued capital	20	26,930,183	22,414,733
Reserves	21	1,618,939	1,899,323
Accumulated losses	22	(30,321,543)	(25,769,049)
Total deficiency in equity		<u>(1,772,421)</u>	<u>(1,454,993)</u>

The above statement of financial position should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of changes in equity
For the year ended 30 June 2019

Consolidated	Issued capital \$	Foreign currency reserve \$	Share-based payment reserve \$	Other financial assets at fair value through other comprehensive income \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2017	17,355,636	(26,809)	1,260,891	(15,000)	(9,803,008)	8,771,710
Loss after income tax expense for the year	-	-	-	-	(15,966,041)	(15,966,041)
Other comprehensive income for the year, net of tax	-	20,429	-	15,000	-	35,429
Total comprehensive income for the year	-	20,429	-	15,000	(15,966,041)	(15,930,612)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 20)	4,453,877	-	-	-	-	4,453,877
Share-based payments (note 35)	317,220	-	610,788	-	-	928,008
Shares issued as consideration for corporate advisory services (note 20)	48,000	-	-	-	-	48,000
Shares issued to Executives in lieu of remuneration owing (note 20)	240,000	-	-	-	-	240,000
Options issued for loan facility	-	-	34,024	-	-	34,024
Balance at 30 June 2018	<u>22,414,733</u>	<u>(6,380)</u>	<u>1,905,703</u>	<u>-</u>	<u>(25,769,049)</u>	<u>(1,454,993)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of changes in equity (continued)
For the year ended 30 June 2019

Consolidated	Issued capital \$	Foreign currency reserve \$	Share-based payment reserve \$	Other financial assets at fair value through other comprehensive income \$	Accumulated losses \$	Total deficiency in equity \$
Balance at 1 July 2018	22,414,733	(6,380)	1,905,703	-	(25,769,049)	(1,454,993)
Loss after income tax expense for the year	-	-	-	-	(4,552,494)	(4,552,494)
Other comprehensive income for the year, net of tax	-	(32,331)	-	-	-	(32,331)
Total comprehensive income for the year	-	(32,331)	-	-	(4,552,494)	(4,584,825)
<i>Transactions with owners in their capacity as owners:</i>						
Contributions of equity, net of transaction costs (note 20)	2,989,267	-	-	-	-	2,989,267
Share-based payments (note 35)	114,375	-	(248,053)	-	-	(133,678)
Shares issued for loan repayment and loan extension fees (note 20)	180,555	-	-	-	-	180,555
Shares issued as partial consideration for MSK acquisition (note 20)	1,103,753	-	-	-	-	1,103,753
Shares issued to Directors in lieu of remuneration owing (note 20)	127,500	-	-	-	-	127,500
Balance at 30 June 2019	<u>26,930,183</u>	<u>(38,711)</u>	<u>1,657,650</u>	<u>-</u>	<u>(30,321,543)</u>	<u>(1,772,421)</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Statement of cash flows
For the year ended 30 June 2019

	Note	Consolidated	
		2019	2018
		\$	\$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,907,343	5,512,582
Payments to suppliers and employees (inclusive of GST)		(5,188,519)	(11,640,463)
Interest received		2,208	3,852
Interest and other finance costs paid		(35,742)	(39,533)
Net cash used in operating activities	33	(2,314,710)	(6,163,562)
Cash flows from investing activities			
Payment for purchase of business, net of cash acquired	30	(1,238,816)	-
Payments for property, plant and equipment	12	(23,257)	-
Loss of cash on the lost of control of subsidiary		(7,244)	-
Proceeds from disposal of tenements		-	75,000
Proceeds from disposal of investments		-	112,500
Net cash (used in)/from investing activities		(1,269,317)	187,500
Cash flows from financing activities			
Proceeds from issue of shares	20	3,250,000	4,926,952
Proceeds from borrowings		315,152	1,694,000
Share issue transaction costs		(260,733)	(473,075)
Repayment of borrowings		(9,373)	(872,015)
Net cash from financing activities		3,295,046	5,275,862
Net decrease in cash and cash equivalents		(288,981)	(700,200)
Cash and cash equivalents at the beginning of the financial year		351,083	1,051,283
Effects of exchange rate changes on cash and cash equivalents		(50,411)	-
Cash and cash equivalents at the end of the financial year	8	11,691	351,083

The above statement of cash flows should be read in conjunction with the accompanying notes

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. AASB 9 replaces the provisions of AASB 139 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of AASB 9 Financial Instruments resulted in changes in accounting policies. There were no changes to the classification of financial instruments in the financial statements. The new accounting policies are set out below. In accordance with the transitional provisions in AASB 9 (7.2.15) and (7.2.26), comparative figures have not been restated. There is no impact on the consolidated entity's opening accumulated losses as at 1 July 2018.

(i) Trade Receivables

Trade receivables are amounts due from customers for goods sold in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value.

The consolidated entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. Details about the consolidated entity's impairment policies and the calculation of the loss allowance are provided in (ii) below.

(ii) Allowance for expected credit loss

The consolidated entity applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(iii) Trade and other payables

Trade payables are unsecured and are usually paid within 30 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

(iv) Loans and borrowings

Loans and borrowings are recognised initially at fair value, being the consideration received, less directly attributable transaction costs, with subsequent measurement at amortised cost using the effective interest rate method. Any gains or losses arising from non - substantial modifications are recognised immediately in the statement of profit or loss and the financial liability continues to amortise using the original effective interest rate.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. It has elected to adopt AASB 15 using the cumulative effect method, with any adjustment required when transitioning to the new standard being recognised on the 1 July 2018 (date of initial application) in accumulated losses. Comparative figures have not been restated. There are no material changes in the consolidated entity's revenue recognition which means there have been no adjustments made to the opening accumulated losses balance.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 1. Significant accounting policies (continued)

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for financial assets at fair value through other comprehensive income.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going concern

As at 30 June 2019, the financial position of the consolidated entity as disclosed in the financial statements reflects a net deficit position of \$1,772,421. This balance has been determined after a consolidated net loss from continuing operations for the year of \$2,881,310 and a net cash outflow from operating activities of \$2,314,710. The existence of these conditions indicates a material uncertainty that may cast significant doubt on the consolidated entity's ability to continue as a going concern.

In common with many entities in the technology sector, the consolidated entity's operations are subject to an element of risk due to the nature of the development and commercialisation being undertaken. A part of this risk relates to funding of the consolidated entity's activities and related issues including the conditions prevailing in the local and international financial markets. In the context of this operating environment, the consolidated entity may need to raise additional capital in order to execute its near term and medium term plans for expansion of its product portfolio in the event that sufficient revenue is not generated in the normal course of business.

Notwithstanding the above the financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the consolidated entity. In adopting this position, the directors have had regard to the following:

- Successful capital raisings carried out during the half-year period raising \$3,250,000 (before costs) from sophisticated investors in August 2018;
- On 16 August 2019, the company completed a placement, including oversubscriptions in the amount of \$500,000, raising total funds \$2,250,000 (before costs) through the issue of 112,500,000 shares;
- As the consolidated entity has a successful track record in raising capital, the directors believe the consolidated entity has the ability to raise additional capital from existing and new investors should it be required; and
- The directors have prepared forecasts that indicate the consolidated entity will remain a going concern.

The directors plan to continue the consolidated entity's operations on the basis as outlined above, and believe there will be sufficient funds for the consolidated entity to meet its obligations and liabilities for at least twelve months from the date of this report.

If the consolidated entity is unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different to those stated in the financial statements. The financial statements do not include any adjustments relating to the recoverability and classification of asset carrying amounts or the amount of liabilities that might result should the consolidated entity be unable to continue as a going concern and meet its debts as and when they become due and payable.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 29.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 1. Significant accounting policies (continued)

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Stemify Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Stemify Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation

The financial statements are presented in Australian dollars, which is Stemify Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Note 1. Significant accounting policies (continued)

Impairment of non-financial assets

Goodwill and other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The consolidated entity will adopt this standard from 1 July 2019. The standard will affect primarily the accounting for the consolidated entity's operating leases. The consolidated entity has assessed the standard and the expected impacts are as follows:

Note 1. Significant accounting policies (continued)

1. Increase in assets and liabilities at the same amount by approximately \$162K.
2. It is not expected that there will be a further impact on the statement of cash flows with the adoption.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions

The consolidated entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

Goodwill and other indefinite life intangible assets

The consolidated entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Business combinations

Business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported.

Note 3. Operating segments

Identification of reportable operating segments

A segment is a component of the consolidated entity that engages in business activities to provide products or services within a particular economic environment. The consolidated entity operates in two business segments for the period from 24 August 2018 (the date MyStemKits, Inc. is acquired) to 3 June 2019 (the date the control is lost on Robo 3D Inc.).

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 3. Operating segments (continued)

- MyStemKits, Inc. - 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.

- Robo 3D Inc: the conduct of design and distribution of 3D printers and associated products for desktop segment of the 3D printing industry.

Corporate costs are not considered a reportable segment, therefore, remain unallocated.

MyStemKits, Inc. and Robo 3D Inc. are US based entities, corporate costs are incurred in Australian based entities.

The Board of Directors assess the operating performance of the group based on Management reports that are prepared on this basis.

Operating segment information

	MyStemKits, Inc. \$	Robo 3D Inc \$	Unallocated \$	Intersegment eliminations \$	Total \$
Consolidated - 2019					
Revenue					
Sales to external customers	50,553	2,160,643	-	-	2,211,196
Intersegment sales	262,596	-	-	(262,596)	-
Total revenue	<u>313,149</u>	<u>2,160,643</u>	<u>-</u>	<u>(262,596)</u>	<u>2,211,196</u>
EBITDA	(2,946,407)	(1,109,465)	804	191,623	(3,863,445)
Depreciation and amortisation	(12,139)	(525,977)	(2,455)	-	(540,571)
Finance costs	-	(35,742)	(112,736)	-	(148,478)
Profit/(loss) before income tax expense	<u>(2,958,546)</u>	<u>(1,671,184)</u>	<u>(114,387)</u>	<u>191,623</u>	<u>(4,552,494)</u>
Income tax expense					-
Loss after income tax expense					<u>(4,552,494)</u>
Assets					
Segment assets	408,900	-	18,915,069	(18,857,380)	466,589
Total assets					<u>466,589</u>
Liabilities					
Segment liabilities	672,397	-	5,783,325	(4,216,712)	2,239,010
Total liabilities					<u>2,239,010</u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 3. Operating segments (continued)

	MyStemKits, inc \$	Robo 3D Inc \$	Unallocated \$	Intersegment eliminations \$	Total \$
Consolidated - 2018					
Revenue					
Sales to external customers	-	5,927,412	-	-	5,927,412
Total revenue	-	5,927,412	-	-	5,927,412
EBITDA					
Depreciation and amortisation	-	(4,951,483)	(1,929,939)	(8,062,458)	(14,943,880)
Finance costs	-	(828,529)	(1,874)	-	(830,403)
Loss before income tax expense	-	(13,508)	(178,250)	-	(191,758)
Income tax expense	-	(5,793,520)	(2,110,063)	(8,062,458)	(15,966,041)
Loss after income tax expense					(15,966,041)
Assets					
Segment assets	-	2,284,046	14,918,268	(14,773,884)	2,428,430
Total assets					2,428,430
Liabilities					
Segment liabilities	-	2,409,987	5,939,533	(4,466,097)	3,883,423
Total liabilities					3,883,423

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'), which has been identified as the Board of Directors. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 4. Revenue

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

	Consolidated	
	2019	2018
	\$	\$
<i>Revenue from continuing operations</i>		
Sale of goods	46,902	-
Software revenue	3,651	-
	<u>50,553</u>	<u>-</u>
<i>Geographical regions</i>		
US	<u>50,553</u>	<u>-</u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 4. Revenue (continued)

Accounting policy for revenue recognition

The consolidated entity recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods

The consolidated entity holds contracts with customers for the sale of 3D printers. Revenue from sale of goods is recognised at a point in time when the customer obtains controls of the goods. Amounts disclosed as revenue are net of sales returns and trade discounts.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Software revenue

MSK curriculum software revenue is recognised over the course of the contract on a straight-line basis where the customer has free access to the software. Invoice is issued to the customer when the software licenses were effective.

Note 5. Other income

	Consolidated	
	2019	2018
	\$	\$
Net gain on modification of financial liabilities*	687,186	-
Net gain on disposal of tenement	-	75,000
Interest income	2,208	3,840
	<u>689,394</u>	<u>78,840</u>
Other income	<u>689,394</u>	<u>78,840</u>

* From April 2019 to June 2019, the company has signed agreements with a number of suppliers and a loan provider in relation to outstanding amounts owed by the company to these suppliers and the loan provider. As a result of these settlement agreements, the company has recognised a gain on modification of financial liabilities of \$687,186.

Accounting policy on other income

Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 5. Other income (continued)

Other income

Other income is recognised when it is received or when the right to receive payment is established.

Note 6. Income tax expense

	Consolidated	
	2019	2018
	\$	\$
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Loss before income tax expense from continuing operations	(2,881,310)	(10,172,521)
Loss before income tax expense from discontinued operations	(1,671,184)	(5,793,520)
	<u>(4,552,494)</u>	<u>(15,966,041)</u>
Tax at the statutory tax rate of 27.5% (2018: 27.5%)	(1,251,936)	(4,390,661)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Share-based payments (write-back)/expense	(36,761)	255,202
Amounts not brought to account as a DTA in the current year	61,566	(83,226)
Deductible temporary difference not recognised (Aus)	-	473,952
Deductible temporary difference not recognised (US)	1,379,117	1,216,437
Difference in tax rates	320,768	282,932
Impairment of goodwill	-	2,245,364
	<u>472,754</u>	<u>-</u>
Prior year tax losses not recognised now recouped	(472,754)	-
Income tax expense	<u>-</u>	<u>-</u>
	Consolidated	
	2019	2018
	\$	\$
<i>Tax losses not recognised</i>		
Unused tax losses for which no deferred tax asset has been recognised	18,978,992	20,698,097
Potential tax benefit @ 27.5% (2018: 27.5%)	5,219,223	5,691,977

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised in the future if the continuity of ownership test is passed, or failing that, the same business test is passed.

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 6. Income tax expense (continued)

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 7. Discontinued operations

Due to the slowing adoption of 3D printers by consumers, the negative impact on margins from highly competitive pricing from Chinese manufacturers, and challenges in maintaining quality control and technical support for the C2 and R2 printers, the US based former manufacturing subsidiary Robo 3D Inc. has appointed Robo 3D (ABC), LLC as Assignee for the Benefit of Creditors (ABC) on 3 June 2019. The ABC is a process by which all of the assets of Robo 3D Inc. will be sold and the proceeds distributed to the creditors of Robo 3D Inc. following which Robo 3D Inc will be dissolved and cease to exist. As a result, the consolidated entity has recognised a net gain on lost of control of Robo 3D Inc. of \$1,551,671.

Financial performance information

	2019	2018
	\$	\$
Revenue	2,160,643	5,927,412
Cost of sales	<u>(1,756,124)</u>	<u>(4,349,702)</u>
Gross profit	<u>404,519</u>	<u>1,577,710</u>
Interest income	-	12
Net gain on lost of control of subsidiary, through administration	1,551,671	-
Marketing and advertising	(282,048)	(1,089,534)
Research and development	(2,603)	(27,751)
Finance costs	(35,742)	(13,508)
General and administrative	(657,511)	(1,901,464)
Foreign exchange gain/(loss)	20	(22,511)
Employee benefit expense	(2,123,513)	(3,146,671)
Depreciation and amortisation expense	(525,977)	(828,529)
Share based payments	-	(341,274)
Total expenses	<u>(3,627,374)</u>	<u>(7,371,242)</u>
Loss before income tax expense	(1,671,184)	(5,793,520)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	<u><u>(1,671,184)</u></u>	<u><u>(5,793,520)</u></u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 7. Discontinued operations (continued)

Cash flow information

	2019	2018
	\$	\$
Net cash used in operating activities	(1,250,410)	(5,453,897)
Net cash used in investing activities	(38,266)	(61,146)
Net cash from financing activities	<u>1,036,782</u>	<u>5,618,344</u>
Net (decrease)/increase in cash and cash equivalents from discontinued operations	<u>(251,894)</u>	<u>103,301</u>

Carrying amounts of assets and liabilities disposed

	2019	2018
	\$	\$
Cash and cash equivalents	-	251,894
Trade and other receivables	-	295,561
Inventories	-	1,179,347
Other current assets	-	44,372
Property, plant and equipment	-	152,752
Intangibles	-	<u>360,120</u>
Total assets	<u>-</u>	<u>2,284,046</u>
Trade and other payables	-	1,538,625
Borrowings	-	466,412
Deferred revenue	-	55,840
Employee benefits	-	116,167
Provisions	-	<u>232,943</u>
Total liabilities	<u>-</u>	<u>2,409,987</u>
Net liabilities	<u>-</u>	<u>(125,941)</u>

Accounting policy for discontinued operations

A discontinued operation is a component of the consolidated entity that has been disposed of, is classified as held for sale or where the reporting entity ceases control through placing a subsidiary in administration and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Note 8. Current assets - cash and cash equivalents

	Consolidated	
	2019	2018
	\$	\$
Cash on hand	100	100
Cash at bank	<u>11,591</u>	<u>350,983</u>
	<u>11,691</u>	<u>351,083</u>

Accounting policy for cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 9. Current assets - trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
Trade receivables	120,331	361,414
Less: Allowance for expected credit losses	<u>(1,203)</u>	<u>(65,853)</u>
	<u>119,128</u>	<u>295,561</u>
GST receivable	3,300	2,864
Other receivables	<u>5,250</u>	<u>-</u>
	<u>8,550</u>	<u>2,864</u>
	 <u>127,678</u>	 <u>298,425</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$1,203 in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

The ageing of the trade receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 \$	Allowance for expected credit losses 2019 \$
0 to 3 months overdue	1%	105,449	1,054
3 to 6 months overdue	1%	-	-
Over 6 months overdue	1%	<u>14,882</u>	<u>149</u>
		<u>120,331</u>	<u>1,203</u>

Management has assessed the measurement of loss allowance as at 30 June 2018 and noted the difference between the measurement basis under AASB 139 and AASB 9 is immaterial therefore no retrospective adjustment has been made. All trade receivables and loss allowance provided as at 30 June 2018 are associated with the subsidiary (Robo 3D Inc.) that control has been lost during the current financial year.

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 \$
Opening balance	65,853
Additional provisions recognised	1,203
Unused amounts written off during the year due to the lost of control of subsidiary	<u>(65,853)</u>
	<u>1,203</u>

Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 9. Current assets - trade and other receivables (continued)

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 10. Current assets - inventories

	Consolidated	
	2019	2018
	\$	\$
Stock on hand	<u>216,378</u>	<u>1,179,346</u>

All inventory is used on a first in first out basis. The consolidated entity has accounted for obsolete stock during the period. Inventory written off during the year amounted to \$nil (2018: \$228,939).

Accounting policy for inventories

Stock on hand is stated at the lower of cost and net realisable value. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 11. Current assets - Other current assets

	Consolidated	
	2019	2018
	\$	\$
Prepayments	47,635	78,290
Deposits	<u>21,669</u>	<u>-</u>
	<u>69,304</u>	<u>78,290</u>

Accounting policy for prepayments

Prepayments are recognised initially at fair value and subsequently at amortised cost using the effective interest method, less any impairment losses.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2019	2018
	\$	\$
Furniture and equipment	17,107	58,290
Less: Accumulated depreciation	<u>(6,483)</u>	<u>(35,925)</u>
	<u>10,624</u>	<u>22,365</u>
Molds - at cost	38,424	523,910
Less: Accumulated depreciation	<u>(10,674)</u>	<u>(388,273)</u>
	<u>27,750</u>	<u>135,637</u>
	<u><u>38,374</u></u>	<u><u>158,002</u></u>

Consolidated	Furniture and equipment \$	Molds \$	Total \$
Balance at 1 July 2017	50,181	371,224	421,405
Exchange differences	447	23,329	23,776
Write off of assets	(12,676)	-	(12,676)
Depreciation expense	<u>(15,587)</u>	<u>(258,916)</u>	<u>(274,503)</u>
Balance at 30 June 2018	22,365	135,637	158,002
Additions	23,257	-	23,257
Additions through business combinations (note 30)	7,476	38,424	45,900
Disposal of assets, through administration	(27,232)	(61,944)	(89,176)
Exchange differences	1,183	24,631	25,814
Depreciation expense	<u>(16,425)</u>	<u>(108,998)</u>	<u>(125,423)</u>
Balance at 30 June 2019	<u><u>10,624</u></u>	<u><u>27,750</u></u>	<u><u>38,374</u></u>

Accounting policy for property, plant and equipment

Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Furniture and equipment	2-3 years
Molds	2 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 13. Non-current assets - intangibles

	Consolidated	
	2019	2018
	\$	\$
Software - at cost	1,224,512	1,169,485
Less: Accumulated amortisation	<u>(1,221,348)</u>	<u>(806,201)</u>
	<u><u>3,164</u></u>	<u><u>363,284</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill	Software	Total
	\$	\$	\$
Balance at 1 July 2017	8,164,961	909,531	9,074,492
Exchange differences	-	9,653	9,653
Impairment	(8,164,961)	-	(8,164,961)
Amortisation expense	<u>-</u>	<u>(555,900)</u>	<u>(555,900)</u>
Balance at 30 June 2018	-	363,284	363,284
Additions through business combinations (note 30)	2,335,991	-	2,335,991
Exchange differences	(4,130)	55,028	50,898
Impairment	(2,331,861)	-	(2,331,861)
Amortisation expense	<u>-</u>	<u>(415,148)</u>	<u>(415,148)</u>
Balance at 30 June 2019	<u><u>-</u></u>	<u><u>3,164</u></u>	<u><u>3,164</u></u>

Goodwill impairment testing

The consolidated entity holds goodwill recognised as part of the MyStemKits, Inc. acquisition. The recoverable amount of goodwill has been determined based on a value in use calculation using cash flows projected for MyStemKits, Inc. cash generating unit over a five-year period. Cash flows beyond the five year forecast are extrapolated using estimated terminal growth rates.

Key assumptions used for value in use calculations

Key assumptions	%
2020 Budget revenue growth	10.00%
2020 Budget expense growth	10.00%
Revenue growth rate > 1 year	4.45%
Expense growth rate > 1 year	4.45%
Terminal value > 5 years	4.45%
Pre-tax discount rate applied to cash flow	17.00%

Results of impairment testing

Management has performed impairment assessment on goodwill using value in use method based on the assumptions above. As a result, goodwill has been fully impaired as at 30 June 2019.

Accounting policy for intangible assets

Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 13. Non-current assets - intangibles (continued)

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the consolidated entity are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software so that it will be available for use
- Management intends to complete the software and use or sell it
- There is an ability to use or sell the software
- It can be demonstrated how the software will generate probable future economic benefits
- Adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- The expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The consolidated entity amortises these intangible assets with a limited useful life using the straight-line method over 2 years.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade payables	744,239	1,758,864
Accrued expenses	507,555	577,675
Other payables	-	17,315
Sales tax payable	-	27,207
	<u>1,251,794</u>	<u>2,381,061</u>

Refer to note 23 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 15. Current liabilities - contract liabilities

	Consolidated	
	2019	2018
	\$	\$
Contract liabilities	<u>119,297</u>	<u>55,840</u>

Reconciliation

Reconciliation of the written down values at the beginning and end of the current and previous financial year are set out below:

Opening balance	55,840	403,244
Payments received in advance	122,655	55,840
Recognised as revenue during the year	(3,358)	(403,244)
Disposals related to discontinued operations	<u>(55,840)</u>	<u>-</u>
Closing balance	<u>119,297</u>	<u>55,840</u>

Unsatisfied performance obligations

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$119,297 as at 30 June 2019 (\$55,840 as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated	
	2019	2018
	\$	\$
Within 6 months	53,798	55,840
6 to 12 months	<u>65,499</u>	<u>-</u>
	<u>119,297</u>	<u>55,840</u>

Accounting policy for contract liabilities

Contract liabilities represent the consolidated entity's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the consolidated entity recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the consolidated entity has transferred the goods or services to the customer.

Note 16. Current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Trade finance loan*	479,047	1,084,904
Bridging loan*	226,300	-
Insurance premium funding	21,910	-
Lease liability**	<u>-</u>	<u>84,505</u>
	<u>727,257</u>	<u>1,169,409</u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 16. Current liabilities - borrowings (continued)

	Consolidated 2019 \$
<i>Movement of borrowings</i>	
Opening balance	1,169,409
Proceeds from borrowings	315,152
Gain on modification of trade finance loan and bridging loan	(620,388)
Shares issued for loan repayment	(138,888)
Interest accrued	86,477
Repayment of borrowings	(9,373)
Write off borrowings due to the lost of control of subsidiary	<u>(75,132)</u>
Closing balance	<u><u>727,257</u></u>

Refer to note 23 for further information on financial instruments.

* Both the trade finance loan and bridging loan are provided to the consolidated entity by Denlin Nominees Pty Ltd (Denlin), an entity associated with ex-Chairman, Mr Anthony Grist. The trade finance loan is subject to a fixed annual interest rate of 10%. Bridging loan is interest free.

On 24 August 2018, the company issued 7,222,223 shares at \$0.025 per share to Denlin for repayment of \$250,000 trade finance loan and extension fees of \$75,000. As a result of this, the company recognised a gain on modification of liability to Denlin of \$144,445, of which, \$111,112 is related to trade finance loan, \$33,333 is related to the extension fees.

On 6 June 2019, the company signed a settlement agreement with Denlin in relation to outstanding loan amount owed by the company to Denlin. As a result of this agreement, the company recognised a gain on modification of Denlin loan of \$509,276 and the amount liable to Denlin has reduced to \$705,347 as at 30 June 2019.

Refer to note 32 for further details on the modification of loans from Denlin subsequent to the financial year ended 30 June 2019.

** The lease liability in prior year is related to the finance lease of an in-house server entered into on 1 April 2017. The finance lease has been split out between current portion and non-current portion. Please refer to note 19 for details of non-current portion. The consolidated entity does not have the option to purchase the equipment at the end of the lease.

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Accounting policy for finance lease

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 16. Current liabilities - borrowings (continued)

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Note 17. Current liabilities - employee benefits

	Consolidated	
	2019	2018
	\$	\$
Annual leave	<u>68,706</u>	<u>39,148</u>

Accounting policy for employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Note 18. Current liabilities - provisions

	Consolidated	
	2019	2018
	\$	\$
Warranties and returns	<u>16,677</u>	<u>232,943</u>

Accounting policy for warranty provisions

Warranty provision is calculated by taking a rolling net 12-month total cost of sales as a percentage of monthly expenses relating to spare parts and supplies. This percentage is calculated and applied to payroll expense to capture the cost of labour required to process the warranty.

Note 19. Non-current liabilities - borrowings

	Consolidated	
	2019	2018
	\$	\$
Lease liability*	<u>-</u>	<u>5,022</u>

Refer to note 23 for further information on financial instruments.

* The lease liability in prior year is related to the finance lease of an in-house server entered into on 1 April 2017. The finance lease has been split out between current portion and non-current portion. Please refer to note 16 for details of current portion. The consolidated entity does not have the option to purchase the equipment at the end of the lease.

Note 20. Equity - issued capital

	Consolidated			
	2019	2018	2019	2018
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>558,868,914</u>	<u>370,352,055</u>	<u>26,930,183</u>	<u>22,414,733</u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 20. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	30 June 2017	252,286,466		17,355,636
Issue of shares - Share Placement	15 September 2017	6,666,667	\$0.060	400,000
Shares issued for settlement of legal matter	27 October 2017	2,000,000	\$0.053	105,740
Issue of shares - Share Placement	27 October 2017	4,409,583	\$0.045	198,431
Shares issued to Chief Operating Officer as part of remuneration package	27 October 2017	4,000,000	\$0.053	211,480
Shares issued as consideration for corporate advisory services	20 November 2017	800,000	\$0.060	48,000
Issue of shares in relation to Entitlement Issue	27 November 2017	11,634,684	\$0.045	523,561
Issue of shortfall shares in relation to Entitlement Issue	6 December 2017	14,465,767	\$0.045	650,960
Issue of shares - Share Placement	14 December 2017	70,088,888	\$0.045	3,154,000
Shares issued to Executives in lieu of remuneration owing	14 December 2017	4,000,000	\$0.060	240,000
Costs of capital raising		-	\$0.000	(473,075)
Balance	30 June 2018	370,352,055		22,414,733
Issue of shares - Share Placement	24 August 2018	130,000,000	\$0.025	3,250,000
Shares issued for loan repayment and loan extension fees	24 August 2018	7,222,223	\$0.025	180,555
Shares issued as partial consideration for MSK acquisition	24 August 2018	41,619,636	\$0.027	1,103,753
Shares issued to Directors in lieu of remuneration owing	28 August 2018	5,100,000	\$0.025	127,500
Shares issued to Directors as approved by shareholders	28 August 2018	500,000	\$0.025	12,500
Shares issued to Robo 3D Inc. employees on immediate vesting of performance rights	28 August 2018	4,075,000	\$0.025	101,875
Cost of capital raising		-	\$0.000	(260,733)
Balance	30 June 2019	<u>558,868,914</u>		<u>26,930,183</u>

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back

There is no current on-market share buy-back.

Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 20. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

Accounting policy for issued capital
 Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 21. Equity - reserves

	Consolidated	
	2019	2018
	\$	\$
Foreign currency reserve	(38,711)	(6,380)
Share-based payments reserve	1,657,650	1,905,703
	<u>1,618,939</u>	<u>1,899,323</u>

Accounting policy for reserves

Foreign currency reserve

The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Share-based payments reserve

The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 22. Equity - accumulated losses

	Consolidated	
	2019	2018
	\$	\$
Accumulated losses at the beginning of the financial year	(25,769,049)	(9,803,008)
Loss after income tax expense for the year	(4,552,494)	(15,966,041)
Accumulated losses at the end of the financial year	<u>(30,321,543)</u>	<u>(25,769,049)</u>

Note 23. Financial instruments

Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange, ageing analysis for credit risk.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 23. Financial instruments (continued)

	Consolidated	
	2019	2018
	\$	\$
Financial assets at amortised cost		
Cash and cash equivalents	11,691	351,083
Trade and other receivables	127,678	298,425
Total financial assets	<u>139,369</u>	<u>649,508</u>
Financial liabilities at amortised cost		
Trade and other payables	1,251,794	2,381,061
Borrowings - current portion	727,257	1,169,409
Borrowings - non-current portion	-	5,022
Total financial liabilities	<u>1,979,051</u>	<u>3,555,492</u>
Financial liabilities at fair value through profit or loss		
Contingent consideration	<u>55,279</u>	<u>-</u>

Market risk

Foreign currency risk

The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows (holdings are shown in AUD equivalent):

Consolidated	Assets		Liabilities		
	2019	2018	2019	2018	
	\$	\$	\$	\$	
AUD equivalent	<u>113,670</u>	<u>442,711</u>	<u>549,559</u>	<u>(1,498,049)</u>	
		AUD strengthened effect on profit after tax	Effect on equity	AUD weakened effect on profit after tax	Effect on equity
Consolidated - 2019	% change				
AUD/USD	5%	<u>21,794</u>	<u>21,794</u>	<u>(21,794)</u>	<u>(21,794)</u>
		AUD strengthened effect on profit after tax	Effect on equity	AUD weakened effect on profit after tax	Effect on equity
Consolidated - 2018	% change				
AUD/USD	5%	<u>22,136</u>	<u>22,136</u>	<u>(22,136)</u>	<u>(22,136)</u>

Price risk

The consolidated entity is not exposed to any significant price risk.

Interest rate risk

The consolidated entity has no significant exposure with interest rate risk as all its borrowings are either at a fixed interest rate or interest free.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 23. Financial instruments (continued)

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

Liquidity risk

Liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable. The consolidated entity manages this risk by preparing forward looking cash flow analysis in relation to its operational, investing and financing activities and monitoring its cash assets and assets readily convertible to cash in the context of its forecast future cash flows.

Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	1,251,794	-	-	-	1,251,794
Bridging loan	-	226,300	-	-	-	226,300
Contingent consideration	-	27,389	10,788	17,102	-	55,279
<i>Interest-bearing - fixed rate</i>						
Trade finance loan	10.00%	479,047	-	-	-	479,047
Insurance premium funding	4.45%	21,910	-	-	-	21,910
Total non-derivatives		2,006,440	10,788	17,102	-	2,034,330

Consolidated - 2018	Weighted average interest rate %	1 year or less \$	Between 1 and 2 years \$	Between 2 and 5 years \$	Over 5 years \$	Remaining contractual maturities \$
Non-derivatives						
<i>Non-interest bearing</i>						
Trade and other payables	-	2,381,061	-	-	-	2,381,061
<i>Interest-bearing - fixed rate</i>						
Trade finance Loan	10.00%	1,084,904	-	-	-	1,084,904
Lease liability	-	84,505	5,022	-	-	89,527
Total non-derivatives		3,550,470	5,022	-	-	3,555,492

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 23. Financial instruments (continued)

Fair value of financial instruments

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 24. Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2019	2018
	\$	\$
Short-term employee benefits	1,052,304	1,411,422
Post-employment benefits	11,463	29,623
Long-term benefits	8,423	22,187
Share based payments write-back/(expense)	(172,429)	489,500
	<u>899,761</u>	<u>1,952,732</u>

Note 25. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the company, and its network firms:

	Consolidated	
	2019	2018
	\$	\$
<i>Audit services - BDO East Coast Partnership</i>		
Audit or review of the financial statements	<u>112,500</u>	<u>52,000</u>
<i>Audit services - BDO US</i>		
Audit or review of the financial statements	<u>46,879</u>	<u>115,439</u>

Note 26. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 27. Commitments

	Consolidated	
	2019	2018
	\$	\$
<i>Lease commitments - operating</i>		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	102,352	156,839
One to five years	59,705	93,844
	<u>162,057</u>	<u>250,683</u>
<i>Lease commitments - finance</i>		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	-	84,505
One to five years	-	5,052
	<u>-</u>	<u>89,557</u>

Operating lease commitments includes contracted amounts for the consolidated entity's office premise under non-cancellable operating leases expiring within 2 years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 28. Related party transactions

Parent entity

Stemify Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 31.

Key management personnel

Disclosures relating to key management personnel are set out in note 24 and the remuneration report included in the directors' report.

Receivable from and payable to related parties

The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2019	2018
	\$	\$
Current payables:		
Director fees payable to Patrick Glovac	-	2,871
Director fees payable to Timothy Grice	8,333	-
Expense reimbursement payable to Timothy Grice	6,986	-
Consulting fees payable to Timothy Grice as individual contractor of Robo 3D Inc	-	35,500
Director fees and bonus payable to Ryan Legudi	278,149	-
Expense reimbursement payable to Ryan Legudi	57,877	75,676
Commission payable to Ryan Legudi	4,095	-
Consulting fees payable to RFL Capital Pty Ltd* as individual contractor of Robo 3D Inc	-	92,000
Expense reimbursement payable to Braydon Moreno	-	6,033
Commission payable to Braydon Moreno	8,171	-

* RFL Capital Pty Ltd, a related party of Ryan Legudi

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 28. Related party transactions (continued)

Loans to/from related parties

During the financial year, Denlin Nominees Pty Ltd (Denlin), an entity associated with the ex-Chairman, Mr Anthony Grist, has provided trade finance loan and bridging loan to the consolidated entity. The trade finance loan is subject to a fixed annual interest rate of 10%. Bridging loan is interest free.

On 24 August 2018, the company issued 7,222,223 shares at \$0.025 per share to Denlin for repayment of \$250,000 trade finance loan and extension fees of \$75,000. As a result of this, the company recognised a gain on modification of liability to Denlin of \$144,445, of which, \$111,112 is related to trade finance loan, \$33,333 is related to the extension fees.

On 6 June 2019, the company signed a settlement agreement with Denlin in relation to outstanding loan amount owed by the company to Denlin. As a result of this agreement, the company has recognised a gain on modification of Denlin loan of \$509,276 and the amount liable to Denlin has reduced to \$705,347 as at 30 June 2019.

Refer to note 32 for further details on the modification of loans from Denlin Nominees Pty Ltd subsequent to the financial year ended 30 June 2019.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 29. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2019	2018
	\$	\$
Loss after income tax	(4,197,887)	(13,030,775)
Total comprehensive income	(4,197,887)	(13,030,775)

Statement of financial position

	Parent	
	2019	2018
	\$	\$
Total current assets	48,237	132,480
Total assets	51,034	137,732
Total current liabilities	1,523,781	1,679,989
Total liabilities	1,523,781	1,679,989
Equity		
Issued capital	36,972,023	32,456,573
Share-based payments reserve	1,640,967	1,889,020
Accumulated losses	(40,085,737)	(35,887,850)
Total equity	<u>(1,472,747)</u>	<u>(1,542,257)</u>

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 29. Parent entity information (continued)

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 30. Business combinations

On 15 June 2018, the consolidated entity announced that it has entered into an agreement to acquire the MyStemKits business from MyStemKits, LLC. Completion of the acquisition was subject to shareholders approval which was received on 13 August 2018. On 24 August 2018, the consolidated entity completes the acquisition. The acquisition has been assessed to be a Business Combination under AASB 3. MyStemKits is a USA education software and content business, owner of the world's largest library of Science, Technology, Engineering and Maths ("STEM") curriculums incorporating 3D printable kits for K-12 schools. The acquisition has brought together two leaders in the provision of 3D design and 3D printing in the STEM education space, and significantly strengthens the consolidated entity's strategic positioning and operational platform.

Details of the acquisition are as follows:

	Fair value \$
Trade receivables	422,280
Plant and equipment	45,900
	<hr/>
Net assets acquired	468,180
Goodwill*	2,335,991
	<hr/>
Acquisition-date fair value of the total consideration transferred	<u>2,804,171</u>
Representing:	
Acquisition-date fair value of equity transferred	1,103,753
Cash paid to vendor	1,238,816
Consideration deemed paid by netting off against a specific receivable acquired	412,088
Contingent consideration**	49,514
	<hr/>
	<u>2,804,171</u>

* Goodwill of \$2,335,991 was primarily related to the company's growth expectations through leveraging MSK STEM curriculums. This is considered as one operating segment and goodwill was allocated to a single cash generating unit as at acquisition date. The goodwill that arose from this business combination is not deductible for tax purposes.

Refer to note 3 for the amounts of revenue and loss of MyStemKits, Inc. since the acquisition date for the year ended 30 June 2019.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 30. Business combinations (continued)

** Contingent consideration is related to an amount payable in cash that is equal to 5% of the revenue recognised by MyStemKits, Inc. from the sale or licence of software for 3D printable manipulatives to align with STEM curriculum acquired in connection with the business during the 5 year period following the acquisition. The management has revalued the contingent consideration as at 30 June 2019 based on MyStemKits, Inc.'s revenue forecast for next 4 years, discounted to present value at a pre-tax discount rate of 17%. The fair value of the contingent consideration is assessed to be \$49,514 at the date of acquisition and \$55,279 as at 30 June 2019.

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 31. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Robo 3D Inc.	United States	-	100.00%
STEM Education Holdings Pty Ltd (formerly known as Albion 3D Investments Pty Ltd)	Australia	100.00%	100.00%
MyStemKits, Inc.	United States	100.00%	-

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 32. Events after the reporting period

On 15 July 2019, Mr Justin Mouchacca resigned as company secretary, and Ms Maggie Niewidok was appointed.

At the general meeting of shareholders held on 30 July 2019, the shareholders of the company approved various resolutions related to the recapitalisation of the company, including the placement of 87,500,000 new shares at 2 cents per share (post consolidation) to raise a minimum of \$1,750,000 (before costs) with the ability to raise an additional \$500,000 in oversubscriptions.

On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis.

On 16 August 2019, further to the general meeting noted above, the company completed the following:

(A) Placement, including oversubscriptions in the amount of \$500,000, raising total funds \$2,250,000 (before costs) through the issue of 112,500,000 shares. Proceeds from the Placement will be used to fund development and sale of Stemify's education focused products including MyStemKits curriculum and 3D printer hardware, costs of the Placement, settlement of the legacy creditors and general working capital purposes.

(B) The lead manager to the Placement was Forrest Capital Limited who received a fee of 6% on fund raised and an allotment of unlisted options. The company allotted 30,000,000 unlisted options (post consolidation) exercisable at 2.5 cents per option, with each option expiring on 31 December 2022.

(C) The conversion of up to \$50,000 owed to various creditors of the company into shares at 2 cents per share (post consolidation) in settlement of historical creditor positions. The company allotted 2,000,000 shares (\$40,000 owed to creditors) (post consolidation).

(D) The company converted total debt of \$1,369,719 owing to Denlin Nominees Pty Ltd (Denlin) and its related parties comprising of \$980,265 in principal, interest and fees under the company's Secured Loan facility, an additional \$210,300 in unsecured loans under the Bridge Loan Facility and \$129,203 owed under other unsecured creditor positions into 25,000,000 shares in the company (post consolidation).

(E) In addition, Denlin was allotted the following unlisted options (post consolidation):

- 12,500,000 unlisted vested options with an exercise price of 5 cents and expiry on or before 30 June 2023;
- 12,500,000 unlisted options, vesting upon the company's share price reaching a 5-day Volume Weighted Price (VWAP) of 7.5 cents with an exercise price of 5 cents and expiry on or before 30 June 2023; and
- 12,500,000 unlisted options, vesting upon the company's share price reaching a 5-day Volume Weighted Price (VWAP) of 10 cents with an exercise price of 5 cents and expiry on or before 30 June 2023.

(F) All security interests held by Denlin and its related parties over the company were released.

On 16 August 2019, Mr Braydon Moreno resigned as a director, and Mr Jonathan Pearce was appointed a director.

No other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 33. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated	
	2019	2018
	\$	\$
Loss after income tax expense for the year	(4,552,494)	(15,966,041)
Adjustments for:		
Depreciation and amortisation	540,571	830,403
Impairment of goodwill	2,331,861	8,164,961
Write off of property, plant and equipment	-	12,676
Share-based payments	(133,678)	928,008
Foreign exchange differences	406	(12,998)
Provision for doubtful debts	1,203	65,853
Net gain on lost of control of subsidiary, through administration	(1,551,671)	-
Net gain on modification of financial liabilities	(687,186)	-
Fair value of contingent consideration	5,718	-
Finance costs	112,736	-
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	242,831	(265,889)
Decrease/(increase) in inventories	726,604	(510,010)
Decrease in other current assets	8,986	9,683
Increase in trade and other payables	808,198	652,443
Increase/(decrease) in contract liabilities	225,653	(347,404)
Increase/(decrease) in employee benefits	(216,713)	34,323
Increase/(decrease) in other provisions	(177,735)	240,430
Net cash used in operating activities	<u>(2,314,710)</u>	<u>(6,163,562)</u>

Note 34. Earnings per share

In accordance with the principles of reverse acquisition accounting, the weighted average number of ordinary shares outstanding during the period ended 30 June 2019 has been calculated as the weighted average number of ordinary shares of Stemify Limited, outstanding during the period before acquisition multiplied by the exchange ratio established in the acquisition accounting.

	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for loss from continuing operations</i>		
Loss after income tax attributable to the owners of Stemify Limited	<u>(2,881,310)</u>	<u>(10,172,521)</u>
	Cents	Cents
Basic earnings per share	(0.54)	(3.18)
Diluted earnings per share	(0.54)	(3.18)
	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for loss from discontinued operations</i>		
Loss after income tax attributable to the owners of Stemify Limited	<u>(1,671,184)</u>	<u>(5,793,520)</u>

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 34. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(0.31)	(1.81)
Diluted earnings per share	(0.31)	(1.81)
	Consolidated	
	2019	2018
	\$	\$
<i>Earnings per share for loss</i>		
Loss after income tax attributable to the owners of Stemify Limited	<u>(4,552,494)</u>	<u>(15,966,041)</u>
	Cents	Cents
Basic earnings per share	(0.86)	(4.99)
Diluted earnings per share	(0.86)	(4.99)
	Number	Number
<i>Weighted average number of ordinary shares</i>		
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>530,872,721</u>	<u>320,257,322</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>530,872,721</u>	<u>320,257,322</u>

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Stemify Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 35. Share-based payments

On 28 August 2018, the company issued 500,000 fully paid ordinary shares to Mr Braydon Moreno as approved by Shareholders pursuant to Resolution 5A of the company's Notice of General Meeting dated 6 July 2018.

On 28 August 2018, the company issued 4,075,000 fully paid ordinary shares to employees of the company on immediate vesting of Performance Rights pursuant to the company's Employee Performance Rights Plan.

On 28 August 2018, the company issued 6,000,000 unquoted options to Aesir Capital Pty Ltd as part fee for advisory services as approved by the Shareholders pursuant to Resolution 3 of the company's Notice of Meeting dated 6 July 2018.

On 30 August 2018, the company issued 16,000,000 performance rights to Directors under the company's Performance Rights Plan as approved by Shareholders pursuant to Resolution 4 and 5B of the company's Notice of General Meeting dated 6 July 2018. On the same day, the company issued 5,250,000 performance rights to employees where 4,175,000 will vest in December 2018 and the remaining 1,075,000 will vest in June 2019.

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 35. Share-based payments (continued)

Set out below are summaries of options on issue as at 30 June 2019:

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2016	22/12/2019	\$0.150	13,999,720	-	-	-	13,999,720
27/06/2017	27/06/2021	\$0.100	500,000	-	-	-	500,000
08/08/2017	08/08/2021	\$0.100	500,000	-	-	-	500,000
24/08/2017	23/08/2021	\$0.100	500,000	-	-	-	500,000
27/10/2017	27/10/2019	\$0.060	2,000,000	-	-	-	2,000,000
20/11/2017	20/11/2019	\$0.060	6,666,667	-	-	-	6,666,667
20/11/2017	20/11/2020	\$0.090	1,600,000	-	-	-	1,600,000
30/11/2017	30/06/2021	\$0.075	5,000,000	-	-	-	5,000,000
13/08/2018	13/08/2021	\$0.060	-	6,000,000	-	-	6,000,000
			<u>30,766,387</u>	<u>6,000,000</u>	<u>-</u>	<u>-</u>	<u>36,766,387</u>
Weighted average exercise price			\$0.107	\$0.060	\$0.000	\$0.000	\$0.099

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
14/12/2016	22/12/2019	\$0.150	13,999,720	-	-	-	13,999,720
27/06/2017	27/06/2021	\$0.100	500,000	-	-	-	500,000
08/08/2017	08/08/2021	\$0.100	-	500,000	-	-	500,000
24/08/2017	23/08/2021	\$0.100	-	500,000	-	-	500,000
27/10/2017	27/10/2018	\$0.060	-	2,000,000	-	-	2,000,000
20/11/2017	20/11/2019	\$0.060	-	6,666,667	-	-	6,666,667
20/11/2017	20/11/2020	\$0.090	-	1,600,000	-	-	1,600,000
30/11/2017	30/06/2021	\$0.075	-	5,000,000	-	-	5,000,000
			<u>14,499,720</u>	<u>16,266,667</u>	<u>-</u>	<u>-</u>	<u>30,766,387</u>
Weighted average exercise price			\$0.148	\$0.070	\$0.000	\$0.000	\$0.107

Set out below are the options exercisable at the end of the financial year:

Grant date	Expiry date	2019 Number	2018 Number
14/12/2016	22/12/2019	13,999,720	-
27/06/2017	27/06/2021	500,000	500,000
08/08/2017	08/08/2021	500,000	500,000
24/08/2017	23/08/2021	500,000	500,000
27/10/2017	27/10/2019	2,000,000	2,000,000
20/11/2017	20/11/2019	6,666,667	6,666,667
20/11/2017	20/11/2020	1,600,000	1,600,000
30/11/2017	30/06/2021	5,000,000	5,000,000
28/08/2018	28/08/2021	6,000,000	-
		<u>36,766,387</u>	<u>16,766,667</u>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.04 years (2018: 2.11 years).

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 35. Share-based payments (continued)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
13/08/2018	13/08/2021	\$0.028	\$0.060	91.00%	-	2.02%	\$0.012

Set out below are summaries of performance rights on issue as at 30 June 2019:

2019		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
14/12/2016	22/12/2020	\$0.000	1,749,966	-	-	-	1,749,966
14/12/2016	22/12/2020	\$0.000	1,749,966	-	-	-	1,749,966
14/12/2016	22/12/2020	\$0.000	524,988	-	-	-	524,988
14/12/2016	22/12/2020	\$0.000	4,287,414	-	-	(2,362,453)	1,924,961
14/12/2016	22/12/2020	\$0.000	5,687,386	-	-	(3,937,421)	1,749,965
30/08/2018	30/08/2021	\$0.000	-	500,000	-	-	500,000
30/08/2018	30/08/2021	\$0.000	-	15,500,000	-	-	15,500,000
30/08/2018	NA	\$0.000	-	4,175,000	-	(2,325,000)	1,850,000
30/08/2018	NA	\$0.000	-	1,075,000	-	(800,000)	275,000
28/08/2018	NA	\$0.000	-	500,000	(500,000)	-	-
28/08/2018	NA	\$0.000	-	4,075,000	(4,075,000)	-	-
			<u>13,999,720</u>	<u>25,825,000</u>	<u>(4,575,000)</u>	<u>(9,424,874)</u>	<u>25,824,846</u>
2018		Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Grant date	Expiry date						
14/12/2016	22/12/2020	\$0.000	1,749,966	-	-	-	1,749,966
14/12/2016	22/12/2020	\$0.000	1,749,966	-	-	-	1,749,966
14/12/2016	22/12/2020	\$0.000	524,988	-	-	-	524,988
14/12/2016	22/12/2020	\$0.000	4,287,414	-	-	-	4,287,414
14/12/2016	22/12/2020	\$0.000	5,687,386	-	-	-	5,687,386
			<u>13,999,720</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>13,999,720</u>

Set out below are the performance rights vested at the end of the financial year.

Grant date	Expiry date	2019 Number	2018 Number
30/08/2018	30/08/2021	500,000	-
30/08/2018	NA	1,850,000	-
30/08/2018	NA	275,000	-
		<u>2,625,000</u>	<u>-</u>

For the performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Stemify Limited
(Formerly known as Robo 3D Limited)
Notes to the financial statements
30 June 2019

Note 35. Share-based payments (continued)

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.03%	\$0.025
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.05%	\$0.025
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.05%	\$0.014
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.05%	\$0.012
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.05%	\$0.010
30/08/2018	30/08/2021	\$0.025	\$0.000	91.00%	-	2.05%	\$0.006
30/08/2018	NA	\$0.025	\$0.000	91.00%	-	2.03%	\$0.025
30/08/2018	NA	\$0.025	\$0.000	91.00%	-	2.05%	\$0.025
28/08/2018	NA	\$0.025	\$0.000	91.00%	-	2.03%	\$0.025
28/08/2018	NA	\$0.025	\$0.000	91.00%	-	2.03%	\$0.025

Reconciliation of share based payments (write-back)/expense for the year:

	Consolidated 2019 \$	Consolidated 2018 \$
Performance rights payment	(317,829)	360,337
Advisor options payment	69,776	39,561
Shares issued to Directors as approved by shareholders	-	52,960
Loan Commitment fees paid by options	-	157,930
Shares issued for settlement of legal matter (refer to note 20)	-	105,740
Shares issued to Chief Operating Officer as part of remuneration package (refer to note 20)	-	211,480
Shares issued to Directors as approved by shareholders (refer to note 20)	12,500	-
Shares issued to Robo 3D Inc. employees on immediate vesting of performance rights (refer to note 20)	101,875	-
	<u>(133,678)</u>	<u>928,008</u>

Accounting policy for share-based payments

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services. Cash-settled transactions are awards of cash for the exchange of services, where the amount of cash is determined by reference to the share price.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

The cost of cash-settled transactions is initially, and at each reporting date until vested, determined by applying either the Binomial or Black-Scholes option pricing model, taking into consideration the terms and conditions on which the award was granted. The cumulative charge to profit or loss until settlement of the liability is calculated as follows:

- during the vesting period, the liability at each reporting date is the fair value of the award at that date multiplied by the expired portion of the vesting period.
- from the end of the vesting period until settlement of the award, the liability is the full fair value of the liability at the reporting date.

Note 35. Share-based payments (continued)

All changes in the liability are recognised in profit or loss. The ultimate cost of cash-settled transactions is the cash paid to settle the liability.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Stemify Limited
(Formerly known as Robo 3D Limited)
Directors' declaration
30 June 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



Timothy Grice
Executive Chairman

14 October 2019

INDEPENDENT AUDITOR'S REPORT

To the members of Stemify Limited (formerly known as Robo 3D Limited)

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Stemify Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Acquisition of the MyStemKits business

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 30 - Business combinations of the accompanying financial statements.</p> <p>Accounting for the acquisition of the MyStemKits business is a key audit matter due to the complexity of accounting for business combinations and the significant judgements, estimates and assumptions made by management, as assisted by management's independent external expert, in determining the valuation of the net assets as acquired including identifiable intangible assets, if any, liabilities assumed and a contingent consideration payable to the vendor.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing the purchase agreement to understand the key terms and conditions, and confirming our understanding of the transaction with management. • Obtaining an understanding of the transaction including an assessment of the accounting acquirer and whether the transaction constituted a business combination or an asset acquisition. • Comparing the assets and liabilities recognised on acquisition against the executed agreements and the historical financial information provided by the acquired business. • Reviewing the independent valuation report prepared by management's expert to assess the fair values of identifiable net assets including the intangible assets associated with the acquisition. We engaged our internal valuation experts to assist with the review. • Reviewing management's disclosures of the transaction within the financial statements to ensure compliance with the disclosure requirement of <i>AASB 3 Business Combinations</i>.

Impairment of goodwill

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 13 - Non-current assets - intangibles and Note 30 - Business combinations of the accompanying financial statements.</p> <p>The Group has recognised goodwill resulting from the business combination accounting of the MyStemKits business on date of acquisition. The goodwill recognised has been fully impaired on reporting date as a result of an impairment assessment performed by management.</p> <p>We have considered goodwill impairment as a key audit matter due to the amount involved being material; the inherent subjectivity associated with critical judgements, assumptions and estimates been made in relation to the impairment assessment</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Challenging the methodology and assumptions contained in management's goodwill impairment assessment position paper through inquiry and testing the underlying data. • Engaging our internal valuation experts to assess whether management's chosen impairment model was appropriate including the discount rate and terminal value growth rate used. • Reviewing the 5-year cash flow forecast as prepared by management including challenging and scrutinising the underlying assumptions adopted in the forecast and ensured they belong to the appropriate Cash Generating Unit (CGU) as defined in <i>AASB 136 Impairment of Assets</i>. • Reviewing the disclosures on the impairment assessment within the financial statements to ensure compliance with <i>AASB 136</i>.

Discontinued operations

Key audit matter	How the matter was addressed in our audit
<p>Refer to Note 7 - Discontinued operations of the accompanying financial statements.</p> <p>The Group's former US based manufacturing subsidiary Robo 3D, Inc. has appointed Robo 3D (ABC), LLC as Assignee for the Benefit of Creditors (ABC) on 3 June 2019, the date of which the Group's control of the former subsidiary was deemed lost. As part of the de-consolidation process of the discontinued operations in view of the loss of control the Group has recognised a net gain in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. The discontinued operations recognised an overall loss after tax (net of the de-consolidation gain).</p> <p>We have considered this matter as a key audit matter due to the material nature of the restructure, and the complexity in the detailed work required to determine the gain or loss from the de-consolidation process.</p>	<p>Our procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Reviewing legal agreements and relevant documents to understand the key terms and conditions of the restructure and the appointment of Robo 3D (ABC), LLC as part of the ABC process, and confirming our understanding of the ABC process with management. • Performing cut-off procedures to assess the completeness and accuracy of the assets and liabilities de-recognised at the date of loss of control. • Reviewing the workings on the de-consolidation process as prepared by management. • Reviewing the adequacy and accuracy of the disclosures of the restructure and the ABC process within the financial statements including the classification of the component as a discontinued operation in accordance to the requirements of AASB 5 <i>Non-current Assets Held for Sale and Discontinued Operations</i>.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 30 June 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 19 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Stemify Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO East Coast Partnership

BDO

A handwritten signature in black ink, appearing to read 'Wai Aw', written over a horizontal line.

Wai Aw
Partner

Melbourne, 14 October 2019

Stemify Limited
(Formerly known as Robo 3D Limited)
Shareholder information
30 June 2019

The shareholder information set out below was applicable as at 16 September 2019 and was on post consolidation* basis.

*On 12 August 2019, the company completed the consolidation of its issued capital on a forty-five (45) for one (1) basis.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Number of holders	Ordinary shares	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options
		Exercise price \$6.75, Expiry 22/12/2019	Exercise price \$4.50, Expiry 27/06/2021	Exercise price \$4.50, Expiry 8/08/2021	Exercise price \$4.50, Expiry 23/08/2021
1 to 1,000	2,446	-	-	-	-
1,001 to 5,000	348	-	-	-	-
5,001 to 10,000	79	-	-	-	-
10,001 to 100,000	118	-	-	-	-
100,001 and over	83	8	1	1	1
	3,074	8	1	1	1
Holding less than a marketable parcel	2,926	-	-	-	-

Number of holders	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options	Unlisted Options
	Exercise price \$2.70, Expiry 27/10/2019	Exercise price \$2.70, Expiry 20/11/2019	Exercise price \$4.05, Expiry 20/11/2019	Exercise price \$3.375, Expiry 30/06/2021	Exercise price \$2.70, Expiry 28/08/2021
1 to 1,000	-	-	-	-	-
1,001 to 5,000	-	-	-	-	-
5,001 to 10,000	-	-	-	-	-
10,001 to 100,000	-	-	-	-	-
100,001 and over	1	5	1	1	1
	1	5	1	1	1

Number of holders	Advisor Options	Conversion Securities	Executive performance rights	Founder performance rights	Employee performance rights
	Exercise price \$0.025, Expiry 31/12/2022	Exercise price \$0.05, Expiry 30/06/2023			
1 to 1,000	-	-	-	-	-
1,001 to 5,000	-	-	-	-	3
5,001 to 10,000	-	-	-	-	3
10,001 to 100,000	-	-	2	1	2
100,001 and over	1	1	1	-	-
	1	1	3	1	8

Stemify Limited
(Formerly known as Robo 3D Limited)
Shareholder information
30 June 2019

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
DENLIN NOMINEES PTY LTD	25,681,452	16.90
PARRY CAPITAL MANAGEMENT LIMITED	10,000,000	6.58
CABLETIME PTY LTD (INGODWE A/C)	7,750,000	5.10
MRS SARAH CAMERON	5,000,000	3.29
BRISQUE PTY LTD (L&M SHEEHY FAMILY A/C)	5,000,000	3.29
LONGREACH 52 PTY LTD	5,000,000	3.29
WEBINVEST PTY LTD (OLSB UNIT A/C)	5,000,000	3.29
MR MARK JOHN BAHEN & MRS MARGARET PATRICIA BAHEN	5,000,000	3.29
ALEXANDER DAMIEN HARRY BEARD & MARIE PASCALE BEARD	4,933,999	3.25
MAXIMUS FLANNERY PTY LTD (FINCO INVESTMENT A/C)	4,250,000	2.80
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,827,451	2.52
BT PORTFOLIO SERVICES LIMITED (KA & SMP GRIST S/F A/C)	2,602,588	1.71
LONGRIDGE PARTNERS PTY LTD	2,500,000	1.65
HAMMERHEAD HOLDINGS PTY LTD (HHH S/F A/C)	2,500,000	1.65
TISIA NOMINEES PTY LTD (THE HENDERSON FAMILY A/C)	2,500,000	1.65
ALUA NOMINEES PTY LTD	2,500,000	1.65
KOBIA HOLDINGS PTY LTD	2,500,000	1.65
MR ANTHONY DE NICOLA & MRS TANYA LOUISE DE NICOLA	2,500,000	1.65
BLAMNCO TRADING PTY LTD	2,177,656	1.43
BROWN BRICKS PTY LTD (HM A/C)	2,022,223	1.33
	<u>103,245,369</u>	<u>67.97</u>

Unquoted equity securities

	Number on issue	Number of holders
\$6.75 Unquoted Options Expiring 22/12/2019	311,109	8
\$4.50 Unquoted Options Expiring 27/06/2021	11,112	1
\$4.50 Unquoted Options Expiring 8/08/2021	11,112	1
\$4.50 Unquoted Options Expiring 23/08/2021	11,112	1
\$2.70 Unquoted Options Expiring 27/10/2019	44,445	1
\$2.70 Unquoted Options Expiring 20/11/2019	148,150	5
\$4.05 Unquoted Options Expiring 20/11/2019	35,556	1
\$3.375 Unquoted Options Expiring 30/06/2021	111,112	1
\$2.70 Unquoted Options Expiring 28/08/2021	133,334	1
\$0.025 Advisor Options Expiring 31/12/2022	30,000,000	1
\$0.05 Conversion Securities Expiring 30/06/2023	37,500,000	1
Executive performance rights	464,445	3
Founder performance rights	62,222	1
Employee performance rights	47,228	8

The following persons hold 20% or more of unquoted equity securities:

Name	Class	Number held
DENLIN NOMINEES PTY LTD	\$0.05 Conversion Securities Expiring 30/06/2023	37,500,000
FORREST CAPITAL PTY LTD	\$0.025 Advisor Options Expiring 31/12/2022	30,000,000

Stemify Limited
(Formerly known as Robo 3D Limited)
Shareholder information
30 June 2019

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
DENLIN NOMINEES PTY LTD	25,681,452	16.90
PARRY CAPITAL MANAGEMENT LIMITED	10,000,000	6.58
CABLETIME PTY LTD (INGODWE A/C)	7,750,000	5.10

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.