



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

30th August 2019

FY2019 Full Year Results

SciDev Limited (ASX:SDV; **SciDev**, or the **Company**) is pleased to provide the following update on the Company's performance for the 2019 financial year (FY19), a year in which SciDev continued to grow revenue and establish the commercial viability of our process control systems and chemistry solutions in the solids liquids separation industry.

FY19 Highlights

- Revenues from customers increased by 31.9% to \$2.92m
- Net cash position of \$1.76m supported by successful placement to Nuocer Group and a \$2.5m fund raising
- Entered into a binding agreement to acquire the exclusive distribution and marketing rights in Australia and other Oceanic countries for polymer products produced by Chinese base Nuocer Group
- Lewis Utting commenced as CEO & Managing Director in April 2019
- Established North American presence with SciDev (US) LLC with first product sales to SciDev MOU partner Phoenix Process Equipment Company with Nuocer manufactured product
- Continued evaluation across several coal projects in the Bowen Basin and NSW coal fields with tier-one producers. The Optiflox[®] system trial continues at a major coking coal operation with further commercial discussions anticipated in September 2019
- Strengthening of the board with the addition of Newcrest mining professional Jon Gourlay and Simone Watt from our strategic investor Sinoz as Non Executive Directors
- Post the end of the financial year, the Company announced it had received its first major order for friction reducers from the oil & gas companies in the US Permian Basin. The A\$1.08m order validates SciDev's strong US push
- Further the company recently announced post year end that it was awarded a long term MaxiFlox[®] sales contract with Iluka Resources which is expected to be AUS\$8m – AUD\$12m over the course of the contract

SciDev Managing Director and CEO Lewis Utting said; *“The past year has seen significant progress from the Company that establishes SciDev as a leader in process control and chemistry products for solids-liquids separation. The Company has expanded with several key additions to people and broadening of our product portfolio to ensure we can provide complete solutions to our end users. Our business is based on our people and technology and I would like to thank all the SDV staff for their significant efforts this year.*

We continue to work with our existing foundation customers in Peabody and Iluka, delivering bespoke solutions to meet their processing needs. SciDev continues to push in to new markets and we are pleased to have announced our first major order from the US shale industry. The oil & gas markets offer an exciting area for growth and the company will continue to focus on that industry. Our strategic relationship with Nuoer Group in Oceania reflects our evolution as a company and assists in the ability for SciDev to execute on our growth ambitions quickly.

As we enter in to FY2020 I believe the company is well placed from an operational and financial perspective, our commitment to our customers and recent momentum will continue to deliver growth through the year and beyond.”

Financial Review

The company delivered record revenue for the period \$2.92m, a 32% increase on the previous year. The record revenue can be attributed to organic growth in the water sector and sales pull through from the Nuoer transaction announced in February 2019.

Net cash outflows from operations during the year ended 30 June 2019 were \$1.548m (a significant increase from the prior year's net outflows of \$0.892m). Despite the outflow increasing on a full year basis, the Company was close to cash break-even in Q4 where the loss from operating activities was \$0.28m. The increase in net cash outflows from operations was principally a result of increases in raw materials and consumables (inventory required to grow), employee benefits expense (people required to execute growth) and professional fees.

At the end of the period the Company had a net cash position of \$1.76m. The balance sheet strength reflects the inflow of funds from the Nuoer Group's strategic investment in the Company (\$0.57m announced on 11 February) and the successful completion of a \$2.5m capital raising undertaken in February 2019.

The Company's robust financial position will allow SciDev to accelerate the rollout of our technologies and continue to strengthen and execute on our growing business development pipeline.

Coal Initiatives – North America

During FY19 the Company announced the delivery of our first full container load (FCL) into the continental United States through our subsidiary SciDev (US) LLC (ref ASX 23 May 2019).

The order was to SciDev MOU partner Phoenix Process Equipment Company and is the result of marketing efforts over the prior periods. The chemistry, manufactured to SciDev specification by Nuoer China, is set to be used in solids-liquid separation projects in key mineral processing applications. The arrangement builds on our existing sales in North America and illustrates the value of our partnerships with both Nuoer China and Phoenix. As previously announced, North America represents a potential \$1.4 billion-dollar market for SciDev.

Coal Initiatives - Australia

Additional evaluations were conducted across several coal projects in both the Bowen Basin and NSW coal fields with tier-one producers. SciDev is confident that some of these projects will further develop into commercial opportunities for both chemical solutions and the OptiFlox® system.

The OptiFlox® system trial continued at a major coking coal operation in the Bowen Basin. After the initial phase of the trial, an extensive engineering review was conducted on the application, with modifications implemented to allow for extended operation of the system without operator intervention. The trials continued to the end of the June quarter with successful results. Additional commercial discussions will continue into the September 2019 quarter and SciDev is looking forward to updating shareholders as discussions materialise into commercial outcomes

Oil and Gas initiatives – North America

Post the end of the financial year (22 July 2019) the company announced its first sales into the US oil and gas market. The order for friction reducers was destined for the US Permian basin. The total orders to date for SciDev's proprietary OptiFlox® technology are AUD\$1.08m. Order volumes are expected to continue to grow, with further commercial field evaluations to be undertaken in FY20 to determine the potential financial returns to SciDev from this very large market.

Mineral Sands – Australia

Post the end of the financial year (30 August) the Company announced that it has signed a three (3) year agreement for the supply and service of its MaxiFlox® chemistry to Iluka Resources. The annual value of the contract over the term is likely to be between AUD \$2.6M – AUD \$4.0M. During an extensive evaluation period on site, the company was able to build a knowledge base allowing for the design of bespoke chemistry specific to the Jacinth Ambrosia operation. Additional discussions are underway to integrate the SciDev OptiFlox® system into the Jacinth-Ambrosia operation. The program of work started in March 2018 and the successful conclusion validates the commercial utility of our MaxiFlox® chemistry in the mine tailings space. Importantly, it highlights the calibre of the SciDev team in executing the technical and commercial evaluations over an extended period with a tier one Australian mining company.

Nuoer & SciDev Relationship

During the year (ref ASX 11 February 2019) SciDev announced a binding agreement to acquire the exclusive distribution and marketing rights in Australia and other Oceanic countries for polymer products produced by Chinese base Nuoer Group. Securing the exclusive distribution and marketing rights with Nuoer delivers SDV an expanded market opportunity for the MaxiFlox® technology, supply chain security and a world class partner that can manufacture products to SDV specifications. Through the framework agreement, SciDev and Nuoer Group are undertaking an in-depth analysis of market opportunities both within the Oceania region and in other jurisdictions. The broadening cooperation between the two groups is expected to deliver unparalleled industry reach and significant growth opportunities for SciDev evidenced through our growth during the year.

Outlook

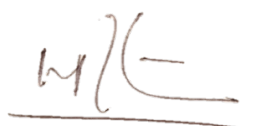
The focus for SciDev and the management team through the FY20 financial year is:

- Drive our revenue line through the execution of a well structured business development pipeline in the Oil & Gas and mineral processing sectors
- Key large customer opportunities across several continents where the synergies for the OptiFlox & MaxiFlox combination can deliver the greatest value to our customers and subsequent value to shareholders
- Build upon the Company's momentum in the Australian coal industry, transitioning across application, mineral types and key industry players with our OptiFlox® technology
- Further develop the opportunities presented through SciDev (US) LLC into the US oil & gas sector
- Extend our technology into the precious metal and base metal sectors throughout Australia and Asia, while looking for other opportunities in currently unrealised sections of the mineral processing value chain
- Renew our effort in the Australian water and wastewater sector with strategic partnerships and licensing opportunities with global operators and key end users
- Deliver upon our recent agreement with Iluka in the mineral sands sector delivering value and further developing this relationship
- Continue to strengthen and leverage our relationship with Nuoer through joint marketing and R&D efforts in key market areas while also refining the geographic manufacturing footprint

On behalf of SciDev Ltd



Lewis Utting
Managing Director and CEO



Heath Roberts
Company Secretary

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About SciDev

SciDev is a leader in the development and application of both chemistry and process control for solids-liquid separation. SciDev brings together world-class technology, chemistry, management and manufacturing capabilities to solve pressing operational and environmental issues for the minerals processing, tailings, water treatment and Oil & Gas markets.

For Further Information:

Corporate

Lewis Utting - Managing Director & CEO

Heath Roberts - Company Secretary

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Investors

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SciDev Limited

ABN 25 001 150 849

Appendix 4E - Preliminary Final Report - 30 June 2019

SciDev Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	SciDev Limited
ABN:	25 001 150 849
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	31.9% to	2,921,060
Loss from ordinary activities after tax attributable to the owners of SciDev Limited	down	302.9% to	(2,032,527)
Loss for the year attributable to the owners of SciDev Limited	down	302.9% to	(2,032,527)

Dividends

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

Comments

This Appendix 4E should be read in conjunction with the half-year financial report of SciDev Ltd (SciDev or the company) as at 31 December 2018 and the Annual Financial Report of SciDev, due to be released in September 2019, for the year ended 30 June 2019. It is also recommended that the Appendix 4E be considered together with any public announcements made by the company since commencement of the 2018/2019 financial year on 1 July 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The loss for the consolidated entity after providing for income tax amounted to \$2,032,527 (30 June 2018: profit of \$1,001,869). A significant contribution to the 30 June 2018 profit for the consolidated entity was the sale of Intec Zeehan Residues Pty Ltd (refer to Note 4 for further details) which contributed a net gain on sale of \$1,989,200, however it should be noted that the sale of Intec Zeehan Residues Pty Ltd in the prior reporting period was an a 'one off' transaction outside of the core activities of the business and the primary contributor to the Company's profit result for that prior period.

Revenue from the company's core wastewater chemicals business increased by 31.9% to \$2.92 million from the prior year. Net cash outflows from operations during the year ended 30 June 2019 were \$1,548,048 a significant increase from the prior year's net outflows of \$892,345. The increase in net cash outflows from operations was principally a result of increases in raw materials and consumables (2019: \$2,033,901; 2018: \$1,251,282), employee benefits expense and their associated costs (2019: \$1,330,076; 2018: \$1,006,057) and professional fees (2019: \$757,080; 2018: \$543,446). The principal reasons for these increases were higher sales and also higher raw material input costs, increased staffing numbers and in relation to professional fees several one-off items that will not re-occur in the 2019/2020 financial year.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.22</u>	<u>0.47</u>

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period

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

Previous period

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

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

10. Audit statement

Although the condensed consolidated preliminary financial report is not audited, the Company's Auditors have completed most of the processes involved in the audit of the condensed consolidated preliminary financial report, including assessment of the Company's income statement, balance sheet and cash flow statement, trial testing of internal processes, and other processes normally part of a comprehensive audit process. An audit of the consolidated financial statements is currently in progress. We anticipate that the independent auditor's report on our 30 June 2019 audited financial statements will include an emphasis of matter paragraph outlining the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern. Additional disclosure has been included in note 1 to the unaudited preliminary financial statements.

11. Attachments

The Appendix 4E - Preliminary Final Report of SciDev Limited for the year ended 30 June 2019 is attached.

12. Signed

Signed



Date: 30 August 2019

Lewis E Utting
Managing Director
Sydney

SciDev Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Revenue	3	2,921,060	2,200,768
Other income	4	336,645	2,336,187
Interest revenue		-	12,999
Expenses			
Changes in inventories		28,141	(4,345)
Raw materials and consumables used		(2,033,901)	(1,251,282)
Employee benefits expense		(1,330,076)	(1,006,057)
Depreciation and amortisation expense		(212,767)	(194,171)
Engineering and other consultants expenses		(31,068)	(2,896)
Loss on disposal of assets		(27,621)	-
Insurance		(56,532)	(46,067)
Listing and share registry expenses		(84,464)	(35,075)
Professional fees		(757,080)	(557,902)
Rent and related expenses		(189,851)	(151,050)
Travel, accommodation and conference		(278,329)	(143,211)
Other expenses		(285,980)	(158,060)
Finance costs		(6,627)	(6,111)
Profit/(loss) before income tax benefit/(expense)		(2,008,450)	993,727
Income tax benefit/(expense)		(24,077)	8,142
Profit/(loss) after income tax benefit/(expense) for the year attributable to the owners of SciDev Limited		(2,032,527)	1,001,869
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of SciDev Limited		<u>(2,032,527)</u>	<u>1,001,869</u>
		Cents	Cents
Basic earnings per share	14	(2.69)	2.02
Diluted earnings per share	14	(2.69)	2.02

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

SciDev Limited
Statement of financial position
As at 30 June 2019

	Note	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	5	1,756,209	568,187
Trade and other receivables	6	806,099	727,946
Inventories		264,325	236,184
Other		22,679	1,754
Total current assets		<u>2,849,312</u>	<u>1,534,071</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	7	1,502,900	1,502,900
Property, plant and equipment	8	303,454	260,954
Intangibles	9	1,246,299	1,266,033
Total non-current assets		<u>3,052,653</u>	<u>3,029,887</u>
Total assets		<u>5,901,965</u>	<u>4,563,958</u>
Liabilities			
Current liabilities			
Trade and other payables		1,009,529	370,279
Borrowings		-	31,938
Employee benefits		155,276	167,247
Total current liabilities		<u>1,164,805</u>	<u>569,464</u>
Non-current liabilities			
Deferred tax		35,986	44,108
Employee benefits		2,153	-
Total non-current liabilities		<u>38,139</u>	<u>44,108</u>
Total liabilities		<u>1,202,944</u>	<u>613,572</u>
Net assets		<u>4,699,021</u>	<u>3,950,386</u>
Equity			
Issued capital	10	76,899,789	74,118,627
Reserves		2,210,703	2,210,703
Accumulated losses		<u>(74,411,471)</u>	<u>(72,378,944)</u>
Total equity		<u>4,699,021</u>	<u>3,950,386</u>

Refer to note 1 for detailed information on restatement of comparatives - adoption of AASB 9 'Financial instruments'

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

SciDev Limited
Statement of changes in equity
For the year ended 30 June 2019

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2017	73,673,290	2,169,223	(73,380,813)	2,461,700
Profit after income tax benefit for the year	-	-	1,001,869	1,001,869
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	1,001,869	1,001,869
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	445,337	-	-	445,337
Share-based payments	-	41,480	-	41,480
Balance at 30 June 2018	<u>74,118,627</u>	<u>2,210,703</u>	<u>(72,378,944)</u>	<u>3,950,386</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2018	74,118,627	2,210,703	(72,378,944)	3,950,386
Loss after income tax expense for the year	-	-	(2,032,527)	(2,032,527)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,032,527)	(2,032,527)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	2,781,162	-	-	2,781,162
Balance at 30 June 2019	<u>76,899,789</u>	<u>2,210,703</u>	<u>(74,411,471)</u>	<u>4,699,021</u>

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

SciDev Limited
Statement of cash flows
For the year ended 30 June 2019

	Note	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		2,774,656	2,311,575
Payments to suppliers and employees (inclusive of GST)		<u>(4,616,859)</u>	<u>(3,507,670)</u>
		(1,842,203)	(1,196,095)
Interest received		-	6,749
R&D tax offset received		332,981	303,112
Interest and other finance costs paid		(6,627)	(6,111)
Income taxes paid		<u>(32,199)</u>	<u>-</u>
Net cash used in operating activities		<u>(1,548,048)</u>	<u>(892,345)</u>
Cash flows from investing activities			
Repayment of cash received for disposal of Zeehan Project		(300,000)	-
Payments for property, plant and equipment	8	(225,225)	(97,045)
Payments for intangibles	9	(37,929)	(53,109)
Payments for security deposits		-	(10,800)
Proceeds from disposal of Zeehan Project		50,000	250,000
Proceeds from disposal of financial assets at fair value through other comprehensive income		<u>500,000</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>(13,154)</u>	<u>89,046</u>
Cash flows from financing activities			
Proceeds from issue of shares - net of transaction costs		2,781,162	445,337
Proceeds from borrowings		73,007	-
Repayment of borrowings		<u>(104,945)</u>	<u>(12,565)</u>
Net cash from financing activities		<u>2,749,224</u>	<u>432,772</u>
Net increase/(decrease) in cash and cash equivalents		1,188,022	(370,527)
Cash and cash equivalents at the beginning of the financial year		<u>568,187</u>	<u>938,714</u>
Cash and cash equivalents at the end of the financial year	5	<u><u>1,756,209</u></u>	<u><u>568,187</u></u>

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

Note 1. Statement of significant accounting policies

Statement of compliance

This preliminary final report (the Report) is to be read in conjunction with any public announcements made by SciDev Limited during the reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and Australian Securities Exchange Listing Rules.

The preliminary final report has been prepared in accordance with Australian Accounting Standards (AASBs) adopted by the Australian Accounting Standards Board and the Corporations Act 2001.

The Report is presented in Australian dollars, which is the functional currency of SciDev Limited and its controlled entities and has been prepared on the basis of historical cost except in accordance with relevant accounting policies where assets and liabilities are stated at their fair values.

Significant accounting policies

Except as indicated below, the principal accounting policies adopted in the preparation of the financial statements are consistent with those of the previous financial year.

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. 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. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

At the date of initial application (1 July 2018) the consolidated entity assessed that there were no classification, measurement and impairment adjustments required to any of its financial assets and liabilities except for, financial assets in the sum of \$1,502,900 classified as 'available-for-sale' at 30 June 2018 and now reclassified as 'financial assets at fair value other comprehensive income'.

'Interest revenue' is no longer included in the 'Revenue' note and is now shown separately on the face of the statement of profit or loss and other comprehensive income, resulting in a reclassification of \$12,999 for the year ended 30 June 2018.

Note 1. Statement of significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The adoption of this standard has no impact on the financial performance and position of the consolidated entity.

Comparatives

Where necessary, comparative figures have been adjusted to comply with the changes in presentation in the current period.

Going concern

For the year ended 30 June 2019 the consolidated entity generated an operating loss after income tax of \$2,032,527 (2018: \$987,331 loss before taking into account the net gain from the sale of Intec Zeehan Residues Pty Ltd). Net cash outflows from operations were \$1,548,048 (2018: \$892,345) for the year ended 30 June 2019.

These matters give rise to a material uncertainty that may cast doubt whether the consolidated entity can continue as a going concern and realise its assets and extinguish its liabilities in the ordinary course of business and at amounts stated in the financial statements.

The Directors have considered and concluded that the going concern basis of preparation of the financial statements is appropriate and any potential uncertainty regarding going concern is mitigated by the following:

- On 11 February 2019, SciDev Ltd (SDV) announced it had entered into a binding Heads of Agreement (HOA) to acquire the exclusive distribution and marketing rights in Australia and other Oceanic countries for polymer products produced by the China-based Nuocer Group (Nuocer Group) (refer note 10). Under the terms of the HOA, SDV's wholly owned subsidiary, Science Developments Pty Ltd (SDPL), has been granted the exclusive distribution and marketing rights from the Nuocer Group's Australian operating entity, Nuocer Chemical Australia Pty Ltd (NCA) for a 10-year period. The exclusive distribution and marketing rights to Nuocer Group's water-soluble polymers is delivering demonstrably expanded market opportunities for the SDV patent OptiFlox technology and other benefits for SDV.
- At 30 June 2019 the consolidated entity had net current assets of \$1,684,507 (2018: \$964,607) and cash balances of \$1,756,209 (2018: \$568,187) and an undrawn A\$500,000 credit facility. The Company has received approaches from several groups indicating interest in participating in either equity or debt raisings by the Company, should it so elect.

Based on the above, the Directors are of the opinion that at the date of signature of the financial report there are reasonable and supportable grounds to believe that the consolidated entity will be able to meet its liabilities from its assets in the ordinary course of business, for a period of not less than twelve months from the date of signature of the audit report on this financial report to the date of signature of the audit report on the financial report for the year ending 30 June 2020, and has accordingly prepared the financial report on a going concern basis.

Should the company be unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business 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 company be unable to continue as a going concern and meet its debts as and when they fall due.

SciDev Limited
Notes to the financial statements
30 June 2019

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity operates in primarily one geographical segment, namely Australia. The primary business segment is the treatment of industrial waste including the manufacture and supply of chemicals for the treatment of waste water.

Operating and business segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Note 3. Revenue

	2019	2018
	\$	\$
<i>Sales revenue</i>		
Treatment fees and product sales	2,655,799	2,029,373
<i>Other revenue</i>		
Royalty	-	14,125
Other revenue	265,261	157,270
	<u>265,261</u>	<u>171,395</u>
Revenue	<u>2,921,060</u>	<u>2,200,768</u>

Note 4. Other income

	2019	2018
	\$	\$
Net foreign exchange gain	-	20,181
Net gain on disposal of Intec Zeehan Residues Pty Ltd	-	1,989,200
Subsidies and grants	332,981	303,112
Reimbursement of expenses	3,664	23,694
	<u>336,645</u>	<u>2,336,187</u>
Other income	<u>336,645</u>	<u>2,336,187</u>

Note 5. Current assets - cash and cash equivalents

	2019	2018
	\$	\$
Cash on hand	150	150
Cash at bank	1,756,059	568,037
	<u>1,756,209</u>	<u>568,187</u>
	<u>1,756,209</u>	<u>568,187</u>

Note 6. Current assets - trade and other receivables

	2019 \$	2018 \$
Trade receivables	779,210	457,430
Other receivables	26,889	14,266
Amount due by Tartana Resources Limited	-	256,250
	<u>806,099</u>	<u>727,946</u>

Allowance for expected credit losses

On adoption of AASB 9 'Financial instruments', the consolidated entity has changed the accounting for impairment losses for receivables by replacing the previous 'incurred loss approach' with a forward-looking 'expected credit loss' (ECL) approach and has calculated its ECL based on the consolidated entity's historical credit loss experience, adjusted for forward-looking factors specific to its receivables and the economic environment.

The consolidated entity does not have any history of impairment of its trade receivables. The consolidated entity transacts with a limited number of established customers and operates under strict credit policies approved by the Board of Directors.

No impairment loss has been recognised for trade receivables.

Note 7. Non-current assets - financial assets at fair value through other comprehensive income

	2019 \$	2018 \$
Unlisted equity securities	1,502,900	698,900
Consideration from disposal of Intec Zeehan Residues Pty Ltd	-	804,000
	<u>1,502,900</u>	<u>1,502,900</u>

Reconciliation

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

Opening fair value	1,502,900	2,900
Additions*	500,000	1,500,000
Disposals*	(641,026)	-
Revaluation increments	141,026	-
Closing fair value	<u>1,502,900</u>	<u>1,502,900</u>

* On 25 October 2017, SciDev Limited (SciDev) entered into a conditional sale agreement to dispose of Intec Zeehan Residues Pty Ltd (IZR), whose principal asset was the Zeehan Zinc Project. The disposal was in order to generate cash flow for the expansion of the consolidated entity's core businesses. The disposal was completed on 22 January 2018, on which date control of IZR passed to the acquirer, Tartana Resources Ltd (Tartana).

The total consideration was 15,000,000 ordinary shares in Tartana at a deemed price of 10 cents per share and \$500,000 in cash. SciDev received \$300,000 of the cash component and 7,760,000 ordinary shares in Tartana.

SciDev and Tartana subsequently agreed to vary the terms of the sale agreement resulting in an additional 5,000,000 Tartana shares to be issued to SciDev and the deletion of the \$500,000 cash component of the transaction. SciDev agreed to repay the \$300,000 it received from Tartana and used the proceeds from the sale of 6,410,256 Tartana shares to fund the repayment. The total consideration for the transaction of \$2,000,000 remained unchanged.

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Note 8. Non-current assets - property, plant and equipment

	2019	2018
	\$	\$
Plant and equipment - at cost	748,552	619,949
Less: Accumulated depreciation	<u>(462,286)</u>	<u>(358,995)</u>
	<u>286,266</u>	<u>260,954</u>
Office equipment - at cost	50,954	31,028
Less: Accumulated depreciation	<u>(33,766)</u>	<u>(31,028)</u>
	<u>17,188</u>	<u>-</u>
	<u><u>303,454</u></u>	<u><u>260,954</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:

	Plant and equipment \$	Office equipment \$	Total \$
Balance at 1 July 2017	290,123	1,078	291,201
Additions	97,045	-	97,045
Depreciation expense	<u>(126,214)</u>	<u>(1,078)</u>	<u>(127,292)</u>
Balance at 30 June 2018	260,954	-	260,954
Additions	205,299	19,926	225,225
Disposals	(27,621)	-	(27,621)
Depreciation expense	<u>(152,366)</u>	<u>(2,738)</u>	<u>(155,104)</u>
Balance at 30 June 2019	<u><u>286,266</u></u>	<u><u>17,188</u></u>	<u><u>303,454</u></u>

Note 9. Non-current assets - intangibles

	2019	2018
	\$	\$
Goodwill - at cost	<u>1,030,018</u>	<u>1,030,018</u>
Trade marks and intellectual property - at cost	465,871	427,942
Less: Accumulated amortisation	<u>(249,590)</u>	<u>(191,927)</u>
	<u>216,281</u>	<u>236,015</u>
	<u><u>1,246,299</u></u>	<u><u>1,266,033</u></u>

Note 9. Non-current assets - intangibles (continued)

Reconciliations

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

	Goodwill \$	Trade marks and intellectual property \$	Total \$
Balance at 1 July 2017	1,030,018	249,785	1,279,803
Additions	-	53,109	53,109
Amortisation expense	-	(66,879)	(66,879)
Balance at 30 June 2018	1,030,018	236,015	1,266,033
Additions	-	37,929	37,929
Amortisation expense	-	(57,663)	(57,663)
Balance at 30 June 2019	<u>1,030,018</u>	<u>216,281</u>	<u>1,246,299</u>

Impairment testing

Goodwill which was acquired through a business combination, has been allocated to the Science Development Pty Ltd cash-generating unit (CGU). The recoverable amount of the consolidated entity's goodwill has been determined by a value-in-use calculation using a discounted cash flow model, based on a 1 year projection period approved by management and extrapolated for a further 4 years using variable rates, together with a terminal value.

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

Key assumptions in the discounted cashflow model include:

- (a) Post-tax discount rate of 15% (2018: 15%) per annum;
- (b) Revenue growth of 169% in 2020, 66% in 2021 and 40% for 2022 - 2024 (2018: Average annual revenue growth over the five-year period of 46%);
- (c) Average gross margin over the five-year period of 26% (2018: 31%); and
- (d) Average per annum increase in operating expenses of 5% (2018: 16%).

The discount rate of 15% post-tax reflects management's estimate of the time value of money and the consolidated entity's weighted average cost of capital, the risk free rate and the volatility of the share price relative to market movements.

Management believes the projected revenue growth rate is prudent and justified, based on management's expectations of the company's business development pipeline.

The budgeted gross margin is based on past performance and management's expectations for the future.

Management has budgeted for operating costs based on the current structure of the business, adjusting for inflationary increases but not reflecting any future restructurings or cost saving measures.

Sensitivity to change of assumptions

If the next year's financial budget used in the value-in-use calculation had been 10% (2018: 10%) lower than management's estimates at 30 June 2019, the consolidated entity would have a recoverable amount in excess of \$5 million (2018: \$3.17 million) against the carrying amount of the cash generating unit to which the goodwill relates. If the post-tax discount rate applied to the cash flow projections of this CGU had been 30% (2018: 30%) higher than management's estimates (20% instead of 15%) (2018: 20% instead of 15%), the consolidated entity would have a recoverable amount in excess of \$4.6 million (2018: \$2.91 million) against the carrying amount of intangible assets and property, plant and equipment.

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Note 10. Equity - issued capital

	2019 Shares	2018 Shares	2019 \$	2018 \$
Ordinary shares - fully paid	<u>107,263,157</u>	<u>569,041,473</u>	<u>76,899,789</u>	<u>74,118,627</u>

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2017	494,818,673		73,673,290
Share placement	29 June 2018	<u>74,222,800</u>	\$0.006	<u>445,337</u>
Balance	30 June 2018	569,041,473		74,118,627
Share placement	10 August 2018	52,443,867	\$0.006	314,663
Share placement	11 August 2018	16,666,667	\$0.006	100,000
Share consolidation (10 to 1)	4 December 2018	(574,336,806)	\$0.000	-
Shares issued to Nuoer Chemical Australia Pty Ltd	12 February 2019	1,666,667	\$0.060	100,000
Shares issued to employees of Nuoer Chemical Australia Pty Ltd	12 February 2019	5,000,000	\$0.060	300,000
Share placement	12 February 2019	1,166,666	\$0.060	70,000
Entitlements issue	15 March 2019	22,614,624	\$0.060	1,266,949
Share placement	9 April 2019	12,999,999	\$0.060	780,000
Share issue transaction costs		-	\$0.000	<u>(150,450)</u>
Balance	30 June 2019	<u>107,263,157</u>		<u>76,899,789</u>

Share placement

30 June 2018

The company issued 74,222,800 ordinary shares on 29 June 2018 in terms of a placement to sophisticated and professional investors at an issue price of 0.6 cents per share.

30 June 2019

On 10 August 2018 and 11 August 2018, the company completed Tranche 2 of the share placement previously announced on 25 June 2018. Tranche 2 comprised the placement of 69,110,534 shares at an issue price of 0.6 cents per share to raise \$414,663. An Extraordinary General Meeting of the company was held on 2 August 2018 to approve matters relating to both Tranches of the share placement announced on 25 June 2018.

On 12 February 2019, 1,166,666 shares were issued at a price of 6 cents per share.

On 9 April 2019, 12,999,999 shares were issued at a price of 6 cents per share.

Shares issued to the Nuoer Group and nominees of the Nuoer Group

On 12 February 2019, 1,666,667 shares were issued to the Nuoer Group at a price of 6 cents per share to acquire the distribution and marketing rights for Nuoer Group products in Australia and other Oceanic countries. On the same day, 5,000,000 shares were issued to employees of Nuoer Chemical Australia Pty Ltd at price of 6 cents per share.

Entitlements issue

On 15 March 2019, the company issued 22,614,624 shares at a price of 6 cents per share in terms of a 2 for 7 non-renounceable entitlements issue.

Share consolidation

On 4 December 2018 the company completed a 10 to 1 consolidation of its issued shares and options.

Note 11. Equity - dividends

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

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Note 12. 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 :

Name	Principal place of business / Country of incorporation	Ownership interest	
		2019 %	2018 %
Intec Copper Pty Ltd	Australia	100.00%	100.00%
Intec Envirometals Pty Ltd	Australia	100.00%	100.00%
Science Developments Pty Ltd	Australia	100.00%	100.00%
SciDev International Holdings Pty Ltd*	Australia	100.00%	-
SciDev (US) LCC*	United States	100.00%	-

* SciDev (US) LCC is a wholly-owned subsidiary of SciDev International Holdings Pty Ltd and both subsidiaries were incorporated on 8 May 2019

Note 13. Events after the reporting period

On 22 July 2019 the Company reported its first major sales into the US oil and gas market.

On 23 July 2019 the company's shareholders approved the issue of the following options at a General Meeting:

- 2,000,000 options to Mr Lewis E Utting - Managing Director and Chief Executive Officer
- 650,000 options to Mr Jon Gourlay - Non-executive Director
- 250,000 options Mr Trevor A Jones - Non-executive Chairman
- 250,000 options to Ms Simone Watt - Non-executive Director

The options issued to Mr Lewis Utting have an exercise price of 10 cents and the options issued to the other Directors have an exercise price of 12 cents. The options granted to Mr Lewis Utting are subject to vesting conditions. The options granted to the non-executive Directors do not have any vesting conditions. The options expire on 23 July 2022. These options form part of a broader option issue to the Board and senior executives totalling 5,350,000 options in total; refer ASX announcement dated 16 August 2019.

On 30 August 2019 the Company announced a major chemical supply and equipment leasing contract with Iluka Resources.

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.

Note 14. Earnings per share

	2019 \$	2018 \$
Profit/(loss) after income tax attributable to the owners of SciDev Limited	<u>(2,032,527)</u>	<u>1,001,869</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>75,683,979</u>	<u>49,522,537</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>75,683,979</u>	<u>49,522,537</u>

Note 14. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	(2.69)	2.02
Diluted earnings per share	(2.69)	2.02

Options are considered to be potential ordinary shares but were anti-dilutive in nature and therefore the diluted loss per share is the same as the basic loss per share. These options could potentially dilute basic earnings per share in the future.

The weighted average number of ordinary shares for 2018 has been restated for the effect of the share consolidation (10 to 1) completed in December 2018, in accordance with AASB 133 'Earnings per share'.