



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

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SciDev to acquire Highland Fluid Technology Inc

Highlights

- **Strategic US\$6m acquisition of Highland Fluid Technology Inc (Highland) – a US private company supplying bespoke chemistry and services for fluid recycling and water reuse in the US\$2.5B onshore oil and gas sector**
- **SciDev have supplied products to Highland for commercial evaluations with end users in 2019 (ref ASX release 22/07/2019). SciDev's chemistries have passed both technical and commercial milestones with both Highland and their clients and are now ready for commercial roll out**
- **Highland delivered revenue of c.US\$~7.8m in CY2019. A milestone payment of US\$1m (inclusive in the US\$6m total acquisition price) is payable upon the Highland business delivering US\$20m in revenue at a target EBITDA margin in CY2020**
- **Highland's management team, including existing director Kevin Smith, and oilfield experts Chad Abbott and Tom Lingle will remain within the organisation, expanding the SciDev North American footprint in support of continuing business development opportunities**
- **The transaction delivers SciDev an experienced, highly customer focussed team in the oil and gas sector complimenting the solution-based approach in the mining, construction and water verticals**

SciDev Limited (ASX:SDV; **SciDev**, or the **Company**) is pleased to advise that it has entered into a binding Heads of Agreement to acquire Highland Fluid Technology Inc (**Highland**), a US domiciled private company.

Highland provides a range of chemicals and services to the oil and gas sector, bringing together technology and chemistry to improve water recovery, fluid economics and extraction performance. Highland's solutions offer cost-effective technology to process and recycle fluids and water used in the upstream oil & gas sector. Located in Houston, Texas, Highland has a staff of 10 and generated c.US\$~7.8m in revenue with positive cashflow excluding corporate one off payments in CY2019.

Acquisition strategic rationale:

- Immediate access to the US\$2.5B US onshore oil and gas market via Highland's existing customer base
- The ability to improve Highland's existing business margins via utilising SciDev's existing supply chain
- A footprint in the North American market, enhancing SciDev's ability to execute on the growing number of business development opportunities in the region
- Diversification of SciDev's revenue streams in terms of geography and industry providing a more resilient future earnings stream
- SciDev's chemical supply will accelerate Highland's execution of its growth pipeline, driving a step change in revenue and margin
- Additional skilled personnel located in North America to execute on SciDev's broader business development pipeline

The acquisition of Highland is expected to contribute positive cashflow and profitability to SciDev from the date of acquisition. The transaction is expected to be EPS accretive in FY2021, the first full year integration.

Commenting on the acquisition, SciDev Managing Director and CEO, Lewis Utting said:

"Highland offered an attractive investment opportunity for SciDev given the calibre of their people, strong customer focus, innovative technology and the company's existing footprint in the attractive US oil & gas sector.

The acquisition provides Highland with access to SciDev's supply chain through our strategic supply partner, the Nuoer Group, delivering margin upside on the existing Highland business. This access now provides Highland with the surety of quality chemical supply required by the largest oilfield service providers, allowing SciDev and Highland to realise our growth potential in this market.

We welcome Kevin, Chad and Tom and the remainder of the Highland team to SciDev and we look forward to what is an exciting start to 2020."

Details of the Transaction

Under the terms of the binding Heads of Agreement, SciDev will pay consideration to acquire Highland as set out in the schedule below.

Component	Value	Details
Initial consideration	US\$5,000,000	Issue of 11,900,000 fully paid ordinary SciDev shares to the Highland vendors on completion* in the following tranches: <ul style="list-style-type: none">• 5,950,000 SciDev shares – nil escrow.• 2,975,000 SciDev shares subject to 6 months escrow.• 2,975,000 SciDev shares subject to 12 months escrow.
Milestone Consideration	US\$1,000,000	Additional consideration payable to the Highland vendors of US\$1,000,000 on Highland Fluids achieving: Revenue of not less than US\$20,000,000 in CY 2020. This additional consideration is to be paid in either cash or SciDev shares at the election of SciDev. If the latter, the issue price of the SciDev shares will be the 30-day VWAP immediately preceding the date that the relevant milestone is achieved. In either case, AUD/USD exchange rate will be applicable at the time of settlement.

*The initial consideration of 11,900,000 new shares is valued at US\$5M based on a SciDev share issue price of A\$0.60 per share and an AUD/USD exchange rate of A\$0.70. This figure and thus the actual share issue may vary slightly depending on adjustment reflecting the net asset position of Highland on completion; further details will be provided if there is any material change.

The transaction is conditional on SciDev's completion of due diligence on Highland. Preliminary due diligence is well advanced and Highland continues to operate in the interim subject to a range of customary warranties. Under the terms of the binding Heads of Agreement, actual settlement is scheduled to occur on or around 31 January 2020, with the financial settlement retrospective from 1 January 2020 (in effect, assuming settlement of the transaction, Highlands will be consolidated into SciDev as and from 1 January 2020).

The new shares to be issued to the Highland shareholders (as the Initial Consideration) represents approximately 9.3% of the current SciDev shares outstanding and will be issued under the Company's ASX Listing Rule 7.1 capacity. The Company maintains the balance of its ASX Listing Rule 7.1 capacity and, separately, its full ASX Listing Rule 7.1A capacity.

There is no cash consideration as part of the Initial Consideration. Any future consideration (the Milestone Consideration) is capped at US\$1M value and the method of delivery (cash or SciDev shares) is at SciDev's election. Highlands and the Highland shareholders are not related to SciDev, nor is there any change to the control of SciDev as a result of the transaction. SciDev is already active in the US and has an operating subsidiary there (ref ASX: 23 May 2019), Highland's business activities are directly aligned with those of SciDev and accordingly there is no change in nature of SciDev's undertakings.

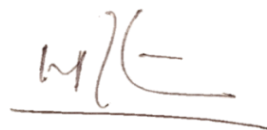
This release has been approved by the SciDev board.

On behalf of SciDev Ltd



Lewis Utting

Managing Director and CEO



Heath Roberts

Company Secretary

For Further Information:

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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 mining, construction, water treatment and oil & gas markets.