



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

29th January 2020

Quarterly Activities Report: Appendix 4C – December 2019

Q2 FY2020 Highlights

- Record quarterly sales to customers of AUD\$4.04m with cash receipts of AUD\$2.26m
- Strategic AUD\$1.9m acquisition of ProSol Australia Pty Ltd (ProSol Australia) – a bespoke engineering and chemistry company providing services to the mining and water treatment industries in New South Wales
- Delivery of the first MaxiFlox[®] chemistry to Iluka commenced during the quarter
- Design, build, install and operate contract with Yancoal Australia in the Hunter Valley
- Laboratory & Environmental approvals received for major Oil Sands operator in Alberta, Canada representing the Company's first interactions within the large oil sands market
- SciDev team strengthened with appointment of Chief Financial Officer, Chief Operating Officer and Engineering Product Manager
- Post the end of the quarter, SciDev announced a strategic USD\$6m acquisition of Highland Fluids Technology Inc (Highland), providing the company with immediate access to the USD\$2.5B US onshore oil and gas market

SciDev Ltd (ASX: SDV) ('SciDev' or 'the company') is pleased to provide its Quarterly Activities Report for the period ended 31 December 2019. Sales to customers during the quarter were AUD\$4.04m, representing a 77% increase on the September quarter. Cash receipts from customers of AUD\$2.26m were recorded during the quarter, representing a 47% increase on the September quarter.

The December quarter cash outflows increased to AUD\$1.83m (vs AUD\$0.70m in the September quarter); this was largely driven by cash outgoings attributable to a product inventory build of AUD\$1.62m. Net cash at the end of the quarter was AUD\$3.07m. The company ended the quarter with AUD\$2.32m of inventory at hand. The build in inventory will provide a seamless engagement of chemical supply into recent contract wins and the company expects that inventory levels will normalise as commercial activity reaches a steady state.

In the September quarter activities report, the company highlighted several operational targets for the December quarter. The SciDev team continue to execute on these targets and deliver revenue growth with a targeted approach.

Reflecting on Q2 FY2020, SciDev Managing Director and Chief Executive Officer Lewis Utting said:

'The December quarter was another exceptionally strong and active period for the company. Record revenues reflect our efforts, the ProSol Australia acquisition and the hard work our team has delivered in the field. Importantly, our continued contract wins highlight the commercial viability and utilisation of our expertise, technologies and chemistries.

'The company continues to work on a variety of new business development opportunities which will continue to drive growth. I would like to thank all the staff at SciDev for their efforts during the quarter.'

Operational Report

SciDev continues to be a leader in the development and application of chemistry and process control for solids-liquid separation. Our world-class technology, chemistry, management and manufacturing capabilities solve operational and environmental issues for companies across a range of sectors including oil and gas, water, mining and construction. The December quarter was an active period for the company, with our team engaged across several sectors in multiple geographies.

Oil & Gas

Upstream

Post the end of the quarter, SciDev was pleased to advise that it has entered into a binding Heads of Agreement to acquire Highland Fluids Technology Inc (Highland), a US private company. Highland's solutions offer cost-effective technology to process and recycle fluids & water used in the upstream oil & gas sector. Located in Houston, Texas, Highland has a staff of 10 and generated c.USD\$7.8m in revenue in CY2019 with positive cashflow excluding corporate one offs.

SciDev supplied products to Highland for commercial evaluations with end users in 2019 which passed both technical and commercial milestones. The acquisition provides Highland with access to SciDev's supply chain via our strategic partner, the Nuoer Group. The access provides Highland with surety of quality chemical supply required by the large oilfield service providers allowing the company to gain market share in the USD\$2.5bn US onshore Oil and Gas market.

Dewatering & Drilling Fluids

SciDev continues to work with Canadian oil field operators in planning for field scale qualifications of the MaxiFlox® technology following the passing of environmental and performance hurdles in Q1 FY2020.

Downstream

Following the signing of the Heads of Agreement with Phoenix Process Equipment Company (ref ASX 22 August 2019) several orders of the Nuoer-produced chemistry have been received. The trial order sales into Phoenix in FY20 have been >AUD\$500,000, with volumes expected to grow. In addition, the parties are exploring the export of SciDev manufactured product into North America from our Australian manufacturing facility.

Mining & Mineral Processing

Mineral Sands

During the quarter the company started supply into the Iluka contract (ref ASX 30 August 2019). Several deliveries have been made to site with a seamless transition to the SciDev MaxiFlox® chemistry. The chemistry performance is currently exceeding expectation.

Nickel

A commercial approach into New Caledonia has proven successful with SciDev engaged with a French multinational mining and metallurgy company to conduct suitability assessments for the SciDev technology.

SciDev paid servicing activities at Ramu (ref ASX 9 September) are yet to occur, however planning is underway for field work to commence in the coming quarters. Additional commercial discussions are underway with Nuoer to further understand and expand other commercial opportunities that might exist under this joint approach to customers outside of China.

The Company continues to focus on the nickel laterite processing segment, representing one of the largest chemical opportunities in the global mining market, with large volume users in Australia, Papua New Guinea, Philippines, New Caledonia and several other regions.

Base & Precious Metals

SciDev MaxiFlox® technology was successfully qualified in laboratory-scale testing at both a large-scale gold project in PNG and domestically in Australia. An order has been placed for full plant evaluations of the Company's chemistry. In the case of the PNG operation, the initial feedback from the customer is positive with additional orders likely in the coming quarters.

Further technical evaluations were executed in Peru during the quarter at a large-scale copper operation with SciDev personnel on site. Subsequent to the end of the quarter, the Company received an order for a field trial of its MaxiFlox® chemistry at the Las Bambas copper mine in Peru (ref ASX 14 January 2020).

In response to an invitation to tender in mid-2019 SciDev progressed through to laboratory technical evaluations with a major Australian copper producer. During the December quarter, SciDev technical personnel completed the technical evaluations and is looking forward to sharing further information as the project progresses.

Commissioning of the SciDev OptiFlox® system leased to Kemtec Mineral Processing (ref ASX 2 May 2019) was completed at a copper-gold operation in Asia. The trial is ongoing and will continue into the March quarter.

Metallurgical & Thermal Coal

Through ProSol Australia, SciDev have been awarded a design, build, install and operate contract for a powder flocculant plant at Yancoal Australia's Warkworth operation. The AUD\$460k contract from Yancoal Australia validates SciDev acquisition of the ProSol business and points to further strong growth opportunities.

The trial of an OptiFlox® system at a major coal producer in the Bowen Basin continues, where the system is being used to minimise fine coal product losses.

SciDev has been active in other areas of the Bowen Basin, with involvement in the restart of a large-scale CHPP. SciDev is the preferred supplier for both chemicals and equipment, while providing paid

professional services to support the restart. In addition, SciDev has recently secured supply of its MaxiFlox® chemistry to another coal producer in the southern area of the Bowen Basin.

Other developments have been progressing, with a focus on Coal operations that encounter clay challenges. Several technical programs are being executed with SciDev MaxiFlox® technology. Through this process, in combination with the new ProSol Australia team, there have been multiple opportunities identified for the deployment of our OptiFlox® system technology across both Bowen Basin and Hunter Valley coal fields in Australia.

Water

Wastewater

SciDev continue to be part of a major national tender with a key industry service provider and is currently awaiting a trial purchase order for commercial industrial trials in New South Wales and Western Australia. Other industry service providers have been evaluating our MaxiFlox® technology during the quarter with several trial sales resulting.

In Victoria, a major country meat producer has completed installing a wastewater treatment plant on which SciDev MaxiFlox® technology will be used during start-up, commissioning and ongoing operations in the coming quarter.

Construction

Opportunities for SciDev to supply technology and services into infrastructure projects continue to increase. During the quarter, an international tunnelling contractor utilised SciDev's MaxiFlox® technology and professional services to prevent extended delays presented by difficult ground conditions.

Corporate Update

During the quarter, SciDev held its 2019 Annual General Meeting. All resolutions at the meeting were unanimously approved.

Post the end of the quarter, SciDev announced the US\$6m acquisition of Highland Fluids Technology Inc (Highland). The acquisition will be funded by the issuance of 11.9m fully paid ordinary shares in three tranches with a US\$1m cash addition if certain revenue targets are achieved (ref ASX 2 January 2020). The transaction is expected to close during the March quarter.

Tartana Resources Limited

Tartana Resources Limited continued to pursue its proposed ASX IPO raising (refer ASX 2 July 2019). Several supplementary prospectuses have been lodged by Tartana as it has either extended the offer or provided additional disclosures. Further information will be provided as it comes to hand.

R&D, IP and Technology

SciDev continue to develop inhouse IP and during the quarter (refer ASX 20 November 2019) it received notification of Patent award for its OptiFlox® system in South Africa. Several patent applications are currently under review globally and we look forward to updating the market as these initiatives progress.

The Company maintains an ongoing dialogue with several large, global groups regarding potential IP licences or product supply agreements. Opportunities exist to couple SciDev's customer focussed team with third party technologies or product to achieve provide additional customer solutions.

Cash Position

As at 31 December, the company had a net cash position of \$3.07m, receivables of \$3.54m and payables of \$1.86m.

The combination of our net cash position, receivables pipeline and available debt facilities delivers an exceptionally strong balance sheet for the company providing financial flexibility to deliver on our growth options.

Outlook

Management focus for the remainder of FY2020 will be:

- Execute on our recently won contracts and support the existing customer trials
- Integrate the acquisition of Highland and drive within the US Oil & Gas sector
- Continue our development within the domestic civil and construction industry
- Continue to grow our relationship with strategic partner, Nuocer China
- Accelerate our initiatives in the Australian wastewater sector
- Build on our momentum with the existing organic growth pipeline
- Move towards positive cash flow generation

Lewis Utting
Managing Director & Chief Executive Officer

This release has been approved by the CEO & Managing Director of SciDev Limited.

For Further Information:

Corporate

Lewis Utting – MD & CEO

Heath Roberts – Company Secretary

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Investors

Craig Sainsbury – Market Eye

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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 water, oil and gas, mining and construction markets.

About OptiFlox®

OptiFlox® is a patent-pending technology that continuously analyses and measures key parameters in industrial process streams. The OptiFlox® system improves the clarification of water and the addition of chemistry, enabling optimal utilisation of industrial processes including mineral processing and water treatment.

About MaxiFlox®

Our MaxiFlox® flocculants and coagulants are made to SciDev specification in house and by Nuocer Group and cover a broad range of conventional and advanced flocculant and coagulant products. MaxiFlox® proprietary technology is specifically optimised for application with our OptiFlox® control technology across most applications. It provides highly effective solutions at treatment costs of up to 30% less than our competitors.

Appendix 4C Quarterly report for entities subject to Listing Rule 4.7B

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

Name of entity

SciDev Limited

ABN

25 001 150 849

Quarter ended ("current quarter")

31 December 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers*	2,261	3,793
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(3,657)	(5,347)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(439)	(992)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities*	(1,835)	(2,544)
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(87)	(146)
	(b) businesses (see item 10)	(926)	(926)
	(c) investments	-	-

* As per ASX requirements, this is a cashflow receipts reporting standard. Normal accounting processes requiring accrual accounting deliver different results and, in particular, receipts include accrual of revenues earned and invoiced but not received during the relevant period. Note that SciDev sales for the quarter were \$4.04million.

+ See chapter 19 for defined terms

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
	(d) intellectual property	(18)	(28)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	-	-
	(b) businesses (see item 10)	-	-
	(c) investments	-	-
	(d) intellectual property	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,031)	(1,100)
3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,058	5,218
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	(250)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(3)	(3)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,055	4,965
4	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of quarter/year to date	4,888	1,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,835)	(2,544)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,031)	(1,100)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,055	4,965

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	3,077	3,077

5	Reconciliation of cash and cash equivalents	Current quarter \$A'000	Previous quarter \$A'000
	at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts		
5.1	Bank balances	3,077	4,888
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,077	4,888

6	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	211
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

* Includes a one-off contract incentive of \$100,000

7	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	127
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Payment to Nuoe Australia Pty Ltd for the purchase of chemical stock. The transaction was on commercial, arms length terms.

8	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end	Amount drawn at quarter end
		\$A'000	\$A'000
8.1	Loan facilities	500	-
8.2	Credit standby arrangements		
8.3	Other (please specify)		
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

Lender: Kanins International Pty Ltd. Prior to the end of the quarter, this loan facility was extended to October 2020. Currently undrawn.

9	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	
9.2	Product manufacturing and operating costs	-3,000
9.3	Advertising and marketing	
9.4	Leased assets	
9.5	Staff costs	-650
9.6	Administration and corporate costs	
9.7	Other (Receipts from customer)	4000
9.8	Total estimated cash outflows*	350

10	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity	ProSol Australia Pty Ltd	
10.2	Place of incorporation or registration	Australia	
10.3	Consideration for acquisition or disposal	\$2,410,013* * Includes net assets (esp stock at hand) and also includes contingent consideration (assuming all performance milestones are achieved)	
10.4	Total net assets	-	
10.5	Nature of business	Engineering and chemistry company providing services to the mining and water treatment industries	

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



29012020

Print name:

Heath Roberts**Notes**

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
- 2 If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
- 3 Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.