



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office  
Australian Stock Exchange

14<sup>th</sup> July 2020

## SciDev delivers record cashflow

### Quarterly Activities Report: Appendix 4C – June 2020

#### Q4 FY2020 Highlights

- **Second cash flow positive quarter generating record operating cash of AUD\$1.5m**
- **Record cash receipts of AUD\$8.1m, second largest quarter of sales AUD\$5.5m**
- **Strategic JV agreement with Nuocer China based in People's Republic of China**
- **First professional services delivery into the infrastructure sector Melbourne Metro Project**
- **MaxiDry® chemistry developed for infrastructure, first sales into Melbourne Metro Project**

SciDev Ltd (ASX: **SDV**) ('**SciDev**' or 'the **Company**') is pleased to provide its Quarterly Activities Report for the period ended 30 June 2020.

Sales to customers during the quarter were AUD\$5.5m, down 24% on the March 2020 quarter as lower activity in North American sectors impacted revenue. Towards the end of the quarter activity has started to increase in North America and the company is well placed to drive growth in this sector in FY2021. Several overseas project delays have pushed anticipated FY2020 revenue will into FY2021. As a result, the Company anticipates (unaudited) revenue for FY2020 in the range ~AUD\$18m an operating margin of ~21%, with an anticipated net full year loss (pre-tax) of ~AUD\$1.9m. Audited full year preliminary results will be released in August.

The mineral processing and infrastructure sectors were broadly unaffected by COVID19 and continue to present strong growth opportunities for the company. Cash receipts from customers of AUD\$8.1m were recorded during the quarter, a 36% increase on the March quarter. Operating cash flow for the June quarter was positive with the business generating AUD\$1.5m (vs +AUD\$0.7m March quarter). The positive operating cashflow quarter, delivered against the backdrop of a lower sales quarter, highlights the focus the company has on cost control and order to cash conversion.

**End of quarter cash at bank was AUD\$4.4m, with AUD\$4.7m of inventory at hand. The Company's AUD\$9.1m in working capital facilities was drawn to AUD\$1.4m at end quarter.**

Reflecting on Q4 FY2020, SciDev Managing Director and Chief Executive Officer Lewis Utting said:

*"In view of the challenges that have swept the world in the last few months, I am extremely pleased that all our staff are safe and with SciDev's performance during the June 2020 quarter. With rescheduling of customer activities due to COVID-19 we have not been able to maintain the exceptional growth momentum we saw in previous quarters. Despite these extraordinary global challenges, we were cashflow positive for the second consecutive quarter and grew our Australian manufacturing capacity. The team maintained a strong focus on delivering into existing contracts while building on work in previous quarters in new markets. Our entry into infrastructure at the CYP Metro project represents a watershed moment for the company where cross fertilisation of skills, product and technology has successfully translated across industry verticals.*

*As always, 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 focussing on the reduction of wastewater from a range of industrial applications. Our world-class technology, chemistry, management, and manufacturing capabilities solve operational and environmental issues across a range of sectors including oil and gas, water, mining, and construction.

The SciDev team continue to execute on the Company's business targets and deliver into the existing customer base. Operations have continued to perform well with SciDev's key supply chains experiencing minimal adverse impact from COVID19. The Company has, however, seen a general slowdown in implementation of some projects, particularly in the US oil and gas sector and in Canada, which impacted on overall revenue growth during the period.

No material projects or contracts have been or appear likely to be cancelled and SciDev is well positioned for growth in all sectors as the economic impact of the COVID19 pandemic subsides. SciDev's Kings Park facility has increased production to meet demand from the domestic construction and mining sector. Expansion of the facility is expected to continue to meet growing demand for the company's locally manufactured chemistry.

## **Oil & Gas**

### *Upstream*

During the June quarter, SciDev completed integration of Highland Fluid Technology (ref ASX 2 January 2020 and 2 March 2020), which provides a range of chemicals and professional services to the onshore US oil and gas sector, bringing together technology and chemistry to improve water recovery, fluid economics and extraction performance.

Several significant shipments of product have been delivered via our strategic supply partner, Nuoer Group, to West Texas during the quarter. The delivery of product highlights the supply synergies and logistics capability of our group in challenging times and the strong inventory position places HFT in an excellent position to capitalise on the strengthening activity within the US oil and gas market, which was severely impacted in April by historic low oil prices. Prices have recovered off their lows with West Texas Intermediary trading at approximately USD\$40bbl at the date of this report.

Development initiatives are being accelerated in the oilfield sector, with chemistry sales to control rotten egg gas (hydrogen sulphide) in water treatment and delivery of conventional services to drillers. The company is excited by these initiatives and expects several more material technologies to be utilised to solve similar problems in industries that the company serves.

#### *Dewatering & Drilling Fluids*

The Company's trial purchase order with Syncrude, one of Canada's largest oil producers, has been confirmed and deferred to the second half of CY2020 (ref ASX: 26 June 2020). All parties remain committed to the trial, which is anticipated to last for approximately 2 weeks. The trial represents ~AUD\$1m of revenue for SciDev and will focus on the utilisation of SciDev's chemistries in Syncrude's CND\$1.9b full-scale Tailings Centrifuge Plant. SciDev staff will be on site in Canada to deliver the associated professional services and ensure the trial delivers a successful offering for Syncrude.

Canadian Government agencies are introducing and tightening regulations around limiting the amount of fluids passing into tailings dams to manage and reduce environmental risk and liability, which is likely to continue irrespective of oil price and Syncrude production volumes. SciDev's trial at Syncrude is directed to improving performance in this area.

### **Mining & Mineral Processing**

#### *Mineral Sands*

Bulk deliveries of SciDev MaxiFlox® continued as forecast to Iluka's Jacinth Ambrosia operation in South Australia without interruption. Business development activities within the Australian minerals processing sector continued, with dialogue underway with another local major minerals sands producer. It is anticipated that site visits will be scheduled when COVID19 travel restrictions are lifted which will allow SciDev staff to undertake technical activities for product qualification which may have the potential to lead to full scale plant trials.

#### *Nickel*

A commercial trial in New Caledonia with a French multinational mining and metallurgy company, initially expected to commence in Q4 FY2020, has been deferred because of current travel restrictions. OptiFlox systems have been ordered and will be trialled onsite along with SciDev chemistry in the coming quarters. SciDev paid servicing activities at Ramu (ref ASX 9 September 2019) remain pending given current travel restrictions and will proceed at the first opportunity.

Our approach to additional large nickel laterite operations in Australia, ASEAN and the South Pacific has been well received and SciDev technologies and services will be included in upcoming product evaluations and tenders.

#### *Base & Precious Metals*

Following lab-scale technical evaluations executed in the December quarter with a major Australian copper producer, the company has received commitment to move to full-scale plant trials with MaxiFlox® chemistry. The chemistry is currently stored at the SciDev warehouse with field trials currently scheduled for the back half of CY2020.

The Las Bambas copper mine trial in Peru (ref ASX 14 January 2020) continues. Site staff, along with SciDev technical experts, have developed trial protocols allowing effective remote support by SciDev staff from Australia. The results of the trial are being assessed and will be reported in the coming

quarters.

SciDev MaxiFlox® technology trials completed at a large-scale gold project in PNG were successful. However, the customer site has been put on care and maintenance due to local landholder issues.

#### *Metallurgical & Thermal Coal*

During the quarter, the company executed the supply, installation and commissioning of flocculant equipment under contract to Yancoal Australia's Warkworth operation with final completion ahead of schedule in May 2020. The equipment installation has reduced operating costs and improved safety performance through improved water recovery and a reduction in light vehicle interactions.

The trial of an OptiFlox® system at a major coal producer in the Bowen Basin has been converted to a new application, where the system is being used to minimise fine coal product losses. The major coal producer has also agreed to utilise MaxiFlox® Technology as part of the trials and the Company is now supplying.

After continued efforts in the Hunter Valley and Gunnedah basin, the Company was successful in bidding for pH control system for water circuit for operation, inclusive of equipment and chemistry. In addition, SciDev's newly developed MaxiSpense antiscalent chemistry has been commercially adopted in conjunction with its MaxiFlox® chemistry in the basin.

### **Water**

#### *Potable Water*

SciDev's participation in a major national tender continues with a key industry service provider has led to opportunities to conduct site-level evaluations of SciDev chemistry. These site level evaluations are now on hold pending improved COVID19 pandemic forecasts. Our ability to produce specific chemistries through our plant in Kings Park in Sydney is an attractive proposition for the customer as it delivers security of supply not currently available in Australia.

#### *Waste Water*

Ongoing sales were established with an additional two industry service providers in the quarter and this sector will continue to grow in 2020.

#### *Construction*

During the quarter, SciDev signed a services agreement with the CYP Design and Construction Joint Venture (CYP D&C). CYP D&C is a joint venture between Lendlease Engineering, John Holland and Bouygues Construction responsible for the design and construction of the Metro Tunnel Project's twin nine-kilometre rail tunnels and five new underground stations in Melbourne.

The services agreement focusses on clay and water management associated with the Tunnel Boring Machines (TBM) active on the Metro Tunnel Project – East Precinct. Professional services are being delivered by SciDev through its dedicated experts deployed on site, focussed on the treatment of the TBM slurry, enabling effective dewatering, separation and disposal of solid waste and the recirculation of water to the process. Significant potential exists to increase SciDev's offering to this project, including the provision of bespoke MaxiDry® chemistry and equipment.

The Metro Tunnel Project in Melbourne is Victoria's largest public transport project which will transform the way people move around Melbourne. It is scheduled for completion in 2025. The consultative approach SciDev is taking with this project has resulted in an invitation to participate in a similar project commencing later in CY2020 with a broader remit to include products, services, and equipment.

The company is excited by this development in what was a strategic segment targeted by the Company in late 2019. The Company is currently assessing the best route to market on what it views as a strong growth vertical for the business with accelerated investment in infrastructure globally.

## **Corporate Update**

### **Nuoer Joint Venture**

During the quarter (ref ASX: 27 April 2020) SciDev announced that it had strengthened its strategic relationship with the Nuoer Group through a new joint venture that combines the Nuoer Group's production and manufacturing skills with SciDev's expert technical, marketing and sales capacity to jointly engage on world-wide business development opportunities.

The new joint venture will allow Nouer and SciDev to use their collective strength to actively bid on the growing number of Chinese State-owned operations located outside of the PRC that would normally be off limits to western companies.

Importantly, the existing, binding 2019 heads of agreement between SciDev and the Nuoer Group both remains in place and has been extended in operation, from a jurisdictional perspective. This means that SciDev's exclusive marketing rights in Oceania, secured under the binding 2019 heads of agreement, remain in place and operate outside of the new joint venture. Additionally, the binding 2019 heads of agreement has been extended to cover specific opportunities in North America and Africa.

### *Our people and policies*

SciDev's COVID19 Workplace Policy, developed during the previous quarter, continues to evolve to reflect the Company's ongoing operating environment. The policy is designed to ensure the safety of staff, whilst continuing to deliver bespoke chemistry solutions and professional services in this challenging macroeconomic environment. Post the end of the quarter, SciDev successfully registered as a COVID Safe workplace in NSW.

### *Tartana Resources Limited*

Tartana Resources Limited withdrew its proposed ASX IPO raising in late June 2020. The core assets underpinning Tartana remain sound and Tartana is considering a range of strategies moving forward. Further information will be provided as it comes to hand.

### *R&D, IP and Technology*

SciDev continued to develop inhouse IP during the quarter. Several patent applications have been successful, recognising SciDev's core technology in Europe and other applications currently under review globally. We look forward to updating the market as these initiatives progress.

The Company maintains an ongoing and increasingly favourable 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 provide additional customer solutions and we look forward to updating the market as these initiatives progress.

#### *Quality, Manufacturing and Finance*

During the quarter, the Company continued toward both ISO accreditation and NSF certification. Both projects are critical to the Company entering new export markets and markets where potable water certification is a requirement.

The Company has implemented range of new measures improving its order to cash processes designed to capture its growing commercial activities across several jurisdictions and operating entities. These processes have been reviewed in conjunction with the Company's 30 June 2020 audit process and ensure we are best positioned to execute the Company's growth pipeline moving forward.

#### *Trading Window*

During the quarter a trading window allowed SciDev's Directors and staff to trade SciDev's shares. The Managing Director and Chief Executive Officer Lewis Utting and Non-Executive Director Simone Watt both purchased additional shares on market and Appendix 3Y Notices were lodged. A number of other senior executives including the Company's Chief Financial Officer acquired shares, with some executives reducing shareholdings.

### **Outlook**

Management focus for the 1<sup>st</sup> half of FY2021 will be:

- Continued focus safety amid COVID-19 inclusive of travel requirements
- Focus on cash generation for the September 2020 quarter
- Upgrade Kings Park manufacturing facility to deliver into new contracts
- Continue to progress discussions with strategic technology partners
- Look to build on momentum in the construction sector globally
- Push to close outstanding projects, specifically in Coal and Oil & Gas in North America
- Continue discussions with inorganic acquisition targets specifically in the water sector

Lewis Utting

Managing Director & Chief Executive Officer

This release has been approved by the Board of Directors of SciDev Limited.

### **For Further Information:**

#### **Corporate**

Lewis Utting – MD & CEO

Heath Roberts – Company Secretary

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#### **Investors**

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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 Nuor 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 cash flow report for entities  
subject to Listing Rule 4.7B

<b>Name of entity</b>			
SciDev Limited			
<b>ABN</b>		<b>Quarter ended ("current quarter")</b>	
25 001 150 849		30 June 2020	

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	8,176	17,809
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(5,550)	(15,150)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(1,069)	(2,882)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	3
1.5	Interest and other costs of finance paid	(47)	(90)
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	-	-
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>1,510</b>	<b>(310)</b>

<b>2</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) businesses	-	(871)
	(c) property, plant and equipment	(457)	(618)
	(d) investments	-	-
	(e) intellectual property	(89)	(117)
	(f) other non-current assets	(50)	(51)



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) 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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(596)</b>	<b>(1,657)</b>

<b>3</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	93	5,372
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	6	(300)
3.5	Proceeds from borrowings	187	285
3.6	Repayment of borrowings	(664)	(664)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>(378)</b>	<b>4,693</b>

<b>4</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	3,949	1,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	1,510	(310)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(596)	(1,657)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(378)	4,693
4.5	Effect of movement in exchange rates on cash held	(3)	
4.6	<b>Cash and cash equivalents at end of quarter</b>	<b>4,482</b>	<b>4,482</b>

5	<b>Reconciliation of cash and cash equivalents</b>	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	4,482	3,949
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>4,482</b>	<b>3,949</b>

6	<b>Payments to directors of the entity and their associates</b>	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1 – ordinary remuneration	181
6.2	Aggregate amount of payments to related parties and their associates included in item 2	Nil

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Quarterly cash flow report for entities subject to Listing Rule 4.7B

<b>7</b>	<b>Financing facilities</b> Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	3,529	-
7.2	Credit standby arrangements	574	-
7.3	Other - invoice purchase facilities	5,000	1,461
7.4	<b>Total financing facilities</b>	<b>9,103</b>	<b>1,461</b>
7.5	<b>Unused financing facilities available at quarter end</b>		<b>7,642</b>
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
		%	Maturity date
	<b>Secured</b>		Facility amount \$A'000
	Silicon Valley Bank (California USA) (Revolving credit (Facility Limit USD 2million))	5.75%	26/09/2020
	Kanins International Pty Limited (Australia) (Facility Limit USD 0.35million)	15.00%	1/10/2020
	Apricity Finance Group (Australia) (Invoice purchase facility)	24%	31/7/2020
			<b>5,000</b>
			<b>8,818</b>
	<b>Unsecured</b>		
	Paycheck Protection Program (USA)	1.00%	29/04/2022
			<b>285</b>
			<b>9,103</b>

<b>8</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	1,510
8.2	Cash and cash equivalents at quarter end (Item 4.6)	4,482
8.3	Unused finance facilities available at quarter end (Item 7.5)	7,642
8.4	Total available funding (Item 8.2 + Item 8.3)	12,124
8.5	<b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	Positive quarter
8.6	If Item 8.5 is less than 2 quarters, please provide answers to the following questions:	
	1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	N/A	
	2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	N/A	
	3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
	N/A	

**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.

Date: 14 July 2020

By the Board

Authorised by: .....

(Name of body or officer authorising release – see note 4)

**Notes**

- 1 This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
- 2 If this quarterly cash flow 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 cash flow 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.
- 4 If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
- 5 If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.