



INNOVATIVE SCIENCE • REAL VALUE

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Companies Announcements Office
Australian Stock Exchange

9 October 2019

Quarterly Activities Report: Appendix 4C – September 2019

Q1 FY2020 Highlights

- Record quarterly sales to customers of AUD\$2.28m with cash receipts of AUD\$1.53m
- Three-year MaxiFlox® supply contract (AUD\$8–\$12m) signed with mineral sands major Iluka
- First major order received in oil & gas sector through SciDev US (LLC) AUD\$1.08m
- MaxiFlox® chemistry passes technical milestones in the United States & Canadian oilfields
- MaxiFlox® chemistry qualified with US MoU partner Phoenix with first sales AUD\$0.12m
- Appointed to oversee and support major SE Asian nickel operation on behalf of Nuocer China
- First activity in the construction & infrastructure sector in New South Wales and Victoria
- Key institutional investment received as part of AUD\$4.13m capital raise to support growth

SciDev Ltd (ASX: SDV) ('SciDev' or 'the Company') is pleased to provide its Quarterly Activities Report for the period ended 30 September 2019.

Sales to customers during the quarter were AUD\$2.28m, representing a 93% increase on the June quarter. It should be noted that no sales from the recently signed Iluka contract were invoiced or receipted during the quarter. The first MaxiFlox® product deliveries to Iluka are scheduled for early November 2019.

Cash receipts from customers of AUD\$1.53m were recorded during the quarter, representing a 99% increase on the June quarter. Cash inflow for the period was impacted by Typhoon Lekima delaying the delivery of product from China to our North America partners. The delay in shipping resulted in AUD\$0.7m of receivables being deferred to the December quarter.

The September quarter cash outflows increased (AUD\$1.69m vs AUD\$0.68m in June 2019, product manufacturing and operating costs). The increase in cash spend was driven by inventory purchasing ahead of delivery into our recent contract wins, upfront tariff payment for our North American business activities (\$0.2m) and a final severance payment to SDV's previous MD (\$0.25m).

Despite the large inventory build and one-off payments, the company's cash outflow pre financing was negative AUD\$0.7m. If not for the impact of Typhoon Lekima on the timing of shipments, SDV would have been close to cash breakeven in the September quarter.

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In the June quarter activities report, the company highlighted several operational targets for the September quarter, all of which have been achieved. These milestones are a testament to the SciDev team's ability to deliver. As the company executes recent contract wins, continues to grow organically, we expect to be moving towards a cashflow-positive position in the coming quarters.

Reflecting on Q1 2019, SciDev Managing Director and CEO Lewis Utting said:

'The September quarter was an exceptionally strong and active period for the company. Record revenues reflect the growing level of acceptance of our technology amongst our customers. Importantly, contract wins with Iluka and Phoenix reflect the commercial viability and utilisation of our technology and the ability of the SciDev team to execute technical and commercial evaluations with major customers.'

'The company will continue to work on a variety of new business development opportunities across a range of industries, which will continue to drive growth for the company. The capital raised during the period and extension of the Kanins loan facility provide balance sheet strength and flexibility for the company to continue to achieve our growth ambitions.'

Operational Report

SDV 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 September quarter was an active period for the company, with our team engaged in a range of activities across several sectors in multiple countries.

Mining & Mineral Processing

Mineral Sands

During the quarter the Company signed a major supply contract with Iluka (ref ASX 30 August 2019). After an extensive evaluation period on site, we built a knowledge base enabling the design of bespoke chemistry specifically for the Iluka Jacinth Ambrosia operation. The evaluation period led to a contract for SDV's MaxiFlox® chemistry for an initial three-year period, with the contract expected to deliver AUD\$8–12m over the duration.

Nickel

During the quarter, SDV technical professionals executed several laboratory programs and site processing audits at the Ramu mine in Papua New Guinea on behalf of our strategic partner, Nuocer China. The professional services delivered by SDV for Nuocer China demonstrates the strengthening relationship between the parties in the mineral processing field, with the services set to continue during the term of the Nuocer China supply agreement.

SDV activities at Ramu represent its first entry into the Asian nickel-cobalt market, exercising the Company's unique understanding of difficult ore types and complex processing routes. The laterite nickel processing segment is strategically relevant for SDV and represents one of the largest chemical opportunities in the mining market, with large volume users in Australia, Papua New Guinea, Philippines, New Caledonia and several other regions. Technical programs are planned for the coming quarters with operators in the Asian region.

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Base & Precious Metals

SDV technology was successfully qualified in laboratory-scale testing at both a large-scale gold project in PNG and domestically in Australia, where an order has been placed for full plant evaluations of the Company's MaxiFlox® chemistry. In the case of the PNG operation, the Company is awaiting feedback subsequent to both technical and commercial document submission early in the quarter.

Further technical evaluations were executed in Peru during the quarter at a large-scale copper operation with SDV personnel. Commercial and technical documents are now with the client and the Company expects an update in the coming quarters.

Commissioning of the SDV OptiFlox® system leased to Kemtec Mineral Processing (ref ASX 2 May 2019) was completed at a copper-gold operation in Asia. The trial will commence in line with the mine operational plan in the coming months.

An order was received for SDV MaxiFlox® chemistry for use at an eastern Australian copper producer that requires improved water recovery and density in the processing circuit.

Metallurgical & Thermal Coal

The trial of the OptiFlox® system at a major coal producer in the Bowen Basin is continuing. To further expand on these trials, as recommended by the client, the OptiFlox® system is being transferred to another process where the system will be used to minimise fine coal product losses.

SDV has been active in other areas of the Bowen Basin, with the restart of a large-scale CHPP. SDV is the preferred supplier for both chemicals and equipment while providing paid professional services to support the restart. In addition, SDV has recently secured supply of its MaxiFlox® chemistry to another coal producer in the southern area of the basin.

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

Water

Wastewater

There has been strong development and growth in both the municipal and industrial Water and wastewater treatment sectors. SDV is part of a major national tender with a key industry service provider and recently successfully tested our products in preparation for commercial industrial trials in both NSW and WA.

Other industry service providers have been evaluating our MaxiFlox® technology, with strong leads across NSW and QLD, where industrial trials have been successful and final commercial negotiations are in place. In Victoria, a major country meat producer is in the construction phase of installing a wastewater treatment plant on which SDV MaxiFlox® technology have been tested and confirmed for use during start-up, commissioning and ongoing operations.

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Construction

During the quarter, the company was invited by several new potential clients to support with clay and water management associated with tunnel boring machines (TBM). The treatment of the TBM slurry requires SDV MaxiFlox® technology to enable effective dewatering and separation of the solids in addition to returning clean water. The first industrial trials are scheduled for the December quarter across several sites. The Company looks forward to updating shareholders on what is a new and exciting opportunity to support major infrastructure projects across several states in Australia.

Oil & Gas

Friction Reduction

During the quarter the Company received its first major order for our MaxiFlox® technology into the US oil & gas market (ref ASX 22 July 2019). The field evaluations are complete, and the Company is pleased to announce that the technical hurdles have been exceeded. The technology was fit for purpose at high salt concentrations allowing for clean water to be preserved and process water recycled and reused in the extraction process.

Dewatering & Drilling Fluids

SDV MaxiFlox® technology reached a milestone in the Canadian oil fields as it passed both environmental and performance hurdles at the laboratory scale. Preparations are underway for field-scale evaluations of the technology, which represents a significant market for the MaxiFlox® technology.

The company had continued business into the drilling fluids market across several areas. The sales into this segment have continued to grow and now represent a double-digit percentage of the Company's sales during the quarter.

MoU Partner Phoenix Process Equipment Company

During the quarter, the company signed a Heads of Agreement with Phoenix Process Equipment Company (ref ASX 22 August 2019) following successful validation of the Nuocer-produced chemistry.

The chemistry was qualified in both the oil & gas and mineral processing spaces for use in waste dewatering and water recovery. These applications are core to SDV expertise in the development, production, supply and application of chemistry and process control technology.

The trial order sales into Phoenix this year have been >AUD\$120,000, with these volumes expected to grow over the term of the agreement

Corporate Update

During the quarter a shareholders meeting was held, approving the re-election of Mr Gourlay to the Board and approving an issue of options to Directors of the Company, as part of a broader issue of options to the Board and senior executive team (ref ASX 23 July 2019). The Company released its Preliminary Final Report (ref ASX 30 August 2019) and its Annual Financial Statements (ref ASX 27 September 2019).

During October 2019, the Company issued a prospectus and carried out a heavily oversubscribed placement at \$0.26 per share to raise \$4.16 million in working capital (ref ASX 13 September and 20 September 2019). The placement was anchored by leading Australian fund manager Perennial Value Management.

A Notice of General Meeting was issued (ref ASX 30 September 2019) seeking shareholder ratification of the placement carried out in September and, shortly after the end of the quarter, Mr Trevor Jones, Chairman, exercised \$0.25 options (ref ASX 2 October 2019).

Tartana Resources Limited

Tartana Resources Limited continued to pursue its proposed ASX IPO raising (refer ASX 2 July 2019). On 20 September 2019 Tartana lodged a supplementary prospectus, which had the effect of extending the IPO offer to a new closing date of 21 October 2019. SDV currently holds 19.9% of Tartana and will remain a significant shareholder on completion of the ASX IPO raising.

Cash Position

As at 30 September, the company maintained a net cash position of \$4.9m. The cash position reflects the funds received during the quarter from the capital raise.

Post the end of the quarter the company advised that the 12-month USD\$350,000 loan facility entered into with Kanins International Pty Ltd (Kanins) on 2 October 2018 has been extended for a further 12 months to 2 October 2020.

The combination of our net cash position and debt facilities delivers an exceptionally strong balance sheet for the Company. The balance sheet provides the financial flexibility to deliver on our growth options over FY20.

Outlook

Management focus for the December quarter:

- Commence supply to Iluka at Jacinth Ambrosia and execute technical programs
- Continue our development of opportunities within the civil and construction industry
- Expand our presence within the oil & gas sector, specifically within the USA and Canada
- Continue to grow our relationship with strategic partner, Nuocer China
- Accelerate our initiatives in the Australian wastewater sector
- Further our relationship with US MoU partner
- Build on our momentum with the existing organic growth pipeline
- Continue assessment of non-organic growth opportunities

Lewis Utting
CEO & Managing Director

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For Further Information:

Corporate

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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 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.

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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")

30 September 2019

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
1	Cash flows from operating activities		
1.1	Receipts from customers*	1,532	1,532
1.2	Payments for		
	(a) research and development	-	-
	(b) product manufacturing and operating costs	(1,690)	(1,690)
	(c) advertising and marketing	-	-
	(d) leased assets	-	-
	(e) staff costs	(553)	(553)
	(f) administration and corporate costs	-	-
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	2	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*	(709)	(709)
2	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) property, plant and equipment	(59)	(59)
	(b) businesses (see item 10)	-	-
	(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 \$2.28 million.

+ See chapter 19 for defined terms

1 September 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
	(d) intellectual property	(10)	(10)
	(e) other non-current assets	-	-
2.2	Proceeds from disposal of:		
	(a) property, plant and equipment	0	0
	(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	(69)	(69)
3	Cash flows from financing activities		
3.1	Proceeds from issues of shares	4,160	4,160
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)	(250)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
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	3,910	3,910
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	1,756	1,756
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(709)	(709)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(69)	(69)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	3,910	3,910

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	4,888	4,888

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	4,888	1,756
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)	4,888	1,756

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*	364
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	

* This figure includes a final, non-recurring payment of \$253k to the previous Managing Director Mr Kieran Rodgers, who resigned during the previous quarter.

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	53
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 Nuor Australia Pty Ltd for the purchase of chemical stock. The transaction was on commercial, arms length terms.

8 Financing facilities available
Add notes as necessary for an understanding of the position

	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. Subsequent to the end of the quarter, this loan facility was extended to October 2020.

9	Estimated cash outflows for next quarter	\$A'000
9.1	Research and development	300
9.2	Product manufacturing and operating costs	(3700)
9.3	Advertising and marketing	(30)
9.4	Leased assets	
9.5	Staff costs	(550)
9.6	Administration and corporate costs	
9.7	Other (Receipts from customer)	2878
9.8	Total estimated cash outflows*	(980)

*Estimated net cash outflows of (980) are driven in the main by inventory purchasing ahead of delivery into recent contract wins.

10	Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1	Name of entity		
10.2	Place of incorporation or registration		
10.3	Consideration for acquisition or disposal		
10.4	Total net assets		
10.5	Nature of business		

+ See chapter 19 for defined terms
1 September 2016

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:



(Director)

09102019

Print name:

Lewis Utting

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.