

SciDev Limited
Appendix 4D
Half-year report
1. Company details

Name of entity:	SciDev Limited
ABN:	25 001 150 849
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

			\$
Revenues from ordinary activities	up	382% to	6,118,308
Loss from ordinary activities after tax attributable to the owners of SciDev Limited	down	69% to	(191,233)
Loss for the half-year attributable to the owners of SciDev Limited	down	69% to	(191,233)

Dividends

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

Comments

The loss for the consolidated entity after providing for income tax amounted to \$191,233 (31 December 2018: \$626,681).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>5.61</u>	<u>3.22</u>

4. Control gained over entities

Name of entities (or group of entities)	ProSol Australia Pty Limited
Date control gained	28 November 2019

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.

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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 qualification or review

Details of audit/review dispute or qualification (if any):


The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

11. Attachments

Details of attachments (if any):

The Interim Report of SciDev Limited for the half-year ended 31 December 2019 is attached.

12. Signed

Signed  _____

Lewis Utting
Managing Director & Chief Executive Officer

Date: 25 February 2020

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SciDev Limited

ABN 25 001 150 849

Interim Report - 31 December 2019

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Directors	Trevor A Jones - Chairman Lewis E Utting - Managing Director Simone Watt - Non-executive Director Jon Gourlay - Non-executive Director
Company secretary	Heath L Roberts
Registered office	C/-Boardroom Pty Limited Level 12, Grosvenor Place 225 George Street, Sydney NSW 2000 Phone: 1300 737 760
Principal place of business	Unit 1 8 Turbo Road Kings Park NSW 2148 Phone: (02) 9622 5185
Share register	Boardroom Pty Limited Level 12 225 George Street, Sydney NSW 2000 Phone: 1300 737 760
Auditor	Rothsay Chartered Accountants Level 12 O'Connell Street Sydney NSW 2000
Stock exchange listing	SciDev Limited shares are listed on the Australian Securities Exchange (ASX code: SDV)
Website	www.scidev.com.au
Corporate Governance Statement	www.scidev.com.au/corporate-governance

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SciDev Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

The following persons were directors of SciDev Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Trevor A Jones - Chairman
Lewis E Utting - Managing Director
Simone Watt - Non-executive Director
Jon Gourlay - Non-executive Director

Principal activities

The principal activity of the consolidated entity is delivery of process control and chemistry products for solids-liquids separation.

Dividends

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

Review of operations

Revenue for 1H FY20 of AUD\$6.12 million (1H19: AUD\$1.3 million) reflecting contract wins across the business, the initiation of several MaxiFlox® chemistry trials, one month's supply into major contract win with Iluka and revenue from ProSol Australia.

The loss for the consolidated entity after providing for income tax amounted to \$191,233 (31 December 2018: \$626,681).

Cash receipts of AUD\$3.8 million (1H19: AUD\$1.2 million), with receivables of AUD\$3.66 million and payables of AUD\$3.38 million.

Net cash outflows from operations increased to -AUD\$2.53 million. The increase in cash outgoings was attributable to a product inventory build AUD\$2.32 million of inventory at hand at the end of the quarter allowing the consolidated entity to deliver on recent contract wins. The build in inventory will provide a seamless engagement of chemical supply into recent contract wins and the consolidated entity expects that inventory levels will normalise as commercial activity reaches a steady state. Net cash at the end of the period was AUD\$3.07 million.

Gross profit margins for the period were 30.3% as larger volume supply opportunities materialised. Margins were elevated given the portfolio mix and higher level of professional services revenue booked in the quarter, plus one-off equipment sales. As the business mix of the consolidated entity changes, long term gross profit margins are anticipated to normalise <30%.

Significant changes in the state of affairs

The acquisition of ProSol Australia Pty Ltd was completed on 28 November 2019.

There were no other significant changes in the state of affairs of the consolidated entity during the financial half-year.

Matters subsequent to the end of the financial half-year

On 2 January 2020, SciDev Limited announced that it entered into a binding heads of agreement to acquire Highland Fluid Technology Inc (Highland), a US domiciled private company.

No other matter or circumstance has arisen since 31 December 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.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Lewis Utting
Managing Director & Chief Executive Officer

25 February 2020
Sydney

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ROTHSAY

CHARTERED ACCOUNTANTS

AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To the members of SciDev Limited and Controlled Entities

As lead auditor for the review of SciDev Limited and Controlled Entities for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in relation to SciDev Limited and the entities it controlled during the half-year.

Rothsay Chartered Accountants



Frank Vrachas

Partner

Sydney, 25 February 2020

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SciDev Limited
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General information

The financial statements cover SciDev Limited as a consolidated entity consisting of SciDev Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in Australian dollars, which is SciDev Limited's functional and presentation currency.

SciDev Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

C/- Boardroom Pty Limited
Level 12
225 George Street
Sydney
NSW 2000

Principal place of business

Unit 1
8 Turbo Road
Kings Park
NSW 2148

A description of the nature of the consolidated entity's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 25 February 2020.

SciDev Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

		Consolidated	
	Note	31 Dec 2019	31 Dec 2018
		\$	\$
Revenue	2	6,118,308	1,269,653
Other income	3	31,148	332,981
Interest revenue calculated using the effective interest method		2,331	12,701
Expenses			
Changes in inventories, and raw materials and consumables used		(4,264,671)	(725,333)
Employee benefits expense		(739,796)	(539,803)
Depreciation and amortisation expense		(137,627)	(86,180)
Engineering and other consultants expenses		(114,304)	2,500
Foreign exchange losses		(3,496)	-
Insurance		(42,628)	(20,289)
Listing and share registry expenses		(98,656)	(46,784)
Professional fees		(404,336)	(390,141)
Rent and related expenses		(43,372)	(109,942)
Travel, accommodation and conference		(159,749)	(118,243)
Other expenses		(299,252)	(175,391)
Finance costs		(35,133)	(4,316)
Loss before income tax expense		(191,233)	(598,587)
Income tax expense		-	(28,094)
Loss after income tax expense for the half-year attributable to the owners of SciDev Limited		(191,233)	(626,681)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		(106,918)	-
Other comprehensive income for the half-year, net of tax		(106,918)	-
Total comprehensive income for the half-year attributable to the owners of SciDev Limited		<u>(298,151)</u>	<u>(626,681)</u>

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 31 December 2019

		Consolidated	
	Note	31 Dec 2019	30 June 2019
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		3,076,586	1,756,209
Trade and other receivables	4	3,664,384	806,099
Inventories	5	2,682,575	264,325
Other		-	22,679
Total current assets		<u>9,423,545</u>	<u>2,849,312</u>
Non-current assets			
Financial assets at fair value through other comprehensive income	6	1,502,900	1,502,900
Property, plant and equipment	7	579,249	303,454
Intangibles	8	2,338,514	1,246,299
Total non-current assets		<u>4,420,663</u>	<u>3,052,653</u>
Total assets		<u>13,844,208</u>	<u>5,901,965</u>
Liabilities			
Current liabilities			
Trade and other payables	9	3,384,157	1,009,529
Contract liabilities	10	242,347	-
Lease liabilities	11	39,672	-
Employee benefits		63,995	155,276
Provisions	12	313,500	-
Total current liabilities		<u>4,043,671</u>	<u>1,164,805</u>
Non-current liabilities			
Lease liabilities	13	48,782	-
Deferred tax		35,986	35,986
Employee benefits		-	2,153
Total non-current liabilities		<u>84,768</u>	<u>38,139</u>
Total liabilities		<u>4,128,439</u>	<u>1,202,944</u>
Net assets		<u>9,715,769</u>	<u>4,699,021</u>
Equity			
Issued capital	14	82,214,688	76,899,789
Reserves	15	2,103,785	2,210,703
Accumulated losses		(74,602,704)	(74,411,471)
Total equity		<u>9,715,769</u>	<u>4,699,021</u>

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

SciDev Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	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 half-year	-	-	(626,681)	(626,681)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(626,681)	(626,681)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs	414,663	-	-	414,663
Balance at 31 December 2018	<u>74,533,290</u>	<u>2,210,703</u>	<u>(73,005,625)</u>	<u>3,738,368</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2019	76,899,789	2,210,703	(74,411,471)	4,699,021
Loss after income tax expense for the half-year	-	-	(191,233)	(191,233)
Other comprehensive income for the half-year, net of tax	-	(106,918)	-	(106,918)
Total comprehensive income for the half-year	-	(106,918)	(191,233)	(298,151)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 14)	5,314,899	-	-	5,314,899
Balance at 31 December 2019	<u>82,214,688</u>	<u>2,103,785</u>	<u>(74,602,704)</u>	<u>9,715,769</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 half-year ended 31 December 2019

Note	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Cash flows from operating activities		
	3,818,376	1,245,415
Receipts from customers (inclusive of GST)		
	(6,311,163)	(2,254,715)
Payments to suppliers and employees (inclusive of GST)		
	(2,492,787)	(1,009,300)
Interest received	2,331	12,701
R&D tax offset received	-	332,981
Interest and other finance costs paid	(35,133)	(4,316)
Income taxes paid	-	(32,199)
Net cash used in operating activities	(2,525,589)	(700,133)
Cash flows from investing activities		
	(926,438)	-
Payment for purchase of business, net of cash acquired	16	
Payments for property, plant and equipment	7	(64,494)
Payments for intangibles	8	(23,781)
Proceeds from disposal of Zeehan Project		50,000
Net cash used in investing activities	(1,115,950)	(38,275)
Cash flows from financing activities		
	4,972,899	414,663
Proceeds from issue of shares	14	
Proceeds from borrowings		73,007
Repayment of borrowings	(10,983)	(5,730)
Net cash from financing activities	4,961,916	481,940
Net increase/(decrease) in cash and cash equivalents	1,320,377	(256,468)
Cash and cash equivalents at the beginning of the financial half-year	1,756,209	568,187
Cash and cash equivalents at the end of the financial half-year	<u>3,076,586</u>	<u>311,719</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Leases

The consolidated entity has applied AASB 16 'Leases' from 1 July 2019 using the modified retrospective approach where the right-of-use asset is recognised at the date of initial application at an amount equal to the lease liability, using the consolidated entity's current incremental borrowing rate and comparative information has not been restated. This means comparative information is still reported under AASB 117 and Interpretation 4.

Accounting policy applicable from 1 July 2019

For any new contracts entered into on or after 1 July 2019, the consolidated entity considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the consolidated entity assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the consolidated entity
- the consolidated entity has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract
- the consolidated entity has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the consolidated entity recognises a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the consolidated entity, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The consolidated entity depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The consolidated entity also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the consolidated entity measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the consolidated entity's incremental borrowing rate.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The consolidated entity has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets and lease liabilities are separately disclosed.

Note 1. Significant accounting policies (continued)

Accounting policy applicable before 1 July 2019

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

New or amended Accounting Standards and Interpretations adopted

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.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 16 Leases

The consolidated entity has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' along with three interpretations (Interpretation 4 'Determining whether an Arrangement contains a Lease', Interpretation 115 'Operating Leases-Incentives' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the consolidated entity recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting AASB 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the consolidated entity has elected to apply the definition of a lease from AASB 117 and Interpretation 4 and has not applied AASB 16 to arrangements that were previously not identified as lease under AASB 117 and Interpretation 4.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the consolidated entity has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

On transition to AASB 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under AASB 16 was 6%.

The recognised right-of-use asset relates to a property lease and was measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that recognised in the statement of financial position as at 30 June 2019.

SciDev Limited
Notes to the financial statements
31 December 2019

Note 1. Significant accounting policies (continued)

The effect of adoption of AASB 16 as at 1 July 2019 (increase/(decrease)) is as follows:	\$
Assets:	
Property, plant and equipment	99,437
	-
Liabilities:	
Lease liabilities	(99,437)
Total adjustment to retained earnings	<u>-</u>

Note 2. Revenue

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
<i>Sales revenue</i>		
Treatment fees and product sales	6,082,916	1,136,211
<i>Other revenue</i>		
Other revenue	35,392	133,442
Revenue	<u>6,118,308</u>	<u>1,269,653</u>

Note 3. Other income

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Net foreign exchange gain	31,148	-
Subsidies and grants	-	332,981
Other income	<u>31,148</u>	<u>332,981</u>

Note 4. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Trade receivables	3,619,584	779,210
Other receivables	44,800	26,889
	<u>3,664,384</u>	<u>806,099</u>

Note 5. Current assets - inventories

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Stock on hand - at cost	<u>2,682,575</u>	<u>264,325</u>

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Note 6. Non-current assets - financial assets at fair value through other comprehensive income

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Unlisted equity securities	1,502,900	1,502,900

* 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.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Plant and equipment - at cost	1,064,928	748,552
Less: Accumulated depreciation	(560,717)	(462,286)
	<u>504,211</u>	<u>286,266</u>
Office equipment - at cost	50,954	50,954
Less: Accumulated depreciation	(36,749)	(33,766)
	<u>14,205</u>	<u>17,188</u>
Right of use asset - at cost	99,437	-
Less: Accumulated depreciation	(38,604)	-
	<u>60,833</u>	<u>-</u>
	<u><u>579,249</u></u>	<u><u>303,454</u></u>

Reconciliations

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

Consolidated	Plant and equipment \$	Office equipment \$	Right of use asset \$	Total \$
Balance at 1 July 2019	286,266	17,188	-	303,454
Additions	161,399	-	-	161,399
Additions through business combinations (note 16)	143,188	-	-	143,188
Recognition of right of use asset	-	-	99,437	99,437
Depreciation expense	(86,642)	(2,983)	(38,604)	(128,229)
Balance at 31 December 2019	<u>504,211</u>	<u>14,205</u>	<u>60,833</u>	<u>579,249</u>

Right of use asset

The consolidated entity leases land and buildings for its offices and warehouse under agreements of between 1 to 2 years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

The consolidated entity leases office equipment under agreements of less than 2 years. These leases are either short term or low-value, so have been expensed as incurred and not capitalised as right-of-use assets.

Note 8. Non-current assets - intangibles

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Goodwill - at cost	2,103,518	1,030,018
Trade marks and intellectual property - at cost	493,984	465,871
Less: Accumulated amortisation	(258,988)	(249,590)
	<u>234,996</u>	<u>216,281</u>
	<u><u>2,338,514</u></u>	<u><u>1,246,299</u></u>

Reconciliations

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

Consolidated	Goodwill \$	Trade marks and intellectual property \$	Total \$
Balance at 1 July 2019	1,030,018	216,281	1,246,299
Additions	-	28,113	28,113
Additions through business combinations (note 16)	1,073,500	-	1,073,500
Amortisation expense	-	(9,398)	(9,398)
Balance at 31 December 2019	<u><u>2,103,518</u></u>	<u><u>234,996</u></u>	<u><u>2,338,514</u></u>

Note 9. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Trade payables	3,259,944	783,397
BAS payable	60,735	52,937
Other payables	63,478	173,195
	<u>3,384,157</u>	<u>1,009,529</u>

Note 10. Current liabilities - contract liabilities

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Contract liabilities	<u>242,347</u>	<u>-</u>

Contract liabilities represent customer payments received in advance of performance.

Note 11. Current liabilities - lease liabilities

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Lease liability	<u>39,672</u>	<u>-</u>

In the previous year, the consolidated entity only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in property, plant and equipment and the liabilities as part of the consolidated entity's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to note 1.

Note 12. Current liabilities - provisions

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Deferred consideration	<u>313,500</u>	<u>-</u>

The deferred consideration provision represents the obligation to pay contingent consideration in connection with the acquisition of ProSol Australia Pty Ltd (refer note 16). It is measured at the present value of the estimated liability.

Note 13. Non-current liabilities - lease liabilities

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Lease liability	<u>48,782</u>	<u>-</u>

In the previous year, the consolidated entity only recognised lease assets and lease liabilities in relation to leases that were classified as 'finance leases' under AASB 117 Leases. The assets were presented in plant and equipment and the liabilities as part of the consolidated entity's borrowings. For adjustments recognised on adoption of AASB 16 on 1 July 2019, refer to note 1.

Note 14. Equity - issued capital

	Consolidated			
	31 Dec 2019	30 June 2019	31 Dec 2019	30 June 2019
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>128,764,464</u>	<u>107,263,157</u>	<u>82,214,688</u>	<u>76,899,789</u>

SciDev Limited
Notes to the financial statements
31 December 2019

Note 14. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	107,263,157		76,899,789
Share placement	20 September 2019	16,000,000	\$0.26	4,160,000
Options exercised	3 October 2019	100,000	\$0.25	25,000
Options exercised	3 October 2019	200,000	\$0.25	50,000
Options exercised	3 October 2019	2,250,000	\$0.25	562,500
Options exercised	1 November 2019	200,000	\$0.25	50,000
Options exercised	19 November 2019	500,000	\$0.25	125,000
Options exercised	19 November 2019	50,000	\$0.25	12,500
Shares issued to service provider	19 November 2019	192,307	\$0.26	50,000
Options exercised	19 November 2019	650,000	\$0.25	162,500
Shares issued to acquire ProSol Australia Pty Ltd	25 November 2019	684,000	\$0.50	342,000
Options exercised	13 December 2019	675,000	\$0.12	81,000
Share issue expenses		-	\$0.00	(305,601)
Balance	31 December 2019	<u>128,764,464</u>		<u>82,214,688</u>

Share placement and shares issued to service provider

On 20 September 2019 SciDev Limited announced the placement of 16,000,000 new ordinary shares with local institutional and sophisticated investors at an issue price of \$0.26 per share. The funds from the placement were predominantly used to increase inventory, continue development of the consolidated entity's OptiFlox and MaxiFlox technology, and increase working capital. The company issued 192,307 ordinary shares to the advisor assisting with the placement for services rendered.

Shares issued to acquire ProSol Australia Pty Ltd

On 28 November 2019 SciDev Limited issued 684,000 ordinary shares at \$0.50 per share to acquire ProSol Australia Pty Ltd (refer note 16).

Note 15. Equity - reserves

	Consolidated	
	31 Dec 2019	30 June 2019
	\$	\$
Foreign currency reserve	(106,918)	-
Share-based payments reserve	2,855,902	2,855,902
Transactions with non-controlling interests	(645,199)	(645,199)
	<u>2,103,785</u>	<u>2,210,703</u>

Note 16. Business combinations

Acquisition of ProSol Australia Pty Limited

The fair values of the identifiable intangible assets associated with the acquisition of ProSol Australia Pty Limited have been determined provisionally at 31 December 2019, because the acquisition was completed late in the period. The consolidated entity is currently obtaining the information necessary to finalise its valuation.

The directors have provisionally determined the consideration for the acquisition of ProSol Australia Pty Ltd of \$1,583,513, consisting of equity in the consolidated entity of \$342,000, a cash payment of \$928,013 and contingent consideration of \$313,500. Net assets on acquisition have provisionally been determined at \$510,013.

SciDev Limited
Notes to the financial statements
31 December 2019

Note 17. Events after the reporting period

On 2 January 2020, SciDev Limited announced that it entered into a binding heads of agreement to acquire Highland Fluid Technology Inc (Highland), a US domiciled private company.

No other matter or circumstance has arisen since 31 December 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 18. Earnings per share

	Consolidated	
	31 Dec 2019	31 Dec 2018
	\$	\$
Loss after income tax attributable to the owners of SciDev Limited	<u>(191,233)</u>	<u>(626,681)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>118,065,887</u>	<u>62,303,740</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>118,065,887</u>	<u>62,303,740</u>
	Cents	Cents
Basic earnings per share	(0.16)	(1.01)
Diluted earnings per share	(0.16)	(1.01)

Note 19. Share-based payments

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

These options form part of a broader option issue to the Board and senior executives totalling 5,350,000 options in total; refer to ASX announcement dated 16 August 2019.

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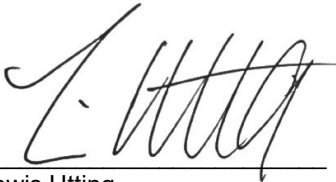
SciDev Limited
Directors' declaration
31 December 2019

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Lewis Utting
Managing Director & Chief Executive Officer

25 February 2020
Sydney

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SCIDEV LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT

To the Members of SciDev Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year consolidated financial report of SciDev Limited, which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising summary of significant accounting policies and other explanatory information, and the directors' declaration comprising SciDev Limited and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of SciDev Limited are responsible for the preparation of the consolidated half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SciDev Limited ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



SCIDEV LIMITED

INDEPENDENT AUDITOR'S REVIEW REPORT (continued)

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SciDev Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SciDev Limited is not in accordance with the *Corporations Act 2001* including:

- giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Rothsay Chartered Accountants

Frank Vrachas
Partner

Sydney, 26 February 2020

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